Comments to document titled: *"A hub for sustainable financing in Germany?"* [1]

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Note:

a) Comments submitted in response to document titled *A hub for sustainable financing in Germany?* [Discussion paper/living document by Alexander Bassen, Achim Steiner, Günther Bachmann 2nd version, last updated: 29 June 2017]: downloaded from: https://www.nachhaltigkeitsrat.de/fileadmin/user_upload/dokumente/beitraege/2017/20170315_Living_document_RNE_Green_Finance_EN.pdf.

b) Views presented below are of the contributor (Dr. Santosh Kumar Mishra) and **DO NOT** of the PERC, Department of Continuing and Adult Education and Extension Work, SNDTWU (the contributor is employed with currently).

Introduction to comments:

The discussion in the document (titled *A hub for sustainable financing in Germany?*), which is open for comments, concentrates around green economy model in the context of Germany (in particular) and further talks about need for sustainable financing. Factors such as climate, biodiversity, energy, food and water, as well as the global financial and economic crisis make the case stronger for "sustainable financing approach". Contribution presented below attempts to outline key issues connected with sustainable financing, which policy makers and all concerned stakeholders need to further research into. Outcome of such deliberations can form the basis of policy guidelines (relevant to Germany as well as for rest of the globe) that implementation of which will ensure green economy based on sustainable financing considerations. Presented below are contributions/inputs:

Why sustainable financing?

Financing needs for sustainable development are enormous, but small compared to global financial assets. Redirecting a small percentage of these assets toward sustainable development could have an enormous impact. Domestic and external sources, including both public and private flows, have to be mobilized. These should be regarded as complements, not substitutes as each has unique objectives and attributes. Forging a global partnership for financing sustainable development involves a fine balance between economic, social and environmental needs of various stakeholders.

Need for global partnership for achieving Sustainable Development Goals (SDGs):
A global partnership in the sustainable development goals (SDGs) needs to encompass meaningful analyses and reforms of global systemic issues in trade, finance, macroeconomic, industrial and financial policies, as well as social policies concerning women and the care economy, senior citizens, the disabled, and all those who are consistently marginalized or discriminated. One of the most important outcomes of the Rio+20 UN Conference on Sustainable Development was the decision by governments to develop and adopt a set of SDGs as a framework for pursuing focused and coherent action on sustainable development.

Developing countries today still need adequate degrees of policy space. *However*, the policy space afforded to them by international rules and agreements are considerably narrower than that enjoyed by today's advanced economies when they were developing. It is necessary to reform both multilateral and bilateral arrangements to allow developing countries to make use of policy tools and measures. A global partnership for sustainable development must be a chapter in itself, as well as a cross-cutting issue, for example in the way that food and agriculture intersect with trade rules. A genuine global partnership should also require that developed countries' domestic policies do not have negative spillovers on developing countries. All three pillars of sustainable development (economic, social and environmental policies and issues) must be addressed in equal measure and weight, with both domestic and international commitments, as well as actions and means of implementation that take into account asymmetric levels of development and resources between developed and developing countries.

Mobilizing Domestic Public Resources:
A global development partnership for governments to efficiently and effectively tackle domestic public resource mobilization is required. Priority areas include employing taxes, subsidies and market-based instruments to shift consumer preference and promote green investment and innovation; and strengthening social safety nets.

A global development partnership could help identify possible priority areas for improving tax systems and subsidization. These efforts could focus on trade taxes, broadening tax bases and reducing unwarranted special concessions and eliminating gaps and redundancies. Moreover, there is increasing acceptance of the need to tax *"environmental bads"* and give incentives for *"environmental goods"* as one way of ensuring a sustainable environment.

In a number of economic sectors, such as transportation, negative externalities such as pollution, health impacts or loss of productivity, are typically not reflected in costs, thereby reducing the incentive to shift to more sustainable goods and services. A solution to this problem is to incorporate the cost of the externality in the price of a good or service via a corrective tax, charge or levy or, in some cases, by using other market-based instruments, such as tradable permit schemes. On subsidies, many subsidies represent a significant economic and environmental cost to countries. Artificially lowering the price of goods through subsidization encourages inefficiency, waste and overuse, leading to the premature scarcity of valuable finite resources or the degradation of renewable resources and ecosystems.

Mobilizing Domestic and External Private Resources:
The financing needs for sustainable development outstrip available public funds. Through fiscal policies and environmental standards, including product standards, governments can create a market for green goods and services, and private funds will likely follow. A global development partnership assisting governments to establish well-designed regulatory frameworks will enable them to regulate the most harmful forms of unsustainable behavior of the private sector, either by creating minimum standards or prohibiting certain activities entirely. An adequate regulatory framework reduces regulatory and business risks, and increases the confidence of investors and markets. Also, industry self-regulation and voluntary agreements between government(s) and businesses can be a useful complement to government rules and regulations as they take away some of the burden of information and administrative costs from government authorities. *However,* as revealed by the global financial crisis, these measures are not an adequate substitute for effective governance. Depending on the situation, *however*, command and control measures can be administratively easier to implement and may pose fewer political challenges.

Global partnerships in the area of private resource mobilization requires close co-operation between governments and the financial sector to develop workable frameworks that will reduce the risk or lower the cost of capital for investors in financing sustainable development. Solutions are found in smart and targeted public sector interventions through policy frameworks and new financial instruments. Policies must be clearly targeted, reliable and predictable, avoiding retroactive policy steps which undermine the confidence of investors for future investments. It must create a level playing field in terms of profitability, between innovative and promising green technologies and conventional options.

Some Questions for Discussion:
Financing for sustainable development poses several challenges which requires answer to following questions by policy makers, researchers and other stakeholders:

- What are the main challenges in financing the transition to a green economy in various countries?
- How should the private and the public sector work together to mobilize the necessary resources for sustainable development?
- How can developing countries effectively mainstream green sustainability-oriented national innovation systems into their national development strategies?
- What are the most effective government policies to *"crowd in"* private green investment?
- How can governments and multilateral organizations most effectively leverage private finance into climate change mitigation and adaptation activities?
- How can financing be scaled up while at the same time streamlining the financing architecture to maximize its impact?
- How can multilateral development banks and other development financing institutions play a catalyzing role in channeling funds from public and private sources into green investment?

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Note: Above documents (including information provided on internet resources) were referred to by the contributor while preparing the comments (presented above).

Brief Bio of Contributor (Dr. Santosh Kumar Mishra): I am employed as Technical Assistant at the Population Education Resource Centre (PERC), Department of Continuing and Adult Education and Extension Work, S. N. D. T. Women's University (SNDTWU), Mumbai, India. Nature of work at the PERC is to primarily assist in research work and advocacy initiatives in the subject area of population and development education, including sustainable development (and allied subject areas). In addition, I, in my individual capacity, have (a) *authored* publications (journal articles, books chapters, conference papers); (b) *reviewed* manuscripts for over 60 international journals (plus 14 international conferences); (c) *contributed* papers at national & international platforms; and (d) *contributed* to over 88 e-discussions/debates. In the past, I was offered travel bursary for attending international conferences/summits. I am associated with 55 international organizations as member/expert, responsibility being giving online advice in policy matters pertaining to various developmental issues. Further, I am Reviewer/Editorial Board Member for 64 journals, till date, I have reviewed nearly 160 manuscripts, besides 80 paper proposals for 14 international conference sessions. Also, I have contributed to 88 e-discussions. I can be reached at drskmishrain@yahoo.com & +09224380445 (M).