

Global Framework, SDGs and Green Economy Indicators

Purpose of this document

To prompt different organisations to work together on aligning indicators across global, national and corporate levels, in order to achieve effective global action.

A global framework for collective action

Will the Sustainable Development Goals (SDGs) deliver a fairer, greener world? One litmus test for their transformative potential is whether they make the boardroom agenda of investment banks. If they do not, then we will have failed to unite the worlds of 'worthy globalism' and 'real economy' — some things will improve, but not enough.

But if markets can see value in solving the world's development priorities then we may yet secure the 'future we want'. The priorities of the day are to align markets with societal priorities, and to reward businesses for innovating social and environmental solutions, internalising externalities, reducing systemic risk, and creating new jobs.

Collectively, businesses have yet to show sufficient progress on sustainability. Why has this not yet happened? Delegates at a Global Reporting Initiative conference¹ suggested this was because businesses are reluctant to do more than governments, asking 'Why should business go beyond profit, when governments don't go beyond GDP?'

This question prompted another: 'Why has the development and adoption of national 'beyond GDP' been so slow?' At Measure What Matters (MWM) we believe it is largely because nations assume that if they are the only economies to internalise costs they will become internationally uncompetitive. So an impasse of superficial change persists.

But we also believe that the SDGs offer a 'once in a generation' opportunity to break the deadlock. SDGs may reflect global priorities, but they will be measured nationally — catalysing a 'beyond GDP' national development framework by default. Governments responsible for delivering on their water, climate or inequality goals will turn to important stakeholders — businesses — and ask what they are doing to help. They will create new policies to direct the desired change, and allocate new funds to stimulate solutions. All this provides the potential for a new global framework for collective action and shared responsibility to emerge — one that is coherent across nations, aligns markets to societal priorities and empowers businesses to innovate sustainable solutions (see Figure 1).

¹ GRI promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development

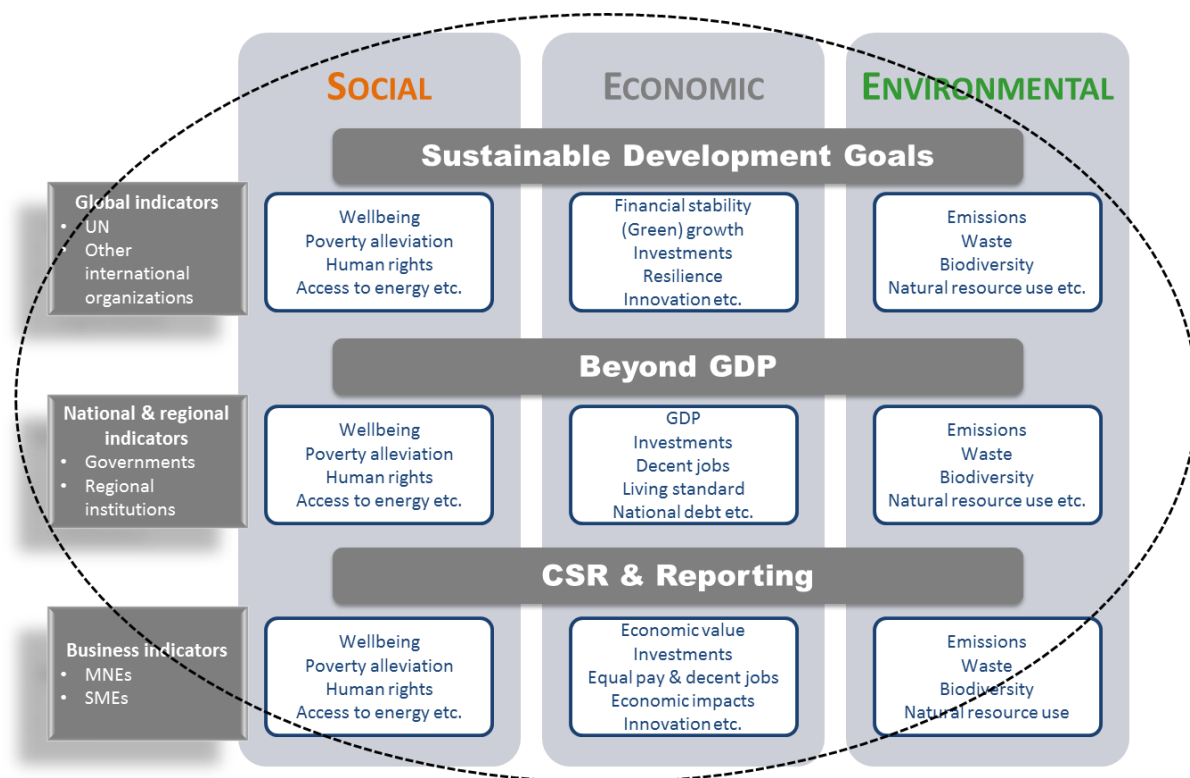


Figure 1. What a global framework for collective action might look like

The risk of incoherent indicators

The biggest risk to fulfilling this potential is an incoherence in the indicators used at the different global, national and business levels. Our analysis of some of the proposed SDGs tells a story of indicator confusion and misaligned incentives across levels and stakeholders. Different players use different indicators; they choose different reporting frameworks for different reasons; and they interpret success in different ways (see 'Case study: Measuring water sustainability').

Such inconsistency and contradiction prompts the risk that instead of stakeholders working in the same direction, they work at odds — in a world of increasing complexity and conflicting objectives.

Ideally, we propose that the indicators that come to define success for sustainable development goals, should be aligned and drive national development decisions and shared stewardship with business and communities. In essence, a matrix of indicators evolves that adds up to transformative results, and clarity of responsibility across different stakeholders.

Into this space, we — the green economy community — are encouraging yet another set of development indicators: green economy and green growth indicators. Will we simply add to the confusion? Or can we be the ones to help align markets with societal priorities and get SDGs brought into the boardrooms of investment banks?

Case study: Measuring water sustainability

Our analysis of water reporting — as one research example — reveals that there are 12 main water indicators in use by businesses, communities, governments and international institutions. But the top 'indicator of choice' varies across these groups. So while the international community tends to focus on measuring 'access', national governments concentrate on 'state of water environment' and businesses prioritise 'water consumption'.

In general, we found that:

- **A wide range of frameworks and metrics** is in use at all levels, many of which are bespoke and disparate, with little rationale or guidance as to which framework is most appropriate at different levels of decision making.
- **There is minimal alignment** across the 12 main areas of water reporting frameworks and diverse interpretations of 'success' in each of those.
- **There is very limited temporal and spatial data collection** that would allow effective decision making at different scales.

	Water consumption	Water withdrawals	Recycling	Sustainable Contextual use	Access	Infrastructure	State of Water Environment	Impacts	Compliance	Costs	Risk	Impact on Entity
Global		■			■			■				
National		■					■					
Business	■		■	■					■		■	■

Table: Analysis of stakeholder groups and 12 most common Water reporting measures (Source: MWM research 2014¹)

At Measure What Matters, we believe that both green economy indicators and green growth indicators are critical to assessing the success of the SDGs.

At risk of oversimplifying, we can consider the SDGs as our broad destination objectives, with green economy indicators tracking the desirable outcomes of national economy activity (for example, societal wellbeing, the improved state of the environment, and their respective sub-descriptors). And green growth indicators serve to track the process of change for countries — helping them to price externalities, value natural assets, prompt innovation away from unsustainable paths, deploy new technologies and achieve sectoral shifts.

Green growth indicators also target national performance on: climate and energy (Total CO₂ emissions, CO₂ emissions per capita, CO₂ per Unit of GDP); water and waste (Municipal waste per Capita, water abstractions per capita, population connected to waste water treatment); and tax (Environmental taxes % GDP, Labour taxes % GDP)

Both process and outcome indicators are vital: the SDGs reflect the societal priorities that — assuming market alignment — define the partial rationale for green economic activity. And green growth is a key part of the process needed to achieve a green economy.

In short, achieving sustainable development will require reforming economic activity so that we build the future we want. Defining what that future looks like is the main role of the SDGs. Green growth and green economy could explicitly be the main route for the achievement of SDGs — the ‘change catalyst’ that brings global societal priorities together with reinvigorated, purposeful and sustainable national economies.

This depends on ensuring the SDG indicators are adequately informed by green growth and green economy indicators.

The biggest challenge the green economy community faces is arguably not how to create ‘green’ indicators, but how to get them adopted and put them to practical use. There is no doubt that SDG indicators will be used. If we are not included in them, our Green Economy and Growth indicators risk being drowned out and ignored.

Business and Market Opportunities from the SDGs

The SDGs present significant opportunities for business, in particular goals on energy, cities and agriculture:

- **Energy (SDG 11):** Total *current annual investment* amounts to approximately \$9 billion for energy access (IEA), \$154 billion for renewable energy (IIASA), and around \$225 billion for energy efficiency (IEA, 2014). (SEA, 2014, [See page 12](#)). This leaves an estimated \$367 billion annual public and private *investment gap* to be filled to reach the Sustainable Energy For All (SE4ALL’s) three stated goals.

([See page 12 and 25](#)) which closely resemble the SDG goal. This energy investment gap presents the following business opportunities:

- Achieving 100% electricity access by 2030 requires annual investment to rise from \$9 billion to \$45 billion (\$36 billion annual gap).
- Doubling renewables' share of final energy consumption requires annual investment to rise from \$154 billion to \$320 billion (\$166 billion annual gap)
- Doubling the rate of improvement in energy intensity (energy efficiency) requires annual investment to rise from ~\$225 billion to \$390 billion (\$165 billion annual gap).
- High impact *investment areas* include a range of high and low investment grade countries, suiting a range of investors:
 - Energy Access: India, Nigeria, Bangladesh, Ethiopia, DRC, Tanzania, Kenya, Sudan
 - Renewable Energy: China, US, Western Europe
 - Energy Efficiency: US, China, Former Soviet Union
- **Cities (SDG 11):** As currently proposed, it is difficult to quantify with much precision the investment levels required to achieve the urban SDG Goal 11, but looking at selected sub-goals acts as a useful scoping exercise. Similarly, meeting the sustainable transport objectives of 11.2 involves potentially large investments and opportunities for public-private partnerships (see this GTZ [2010 Financing Sustainable Urban Transport](#) report). The [IEA estimates](#) approximately \$450 trillion in total global transport expenditure is needed before 2050 to keep global warming to 2 degrees centigrade. In 2010, urban areas in 20 European OECD countries invested approximately \$59 billion in the transport, housing and environmental protection sectors, and for most cities transportation infrastructure accounted for the greatest share of urban capital spending ([OECD, 2012](#)).
- **Agriculture (SDG 2):** [FAO estimates show](#) agriculture as accounting for ~4% of global GDP in 2007 (~\$1.88 trillion), with average continental figures ranging from a high of ~15% for Africa to a low of ~2% in the Americas. The [UN FAO has once said](#) that an additional \$30 billion per year is needed to eradicate world hunger. Private sector investment in agriculture would be required in the order of ~\$1.5-10 billion annually for 2006-10 (page 8).

Food for thought

If we see green economy/growth as the vital 'convergence enabler' between SDGs and markets, and we agree that SDGs offer a unique opportunity to make green indicators shape national economic plans and drive corporate behaviour, then we must urgently address two key questions:

1. **Where would GE/GG indicators sit in the SDG framework?**
2. **How do we make sure that business performance is included?**

We must also consider our next steps. Subject to discussion and debate, these might include:

1. Consider all indicator initiatives as contributing to an emerging global framework for collective action, not competing with each other.
2. Improve coherence and alignment across global, national and corporate scales — leading towards shared definitions, standards, methodologies and metrics.
3. Demonstrate how best-practice corporate sustainability indicators correlate with 'success' as defined at national levels e.g. through diverse case studies.
4. Ensure that the indicators for each SDG are informed by the best national green growth/green economy/'beyond GDP' indicators, as well as best-practice corporate sustainability indicator sets.
5. Encourage and recognise indicator bases that are built from the ground up across diverse geographies, sectors and business types.
6. Call for a dedicated work strand in support of the above for Member States, business and civil society stakeholders, involving sustainability measurement experts from diverse sectors.

The Measure What Matters project <http://measurewhatmatters.info/>

The importance of developing the right measures at corporate, national and international level was reaffirmed at the Rio+20 Conference where UN Member States agreed to: start a process to develop Sustainable Development Goals; work on finding broader measures of progress to complement GDP; and encourage corporate sustainability reporting. In June 2012, we launched Measure What Matters to help increase the synergies between these three processes and to mitigate the risk of complex and contradictory measures developed in isolation.

The joint project is led by the Green Economy Coalition (GEC) with the Global Reporting Initiative (GRI), The Prince of Wales's Accounting for Sustainability Project (A4S), the International Institute for Environment and Development (IIED); the Stockholm Environmental Institute (SEI), and Stakeholder Forum. Together, we aim to promote coherence between measurement systems by:

- taking stock of current measures and identifying shared priorities;
- mobilising a global network of experts to contribute to discussions; and convening a series of high-level meetings to bring together key decision makers from the corporate, national, and international levels.

We believe the SDG process can be the main catalyst for the convergence and coherence of societal priorities and markets.

Measure What Matters partners:

