Development Cooperation for Sustainable Development
An Institutional Snapshot

Overview

The lead-up to the United Nations Conference on Sustainable Development (Rio+20), in June 2012, has resulted in a renewed focus on sustainable development by many global institutions. The Global Panel on Sustainability highlighted that sustainable development is not a destination, but a dynamic process of adaptation, learning and action that recognises and understands the need to act on interconnections between the economy, society and the natural environment[i]. It is this process that institutions for development cooperation have been focusing on. However with increasingly powerful drivers of change, such as resource scarcity, demographic change, changes in the global economy, growing inequality and changing political dynamics, the focus of these institutions can often be split between many different priorities. The Panel identified strengthening institutional governance as one of three key areas of action required if sustainable development is to become a reality. It considered the focus should be on improving coherence.

Key points

- Institutions must respond to, and shape, the major changes that will unfold in the long term such as urbanization, climate change, technological innovation, economic growth, shifting social values, changing scarcities for environment and natural assets and changing social dynamics. Institutions thus must be stable, but also capable of changing and adapting, and new institutions may be required.
- Sustainable development was established as a guiding vision for development efforts of all countries at the Rio Summit in 1992. Since this time, development cooperation agencies have strived to address the challenges and barriers to achieving sustainable development.
- A number of international institutions have evolved or been established with the explicit remit of driving the sustainable development agenda forward in development cooperation. Ensuring the coherence of these institutions is an important step towards making sustainable development a reality.
- Gaining a better understanding of the institutional picture will help us improve development cooperation and its contribution to achieving sustainable development. This paper starts to unpack this picture.

The role of institutions

Institutions – a term commonly applied to the rules, organisations and social norms that facilitate coordination of human action[ii] - play a pivotal role in defining sustainable development. There are many different levels, from the local to global level, and many different types, from informal to formal, of institutions that exist and have a role to play in achieving sustainable development.

This background paper focuses exclusively on institutions that have evolved, or have been created, to achieve the common goal of sustainable development through development cooperation. The aim is to inform dialogue on how to strengthening coherence of these development cooperation institutions so that sustainable development can become a reality.

Multilateral institutions

Multilateral institutions are one of the most influential drivers for sustainable development. Taking advantage of their unique position as independent brokers, their global reach and their developmental objectives that coincide with those of sustainable development, they can advocate responsible practices, help develop a conducive environment, finance sustainable development activities and support measures to enhance global accountability. With governments as either shareholders or members of multilateral institutions, civil society and business as a partner with them all, they represent an independent position that enables the voice of all to be heard.

Below are some examples of multilateral institutions that are driving efforts to achieve sustainable development through development cooperation.

The United Nations - has a unique role in supporting global efforts on sustainable development. Its strengths lie in its global membership and values, which confer legitimacy and convening power beyond other international bodies. This allows the United Nations to play a unique normative and catalytic role on complex global issues requiring collective action. This strength is demonstrated through the lead role of the United Nations in forging consensus and harnessing efforts to achieve the Millennium Development Goals and through processes such as the UN Development Group, Delivering as One, where the UN is tyring to improve the coherence and efficiency of its support for countries sustainable development objectives.

An example of where the UN is trying to drive a sustainable development approach can be seen in its work on metrics. Many traditional indicators of development, such as GDP, provide no indication of whether growth is sustainable. The UN System for Environmental and Economic Accounts Central Framework is a single measurement system for economic information on natural resources such as water, minerals, energy, timber, fish, and soil. The Framework was adopted earlier this year as the first international standard for environmental-economic accounting by the United Nations Statistical Commission. However further work is needed to ensure that social issues, the third pillar of sustainable development, are adequately incorporated. It is timely that an internationally comparable tool to measure sustainable development has been agreed in the lead-up to Rio+20.

However challenges remain. Discussions on the UN Institutional Framework for Sustainable Development (IFSD) have been gaining momentum in the lead up to Rio+20. The current IFSD is challenged by a number of issues, including poor integration of the three dimensions of sustainable development and the proliferation of Multilateral Environmental Agreements. In order to adequately address the challenges of sustainable development on a global level, some level of reform is necessary in the UN system.

The Organisation for Economic Development (OECD) - has a number of comparative advantages that can contribute to sustainable development and development cooperation. During the OECD Ministerial Council Meeting, 23-24 May 2012, ministers are expected to endorse the “OECD Strategy on Development”. The strategy will outline a “whole of OECD” approach to development, including contributing to more inclusive growth and sustainable development in the developing world. The Strategy proposes that the OECD seek to help shape the post-2015 agenda, by measuring more multi-dimensional progress towards development objectives. The OECD Development Assistance Committee (DAC) provides oversight on a number of development issues including on statistics, aid effectiveness, governance, the environment and conflict and fragility. Setting the standards for, and monitoring progress of, member countries (including statistical measurements) are key roles for the OECD/DAC. The OECD/DAC has a comparative advantage in monitoring global effectiveness commitments, particularly those which are focused at actions DAC donors need to implement for example through the Creditor Reporting System and its peer review function.

The G20 **-** Representing almost 90% of global GDP and two thirds of the world’s population, the G20 established itself as a key global institution following the 2008-09 global economic crisis. Although focused primarily on guiding macroeconomic policy through reform of international financial regulation and architecture, the G20 has also commented on quality of economic growth required to lead the global recovery: it should be shared, balanced and sustainable. The next G20 Leaders’ Summit (Los Cabos, Mexico, 18-19 June) is expected to further progress that agenda.

This year, Mexico as G20 President has nominated ‘promoting sustainable development, green growth and the fight against climate change’ as one of its five priorities. In light of this priority and broader international efforts on sustainable development, the G20 Development Working Group has adopted a focus on *inclusive* green growth. The concept of ‘inclusion’ reinforces that green growth must benefit low-income countries and the poor, if it is to be considered truly sustainable. Whilst this is an important step forward to a sustainable development paradigm, the G20 is not a representative organisation and is limited in its outreach.

Private sector institutions

The private sector is at the heart of economic growth and development. Business contributes to job creation, delivery of goods and services, trade, social investment, technology transfer, and public revenue generation. Given the growing acknowledgement of its role in development cooperation, it is critical that business be included in any discussion on sustainable development.

Below are some examples of institutions that exist at the private sector level. These institutions, often through public private partnerships, are driving efforts to achieve sustainable development that benefit development co-operation.

The World Business Council for Sustainable Development - is a CEO-led organisation of companies that helps to galvanize the global business community to create a sustainable future for business, society and the environment. Together with its members, the council applies its thought leadership and advocacy to generate constructive solutions and take shared action. Practically this involves developing publications and tools on best practice with input from member organisations and demonstrating that member companies are delivering results.

The United Nations Global Compact (UNCG) - is the largest voluntary corporate responsibility initiative in the world, with over 8,700 corporate participants in more than 130 countries. The Compact supports corporations to align their operations with principles for responsible business, by providing a practical framework for the development of sustainability policies and practices. The Compact is hosting the Rio+20 Corporate Sustainability Forum on 18 June, in the lead-up to Rio+20.

Equator Principles[iii] - are a voluntary set of standards for determining, assessing and managing social and environmental risk in project financing. They were developed by private sector banks in 2003 and represent a significant industry-wide initiative with 74 adopting financial institutions, including ANZ, Barclays, HSBC and Westpac, covering over 70 per cent of international Project Finance debt in emerging markets. The Equator Principles have greatly increased the attention and focus on social/community standards and responsibility, including robust standards for indigenous peoples, labour standards, and consultation with locally affected communities within the Project Finance market. They have also promoted convergence around common environmental and social standards, establishing a foundation for the financial sector to strive to sustainable development.

Financial institutions

Multilateral development banks (MDBs) are international organizations whose mission is to alleviate poverty by supporting and spurring economic development. In the past few decades, environmental and other aspects of sustainability have become important explicit development goals. MDBs function mainly by lending money to developing country governments on concessional terms and by providing technical assistance to help their clients identify and implement needed policy and institutional reforms, investments and projects. Funds may also be provided on a grant basis.

Environmental issues have been on the agenda of the MDBs for several decades, with an emphasis on reducing and mitigating the potential negative environmental (and social) impacts of the development activities they finance. In recent years, this ‘safeguard’ approach has been complemented by efforts to ‘mainstream’ environment in development programmes, based on a growing appreciation of the direct linkage between good environmental management, sustainable economic development and long-term poverty alleviation.

Most recently, MDBs have begun to assume a major role in protecting ‘global public goods,’ including the global environment. Most developing country governments have committed themselves to the objectives of a variety of international environmental treaties and conventions. The MDBs have a responsibility to support their clients in fulfilling these commitments and have developed policies and operational programmes for this purpose. Below are some examples of these funding instruments that have emerged to support sustainable development objectives.

The Global Environment Facility (GEF) - was established in 1991. It is the largest funder of projects to improve the global environment. An independent financial organization, GEF operates as a financial mechanism to four major international environment conventions: Convention on Biological Diversity; United Nations Framework Convention on Climate Change; UN Convention to Combat Desertification; and the Stockholm Convention on Persistent Organic Pollutants.

Climate change funds - Climate Investment Funds (CIFs) launched in 2008, are climate financing instruments established to help developing countries to pilot low-emissions and climate-resilient development. The CIFs are administered by the World Bank and comprise the Clean Technology Fund, which promotes investments to initiate a shift towards clean technologies, and the Strategic Climate Fund, which is piloting targeted programs in renewable energy, forest and adaptation. The CIFs are currently the largest delivery channel for climate finance, although they are an interim body operating until the Green Climate Fund is properly established.

Conclusion

Whilst this list of institutions is by no means exhaustive, nor is the analysis comprehensive, it is illustrative of the complexity and wide range of institutions that now exist and are striving to achieve sustainable development through development cooperation efforts. To ensure these institutions are able to support the post 2015 development agenda, it will be important to ensure they work collectively and collaboratively, whilst also paying to their institutional niches, to enable greater coherence to international efforts that truly delivers on sustainable development priorities.

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[i] United Nations Secretary-General’s High-level Panel on Global Sustainability (2012). *Resilient People, Resilient Planet: A future worth choosing.* New York: United Nations

[ii] World Development Report 2003

[iii] http://www.equator-principles.com/