



Towards the European Report on Development 2012 – "Effective natural resources management for inclusive and sustainable growth in the context of increased scarcity and climate change"

Comments and suggestions from the ERD Steering Committee on the Draft Outline

1. Overall, the Steering Committee welcomes positively this draft outline which captures well and on a comprehensive way the different elements and orientations discussed so far.

2. We welcome in particular that the scope has been narrowed down to the nexus "Land-Water-Energy". However, we share the view often expressed during the workshop on 06/04 that it still remains very broad and will probably need further refinement, prioritization, coherence and focus.

In that regard, and as a suggestion, one possible option could be to replace "energy" in the proposed nexus by "forestry/biodiversity" (as suggested by some participants on 06/04) and address energy rather as a cross-cutting issue which would be integrated in the different case studies (for instance: the question of biofuels in relation to land use; hydropower/dams in relation to water; the question of biomass in relation to forestry...). Energy is of course a crucial issue when dealing with inclusive and sustainable growth in developing countries. But it is also (like climate change or food security) a complex and broad topic which goes well beyond NRM and would deserve a specific report in itself (maybe one of the next ERDs...). Analyzing energy not as a focus/entry point but rather as an element of context in relation to NRM could afford to keep the focus of the report on NRM and enhance its coherence/avoid dealing with too many things.

Furthermore, it will be crucial to justify well in the first part of the report why we decide to focus on certain NR and "exclude" some others.

3. As regard Part 1 on the context, the question of "emerging powers" should not be linked only to the issue of rents management, but would also deserve some analysis of the implications in terms of the changing balance of wealth and power, new geopolitics related to NRM and the place/weight of the EU in this changing context. Still on the general context, the issues related to price volatility in commodity markets and financial markets could maybe

also be touched upon (see notably recent COM Communication on this subject (February 2011): http://ec.europa.eu/enterprise/policies/raw-materials/files/docs/communication_en.pdf).

4. As regard the proposed analytical framework, several remarks:

- Overall, the conceptual framework should be clearer about the specific question to be addressed and the approach to answering it. In particular, a narrower range of questions should be set out concerning the roles of the private and public sector. The key question for the private sector is "how far will it solve these problems on its own?" We would also welcome to see the set of complementary key questions concerning the role of the public sector to culminate in a sound analysis of both existing and *in-nascendi*- models of internalising (positive and/or negative) externalities. At last, the report should more clearly set out the limits to what can be achieved through market mechanisms on their own and what are the requirements for intervention by donors.

- Reading the draft outline, it appears that the analytical approach adopted is often fluctuating between a traditional functional and normative analysis of the respective role of the Market and the State. It seems also that "private sector" often equates "market" and "public sector" equates "enforcing/regulatory state". A clearer distinction between "actors" and "mechanisms" would be helpful. The identification of the relevant actors and the description of coordination mechanisms is an empirical issue to be notably explored in the case studies. This should be one of the main outcomes of the ERD: who are the relevant actors for solving the problem as regards NRM? How do they interact? And how to combine different coordination mechanisms to do NRM efficiently in a way which is conducive to inclusive and sustainable growth? Because the report will address "commons" of which management requires complex collective action at local, national and global level, it is also suggested to refer to the work by E. Ostrom et al. on conditions of success or failures of solving collective problems based on cooperation mechanisms, beyond State or market regulation. A focus could be on how various private and public actors, including the EU, are involved in which institutional frame (coordination mechanisms) at each governance level, how these different levels of governance interact and could be better designed.

- Following the same logic, it should be recognised that the challenge is not to build up new institutions/property rights from scratch¹ but to transform existing institutional arrangements for NRM in new one which can better meet global pressures on natural resources. It would be a plus if the case studies could illustrate the problematic of such transformations for those concerned, exploring (in the cases studies) how far existing institutions contribute to social inclusiveness and environmental protection. In this context, and to address the issue of how to include those concerned in the process of transformation of property rights to avoid social and political tensions. Inclusiveness should also be addressed at the level of the wealth creating process and not only at the level of the outcome, as suggested in the outline. .

- As an entry point to the cases studies, emphasis could be given to analyse how local populations in different developing countries 'contexts use/manage the natural resources analysed in the report and how this interacts/confronts with the interests, uses, priorities of other stakeholders (national governments, domestic and foreign private companies,

¹see Dixit, *American Economic Review*, 2009, to illustrate this perspective

international community, EU...), taking into account the balance of power (political economy approach). This would lead to better underline the development and inclusiveness dimensions.

5. As regards the proposed transitions, it is still unclear whether they relate to wishes (something that should happen to promote inclusive and sustainable growth) or to prospective analysis (something that the world/developing countries will probably have to deal with, to accommodate with). This should be made clearer. Besides, they are limitative (as mentioned in the outline) as many other drivers/trends are likely to shape NRM in the future. Therefore, maybe it would be better to identify all the different trends/drivers shaping the current and future context for NRM and analyse what are the implications, challenges and opportunities for the developing world and its populations (taking into account its huge heterogeneity).

6. On the case studies, we support the idea to have one for each natural resource (following the new proposed "nexus" above: on land, water, forest and biodiversity) and to feed them with different geographical contexts/situations. For each case study/resource, it would be interesting to analyse systematically in the first part how this resource relates to the concept of inclusive and sustainable growth as defined in the report, as well as with the other resources analysed in the report.

7. In terms of structure, we would suggest adding in the third part of the report a specific chapter summarizing the lessons learnt and good practices identified from the case studies. It could also be considered to have a specific chapter (before the "normative" section on policy recommendations/conclusions) analyzing in details the role, competence, added value, various interests and policies (in paper and implementation) of the EU as regards NRM, in order to enhance the European dimension of the report.

8. At last, we would suggest considering structuring the last chapter on policy recommendations/conclusions by key issues and not by stakeholders (affording to highlight the interactions also from a policy perspective).

9. The issues of rapid urbanization are tackled in some extent. However, when discussing on inclusive growth, the relation and interexchange of urban and rural poor as producers and consumers of natural resources (food and other commodities) is virtually untouched in the draft outline. It is possible that there are strong and fairly poorly understood linkages which need to be better understood for policy decisions.

10. The role of small-scale farmers in NRM is discussed in some extent. However, the possibilities to utilize accumulated inputs from small-scale farmers as providers of e.g. carbon storage or biofuel for large scale impacts is virtually untouched in the draft outline. There are some encouraging examples which should be analyzed to guide policy decisions.

11. The Convention of Biological Diversity adopted last year the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from Their

Utilization (CBD Nagoya Protocol on ABS). The impact of this Protocol to natural resources management and poverty alleviation and the role of public and private sector in its implementation is left out from the in the draft outline. Why?

12. One particular issue in the relationship between public and private sector concerns innovations. The draft raises the issue and deals with it very well when it comes to technological innovations, but puts less emphasis on social innovations. For example in the question: "What framework (e.g. rules, institutions) has the public sector put in place to guide the use of natural resources for inclusive and sustainable growth (and with what effect)? (box 9) One major issue is the possibility to initiate social innovations that transform and develop the rules. These innovations are likely to arise in the private sector, but they are likely to require support from public sector. This issue is treated in the text, but it might be useful to deal explicitly with it in the framework of "social innovations".

13. Where the report focuses on agriculture it should refer to agricultural policies such as the CAP if it is to be comprehensive, as these can have a huge impact on land use and land value.

14. There is one additional process to which the ERD should be connected (cf box 1): the Conference on the water, energy and food nexus - water resources for a green economy, organised by Germany in November 2011 in preparation for Rio 2012. Link: <http://www.water-energy-food.org/>.

15. Some useful additional sources/links:

- Report on The Economics of Ecosystems and Biodiversity (TEEB) <http://www.teebweb.org/>

- UNEP Green Economy Report that has just been published <http://www.unep.org/greeneconomy/GreenEconomyReport/tabid/1375/Default.aspx?>

- Recent initiatives on business and biodiversity:

<http://www.businessandbiodiversity.org/>

<http://www.bmu.de/english/nature/downloads/doc/40635.php>

<http://www.cbd.int/business/>

http://ec.europa.eu/environment/biodiversity/business/index_en.html

<http://www.iucn.org/about/work/programmes/business/>

16. Specifically on the Figure 3 p.11:

- Irrigation relates also to energy, hence should be part the overlapping area land-water-energy.

- If you (wish to) include Large Hydropower, Regional river basin management and withdrawal rights as well as Hydropower should be part of this group as well.

- Biomass is an important issue which should replace the more limited topic of Biofuels.

17. Comment on CSR: the Commission is preparing to write a new Communication on CSR in 2011. The last Communication was in 2006, at which time we defined CSR as companies pursuing social and environmental goals within their daily business operations that are undertaken voluntarily and which go beyond the law. While the voluntary approach remains valid, we may well be more directive in the new Communication.

The international aspects of CSR have mounted the agenda over recent years, as companies are increasingly called to account by eg NGOs for eg abuse of human rights within their supply chains. But it has not just been a question of reputational risk: companies see it as in their own interests to be responsible as they aim to be market leaders in what they see as key future business opportunities through being attentive to CSR.

We would suggest that the following points are relevant for the report, in addition to the context above:

- The Commission follows and works with a number of international CSR initiatives, the most important ones being the OECD Guidelines for Multinational Enterprises (currently being updated), the UN Global Compact (aimed at business commitment to 10 CSR principles), and the ILO Tripartite Declaration in relation to Multinational Enterprises.

- The Commission is paying particular attention to the mandate of Special Representative of the UN Secretary-General on business and human rights, Professor John Ruggie. He has produced a framework called "protect, respect, remedy" which outlines how he suggests business and states should ensure that business is responsible in relation to respect for human rights. His proposals are a mix of voluntary and regulatory. His mandate comes to an end in June, at which point his final report will go to the Human Rights Council, where it is likely to be approved.

- Another subject the Commission is interested in is CSR reporting. In this, it follows the work of organisations such as the Global Reporting Initiative (GRI). DG MARKT has undertaken a public consultation recently on non-financial reporting. It has revealed a variety of views, on the basis of which MARKT may propose new legislation. One of the questions in the consultation concerned the feasibility of reporting on human rights.

- The Commission has recently published a guide on the social considerations in public procurement, which covers supply chain management issues. DG MARKT are currently consulting through a green paper on the future of the public procurement directives, including whether or not wider policy goals (such as in the social and environmental fields) should be included in future.

- A key element of CSR at the local level in third countries concerns "base of the pyramid" policies, whereby international investors bring finance and know-how to local communities in developing countries that is of benefit not only to the enterprise itself, but also the standard of living of the local community. A key factor is the extent of multi-stakeholder

engagement and the extent to which the different actors are informed and consulted on each others activities.

The ERD Steering Committee