



Overview of draft European Report on Development 2011 / 2012

Presentation at the Bonn nexus conference:
“The Water, Energy and Food Security Nexus –
Solutions for the Green Economy”
16-18 November 2011



ERD 2011/2012

**Effective natural resource management
for inclusive and sustainable growth in
the context of increased scarcity and
climate change:**

***What role for the public and private
sectors?***



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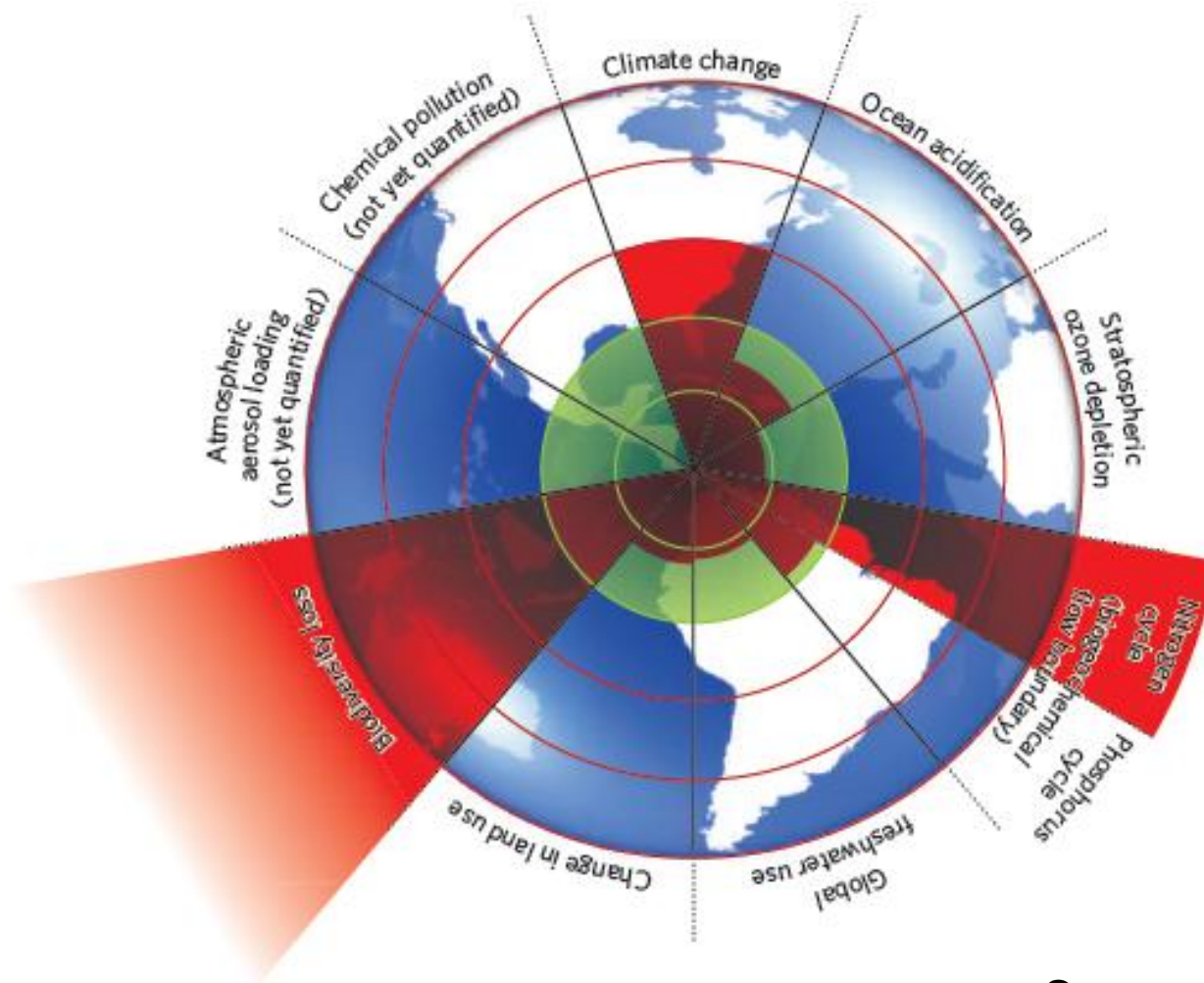
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Main message

- Access to water, energy and land is crucial for growth and poverty reduction, but global and interrelated **environmental pressures** are threatening to undermine the development prospects of the poorest countries and people.
- All countries, individually and jointly, urgently need to **recognise and address in an integrated manner** the rapidly growing scarcity and increased pressures on three crucial resources: water, energy and land (WEL). This involves a *WEL nexus* approach to policy-making and management.
- Requires **joint action** by a variety of actors, ranging from governments to business, international organisations (including the EU) and civil society, to promote inclusive and sustainable growth (ISG).



Planetary boundaries



Source: Rockström et al.

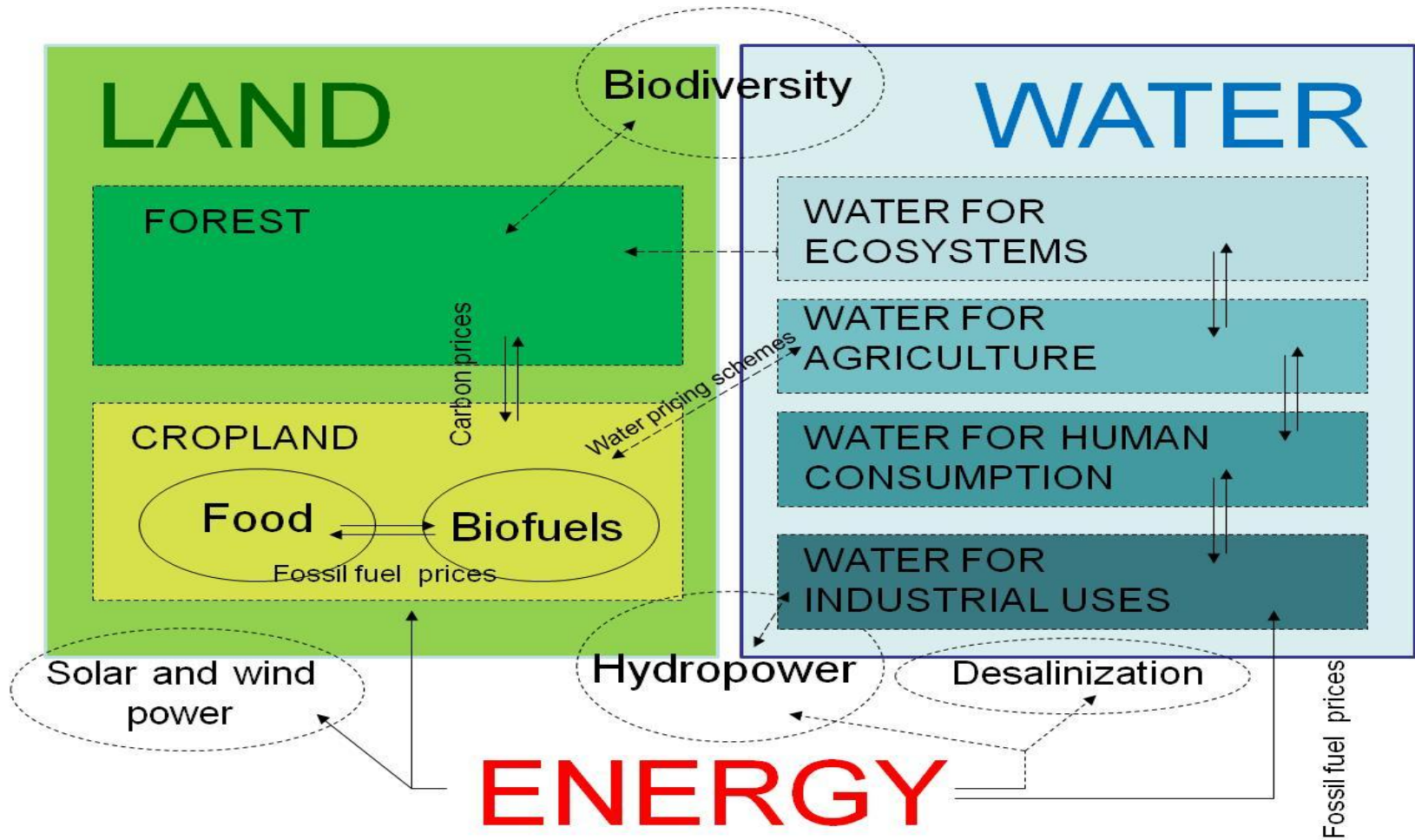
Need to transform to ISG

1. Water – Energy – Land
 - fundamental for human development (i.e. well-being)
 - essential for economic growth
2. Three features of NRM in Business as Usual (BAU):
 - Greater competition amongst different uses and users
 - Global to local interconnections due to trade and investment flows
 - Possibility of absolute scarcity or irreparable degradation (tipping points)

→ doing nothing has economic, social and env. costs
3. These underscore the need for transformation to ISG



Water-energy-land (WEL)

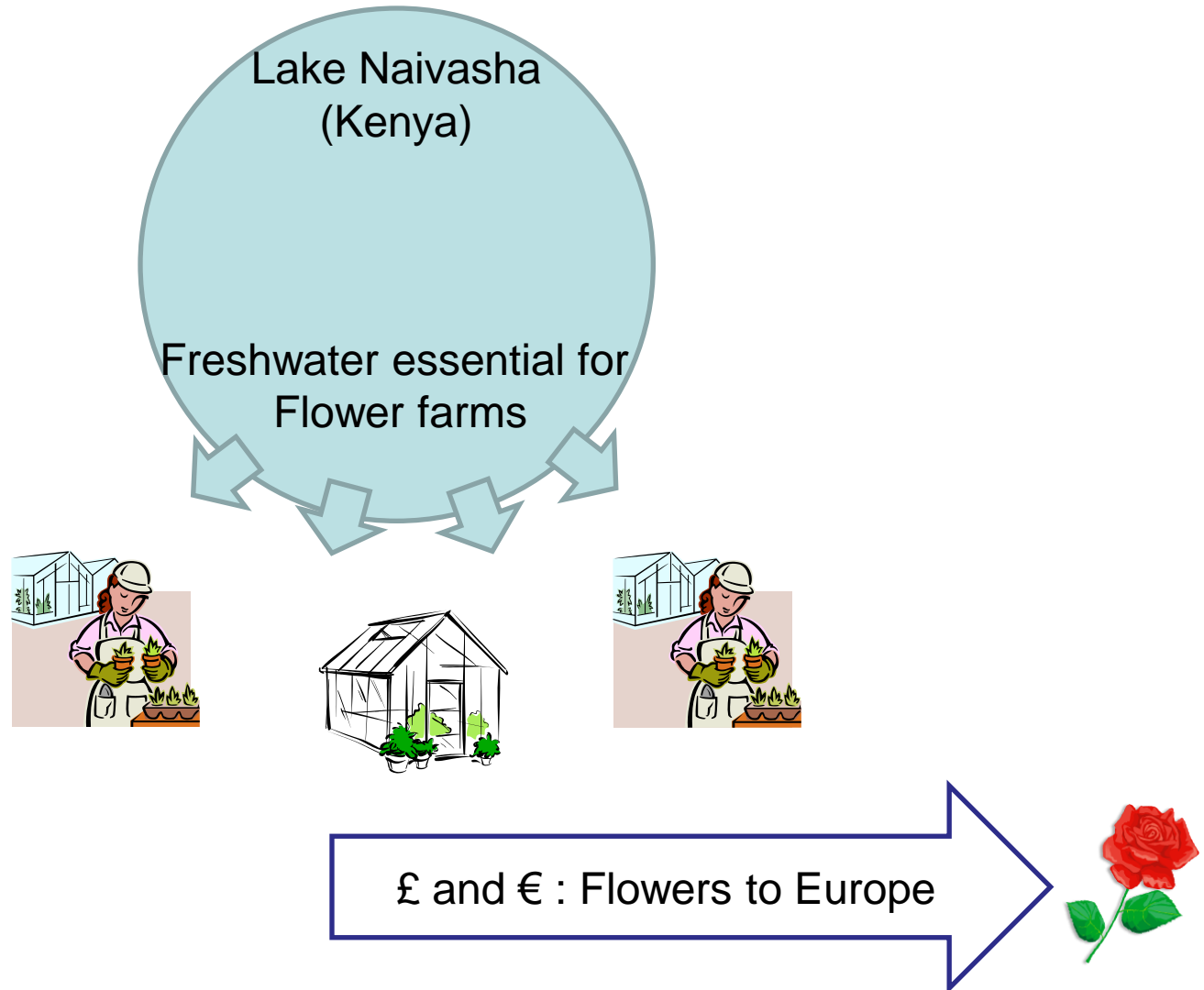


What is special about the WEL nexus?

- Increased absolute scarcity becomes binding constraint, providing **challenges** as well **opportunities** for integrated thinking.
- Resources are **increasingly related** to each other:
 - “externalities” are becoming more important and co-ordination failures need to be addressed;
 - efficiency in one resource increasingly affects efficiency of another
- Whilst traditional inputs (labour, capital) tend to be adequately **priced** this is less so for land, water and carbon space



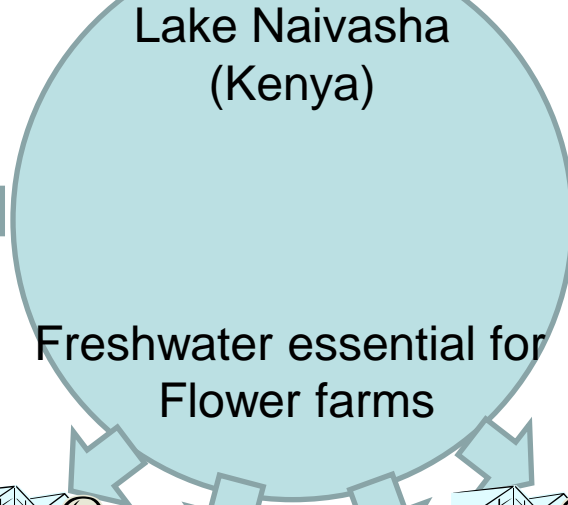
WEL nexus thinking: an example



Ksh: payments for ecosystem services (PES)
(for upstream farmers not to deforest which will improve water flow for downstream flower farms)



Geothermal energy



Flower farms: improving water efficiency to respond to lack of water quality and quantity



Managing the WEL nexus:

illustrative examples in ERD

- **Biofuels** and effects on water and land (renewable energy policies in various countries incl. EU);
 - **Hydropower** planning and benefit sharing schemes (e.g. Dambuilding in China) ;
 - Impact of **land productivity** and social / economic effects (e.g. Brazil)
 - Large scale **land deals** and water withdrawals (e.g. land policy around Limpopo river);
 - **Water policy** relates to other policies (e.g. virtual water trade in South Africa, or PES in Lake Naivasha)
- **optimise** across nexus, rather than **maximise** one issue at the time



Roles for public and private sectors and EU to enable transformation towards ISG

Policy responses to promote ISG in four areas

- Manage **demand** to reflect scarcity (e.g. change food wastage);
- Expand **supply** (renewable energy, soils, water storage);
- Promote **efficiencies** (Productive, allocative, WEL / nexus-wide);
- Improve **resilience** to shocks and protect **poorest**

Roles for public, private and EU

- **Public sector** develops policies and sets targets: using coordination, appropriate pricing, public goods, regulatory and legal frameworks, and empowering poor to cope with changes.
- **Private sector** makes business models more inclusive and sustainable (user) and invests in sustainable outcomes (provider).
- **European Union (EU)** supports poorer countries through its status as a major consumer, trader and investor, and largest aid donor.



Roles of the public sector

The public sector has a series of key roles to play through which it can respond to the new challenges

- Developing policies and setting targets (e.g. WEL nexus diagnostics)
- Encouraging appropriate pricing (e.g. taxes, levies and subsidies, including PES);
- Providing public goods (e.g. technology policy such as R&D and national innovation systems, infrastructure, skills) ;
- Setting appropriate regulatory and legal frameworks ;
- Co-ordinating / facilitating actors; and
- Empowering the poor to cope with and respond to new realities.

→ An integrated, WEL-nexus approach is required in each of these



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Roles of the private sector

- Private sector invests increasingly in **resource supply**: water, renewable energy and land
 - Opportunities / innovation for triple wins for ISG: e.g. solar power for the poor
 - Hot debate about role of companies in water provision and distribution
- On the **resource use** side, public and private incentives for sustainability increasingly aligned:
 - Drivers for **sustainable business models** include cost-efficiency, securing access to and supply of inputs, license to operate, and market access;
 - Some companies do better than others and are beginning to take an ecosystem approach (e.g. Coca Cola stewardship, flower companies and PES in Lake Naivasha, Unilever and sustainable agriculture; Cargill and ecosystems approach);
- Apart from regulation, donors can engage through partnerships with business (but little is known about effects of e.g. type 2 partnerships).



Roles of the European Union

1. *European consumption and production patterns* – push for major changes, e.g.: environmental footprint of agriculture, food wastage and meat consumption.
2. *Nexus approach* – adopt an integrated approach to WEL both internally in Europe in developing countries & apply its PCD principles to all EU policies
3. *Collaboration with the private sector* – work with EU companies working in resource scarce countries to promote high standards of corporate practice.
4. *EU Development Cooperation* – review programmes in developing countries in light of WEL nexus approach.
5. *Support to the poorest* –work closely with poorest communities in developing countries to help them adapt to changes and strengthen their resilience.
6. *Pricing Mechanisms for scarce resources* – support mechanisms to reflect the true value of natural resources and abolish subsidies that distort this pricing.
7. *Transparency* – work closely with partner governments and private sector to promote transparency initiatives among European investors and partners.
8. *International cooperation* – support binding agreements/regulatory frameworks to reduce emissions and open, transparent and stable trade, investment and migration rules.



Thank you

For more information on ERD 2012:

www.erd-report.eu

www.odi.org.uk

www.die-gdi.de

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