Comments Submitted on behalf of the Partnership on Sustainable, Low Carbon Transport (SLoCaT) based on inputs by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and the Institute for Transportation and Development Policy (ITDP).

The comments of the SLoCaT Partnership on financing should be read in conjunction with SLoCaT’s view on the role of sustainable transport in: (a) the adaptation to, and mitigation of, climate change (see: the Warsaw Statement on Low Carbon Transport and Sustainable Development), and (b) sustainable development and the post 2015 sustainable development agenda (see: SLoCaT Results Framework on Sustainable Development).

Framing questions for the Committee and outside institutions for cluster 3: institutional arrangements, policy coherence, synergies and governance issues

Achieving sustainable development in its three dimensions will require a much higher level of policy coherence and greater synergies of policies than currently exists, at the national and international level. This greater coherence is a precondition for a coherent financing strategy for sustainable development. The questions below seek your views on how to arrive at institutional and governance arrangements that are more properly aligned with a coherent sustainable development agenda and that allow for a coherent financing strategy, as well as on which areas specifically the Committee should focus on.

At the international level:

Which are the main shortcomings, gaps and/ or overlaps in financing for sustainable development at the international level?

- Financing for sustainable development at the international level remains very focused on national governments, yet the largest share of economic activities and global population now reside in cities. Many national governments struggle to effectively support sustainable development investments and governance capacity.

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1 The Partnership on Sustainable Low Carbon Transport (SLoCaT) is a multi-stakeholder partnership of over 80 organizations including UN organizations, multilateral and bilateral development organizations, NGOs and foundations, academia and the business Sector which promotes the integration of sustainable transport in global policies on sustainable development and climate change. See: [www.slocat.net].

2 http://www.slocat.net/transportday2013/warsaw-declaration

3 http://www.slocat.net/slocat-results-framework-sustainable-transport
building at the city-level, where many sustainable development initiatives need to be focused. Many of the most effective sustainable development initiatives are flowing from emerging partnerships between NGOs, the private sector, MDBs, and governments, but financing for sustainable development is often ill-structured to support the establishment and strengthening of these partnerships. It is important for international sustainable development financing to focus on filling these gaps, by developing structures more amenable to support for public-private-civil society partnerships and city-level problem-solving.

How can greater coherence be achieved between the UN, the international financial institutions, multilateral development banks, global groupings such as the G-20, and bilateral actors? What specific proposals would you like the Committee to consider?

- **Greater coherence will depend in part on increased transparency about financial flows and increased accountability for results, monitoring of progress on sustainable development indicators and related supporting sectoral objectives, and how these are affected by financing flows.** E.g., efforts to make more apparent the total and distributional impacts of fossil fuel subsidies should be strengthened, along with reporting on strategies to replace these with more equitable subsidies or economic support mechanisms.

- **Positive impacts on national policies and frameworks could be achieved by a consolidated promotion of the “polluter-pays-principle” and the “transport-finances-transport” principles.** The polluter-pays-principle states that external costs caused by the transport sector should be borne by the users of transport services. The polluter-pays principle should be applied where it is not currently in use, and, indeed, enforced more strongly where it is. Only then is a rational and responsible development of transport systems and behaviour possible. Because of the high cost of construction, maintenance and operation of transport infrastructures and services and the lack of capital in many developing countries and cities, it is inevitable that transport must be financially self-sustainable (“transport finances transport”). The transport sector is too large to be subsidized and funded by other sectors.

How can international public finance for development and public financing for the global commons (climate change, forests, oceans, biodiversity) be better integrated and/ or aligned?

How to improve the coherence and synergies of the international financing architecture for the global commons?

How can the coherence and consistency and effectiveness of the international monetary, financial and trading systems in support of sustainable development be enhanced? Is there
a need for new institutional arrangements, such as to address sovereign debt distress or improve tax coordination?

Which institutional and governance changes are needed at the international level to facilitate the mobilization of additional international public resources for sustainable development, including innovative sources of development finance?

- Climate Bonds Initiative’s 8 points plan to promote the transition to a low-carbon economy (http://www.climatebonds.net/) is relevant in this context. These were developed largely for the (renewable) energy sector but they are very much relevant to the transport sector as well:

  1. **Create deal flow** – Bond investors need scale; renewable energy and energy efficiency projects (markets) need to be aggregated into larger offerings suitable for the appetite of the big investors;
  2. **Engineer investment grade offerings** – High demand of low risk investments. Renewable energy investments are seen as a “novelty”, we need to change this perception. In order to do that, a grand pact between governments and institutional investors is needed. Governments engineer a stream of large scale investment opportunities and does everything it can do to make sure they are investment grade; in return institutional investors turn on the taps;
  3. **Be clever about public sector risk-sharing** – Financial leverage (e.g. policy risk insurance and currency risk insurance) and regulatory leverage.
  4. **Build green enabling institutions** – Green Investment Units and Banks are needed;
  5. **Give tax incentives for climate bonds** – very little treasury loss can be a big boost to investment;
  6. **Build an economic recovery narrative** – the transition to a green economy revamps our economy across every sector and addresses the climate change threat;
  7. **Use Climate Bond Standards as a screening and preferencing tool** – a tool that helps investors monitor and verify the climate effectiveness of their investments;
  8. **Make it easy for politicians** – bond investors and business issuers have to get better at packaging politically sellable solutions, help politicians see how they can successfully sell those plans to voters

- Stronger and more widely recognized certification mechanisms, such as those being developed in relation to Carbon Bonds, can help provide low cost information to investors to expand financing available for sustainable development, e.g., in the energy, transport, water, and other sectors, where pension funds and other long-term investors are seeking long-term steady but modest and predictable returns.

- Strengthening credit guarantees and the rule of international law in contract enforcement to reduce investor risks of arbitrary illegal takings could facilitate broader and wider sustainable development investment flows.
The vast majority of expenditures in the transport sector originate from public and private domestic sources. Nonetheless these financial means can support sustainable development by shifting the large existing budgets from unsustainable to sustainable low-carbon transport. Official Development Assistance (ODA) and climate finance can facilitate this shift.

Positive signs are visible, e.g. with the announcement of Multilateral Development Banks at Rio+20 to provide more than 175 billion US$ of loans and grants for more sustainable transport over the next decade. High quality sustainable transport measures need to be developed to a ready-to-finance stage in order to serve and accelerate the growing demand for sustainable transport. Therefore capacity development is needed to enable responsible actors on national, provincial and local level to develop these measures taking into account the need for transparent institutions and enabling framework conditions.

International cooperation and climate finance should be strengthened, as it can support the development of capacities and the creation of adequate framework conditions, thereby helping to identify mitigation potential in the transport sector with a wide range of positive benefits such as reduced health expenditures, economic prosperity or access to jobs for poor people, which often outweigh the climate benefits. Transport NAMAs is a type of modality that can potentially link sustainable development with GHG mitigation.

Although ODA and climate finance are (still) negligible in terms of their portion to transport financing worldwide it can trigger the shift to sustainable transport. More work is needed though to make sure these financial means are used properly (either to support capacities or to invest in the right forms of transport).

How can global partnership for development (MDG 8) be strengthened institutionally and deepened substantively? How global partnership for development framework could be used to catalyze partnership with private sector?

Which innovative sources are most suitable for mobilizing sustainable development finances at the national and international levels? What steps can you propose/your institution can take in undertaking the implementation in this regard?

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4 See http://www.slocat.net/news/1147
➢ **Real estate value capture mechanisms related to transport system investments,** revenues from long-term asset leases related to transport, water, and telecommunications infrastructure, and user fees on motor fuels and roadways can provide important revenue streams against which loans can be secured for long-term investments. These require appropriate legal and governance frameworks to protect investors and balance risks and rewards between the public and private sector. **Competitive performance-based contracts often can be used to ensure better attainment of public-sector and public welfare goals than monopolistic service provision by large and often unaccountable bureaucracies.** Such contracting practices can also mobilize added private investment in innovative service provision.

➢ **The discussion of innovative financing sources needs to be linked with an assessment whether the potential of traditional funding sources has been fully explored.** The main sources of transport sector revenues are taxes on fuels and vehicle taxation. Tax levels are generally low, although in particular vehicle and fuel taxes have a high potential for revenue generation. Fiscal reforms in the transport sector cannot be realised from one day to the next, but the need for adjustment is immense. When there is not enough time for the general public or the business sector to adapt to the new conditions, political upheaval may result – which ultimately prevents the reforms from being implemented and enforced. Gradual, transparent and long-term adjustments are necessary.

➢ **GIZ’s International Fuel Prices Projects developed for almost a decade collects data on fuel subsidies and fuel taxation.** These data, country-analysis and policy recommendations can facilitate a policy shift.

What would need to be done at the international level to enhance the private sector contribution to sustainable development financing (e.g. standards for investment, for financial intermediation, for corporations, partnerships)?

➢ **Certification standards, such as those being developed by Climate Bonds, can support increased sustainable development investment by reducing the information cost and risk.** The ClimateBonds 8 point plan is relevant here.

How to make the institutional arrangement flexible wherein the agreement between funds donors and beneficiary may ease the operation and the effectiveness more practicable?

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How to make the disbursement process and the funds flow profitable to regional financial institution with positive impact to the countries/region host of project?

How to reduce the share of international consulting cost? How to encourage the use of country/regional expertise within the total project cost? What best option international vs regional/country consulting?

- **There needs to be a vast expansion of capacity building to train millions of people in countries across the world in sustainable development strategies.** Every MDB and bilaterally financed development project should leave behind a cadre of trained professionals who can operate, innovate, and replicate success, otherwise sustainable development will not be taken to scale in a timely way. International experts are needed to support this capacity building and to advance and foster exchange of best practices. International cooperation and climate finance can support the development of capacities.

Who, internationally, should be considered as the constituent in the achievement of the sustainable development goal? Is there any conflict of interest between the international private and international public sustainable development goal?

**At the national level:**

Which institutional arrangements would allow for a better coordination of different financing sources and instruments in specific sectors and areas at the national level? Please give examples. What types of governance arrangements could facilitate greater policy coherence across ministries and agencies?

- **Many countries need to establish national ministries focused on cities or urban development, with expertise to integrate national programs for transport, water, telecommunications, buildings and other infrastructure, with smart resilient urban planning, natural resource management, and economic development strategies.** Actual problem-solving and decision making for cities should remain in the hands of local and metropolitan authorities, but national governments should provide supportive enabling frameworks for action at the local and metropolitan level. In some countries, a vice-president or other most senior member of the executive authority should be given authority to coordinate across these multiple ministries to resolve interagency conflicts that inhibit effective support for urbanization management by cities.
Many national governments should establish sustainable transport and sustainable urban development financing facilities to support coordinated local and metropolitan action to manage urbanization and mobility systems. These should be connected to national urban planning, air quality planning, transportation, and related regulations to ensure development of sound local and metropolitan governance structures. Such national sustainable transport and urban development financing facilities should require measuring, monitoring, and reporting on key sustainable development and system performance indicators. These should be designed to enable informed public involvement in decision-making and to foster competition for improved environmental, social, and economic performance between the providers or managers of various system services and functions.

National governance strategies should encourage the development of public-private-civil society partnerships to foster creative and inclusive planning and decision making, service delivery, and coordination, striving to enable negotiated voluntary progress towards more rapid achievement of sustainable development goals.

However, partnerships cannot replace the vital function of establishing a rule of law with strong legal and regulatory enforcement frameworks designed to protect public welfare through such things as pollution control standards, source-based air and water pollution emission limits, reporting requirements, requirements for the development of plans to attain science-based standards designed to protect public health, and improving the energy efficiency of various systems and processes.

Today’s transport policy frameworks and funding mechanisms create economically, ecologically and socially unbalanced development in many countries. Yet incoherent transport policies without clear priorities, inadequate framework conditions and wrong price signals are prevalent main reasons, which have to be overcome. Apart from the sectorial perspective, transport requires huge investments and puts enormous pressure on national budgets. Therefore it is essential to design transport policies and policy frameworks in a way that supports sustainable development most efficiently.

Efficient institutions, a smart and comprehensive regulative framework and the right user incentives are crucial to sustainable sector development.

A country’s national transport policies and strategies must provide clear guidance. Framework conditions must be established, which support the country’s development targets, including not only economic, but also health, energy, climate as well as
urban and rural development targets. The access to clean, safe, reliable and affordable mobility is essential for achieving these targets. National authorities are responsible for establishing sustainable urban, rural and regional transport policies and strategies. Instruments like sustainable urban mobility plans⁶ will direct investments on the micro-level according to priorities defined in inclusive decision-making processes.

- State responsibility in the transport sector needs to be (re)organised in a transparent, efficient manner. A coherent policy framework should be established, covering all relevant policy areas and making use of all feasible policy options. The general public should be invited to participate in defining development goals, measures and alternative options. Comprehensive policy frameworks include:
  - Comprehensive and integrated planning regulations on regional and local levels, which are subordinated to national transport master planning and policies. This includes especially integrated regional and local mobility and land-use planning with priority for walking, cycling and public transport and sustainable logistics.
  - Design and operational guidelines allowing cost-efficient maintenance, high operational reliability and quality, high safety standards of transport infrastructure and services.
  - Good Governance: Increase transparency and target corruption, set priorities and measures using inclusive and participative approaches.

What would be priority areas for reforms at the national level to improve the contribution of private finance to sustainable development objectives?

- If private finance is to contribute at a higher level to sustainable development objectives, many small sustainable development project opportunities need to be bundled into a few larger packages that can be efficiently seen as certified low carbon sustainable development opportunities for bond and equity investors. This can be done by creating project preparation financing facilities that can take on early risks of developing a robust project pipeline. For example, Mexico’s PROTRAM Program has helped jump-start public transport and non-motorized improvements in over 42 cities, with a strong element of private investment in each, combined with national development bank and MDB resources.

How to strengthening the ownership of funded activities linked to sustainable development?

- Programs like the Global Environmental Facility need to become more nimble in responding to rapidly evolving political opportunities for low carbon development in cities and in the freight sector.

⁶www.mobility-plans.eu
How to create the country institutional cohesion (Civil society-Parliaments-Governments-Presidents-Oppositions-Private sectors) on country priorities to achieve sustainable development objective?

- Creating greater cohesion on country priorities to achieve sustainable development requires efforts to channel more resources to the nurturing of partnerships that organize to facilitate the identification and implementation of sustainable development objectives. Some of these resources are needed for capacity building, some for data development, some for outreach and socialization programs, and a lot for developing a robust pipeline of ready-to-finance sustainable development projects and programs, with supportive policies.

- It is important to find ways to cultivate a more civil political culture in which opposition and ruling parties are not at war. Winner-takes-all-politics can position the atmosphere for civil discourse and collaborative problem solving.

Who, nationally/regionally, should be considered as the constituent in the achievement of the sustainable development goal? Is there any difference between national private sector and national public on Sustainable Development Goal?

**Cross-cutting:**

Which measures at the international level would most effectively contribute to domestic resource mobilization for sustainable development? Which measures at the international level would most effectively facilitate the implementation of a coherent financing strategy at the national level?

- End fossil fuel subsidies, both overt and covert, and channel the savings into sustainable development initiatives. Provide international financing windows to support the development of sustainable transport and sustainable urban development financing facilities by national governments and national development banks, working with cities and metropolitan authorities. Strengthen the role of city leaders and metropolitan leaders in international governance. Strengthen the role of partnerships in the global development and financing framework, with more resources to enable their cultivation and development and new ways of enabling good governance.

- International cooperation and climate finance can support the development of capacities and the creation of adequate framework conditions, thereby helping to identify mitigation potential in the transport sector with a wide range of positive benefits such as reduced health expenditures, economic prosperity or access to jobs for poor people, which often outweigh the climate benefits. Transport NAMAs are an instrument which link sustainable development with GHG mitigation.
Although official development assistance (ODA) and climate finance are negligible in terms of their portion to transport financing worldwide it can trigger the shift to sustainable transport. More work is needed though to make sure these financial means are used properly (either to support capacities or to invest in the right forms of transport).

What changes in accounting, reporting and monitoring rules and standards could be more supportive of sustainable development? Is there any new sustainable development reporting standard needed or not? International public sector accounting standards, international financial reporting standards, regional Standards? What is the best option?

Is there any conflict between international public and national public sustainable development goals?

While the international goal is to reduce the mitigation of greenhouse gasses, current national/regional policies focus too much on conventional, high-carbon or unsustainable transport systems that mainly rely on road investments as basic infrastructure (focused on moving cars and trucks). In contrast, sustainable transport-oriented, advanced policy-making and planning approaches should be promoted to favor low-emission transport modes (walking, cycling, public transport and sustainable logistics).

One of the key concerns for sustainable transport financing is how to shift investments from conventional, unsustainable to low-carbon, sustainable transport. This question is not only about additional funding but more about how to make best use of all available funding sources.

National transport policies, which are to be defined in urban transport master plans, national transport master plans etc. can provide the necessary guidance for prioritizing investments in the transport sector. Designated funding programmes help to allocate investments towards sustainable transport by providing co-funding for projects, which are coherent with the national policy targets.

Are there any additional areas of institutional arrangements and governance issues which the Committee must address to facilitate effective sustainable development financing?
Appendix 1: Members OF SLoCaT Partnership

1. African Development Bank
2. African Transport Policy Program
3. Alliance to Save Energy
4. Asian Development Bank
5. Believe Sustainability
6. Corporación Andina de Fomento
7. Cambridge Systematics
8. Center for Clean Air Policy
9. Centre for Environment Planning & Technology Ahmedabad
10. Center for Science and Environment
11. Center for Sustainable Transport Mexico
12. Center for Transportation and Logistics Studies, Gadjah Mada University
13. China Urban Transport Research Centre
14. Civic Exchange
15. Clean Air Asia
16. Clean Air Institute
17. Climate Focus
18. CODATU
19. Despacio
20. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
21. Dutch Cycling Embassy
22. Ecofys
23. EMBARQ, The WRI Center for Sustainable Transport
24. Energy Research Center Netherlands
25. European Bank for Reconstruction and Development
26. European Institute for Sustainable Transport
27. European Cyclists' Federation
28. Fia Foundation
29. First African Bicycle Information Organization
30. Fraunhofer-Institute for Systems and Innovation Research
31. Global Environmental Facility
32. Global Transport Knowledge Partnership
33. Global Urban Development
34. HealthBridge
35. Hong Kong Shanghai Bank
36. Innovation Center for Energy and Transportation
37. Institute for Global Environmental Strategies
38. Institute for Transport Studies
39. Institute for Transport Studies, University of Leeds, UK
40. Institute for Transportation and Development Policy
41. Institute for Urban Transport India
42. Inter-American Development Bank
43. International Association for Public Transport
44. International Council of Local Environmental Initiatives
45. International Energy Agency
46. International Road Assessment Program
47. International Road Federation
48. International Transport Forum
49. International Union for the Conservation of Nature
50. International Union of Railways
51. Korean Transport Institute
52. Ministry of Land Infrastructure Transport and Tourism, Japan
53. Mobility Magazine
54. National Center for Transportation Studies, Philippines
55. Nordic Development Fund
56. Renewable Energy and Energy Efficiency Partnership
57. Rockefeller Foundation
58. Society of Indian Automotive Manufacturers
59. Stockholm Environment Institute
60. Sustainable Transport Africa
61. Tehran Urban and Suburban Railway operation Company
62. The Energy and Resources Institute
63. The European Rail Industry
64. Transport and Environment
65. Transport Research Laboratory
66. Uganda Road Sector Support Initiative
67. United Nations Development Program
68. United Nations Center for Regional Development
69. United Nations Department for Economic and Social Affairs
70. United Nations Economic Commission for Europe
71. United Nations Economic and Social Commission for Asia and the Pacific
72. United Nations Economic Commission on Latin America and the Caribbean
73. United Nations Environment Program
74. United Nations Human Settlements Program
75. University College of London, Department of Civil, Environmental and Geomatic Engineering
76. University of California, Davis, Institute of Transport Studies
77. University of Transport and Communication Hanoi
78. University of Twente-ITC
79. VEOLIA Transport/Transdev
80. Victoria Transport Policy Institute
81. Volvo Research and Education Foundations
82. Walk 21
83. World Bank
84. World Business Council for Sustainable Development
85. World Health Organization
86. World Streets
87. Wuppertal Institute for Climate, Environment and Energy
88. WWF International