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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE ECONOMIC AND SOCIAL COMMITTEE
AND THE COMMITTEE OF THE REGIONS**

Towards a global partnership for sustainable development

TABLE OF CONTENTS

1.	The case for a global partnership.....	3
2.	The challenge of integrating markets, governance and internal policies through a global partnership.....	4
3.	European Union’s contribution: meeting priority objectives	6
3.1.	Harnessing globalisation: trade for sustainable development	7
3.2.	Fighting poverty and promoting social development	9
3.3.	Sustainable management of natural and environmental resources	11
3.4.	Improving the coherence of European Union policies.....	14
3.5.	Better governance at all levels	15
3.6.	Financing sustainable development	17
4.	Implementing and reviewing the strategy	19

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1. THE CASE FOR A GLOBAL PARTNERSHIP

To be sustainable, development must strike a balance between the economic, social and environmental objectives of society, in order to maximise well-being in the present, without compromising the ability of future generations to meet their needs.

The European Union has already established an internal strategy for sustainable development¹. In endorsing this strategy, the Göteborg European Council recognised, in June 2001, that the external dimension needed to be further developed. It also invited the Commission to consider the Union's contribution to global sustainable development and to identify strategic components for a "Global Deal" at the Johannesburg World Summit on Sustainable Development in 2002. This Communication deals with both these aspects.

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Since the Rio Conference in 1992, many new initiatives have emerged to address specific elements of sustainable development², but overall progress has been slow. A new impetus is thus required in order to tackle, in a more comprehensive and effective way, the many remaining challenges, as well as new challenges arising from globalisation.

Many countries across the world have benefited from increased economic growth, notably through progressive market opening and liberalisation of Foreign Direct Investment (FDI) regimes. Since 1960 world trade has increased fifteen-fold and global per capita incomes have doubled. Experience shows that globalisation can continue to generate economic growth and productivity.

Developing countries have advanced on many fronts³. Their exports and production have diversified significantly; life expectancy is higher and, for many, life has improved. Yet, for too many countries and people, poverty, unemployment and exclusion remain⁴. Half of the world's population lives on less than \$ 2 per day. Inequality between and within countries is increasing. In 1960, the income of the richest fifth of the world's population was 30 times larger than that of the poorest fifth: today it is 90 times larger. The richest fifth account for

¹ A Sustainable Europe for a Better World: A European Union Strategy for Sustainable Development COM(2001) 264

² Examples as diverse as the Kyoto protocol on global warming and the commitment, in the Doha ministerial declaration, to the objective of duty-free, quota-free market access for products originating from Least Developed Countries

³ Developing countries have diversified their economies, and manufacturers now represent 70% of their exports, against just over a quarter 30 years ago. In East Asia, six people out of ten were living on less than \$1 a day in the mid-70s; now it is two out of ten

⁴ Incomes in Sub-Saharan Africa have fallen by an average of 1% per year in 1975-1999; 46% of people still live on less than \$1 a day, and life expectancy is 49 years compared to over 60 in all other regions

nearly 86% of total private consumption⁵. About one billion women and men are unemployed, under-employed or working poor, 250 million children are working world-wide, and some 80% of the working age population do not have access to basic social protection⁶.

In addition, many natural resources, such as water, land and soil, biodiversity, forests and fish stocks are already being exploited at or beyond their limits, causing serious damage to the environment.

Growing inequality is not just a problem in the developing world. Rich countries have seen similar trends in recent years. Such trends have many causes, most of which are unrelated to globalisation. Technological progress, for example, has led to major changes in employment and put more of a premium on knowledge-based workers world-wide.

Inequalities in the way knowledge is produced and used are widening the gap between poor and rich countries. The development and use of new technologies present both an opportunity and a challenge. They can generate broader-based entrepreneurship and faster economic growth while contributing to the more efficient use of resources.

Humankind is increasingly aware that it shares a common and interlinked future and that conflict and injustice on the other side of the world can have direct repercussions close to home. In addition, poverty and deprivation can provide a breeding ground for discontent and anger, creating conditions in which ethnic and religious issues are easily exploited and magnified.

The world is faced with a serious “global governance gap”. Promising steps have been taken towards more effective global governance with the Bonn and Marrakech agreements on climate change and the launch of the Doha Development Agenda. In both the European Union played a leading role. In order to make globalisation sustainable there is a need for a much better balance between global market forces on the one hand and global governance and political institutions on the other. Enhancing good governance throughout the developing and the developed world and at a global level is an urgent priority. It should be based on widespread participation of all stakeholders at all levels.

2. THE CHALLENGE OF INTEGRATING MARKETS, GOVERNANCE AND INTERNAL POLICIES THROUGH A GLOBAL PARTNERSHIP

The rapid expansion in the movement of goods, services, capital, technology, ideas and people around the world – **globalisation** – offers the prospect of stimulating economic growth and productivity and improving living standards. It can also increase global resource efficiency as the liberalisation of trade allows national economies to make the most of their comparative advantages and facilitates economies of scale.

Globalisation involves costs as well as benefits. Increased global economic activity can result in negative pressures on the environment and in risks for social cohesion if it goes uncontrolled. Intensive energy use, unsustainable exploitation of natural resources and unwillingness to add the environmental costs to the costs of production and transport are now threatening the resource base on which economic and social development depend.

⁵ UNDP Human Development Report 1998

⁶ ILO estimates

Technological progress, market integration and international competition tend to bring about structural changes in the economy and the fabric of society.

At the source of these unsustainable trends is the complex relationship between markets, global governance and national policy. A collective effort is required at global, regional and national level to provide a framework in which market forces can be harnessed to maintain and increase growth and to create jobs, while preserving the environment for future generations and strengthening social cohesion.

The crucial efficiency gains from trade liberalisation have been limited by lingering protection in the very sectors where developing countries' comparative advantages often lie. In addition, the above gains involve adjustment costs. Rapid restructuring brings winners and losers, and unless properly managed it can become unsustainable – economically, socially and environmentally. For example, even in countries that have seen rapid growth rates, or are rich in natural resources, poverty, unemployment and underemployment remain. Rapid growth tends to increase inequalities, particularly in the early stages, as certain sectors of the population and certain regions benefit disproportionately. This has been the case in many emerging economies, where the benefits of growth have not been distributed equitably, resulting in more disparity in average incomes between richer and poorer regions, and sectors of the population.

Developing countries' internal policies are vital for development opportunities. Many countries in the developing world – particularly the Least Developed Countries (LDCs) – have not benefited from globalisation because they are caught in poverty-trap conditions of low income, low investment and subsistence-based economic structures. Private capital inflows can provide developing countries with vital additional sources of financing for development tools, like technology acquisition and human resource development. Foreign Direct Investment (FDI) needs a favourable investment climate, macro-economic stability, trade openings and institutional and legal reform. Openness without sound financial institutions and macro-economic policies can also make countries more vulnerable to financial crises. Other domestic policies, in the areas of taxation, income redistribution, respect for core labour standards rights and good governance including the fight against corruption are equally important. Investments in health, education, environmental protection and technology have an important contribution to make. They are a prerequisite for genuinely sustainable development.

Investment by multinational companies (MNEs) is usually more stable than short-term capital flows and can bring major benefits, e.g. in terms of technology transfer and enhancing the export capacity of the host country. However, global expansion of MNEs is highly concentrated in certain regions of the developing world, with little investment in the poorest countries. It also poses significant issues for the maintenance of competition in some sectors.

Tackling global problems needs simultaneous and well co-ordinated action from all countries. It will only succeed if all commit themselves to making politically challenging choices. What is needed is a global partnership which embraces all stakeholders. This means ensuring that civil society and the social partners are engaged in the process from the beginning. Economic liberalisation and thorough, sound macro-economic policies must be accompanied by strengthened domestic and multilateral rules and international co-operation.

Industrialised countries have important responsibilities in promoting sustainability initiatives – first and foremost by putting their own house in order, and by supporting a move to sustainable production and consumption patterns; in addition, by ensuring more consistent

market opening, increased public and private financing of development co-operation, as well as better functioning and greater stability in the international financial system. All their policies – internal and external – should integrate sustainable development goals and take into account global needs. As reflected in the Rio notion of common but differentiated responsibilities, major consumer societies by definition offer the greatest scope for action to relieve pressures on the world's natural resource base. Rich nations have to work harder still to promote social cohesion and high levels of public health and consumer protection at home, as well as strengthened domestic and global governance.

The international institutions need to make an optimum contribution to such a partnership. The United Nations system, the Bretton Woods institutions, the WTO and the ILO need to work consistently towards sustainable development. The UN system should take a lead in developing a global governance structure for sustainable development, given its role in the environmental, social and economic spheres, and its universal membership.

The magnitude of the problems may be different, but inequalities do not conform to borders or international classifications; the most basic measures, like life expectancy, reveal significant disparities within rich countries, even within their cities. Global partnership means recognising that there are lessons to be learned between rich nations themselves, as well as between rich and poor. Unless all nations are open to those lessons, none of us will benefit from progress, which is both inclusive and lasting.

The European Union is well placed to assume a leading role in the pursuit of global sustainable development. It is the world's largest donor of development aid, the world's biggest trading partner, and a major source of direct private investments. It has developed and promoted a great number of clean technologies.

Throughout its own evolution, the European model of integration has been based on pursuing mutually supportive strategies for stable economic growth, social development and environmental protection. Investing in a shared future with its closest neighbours is fundamental to the European Union's own long-term political stability. More especially, European Union enlargement is based on a programme of assistance which aims at political stability, sound economic conditions, social cohesion, and environmental sustainability. This will provide valuable experience for tackling the same challenges at global level.

3. EUROPEAN UNION'S CONTRIBUTION: MEETING PRIORITY OBJECTIVES

This chapter sets out the European Union's contribution to global sustainable development through a comprehensive and integrated set of actions, which complement the strategy endorsed by the Göteborg European Council. They address not only the three inter-related components of sustainable development – economic, social and environmental – but also the necessary pre-condition for success: greater coherence of European Union policies, improved governance at all levels, and increased financial resources to implement the necessary policies.

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3.1. *Harnessing globalisation: trade for sustainable development*

Priority objectives

Ensure that globalisation contributes to sustainable development. To that end:

- Ensure that the developing countries are integrated equitably into the world economy and help them to reap the benefits of trade and investment liberalisation through complementary policies.
- Provide incentives for environmentally and socially sustainable production and trade.
- Strengthen the international financial and monetary architecture and promote better and more transparent forms of financial market regulation to reduce global financial volatility and abuses of the system.

The objective of the European Union's sustainable development strategy must be to maximise the benefits of globalisation while minimising the costs.

The Doha Development Agenda (DDA) epitomises the integrated approach to managed globalisation which the European Union is promoting, and creates the basis for further changes in the global system. The inclusion of talks on a wide range of issues such as the environment, competition, investment and trade facilitation will ensure that market liberalisation takes place within a broader regulatory framework.

Ensuring the stability of the domestic and international financial system is an important element of a comprehensive strategy. The economic benefits associated with financial globalisation derive from intensified international linkages between markets and players. It is in the nature of stronger linkages that disturbances in one economy are transmitted more quickly and directly across borders. The risk of financial volatility can seriously hamper domestic development efforts. By the same token, abuses of the international financial system in all its forms, and in particular money laundering, tax evasion and the financing of crime, including terrorism, undermine the stability and integrity of domestic financial and administrative systems and affect the viability of the international financial system. They can have far-reaching consequences for security and public finances.

The Doha Development Agenda

In Doha, the members of the WTO agreed the following agenda :

Integrating developing countries more effectively into the trading system

- ◆ As regards market access for non-agricultural goods, remove barriers to trade, reducing tariff escalation and tariff peaks in particular as regards products of export interest to developing countries.
- ◆ Progressing in the multilateral framework towards the objective of duty-free and quota-free market access for all products originating from the LDCs and strengthening the Special and Differential Treatment provisions for addressing the specific constraints faced by Developing Countries, by making them more precise, effective and operational.

Agriculture

- ◆ Comprehensive negotiations on improved market access; and on reductions in all forms of export subsidies and trade-distorting domestic support.
- ◆ Non trade concerns reflected in the negotiating proposals to be taken into account.
- ◆ Special and differential treatment to be an integral part of the negotiations, to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development.

Setting objectives that embrace environmental and consumer concerns and social development needs

- ◆ Accompanying negotiations including issues like consumer protection, health and the environment, and a commitment to core labour standards.

Meeting health concerns

- ◆ Reaffirmation that the Trade Related Intellectual Property (TRIPS) Agreement does not and should not prevent WTO's Members from taking measures to protect public health inter alia by implementing the safeguards foreseen under the Agreement.

Preparing negotiations on investment, competition, trade facilitation and government procurement

- ◆ Aiming at a balanced framework of rules in these areas to enhance their contribution to trade and development.

Capacity building and technical assistance

- ◆ Commitment to a comprehensive strategy for trade-related capacity building both in relation to existing agreements and in support to full participation in future negotiations, as well as the implementation of their results.

Global governance

- ◆ Active co-operation with the ILO, UNEP, Bretton Woods institutions, UNCTAD and other relevant international environmental and development organisations.

Bilateral and regional agreements must underpin sustainable development, and the European Union must ensure that its multilateral and bilateral policies are mutually consistent. This also means addressing regulatory issues such as the environment, social development, competition, and investment in a bilateral context. The European Union is promoting deep integration and regulatory convergence through regional trade agreements between industrialised and developing countries, and between the developing countries themselves.

European Union action

- Negotiate constructively in the WTO negotiations to continue the process of establishing a fair and market oriented trading system, in accordance with the conclusions of the Doha ministerial conference, with a view to raising standards of living world-wide, through further liberalisation and expansion of trade; promote the participation of developing countries, in particular the least developed, in the international trade system.
- Support developing countries' efforts to integrate into, and benefit from, the global trading system, including through the DDA. Strengthen developing countries' capacity to participate in trade negotiation. Help developing countries to overcome supply-side constraints and improve their trade capacity.

- Reinforce the role of the Generalised System of Preferences (GSP) for sustainable development by introducing in 2004 a more modulated system, based on an effective incentive scheme in accordance with recognised sustainability parameters.
- Strengthen the sustainability dimension of bilateral and regional agreements by including a commitment to sustainable development and establishing a dialogue to enable exchange of best practices.
- Implement, within the European Union, common approaches to Environment and Export Credits, building upon the ongoing work in the OECD. Progress will be reviewed in 2003 with a view to assessing the need for a European Union instrument to ensure that Export Credit Agencies are taking on board sustainable development considerations, including sustainable technologies.
- Reduce the scope for abuses of the international financial system, in particular combating crime, including terrorism, and its financial mechanisms; prevent and counter money laundering and financial crime under the aegis of the Financial Action Task Force; strengthen supervision, regulation and information exchange policies, especially in tax havens; and address harmful tax practices.
- Encourage European companies' commitment to corporate social responsibility by supporting adherence to the OECD guidelines for foreign investors, and by developing initiatives as a follow-up to the Commission's Green Paper promoting a European Framework for Corporate Social Responsibility⁷.
- Support closer co-operation between the WTO and international environmental bodies (UNEP and Secretariats of Multilateral Environmental Agreements), as well as the work of the ILO on the social dimension of globalisation. Promote the ILO "Decent Work Agenda"⁸.

3.2. *Fighting poverty and promoting social development*

Priority objectives

Attain the International Development Targets and the Millennium Development Goals⁹, in particular the target of halving extreme poverty¹⁰ in the world by 2015. To that end:

- Enhance the quantity, quality, impact and sustainability of development co-operation.

⁷ COM(2001) 366 final

⁸ This ILO initiative brings together the goals of rights at work, employment, social protection and social dialogue in a coherent, development-oriented and gender-equitable vision, guiding economic and social policy choices. The Commission proposed a comprehensive strategy for the promotion of core labour standards and improving social governance in the context of globalisation in its communication COM(2001) 416

⁹ In 2000, the UN General Assembly adopted the Millennium Declaration, which embodies eight Millennium Development Goals: (1) Eradicate extreme poverty and hunger, (2) Achieve universal primary education, (3) Promote gender equality and empower women, (4) Reduce child mortality, (5) Improve maternal health, (6) Combat HIV/AIDS, malaria and other diseases, (7) Ensure environmental sustainability, and (8) Develop a Global Partnership for Development

¹⁰ In the context of the International Development Targets, extreme poverty is defined as "living on \$1 per day or less"

People are poor when they cannot achieve adequate and sustained standards of well-being, in terms of security of food supplies, economic, social and environmental security, civil rights and political empowerment. It is not absolute scarcity of resources which is the key problem of poverty, but the unequal distribution of resources and opportunities to take advantage of them. While in material and financial terms, the world as a whole is getting richer, research indicates that the distribution of that wealth is becoming more unequal. The rise in global output and wealth creation has been accompanied by growing inequalities between countries, as well as within many countries, including industrialised ones. These inequalities also extend to access to health, employment, education, knowledge and environmental goods and services, such as clean air and fresh water.

Lack of access to resources in some areas, abundant availability and unsustainable consumption and production patterns in others – all of this has a direct bearing on the state of the global environment. While high-consumption lifestyles are at the bottom of environmental degradation in industrialised countries and among rich segments of society world-wide, pervasive poverty is an equally important root cause. The poor suffer most from a degraded environment, but they also put severe strains on the environment when they are directly dependent on natural resources for their daily survival.

Today, close to 800 million people suffer from hunger and under-nourishment¹¹. In recent years this figure has been declining by an average of around 8 million people per year, which is far from sufficient to reach the International Development Target of halving the number of undernourished people by 2015.

Education and good health are key determinants of economic development. Yet world-wide, around 20% of children have no access to primary education. In a large number of countries the health and development gains of recent decades have reversed. In particular, the spread of major communicable diseases, such as HIV/AIDS, tuberculosis and malaria is no longer just a health issue, but presents a serious threat to sustainable development. Investing in health will bring huge rewards not only in economic development terms, but also in reducing poverty. It has been estimated¹² that approximately 8 million lives could be saved by 2010 – mainly in the low income countries – through key interventions against infectious diseases and nutritional deficiencies.

Women are disproportionately represented amongst the poor¹³. The positive relationship between women's education, participation in employment, income levels and child-bearing/rearing activities is well established. Universal access to core social services, and rights, in particular basic education, social protection and primary health care, are fundamental to breaking the vicious cycle of poverty.

Acute poverty, along with conflict and environmental degradation, can also fuel extensive population movements of refugees and displaced persons, which can threaten the stability of neighbouring countries. In addition, voluntary migration to richer countries can be an attractive option for the more prosperous and higher qualified sections of society. This can drain developing countries of dynamic and valuable human resources.

¹¹ FAO, 2001

¹² Report of the Commission on Macroeconomics and Health (Chairman Jeffrey Sachs) to WHO Director General Dr Brundtland November 2001

¹³ Globally, 70% of the 1.5 billion people living in poverty are women. (UNDP Human Development Report 1995)

European Union action

- Further the process of focusing European Union development policy on the central objective of poverty reduction, to be reflected in the tighter concentration of resources on LDCs and on the poorest groups in other developing countries.
- Ensure that European Union policies effectively contribute to the eradication of hunger, by promoting simultaneously the availability of, access to, and nutritional quality of food. Persuade all food aid donors to provide food aid exclusively in the form of grants, so as to avoid increasing the debt burden on the recipient country. Ensure that, where possible, these grants are in the form of cash, to allow the recipient country or organisation to purchase food on local or regional markets, and to avoid undermining the position of local producers.
- Ensure that, within the context of poverty reduction strategies, water and sanitation services are fully integrated with health and education policies, with a view to improving substantially access particularly for poor people, to an adequate quantity of safe and affordable water and to hygienic sanitation facilities.
- Integrate further the gender perspective in relevant European Union policies.
- Raise the level of investment in health and heighten its important role in sustainable development, in conjunction with other donors and organisations.
- Accelerate and extend European Union action on communicable diseases, notably by supporting access to, and tiered pricing of medicines, and by supporting prevention through education.
- Give further emphasis to supporting education and training based on international and European Union's best practices and with the priority on basic education.
- Promote research on issues related to sustainable development. Open up European Union research programmes to all countries sharing the same interest, with special attention to areas neglected by private research and/or of particular importance for developing countries, such as research on medicines for tropical diseases, cheap communication tools and appropriate clean and efficient technologies.

3.3. Sustainable management of natural and environmental resources

Priority objectives

- Ensure that current trends in the loss of environmental resources are effectively reversed at national and global levels by 2015.
- Develop sectoral and intermediate objectives in some key sectors – water, land and soil, energy and bio-diversity.

Some of the action included in the European Union's internal strategy will be instrumental in diminishing the ecological impact the European Union has on the rest of the world. By managing natural resources in a more sustainable manner, and de-coupling resource consumption and pollution from economic growth, the European Union will also contribute to global sustainable development.

Climate change is recognised as the most severe global environmental problem. While the European Union, as well as high income countries may have the necessary capacity to cope with the likely impact over coming decades, many developing countries are in a less privileged situation, and the need for action is even more immediate. Falling crop yields in Africa or flooding in Bangladesh demonstrate that the poorest countries are particularly vulnerable.

Climate change and other environmental problems are linked to energy production and use. Increased energy demand will exacerbate those problems. At present, for two billion people around the world, wood or charcoal is the only energy source available for cooking and heating. Responding to their energy needs in a sustainable manner is one of the main challenges to be addressed in Johannesburg.

Energy consumption and the overall volume of transport are generally lower in developing countries. This does not, however, prevent developing countries from experiencing a number of the problems facing industrialised countries, such as congestion and urban air pollution. The future development of the energy and transport sectors is crucial. For this reason, investment in energy and transport infrastructure absorbs high percentages of investment in most developing countries. So it is important to ensure that investment goes to the right projects – not only from a financial point of view, but also socially and environmentally. Renewable energy resources, as well as energy savings and improved energy efficiency have an important potential in terms of sustainable development.

Lack of water resources is also a matter of major concern. Water consumption is increasing each year by two to three percent. In many places, freshwater resources are being consumed faster than nature can replenish them. About one third of the world's population already lives in countries with moderate to high water stress. In addition, 1.2 billion people (20% of the world population) lack access to safe drinking water, while 50% lack access to safe sanitation¹⁴. Pollution of rivers, lakes and groundwater remains a concern all over the world.

Desertification and soil degradation continues, while the planet faces continued pressure on bio-diversity and ecosystems. In Africa, agricultural production losses due to desertification are estimated at over 8%, reaching 20% in some Asian and Middle Eastern countries. Southern parts of Europe are already affected¹⁵. Global annual net forest losses and forest degradation continue at high rates, and 25% of mammal species and 11% of bird species are at significant risk of extinction, mainly due to loss of habitats¹⁶.

Over the past 10 years, the incidence of natural disasters has increased. This is due in part to social factors, such as precarious buildings and settlements, which increase the vulnerability of poor communities to disasters such as earthquakes and landslides. There are also natural factors. The El Niño events, associated with floods, droughts, and storms are getting larger and more frequent. Warming of the surface of the oceans and seas is increasing the frequency and severity of hurricanes.

Oceans and seas provide an enormous source of life for our planet, and yet they are coming under increasing threat from human activity. Fishing pressure is depleting stocks¹⁷, to the

¹⁴ Global Environmental Outlook 2000, United Nations Environment Programme, 1999

¹⁵ Global Environmental Outlook I, United Nations Environment Programme, 1997

¹⁶ International Union for the Conservation of Nature, IUCN, 2000

¹⁷ The state of world fisheries and aquaculture, FAO, 1998

detriment of both the marine ecosystem and future fishing. The proportion of damaged reefs rose from 10% in 1992 to 27% in 2000.

Exposure to hazardous chemicals continues world-wide, affecting human health through the food chain¹⁸. Heavy metals and persistent organic pollutants are of particular concern, because they remain for many years in the environment.

While these problems are of a global scope and need to be tackled at that level, regional and sub-regional action is also needed both to prevent environmental degradation and to combat its effects. For example, in some regions, lack of water resources and land degradation are at the source of local conflicts, which, if exacerbated, could become security threats. The European Union should attach particular priority to promoting regional and sub-regional responses to environment and security challenges within Europe and the Mediterranean.

European Union action

- Launch an initiative at the World Summit on Sustainable Development on a strategic partnership with international organisations, governments and stakeholders to promote sustainable water resource management based on the principle of integrated river basin management.
- Adopt in 2002 a European Union initiative on co-operation in the field of energy and development within poverty eradication efforts, with a particular focus on the provision of reliable sources of energy, improved energy efficiency, including energy savings, clean technologies and development of renewable sources, including capacity and institution building.
- Promote the effective implementation of multilateral environmental agreements, including the ratification of the Kyoto Protocol.
- Replenish by 50% the Global Environment Facility by April 2002 and broaden its mandate to cover land degradation and deforestation and the Persistent Organic Pollutants (POPs) Convention.
- Develop a European Union action plan by end 2002 on forest law enforcement, governance and trade (FLEGT) to combat illegal logging and associated illegal trade and to strengthen international co-operation to address violations of forest law, and forest crime.
- Encourage investment in affordable, sustainable and environmentally friendly modes of transport.
- Develop a European Union strategy for distant water fisheries to contribute to sustainable fishing outside Community waters through global and bilateral partnership at national and/or regional level.

¹⁸ Global Environmental Outlook 2000, United Nations Environment Programme, 1999

- Integrate disaster prevention into European Union development and environment policies.
- Extend the application of the European Union Global Monitoring for Environment and Security (GMES) initiative to developing countries for the collection, processing and dissemination of earth observation data and information pertaining to natural resource monitoring and management, weather forecasting, and as natural disaster preparedness and mitigation, relevant for users in developing countries, on a regional basis (e.g. Africa) and/or a thematic basis (e.g. forest cover, desertification).

3.4. Improving the coherence of European Union policies

Priority objectives

Ensure that the objectives of sustainable development are progressively integrated into all European Union policies, with due respect to both their internal and external dimensions. To that end:

- Ensure that an impact assessment is carried out for all major policy proposals, analysing their economic, social and environmental consequences in accordance with the conclusions of the Göteborg European Council.
- Continue the process of adapting key policies, including the Common Agricultural Policy, the Common Fisheries Policy, and European Community policies on energy, transport¹⁹ and industry to the internal and external objectives of sustainable development.
- Tackle actual or potential problems of coherence whenever European Union policies are formulated, reviewed or reformed.

Good and coherent governance starts at home. Domestic European Union policies may have negative ‘spill-over’ effects on other countries, notably in the developing world. In several important areas, existing European Union policies may also conflict with sustainable development objectives.

Policy coherence has several dimensions. This makes it a politically challenging concept. The European Community has taken positive action in a number of areas where policies have or may have negative effects for developing countries. The most obvious examples are the General System of Preferences (GSP), which grants trade preferences for developing countries, and the Everything But Arms (EBA) initiative for least developed countries under the GSP, which grants duty-free and quota-free access for all LDC exports to the European Union. Other examples are assistance to help countries meet health and safety standards, thus limiting any negative effect on exports from those developing countries which apply legitimate standards.

¹⁹ Through the development of the actions outlined in the Green Paper on Energy (COM (2000) 769 final) and the White Paper on Transport (COM (2001) 370 final)

Nevertheless, a more systematic and far-reaching review of existing and future policies and action is needed to improve coherence and increase the Union's credibility in the international debate.

European Union action

- All European Union institutions shall strengthen internal co-operation and co-ordination procedures with a view to improving policy coherence. In this context, the Commission will, by the end of 2002, establish a coherent methodology for impact analysis to assess the economic, social and environmental consequences of all major policy proposals.
- The objective of promoting sustainable development in agriculture is part of the European Community policy, particularly since Agenda 2000, and will continue to be pursued in the Mid Term Review which will be presented later this year.
- The proposals on the Common Fisheries Policy, to be presented in 2002, will include the development of long term management plans for fish stocks, the removal of subsidies which encourage over-fishing, and the reduction of the size and activity of European Union fishing fleets to a level compatible with sustainable exploitation.
- The European Union will explore ways of strengthening the prevention and control of – and eventually terminating – illicit arms exports by European Union-based companies or citizens. As an immediate step, Member States and the European Community will sign, ratify and implement the UN Protocol on the Illicit Manufacturing and Trafficking of Firearms.
- The European immigration policy should be based on a comprehensive and balanced approach, seeking to minimise the negative effects of emigration whilst benefiting both recipient countries and countries of origin, through dialogue and co-operation with the countries concerned.

3.5. *Better governance at all levels*

Priority objectives

- Ensure good governance at all levels and within all countries so as to achieve common sustainable development objectives.
- Strengthen the legitimacy, participatory basis, coherence and effectiveness of global economic, social and environmental governance.

Good governance is first and foremost a domestic issue. Democracy and the rule of law call for active participation of stakeholders and are necessary prerequisites for sustainable development. Up to now the political response to governance challenges has proved insufficient at any level – national, European or international, public or private. Inadequate domestic policies in many countries, including developing countries, have played a part in widening the gap between the poor and the rich. Likewise, in the context of increasing interdependence, the imbalance between market forces on the one hand and governance institutions on the other has resulted in a “global governance gap”.

There is a growing consensus that the global governance system must urgently gain in legitimacy, coherence and effectiveness. International activities on different levels, such as G7/8, have given political impetus to ongoing or emerging ideas, measures and policies. However, whereas G7/8 has improved its outreach efforts to non-members and civil society, many countries are not adequately represented when it comes to formulating international initiatives. There may therefore be a case for making such informal fora more representative and open to common initiatives with other partners. Participation, inclusiveness and transparent decision making process are essential components of good governance and contribute to promote common universal values. Reform of the international system of governance also needs to ensure a stronger civil voice in international fora. The role of local communities, through Local Agendas 21, is especially important.

Within the context of UN reform, co-ordination among its various bodies, and between the UN Organisation and other international institutions must be strengthened and targeted towards global governance for sustainable development. This will allow the UN System to better respond not only to global, but also to regional and sub-regional challenges.

The European Union is committed to promoting good governance in all its policies. The White Paper on European governance²⁰ has launched a debate on what the European Union could do to improve its own governance system. The European Union approach is based on five principles: openness, participation, accountability, effectiveness and coherence. These apply to European Union internal and external action alike.

²⁰ <http://europa.eu.int/comm/commissioners/prodi/pdf/com2001-428en.pdf>
European Governance - a White Paper, COM(2001) 428

European Union action

- Increase support for institutional capacity-building and public service reform in developing countries²¹. Foster civil society's capacity to participate in national and regional policy debates and decision-making processes in developing countries and elsewhere.
- Strengthen co-operation and action in the fight against corruption and help to formulate and negotiate the future UN Convention against corruption.
- Enhance global capacity to enforce ILO Conventions on core labour standards, support social policy reforms by developing countries, affecting labour markets and social protection systems, and support ILO initiatives to provide multilateral technical assistance and technical co-operation. Encourage the ILO to promote social governance.
- Ensure that the outcome of Johannesburg includes concrete moves to improve governance for sustainable development by :
 - Strengthening international environmental governance, building up on existing structures, notably UNEP, and promoting effective implementation of multilateral environmental agreements, for example through compliance mechanisms.
 - Developing frameworks for regional and sub-regional co-operation to address sustainability challenges within existing structures (e.g. UN Regional Commissions) and ongoing initiatives like the New Partnership for Africa's Development.
 - Promote a more active role for civil society, local authorities and private sectors through grassroots initiatives like Local Agendas 21, and business coalitions for sustainable development.
- Strengthen co-operation and action in the fight against discrimination against women by implementing the CEDAW Convention.

3.6. *Financing sustainable development*

Priority objectives

Ensure adequate financing to attain the International Development Targets and the Millennium Development Goals²². To that end:

- Make decisive progress towards reaching the UN target of 0.7% of GNI in Official Development Assistance (ODA).
- Ensure that the debt burden on developing countries is reduced in a consistent and effective manner.
- Identify effective means of delivering and safeguarding global public goods.
- Stimulate a further increase in, and regional broadening of, foreign private investments in

²¹ The initial focus should be on support for sound and transparent public expenditure management as a prerequisite for the effective implementation of Poverty Reduction Strategies (PRSPs) or National Development Strategies

²² A detailed recommendation for European Union actions at the UN International Conference on Financing for Development, Monterrey, 18 - 22 March 2002, is set out in a separate Commission communication

developing countries.

In order to achieve sustainable development, domestic policies in many countries must improve and be based on good governance. The right mix of policies will prioritise the needs of the poor, and address key issues such as food supply, education, employment, health and environmental protection. However, even the best-planned national policies may have a limited impact due to lack of funds. These issues will be further addressed in detail at the United Nations International Conference on Financing for Development to convene in Monterrey (Mexico) 18 - 22 March 2002.

*The Monterrey Consensus*²³

- ◆ Agreement that achieving the internationally agreed development goals demands a new partnership between developed and developing countries.
- ◆ Commitments to sound domestic policies, good governance at all levels, the rule of law and the fight against corruption.
- ◆ Recognition that a substantial increase in ODA and other resources is required to reach the Millennium development targets. Urge developed countries that have not yet done so to make concrete efforts towards the 0.7% target of GNP as ODA, underlining the importance of examining the means and timeframes for achieving the targets and goals.
- ◆ Strive to make ODA more effective.
- ◆ Recognition of the value of exploring innovative sources of financing that do not unduly burden developing countries.

Unsustainable debt burdens, a feature of several developing countries²⁴, threaten economic and financial stability: they make countries more vulnerable to external shocks. They also drain the resources needed for public services vital to poverty reduction and thus perpetuate the exclusion of countries from full participation in the world economy.

Foreign private investment is the largest source of external funds for developing countries as a whole²⁵. Foreign Direct Investment (FDI) typically involves a long-term relationship between the parent and the affiliate and reflects a lasting interest in the host economy. It can be an important driver of technology transfer, human resource development, economic growth and social progress. However, FDI is heavily concentrated in a few countries, and has largely bypassed the poorest ones.

²³ The Fourth Preparatory Committee agreed the summit text by consensus on 27 January 2002. It is expected to be formally adopted by the Monterrey conference on 22 March 2002

²⁴ External debt in Africa tripled between 1980 and 2000 and is now estimated, on a stock basis, at US \$ 206 billion. (Source World Bank). Several countries (Angola, Congo, Comores, Djibouti, Guinea-Bissau, Guyana, Mauritania, Mozambique, Sao Tome et Principe, Zambia) have a debt stock / GNP ratio of more than 250%

²⁵ FDI flows to developing countries grew from less than half the level of official aid in 1990 to over three times their level in 1999

Alongside the fundamental importance of FDI, Official Development Assistance remains critical to support the efforts of developing countries, notably the poorest ones.

Facts and figures on ODA

- ◆ Reaching the International Development Target of halving poverty by 2015 would require an urgent doubling of ODA flows²⁶.
- ◆ Current ODA stands at US\$ 53 billion per year, representing 0.22% of the combined GNI of donor countries.
- ◆ Meeting the European Union commitment of reaching the UN target for ODA of 0.7% of GNI would require an increase of some US\$ 29 billion²⁷.

In recent discussions on the provision of so-called Global Public Goods²⁸, a number of ideas for new and additional financing mechanisms have emerged. To meet them, several innovative international taxes have been suggested. Proposals include a tax on currency transactions (Tobin type tax), a carbon tax and a tax on arms exports. Notwithstanding this discussion²⁹, meeting the needs for enhanced financing for development and the provision of global public goods in the short to medium term will require more substantial contributions from national budgets and a further increase in the efficiency of resource use.

²⁶ Financing for Development, report prepared by staff of the World Bank and IMF, August 2001

²⁷ In the conclusions of the Göteborg Council, the European Union reaffirmed its commitment to reaching the UN target for ODA of 0.7% of Gross National Income “*as soon as possible*” and “*to achieve concrete progress towards reaching this target before the World Summit on Sustainable Development in Johannesburg in 2002*”

²⁸ Global Public Goods are defined by UNDP as public goods whose benefits reach across borders, generations and population groups

²⁹ Further analysis is contained in the Commission's report on "Responses to the Challenges of Globalisation - A study on the International Monetary and Financial System and on Financing for Development"

European Union action

- Draw up a road map, before the International Conference on Financing and Development in March 2002, for making real progress towards the UN target for ODA and to bring all individual European Union countries up to the minimum level of 0.33% of GNI as from 2006, as an intermediate target.
- Accelerate and extend the process of debt relief launched under the Heavily Indebted Poor Countries Initiative and explore innovative debt conversion proposals, including “debt for environment”³⁰.
- Consider further initiatives in view of a complete untying of bilateral development aid across the European Union, and for further untying European Community and other donors’ official development assistance.
- Contribute to the emerging debate on global public goods and how to offer incentives for providing them and strengthening them. Explore innovative mechanisms for international financial solidarity and for incentives for reducing externalities.

4. IMPLEMENTING AND REVIEWING THE STRATEGY

Within the European Union

As the Commission pointed out in its Communication to the Göteborg European Council, the European Union Sustainable Development Strategy (European Union-SD Strategy) would not be complete without the inclusion of an external dimension. The present Communication contains that dimension and should be seen as an integral part of the Commission’s proposal for a European Union-SD Strategy. The effective implementation of this Strategy requires the concerted efforts of both the Commission and the Member States.

The European Union will address the external dimension as an integral part of the European Union Sustainable Development Strategy at the European Council in Barcelona in March 2002. It will put forward the European Union Strategy at the World Summit on Sustainable Development in Johannesburg in August 2002. The European Union contribution to global sustainable development will be addressed as a central issue at the Sustainable Development Round Table talks to be held in 2002. At the spring meetings of the European Council, the comprehensive European Union-SD Strategy will be periodically reviewed. In 2003, a particular focus should be on how to put the outcome of the Johannesburg Summit into practice.

At international level

The Johannesburg World Summit on Sustainable Development will be a milestone event in the international process on sustainable development. It should deliver a result that is balanced, forward-looking and action-oriented. The European Union will promote the elements of the European Union Strategy at the Summit in Johannesburg. It will seek to demonstrate how its strategy for sustainable development forms part of the global effort.

³⁰ Conversion proposals are based on the concept that developing countries have to provide a certain service (e.g. protecting the environment) in return for debt relief

The European Union will also seek to raise the profile of sustainable development in all its bilateral and regional relations. The most effective and relevant linkages between areas of policy dialogue will vary from partner to partner. With industrialised nations, European Union efforts must focus on extending concepts of economic and political stability to include sustainable development. With developing countries, the European Union must convincingly demonstrate the policy linkages between good governance, lasting poverty reduction and the protection of natural resources.

There is a need for the European Union, which is itself a continuing exercise in balancing national interests and wider responsibilities, to demonstrate in its external relations that multilateralism should not be about gathering international backing for predefined national interests. Nor can it be about a few powerful nations setting out the parameters of international negotiations between themselves, before presenting them to the rest as a *fait accompli*. Concerted efforts will be needed by all parties.

The Commission invites the Council and the European Parliament to support the strategy and actions outlined in this Communication, in view of strengthening the external dimension of the European Union's approach to sustainable development in a way compatible with the strategy for the internal dimension, as endorsed at Göteborg.

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