WWF European Policy Office
168 avenue de Tervurenlaan
Box 20
1150 Brussels
Belgium

Tel: +32 2 743 8800
Direct: +32 2 740 0937
Fax: +32 2 743 8819
snicholson@wwfepo.org
www.wwf.eu

Response to GREEN PAPER

EU Development Policy in support of inclusive growth and sustainable development

Increasing the impact of EU development policy

WWF is a global environmental organisation with over 5,000 staff active in over 100 countries and over 4 million supporters worldwide. WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which people live in harmony with nature. WWF has developed extensive experience of natural resource management and addressing the drivers of environmental degradation as a result of nearly fifty years of field and advocacy activities. We work in partnership with local communities, other civil society organisations, governments, intergovernmental agencies and the private sector on issues relevant to sustainable development including freshwater, biodiversity, climate change, energy, forests, marine and fisheries management, pollution, sustainable consumption and commodities.

The WWF European Policy Office is registered on the European Commission's Register of Interest Representatives: 1414929419-24

In this paper, our comments and recommendations focus predominantly on the sections of the Green Paper covering sustainable development, climate change, environment, biodiversity, energy, agriculture and food security, therefore addressing the following objectives:

- how to promote sustainable development as a driver for progress, and
- how to achieve durable results in the area of agriculture and food security

WWF for a living planet®

KEY POINTS

- The EU's priority and added value in development cooperation should be to promote, and invest in, equitable and sustainable development.
- The achievement of the MDGs is threatened by environmental degradation, loss of biodiversity and the impacts of climate change. The current loss of ecosystem services costs the global economy some €50 billion annually.
- The EU should take a twin track approach to the environment in development cooperation. Targeted interventions and support to address global challenges and drivers of unsustainable development along with a systematic and strengthened approach to mainstreaming environmental issues in development cooperation.
- Policy coherence for development is a critical tool to increase the value and effectiveness of EU development cooperation and one to which partner governments and civil society organisations can contribute particular knowledge of the EU's impact.
- Policy coherence for development also entails addressing the EU's demand for, and consumption of, natural resources in terms of sustainability and resource efficiency.
- Finance for climate change mitigation and adaptation in developing countries should not be at the expense of other human development priorities but should be additional to EU ODA pledges towards 0.7%.
- Innovative sources of financing for climate change, biodiversity and other global public goods should be explored and established by the EU as soon as possible, including from international aviation and shipping and the potential for a financial transaction tax.
- Given the strong synergies between ecosystem health, biodiversity and climate change adaptation and mitigation, climate finance can be effectively and efficiently invested in ecosystems and biodiversity, where aligned with national priorities.
- The EU should take an integrated water resource management approach in its support to projects and programmes to ensure their long term sustainability and effectiveness.
- Sustainable agriculture requires new approaches to land and water use planning, maximising the potential of smallholders and sustaining the ecosystem services which underpin agriculture and food security. However it is also critical to address unsustainable consumption in Europe.
- Future EU Fisheries Partnership Agreements should be consistent with, or contribute to, the poverty eradication, food security and development priorities of coastal states.
- Ensuring access to energy for the poor would entail a modest increase in global CO_2 emissions which could be more than compensated by increased attention to energy savings and energy efficiency in developed countries, including Europe.

WWF for a living planet®

Inclusive growth and sustainable development

The current narrative about inclusive growth should be refocused on "equitable and sustainable development" which can bring about long term poverty alleviation without undermining the natural resource base and degrading the environment. Resource scarcity will become an increasing challenge for development policy, economic growth, peace and security. The EU should aim for equitable and sustainable development which supports human development in a carbon and natural resource-constrained world. This would imply the fair distribution of the assets and resources needed to satisfy human needs for a decent quality of life and measures to achieve the realisation of human rights. At present Gross Domestic Product (GDP) is the primary measure of development and growth. However, GDP does not incorporate the quality of growth, equity issues, social justice, environmental costs or the status of the natural environment. A new development paradigm should embrace a decent quality of life for all within ecological limits whilst keeping development options open for future generations.

Sustainable development remains a fundamental objective of the European Union under the Lisbon Treaty. Furthermore, the Treaty confirms that development cooperation policy shall have as its primary objective the reduction, and in the long term, the eradication of poverty in the context of sustainable development. As noted by the European Council in December 2009[1], in terms of institutional issues, the EU Sustainable Development Strategy will continue to provide a long-term vision and constitute the overarching policy framework for all Union policies and strategies.

The EU has made ambitious commitments to support least developed countries on many global environmental issues, including climate change and biodiversity. It has therefore to propose European answers to these challenges. Given its potential size, climate finance (both for mitigation and adaptation) is of particular importance, but there are other key environmental issues that must be fully taken into account, notably biodiversity loss and water scarcity and pollution. Whilst climate change has become a major focus for the international development community, it is only one of many environmental limits that are being breached.

The EU can have the capacity and influence (that 27 Member States do not have separately) to promote a new development paradigm at the international level, based on a decent quality of life for all people within natural resource limits, avoiding the traps of a short term and narrow minded focus on economic growth which neglects sustainability requirements that are key for the poor and the future of the planet.

Meeting the MDGs and beyond

MDG 7 which aims to ensure environmental sustainability encapsulates a broad array of key environmental issues including biodiversity, air pollution, forests, climate change and fish stocks, clean drinking water, sanitation and improvement of slums. The environment underpins the achievement of all the MDGs.

Ecosystems and biodiversity are the fundamental building blocks on which we all depend for our existence and development. Biological diversity provides food, timber, fibre, fuel, medicine and freshwater but also essential services such as water purification, air and soil quality, pollination, pest control, climate regulation, flood control and protection against natural hazards. While we all depend on natural services, the poor are usually the most vulnerable to environmental degradation, lack of clean water and fertile land, leading to increased hunger, ill health and poverty.

At least 60% of the essential services provided by ecosystems are degraded and used unsustainably[2]. Demands on rivers and groundwater resources for agriculture and industry already use about 90% of the world's freshwater. There are strong links between biodiversity loss and poverty reduction, including meeting the MDGs, and the economic and welfare impacts of biodiversity loss are enormous. For example biodiversity loss is resulting in the disruption of agriculture and a decrease in fish catches. It is estimated that each year

[1] European Council 10/11 December 2009

[2] Millennium Ecosystem Assessment. (2005) Ecosystems and Human Well-being: Biodiversity Synthesis. World Resources Institute, Washington, D.C. http://www.millenniumassessment.org/documents/document.765.aspx.pdf

we lose ecosystem services worth around €50 billion; by 2050 the cumulative loss of ecosystem services could amount to €14 trillion per year undermining economic and social development.[3]

The Millennium Development Goals Report 2009[4] points out that accelerated progress is needed in several areas including giving greater priority to preserving our natural resource base. "*We have not acted forcefully enough – or in a unified way - our fisheries are imperilled; our forests, especially old-growth forests, are receding; and water scarcity has become a reality in a number of arid regions*". The target to reduce biodiversity loss is woefully off track with an overall 30% decline in species populations since 1970,[5] if this trend continues, the functioning of vulnerable ecosystems, and the services they provide, may be severely compromised, with drastic consequences to human societies[6]. Global forest loss is estimated at 13 million hectares a year[7]. Overall deforestation accounts for up to 20% of global greenhouse gas emissions[8] and is a significant contributor to climate change. EU development cooperation should be tackling the causes that trigger and exacerbate poverty – including access to natural resources and participation in decision making about the use of natural resources.

In preparation for the last MDG Review in 2010, the European Commission analysed lessons to be learned from past EU support for the MDGs[9]. One element underlined in the subsequent report is that environmental sustainability needs to be given adequate attention and that the depletion of natural capital resulting from unsustainable management of natural resources is in many ways undermining development efforts. Thus the maintenance of ecosystem services which are important for the poor is crucial for MDG progress and maintaining healthy ecosystems, resistant to stress and avoiding non-reversible damage is necessary for securing economic growth and reaching the MDGS in the face of resource depletion and global environmental challenges.

The EU should also be leading the way in promoting a post-2015 framework for development. A revised framework should tackle the causes and consequences of poverty and have sustainable development at its heart. The 2010 Rio+20 summit is a key opportunity for bringing together the environment, development and climate change agendas in international decision making for sustainable development.

The impacts of climate change are seriously undermining progress on the MDGs and are causing more people to slide into poverty. The 2009 Human Impact Report claims that 300,000 people a year are already dying from climate change impacts and a further 4 billion are vulnerable[10]. Water scarcity, food insecurity, reduced agricultural productivity, floods, the loss of low-lying lands and islands, desertification and the spread of vector-borne diseases are all expected impacts which will put further stress on those people already living in the most vulnerable situations. To avoid dramatic changes in the climate, WWF believes that global temperatures should not exceed more than 1.5°C increase above pre-industrial levels. Governments have so far failed to secure a fair and ambitious legally binding agreement on climate change and countries' pledges on mitigation are inadequate to meet the internationally agreed goal of keeping the world below 2°C average warming; consequently, the economic, social and environmental costs of preventing a long term global disaster are mounting fast.

Well managed natural resources can increase resilience to climate change and improve the lives of the poor. Climate change impacts play out through changes in the environment, such as new patterns in the water cycle. Climate change also exacerbates other stresses such as environmental degradation and pollution. Ecosystems are most resilient when they are intact, healthy and naturally diverse; as such they can help buffer some of the impacts of climate change and support adaptation actions over the long term. This means the careful protection, use and management of ecosystems is vital. Forests for instance can protect

[3] The Cost of Policy Inaction (COPI): the case of not meeting the 2010 biodiversity target, http://ecologic.eu/2363
[4] United Nations (2009) The Millennium Development Goals Report http://www.un.org/millenniumgoals/pdf/MDG_Report_2009_ENG.pdf
[5] WWF (2008) Living Planet Report http://assets.panda.org/downloads/living_planet_report_2008.pdf
[6] UNEP/CBD/SP/PREP/2 November 2009
[7] FAO (2005) Forest Resources Assessment http://www.fao.org/forestry/fra/fra2005/en/
[8] idem
[9] Progress made on the Millennium Development Goals and key challenges for the road ahead, Commission staff working document, SEC(2010)418
[10] Global Humanitarian Forum (2009) Human Impact Report Climate Change: The Anatomy of a Silent crisis www.ghf-geneva.org/Portals/0/pdfs/2009forumreport.pdf

agricultural land and villages from soil erosion and flooding; mangrove swamps provide soft protection to storm surges and coastal erosion. International agreements in the recent Conference of the Parties to the Convention on Biodiversity acknowledge that protecting biodiversity will help slow climate change by enabling ecosystems to store and absorb more carbon and will help people adapt by enhancing the resilience of ecosystems. Thus better protection of biodiversity is a prudent and cost-effective investment in risk reduction.

Environmental integration

The European Consensus on Development[11] recognises environment and the sustainable management of natural resources both as an objective in itself, and also as a cross-cutting issue to strengthen the impact and sustainability of development cooperation. Through the Consensus, the EU has already committed to strengthen its approach to mainstreaming including through capacity, dialogue, and technical support. Mainstreaming environment in development cooperation and external actions implies taking full account of the management of natural resources, biological diversity, climate and associated ecosystem services in plans, programmes, policies and sectoral and regional priorities.

Mainstreaming for Aid effectiveness – Environmental sustainability, along with gender equality and human rights, is a cross cutting issue for aid effectiveness. The Accra Agenda for Action[12] emphasises that these issues are cornerstones to achieve enduring impact on the lives and potential of poor women, men and children and it is vital that all policies address these issues in a more systematic and coherent way. Within EU policy, these issues are essential to the achievement of the MDGs and should be mainstreamed through development policy and programming. Mainstreaming is not an end in itself but the means to achieve socially just, economically sustainable and environmentally sound development.

Mainstreaming cannot be a one-off exercise during programming or planning but has to be maintained. In the context of the environment, it is often the case that environmental departments or agencies in many partner countries are amongst the weakest and most poorly resourced. The strengthening of institutional capacity in national and local governments for environmental management will support not only the integration of environment at the planning, programming and budgeting stages but also the development of environmental policies, legislation and good environmental management on a regular and sustained basis.

Since the consequences of climate change are no longer avoidable, adapting to the adverse impacts of climate change is not a choice but a necessity for an increasing number of people and societies. As well as new, additional and targeted resources for climate change adaptation, most donors are exploring measures to mainstream climate change within development programming. Such efforts should be more than risk-proofing development programmes against the impacts of climate change but should approach the issue of how to ensure aid activities, development policies and external actions reduce vulnerability to climate change. Programmes that invest in the sustainable management of natural resources and enhancing the resilience of ecosystems will provide a stronger basis for adaptation now and in the future. This is particularly important for the local communities that rely most directly on the natural resources and ecosystem services for their health and livelihoods and are the most vulnerable, including women and children.

Again, in the context of climate change, addressing all the cross cutting themes together - environmental sustainability, gender equality, human rights and HIV/AIDs etc – offers opportunities for synergies rather than trade-offs and reduces vulnerabilities to external shocks.

The European Council in June 2009 called upon the Commission to prepare an ambitious EU wide environment integration strategy to be presented to the Council in late 2011. It also proposed the establishment of an appropriate framework, consisting of the Commission and Member States, to prepare and monitor the implementation of the EU approach to environmental integration, ensuring consultations with relevant civil society actors. A new EU strategy for the integration of environment into development cooperation should therefore be in place by the end of 2011 providing the ideal opportunity to strengthen

[11] The European Consensus on Development (2006/C 46/01)
[12] Accra Agenda for Action, 3rd High Level Forum on Aid Effectiveness, Accra, September 2008

mainstreaming and to include recent and critical commitments for the international environment that have been made by the EU since the last integration strategy in 2001.

A twin-track approach:

At the same time, targeted support for the environment and the provision of global public goods will be required for clearly identified problems which may be of a transboundary nature or where support is needed to tackle drivers of environmental degradation and the loss of ecosystem services. The existence of multilateral environmental agreements (MEAs) to which the majority of governments worldwide have signed up, demonstrates the universal understanding of the value of environmental resources and a healthy environment for economic development and human wellbeing. Through both geographic and thematic programming, the EU could support implementation of MEAs where support is identified and required by partner countries.

Valuing Natural Capital:

Natural capital constitutes a quarter of total wealth in low-income countries according to the World Bank.[13] The utilisation of tools such as natural resource accounting and strategic environmental assessments can highlight the benefits of functioning and healthy natural systems and the negative economic costs of degrading the environment.

For example, potential damage from storms, coastal and inland flooding and landslides can be considerably reduced by a combination of careful land-use planning and maintaining or restoring ecosystems to enhance buffering capacity. Planting and protecting nearly 12,000 hectares of mangroves would cost USD1.1 million but would save annual expenditures on seawall maintenance of USD7.3 million[14]. Mangroves also provide for other human needs such as breeding grounds for fish.

Use of Strategic Environmental Assessments:

Policy appraisal tools such as Strategic Environmental Assessments can help give environmental considerations due weight in strategic decision making. The European Consensus notes the need to systematically strengthen the use of such tools to support mainstreaming and the experience gained so far by both developed and developing country governments indicates their value in making development choices at the policy, programme, and plan or sector level both nationally and regionally.[15]

The 2005 Paris Declaration already includes a section on promoting a harmonised approach to environmental assessments which provides opportunities to take forward some of the approaches mentioned above. For example, the use of strategic environmental assessments and the development of capacity at a national level.

"41. Donors and partner countries jointly commit to:

- *Strengthen the application of EIAs and deepen common procedures for projects, including consultations with stakeholders; and develop and apply common procedures for "strategic environmental assessment" at the sector and national levels.*
- *Continue to develop the specialised technical and policy capacity necessary for environmental analysis and for enforcement of legislation.*

42. Similar harmonisation efforts are also needed on other cross-cutting issues such as gender equality and other thematic issues including those financed by dedicated funds."

[13] Where is The Wealth of Nations? World Bank, 2006

[14] Brink *et al,* (2009), The Economics of Ecosystems and Biodiversity for National and International Policy Makers – Summary: Responding to the Value of Nature

[15] Applying Strategic Environmental Assessment: Good practice guidance for development cooperation (DAC guidelines and reference series, OECD 2006).

The Paris Declaration on aid effectiveness also highlights that the progress on harmonisation of approaches to environmental assessments needs to be deepened including on addressing the implications of global environmental issues such as climate change, desertification and loss of biodiversity.

Policy Coherence for Development:

Beyond development cooperation, the EU has an impact on development through both its internal and external policies. The EU obligation of policy coherence for development [16] must receive a much stronger emphasis in order to achieve more effective and long lasting results. This implies moving from an individual policy focus to a holistic approach which takes into account the multi-linkages between policy areas and cumulative impacts on partner countries.

Advancing policy coherence should be the collective responsibility of the EU institutions and Member States. Ideally, the President of the European Commission should be responsible within the College of Commissioners for policy coherence for development, supported by the High Representative/Vice-President and by the Commissioner for Development. At the Council level, the High Representative and Foreign Affairs Ministers across the EU should regularly review progress at national and European level on PCD following the example of the European Parliament which has undertaken to monitor this Treaty requirement. A complaints mechanism could be introduced in order to improve accountability, potentially through the existing mechanism of the European Ombudsman.

Importantly, during policy dialogues with partner countries (whether in the context of development cooperation, foreign policy or trade negotiations), the EU should invite opinions and debate on the coherence for development of the EU's own policies as perceived from the experience of the partner country. For example, the dialogues on Forest Law Enforcement, Governance and Trade (FLEGT) have provided opportunities to discuss challenges to the implementation of proposed EU legislation on illegal timber.

The Commission and Member States should ensure that there are sufficient resources available to tackle the PCD work programme including the five current priority "lens" - trade and finance, climate change, food security, migration and security – and to deepen the approach in future to better harness the development potential of its policies.

For example, the current PCD work programme addressing climate change in a development context emphasises the need for a comprehensive approach fully integrating interlinked environmental concerns such as loss of biodiversity, degradation of ecosystems, deforestation, desertification, production and consumption. It also aims to seek synergies between climate change, energy and development policies and facilitate the access of developing countries to low carbon and carbon resilient technologies. At the same time, the EU will need to address its own consumption of natural resources from other parts of the world with the aim of sustainability, resource efficiency and equity. This concept of "joined up" policy making potentially can contribute to EU's leadership in environment and sustainable development as well as ensuring that development objectives such as food security and access to energy can be delivered.

Addressing climate change:

WWF estimates that the new and additional public resources required by developing countries to adopt low-carbon pathways and to adapt to the impacts of change will amount to at least USD160 billion annually on average over a five year period 2013-2017 and rise to around USD 200billion annually by 2020. Only with this amount of public finance will it be possible to leverage the much greater level of private investments required – in the order of USD500 billion to USD1 trillion annually[17]. The need is especially pressing for those

[16] Article 208 of the Treaty requires policy coherence particularly in terms of the policies it implements which are likely to affect developing countries

[17] The Copenhagen Climate Treaty by members of the NGO Community, Version 1.0, 2009

countries and populations most vulnerable to the impacts of climatic disruptions they played little or no role in causing. Support is needed which encourages these countries onto low carbon pathways and enables them to build relevant expertise in emerging low carbon markets. However, in these countries, low carbon development support should not be at the expense of support for immediate development needs, such as primary health care, education, access to energy nor at the expense of further ecosystem degradation (for example unsustainable hydropower development). Building climate resilience and meeting the adaptation needs of vulnerable people, communities and ecosystems should be a priority when allocating climate finance. Funding for climate change should be additional to the already-promised 0.7% ODA, and be long-term, transparent, predictable and responsive to developing country needs and priorities.

Within the context of the Copenhagen Accord, the EU has committed to mobilise, jointly with other developed countries, USD 100 billion annually by 2020 to address the needs of developing countries for climate mitigation and adaptation. This is at the bottom end of the range of estimated costs. Little progress has been made on how these funds can be generated but financing must be found if the world is going to reduce global greenhouse gases to levels that will avoid a climate catastrophe and provide adaptation resources to developing countries for the impacts that are already inevitable.

Innovative sources of finances will be required to create sufficient public funds to cover critical expenditure in the least developed countries and to leverage large scale private capital. Such innovative sources include those which embody the polluter pays principle and provide incentives for mitigation, for example mechanisms for the control of maritime and aviation emissions (which could raise USD24 billion annually[18]) and the auctioning of emissions allowances. However, these sources alone will not generate adequate finance and other sources should be explored such as a tax on financial transactions. A global financial transaction tax of 0.1% could yield between USD410 and USD1060 billion a year[19]. The North-South Institute estimates that a currency transaction tax of just 0.005% on the Euro and British pound would raise USD16.52 annually.[20]

The potential scale and predictability of global transaction taxes is such that the income could be used to provide additional finance for public goods such as climate, biodiversity, poverty eradication and health – global challenges which are closely linked. A financial transaction tax can provide a sound and stable source of revenue to meet the commitments of developed countries towards developing countries if at least half of the revenue generated is earmarked to support global public goods. [21] The EU could make positive progress towards the adoption of a financial transaction tax, perhaps starting with a tax on currency exchanges in the first instance until other regional blocs can be persuaded to come on board with a global and comprehensive financial transaction tax. The expected policy initiatives from the Commission to take forward the taxation of the financial sector must be ambitious and bold enough to respond to both global and European challenges and we hope that the EU as a whole will move forward on this with some urgency.

Reducing Emissions from Deforestation and Degradation (REDD+):

Reducing emissions from deforestation will require sufficient and predictable funding over a long time period as well as appropriate governance frameworks. WWF, alongside many environment and development NGOs, is calling for all REDD+ funds to have social and environmental safeguards in place. REDD+ must not only demonstrably contribute to significant greenhouse gas reductions but must respect and protect the rights of indigenous peoples and local communities while conserving biodiversity. In May 2010 more than 70 countries signed an agreement in Oslo which included social and environmental safeguards. The recent REDD+ agreement in Cancun made some progress but, with funds already flowing, there is a risk that safeguard policies will not be fully implemented. The EU can lead by example by applying the strongest safeguards to all the REDD+ funds it provides, both bilateral and multilateral and promoting the equitable distribution of benefits from REDD+ projects and programmes.

[18] Financing from international aviation and shipping: turning an emissions problem into a revenue opportunity, WWF 2010

[19] European Commission, Innovative financing at a global level, SEC(2010) 409

[20] Schmidt, Rodney; 2007 The Currency Transaction Tax: Rate and Revenue estimates, the North-South Institute

[21] WWF 2010, Financial Transaction taxes for climate change and development
http://assets.panda.org/downloads/wwf_position_paper__ftt_final_nov_2010.pdf

The importance of transparency: The EU should take the lead in ensuring that reporting, tracking and verification of climate finance made available for developing countries is carried out in the most consistent and transparent manner possible. Climate finance commitments must be reported separately from ODA. It is also important to define a common baseline for additionality – over and above which climate finance will be made available as a new, additional and separate commitment to EU ODA pledges. There must also be separate accounting of public and private sector funding. If significant private funding is included in the USD100 billion commitment, private sector flows could easily dwarf the USD100 billion figure and render it meaningless.

The EU should also set standards for regular reporting on the shares of finance for adaptation, mitigation and REDD+, the sources, the channels of finance, the geographical distribution, the use of loans or grants and the concessionality of the former.

Biodiversity:

As the EU-funded study on the economics of ecosystems and biodiversity points out:
"The world has already lost much of its biodiversity. Recent pressure on commodity and food prices shows the consequences of this loss to society. Urgent remedial action is essential because species loss and ecosystem degradation are inextricably linked to human well-being. Economic growth and the conversion of natural ecosystems to agricultural production will, of course, continue. We cannot – and should not – put a brake on the legitimate aspirations of countries and individuals for economic development. However, it is essential to ensure that such development takes proper account of the real value of natural ecosystems. This is central to both economic and environmental management"[22]

President Barroso speaking at the High Level Meeting of the UN General Assembly on 22 September 2010 emphasised "*Our ability to end poverty and hunger and improve child and maternal health depends on the long term availability of fresh water, food, medicine and raw materials that nature provides. We are standing at a crossroads: either we take concerted action to reverse biodiversity loss as soon as possible, or we compromise our own future and that of generations not yet born."*

The UN Convention on Biological Diversity COP outcomes from Nagoya recognised the important links between biodiversity, ecosystems and climate change and invited governments to consider the guidance (set out in Biodiversity And Climate Change, Decision as adopted - Advance unedited version, 02 November 2010) on ways to conserve, sustainably use and restore biodiversity and ecosystem services while contributing to climate change. Climate and biodiversity finance can be effectively and efficiently used to support poverty and biodiversity goals in a holistic manner which aims to ensure that tackling one environmental limit or challenge does not exacerbate another.

The Joint Africa-EU Strategy (JAES) provides an example of this holistic approach. The most recent Communication[23] on the JAES in advance of the Africa-EU Summit 2010 underlines the important role biodiversity and ecosystem services play to combat climate change and environmental degradation. The Great Green Wall for the Sahara supported through the JAES climate change partnership demonstrates the potential links between addressing climate change and reversing environmental degradation and also the strong potential to support rural livelihoods through agriculture and sustainable land use management.

Biodiversity finance:
In Nagoya, the Parties to the Convention also committed to: "By 2020, at the latest, the mobilisation of financial resources for effectively implementing the Strategic Plan 2011-2020 from all sources and in accordance with the consolidated and agreed process in the Strategy for Resource Mobilisation should

[22] Pavan Sukhdev, The Economics of Ecosystems and Biodiversity, Interim Report 2008
[23] 1.5 billion people, 80 countries, two continents, one future, COM(2010)634 final

increase substantially from the current levels." Funding targets will be agreed at the next Conference of the Parties in 2012. Governments are also invited to submit information concerning innovative financial mechanisms with potential to generate new and additional financial resources.

The EU has committed, as part of its 2020 biodiversity target, to step up its contribution to averting global biodiversity loss. Living up to its commitments to developing countries on the resource mobilisation strategy will be an important first step and will need to be reflected in any future development programme as well as in the new Multiannual Financial Perspectives. Innovative financial sources such as financial transaction taxes would also be appropriate mechanisms the EU should investigate to fund its commitments to global public goods such as biodiversity.

Given the synergies between climate change mitigation and adaptation activities and biodiversity and ecosystem health, there is a logical argument that climate finance can be used to fund the protection, restoration and enhancement of ecosystem services and biodiversity where they are prioritised by governments their national planning or by local authorities and local communities for their adaptation activities. For example, support through the Global Climate Change Alliance in Guyana and Tanzania has been invested in mangrove management and natural resource management.

Transparency of reporting is again important to demonstrate where and how donors are responding to their requirements and expectations of international environmental agreements and responding to developing country needs and priorities.

Water resources management:

Global freshwater consumption is doubling every 20 years with agriculture accounting for 70 per cent of the water withdrawals. With increasing demand for animal feed and meat production, the pressure on water resources is growing. The International Panel on Climate Change expects by 2020 an increase of between 75-250 million people suffering from climate-induced water shortages in Africa alone and a potential falloff in rainfed agriculture of up to 50 per cent.

WWF carried out a review of integrated water resource management in EC development programming[24] and found that in spite of strong and repeated commitments to the principles of integrated water resource management, the principles were often absent in EU support for sectors such as water infrastructure, rural development and agriculture putting the effectiveness and sustainability of the project interventions at risk. Throughout its development interventions, the EU should support national and regional integrated water resource management planning to integrate demands, freshwater availability and climate risk into programmatic and sector frameworks. These need to be participatory, gender sensitive, have a clear poverty focus, and be based on sound science.

Food Security and sustainable agriculture: Natural systems and biodiversity are the platform for agriculture. Sustainable agriculture requires new approaches to land and water use planning, maximising the potential of small holders and sustaining the ecosystem services which underpin agriculture and food security. It is also critical to address unsustainable consumption and production patterns. Any food and farming strategy needs to be based on securing the basic human rights of adequate food and good health, and on reducing the global environmental impacts of food production and consumption.[25] An integrated water resource management approach is critical to ensure that the demands for agriculture, industry and domestic needs can be adequately managed from freshwater sources that may be increasingly impacted by climate change.

[24] WWF 2009 Water for Development
http://wwf.panda.org/what_we_do/how_we_work/policy/wwf_europe_environment/initiatives/international_development/international_development_publications/?171981/Water-for-development

[25] WWF (2010) sustainable agriculture: links to international development
http://assets.wwf.org.uk/downloads/wwf_sustainable_agriculture_briefing.pdf

Investments in agriculture should be 'climate smart' and not overexploit ecosystem services acknowledging the findings from IAASTD, The International Assessment of Agricultural Knowledge, Science and Technology for Development. This report stresses that business as usual is not working for the poorest people and intensive agriculture, often for export, continues to cause environmental degradation and stress which will in turn impact most on the rural poor. The IAASTD proposes that low input agro-ecological approaches to agriculture should be given priority. To date donors have been slow to respond to the IAASTD findings.

Policy frameworks and incentives that favour large scale agriculture can hinder the potential contribution which smallholder agriculture can make to food security, to climate change adaptation and mitigation, and to environmental protection. Donors need to work together, and across government departments to ensure that incentives, polices and subsidies that damage the interests of small holders are removed and replaced with mechanisms which support sustainable farming.

Globally 450 million small farms directly support nearly 2 billion people. Despite the importance of these farmers to rural livelihoods and food provision, small holders have been largely ignored by donors and policymakers in recent decades with the focus on export orientated commercial agriculture. As well as being central to food security and poverty reduction, small farms can contribute to protecting valuable ecosystem services, limiting land conversion and both mitigation and adaptation to climate change impacts.

The potential of smallholder farmers to contribute to sustainable agriculture could be increased by targeted donor support, for example:[26]

- Agricultural extension services that encourage the application of low external input practices such as integrated pest management, small scale water storage and drip irrigation, to help increase productivity and have co-benefits for the environment.
- Increased availability of appropriate seeds, inputs, technology, credit, water storage and other infrastructure.
- Broader access to land, water and natural resources, including more clearly-defined tenure and the formal recognition of communal or customary rights when appropriate.
- Access to information and participation in the various policy, planning and governance processes that affect small farmers.

Marine and freshwater fisheries also make an important contribution to health and food security and therefore support to these sectors, policy coherence for development (see fisheries section) and integrated water resource management are essential to maximise the human development aspects of these natural resources.

Marine fisheries: critical for livelihoods and food security. In the seas off West Africa, for example, fisheries generate some USD400 million annually making them a key source of revenue for economic and social development. In Senegal alone, the jobs of over 600,000 men and women depend directly on fishing and fisheries related industries. In the context of policy coherence for development, one of the key opportunities now presents itself in the reform of the EU Common Fisheries Policy. Any future Fisheries Partnership Agreements should be consistent with or contribute to the objectives for poverty reduction and development opportunities identified in Poverty Reduction Strategies, national economic development plans, coastal management plans, and those identified in the EC's country and regional strategies for development cooperation. Funding for coastal states in Fisheries Partnership Agreements could be targeted for developing long term fisheries management and development strategies, strengthening governance and administrative capacity for fisheries management, support for compliance with EU and global trading standards, combating illegal fishing and encouraging cooperation around regional fish stocks.[27]

[26] WWF MPO (2009) Smallholder agriculture and the environment in a changing global context

[27] Reform of the Common Fisheries Policy: WWF's recommendations for the European Union's external fleet, Autumn 2010

Above all, as with the commercial exploitation of any natural resource, transparency of the terms and conditions of Fisheries Partnership Agreements will help to improve governance of the resource and of the end use of the benefits accrued. Comparisons can helpfully be made, and lessons identified, with processes with which the EU is currently involved for forest governance and trade (FLEGT) and extractive industries (EITI).

Energy:
The Green Paper suggests that to improve or provide access to energy for the poor will entail a huge increase in energy consumption with an associated impact on greenhouse gas emissions and the global environment. According to the IEA, UNEP and UNIDO[28], the increase in primary energy demand and CO_2 emissions as a result of meeting the ambitious target of achieving universal access to modern energy services, would be modest. "In 2030, global electricity production would be 2.9% higher and CO_2 emissions would be 0.8% higher compared to a New Policies Scenario". The increase in emissions is small in comparison to the human and development benefits gained and could be more than compensated by increased attention to energy savings and energy efficiency in developed nations, including Europe.

As well as 1.4 billion people without reliable power, another 2.7 billion are dependent upon dirty, polluting, solid biomass and coal for cooking and heating, killing twice as many people annually than malaria. Solutions include the provision of highly efficient woodstoves and biogas digesters which can be produced regionally and locally at reasonable costs, and the expanded use of agroforestry.

A combination of approaches to the provision of sustainable energy will be required. For example, evaluations have shown that off-grid renewable energy systems are more economically competitive than conventional energy alternatives. [29] Local capacity for maintenance and operation is essential for the medium to long term benefits to be realised and for the creation of local markets and economic opportunities.

Governance and conflict: Governance of natural resources needs to be strong and effective, to ensure that resources are used sustainably and benefits reach the poor. Good governance of natural resources underpins wealth creation at national and household levels. The protection and management of forests, freshwater, soils, coasts and the seas requires effective governance which involves the users of these resources as well as civil society, local and national governments and the private sector. Where there is weak environmental governance conflict can be the result. UNEP estimate that 40% of all intrastate conflicts since 1960 have a link to natural resources. Climate change is increasing the likelihood of conflict over key environmental resources, particularly fresh water**.**

Governance and the private sector: For the private sector to be a genuine contributor to poverty reduction, equitable and sustainable development there must be a policy environment in place that encourages responsible finance and activity and addresses market failures such as the externalisation of environmental costs. Social and environmental safeguards should be of the highest standard with mechanisms for complaints and corrective actions. There will be instances of development and environment sectors where private capital is unlikely to be forthcoming or suitable – human rights, democracy, health, some adaptation to climate – or where governance conditions are not conducive to attracting, maintaining and using private sector investment for the national benefit particularly in the natural resources sectors.

The EU should also support developing countries to establish tools to mobilise domestic resources effectively, including through tackling capital flight, corporate tax evasion and avoidance, transfer pricing. The EU should champion the creation of a global multilateral information exchange and a country by country financial reporting standard for multinational corporations.

[28] World Energy Outlook 2010
[29] Sustainable Energy for Equitable Development, Contribution to the World Bank Group's Energy Strategy Review and Development, Bank Information Center April 2010

Environmental and social safeguards:

The EU should show leadership through the operations of the European Investment Bank and the European Bank for Reconstruction and Development to ensure adherence to the strongest environmental criteria and social safeguards and ensure that the operations of international financial institutions, where EU member states are shareholders and major contributors, are regularly and independently reviewed. Development activities should also be screened to ensure they are not exacerbating climate change and will also be resilient to climate impacts.

Participation of civil society:

Civil society is an important stakeholder and actor in sustainable development and has a critical role in the development process both with donors and partner governments. Civil society can provide expertise and knowledge to contribute to the planning of development activities, outreach to other sectors of society and grassroots organisations, empowerment and voice to marginalised groups and play a watchdog and advocacy role. In terms of development effectiveness, civil society groups can provide a critical function in holding governments and donors to account for their expenditure and activities. In terms of environmental governance, the monitoring by civil society of the extraction, use and management of natural resources can encourage sustainability and transparency in the collection and use of revenues.

Therefore the EU should enhance the participation of civil society organisations in the decision-making processes for EU development cooperation, including in the reviews and evaluations and earmark funds specifically for civil society organisations to bring their particular added value to development, including the strengthening of policy and advocacy capacity.

Donor harmonisation and aid effectiveness:

The current financial contributions of the European Member States to the bilateral and multilateral funding mechanisms set up to address global environmental challenges should be systematically assessed to strengthen the coherence of the European response. Assessments should provide clearer guidance and distinction between the different types of financial mechanisms appropriate to the requirements of the major environmental conventions and in the context of development policy objectives.

In the division of labour amongst EU donors, the requirement for the mainstreaming of cross cutting issues, such as environmental sustainability, gender and human rights, should not be neglected. Therefore donors should put in place shared mechanisms to ensure effective mainstreaming.

17.01.2011

Contact:
Sally Nicholson
WWF European Policy Office, Brussels
snicholson@wwfepo.org