

**DISCUSSION PAPER No. 274**

# The integration of climate change and circular economy in foreign policies

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June 2020

Tackling climate change and transitioning to a circular economy is not something a single country can do on its own. It is therefore key to integrate climate change and circular economy considerations in foreign policies. This paper provides insights into how Finland, France, Germany, Sweden and Switzerland go about that. It also covers the EU, with a focus on trade policies and aid for trade. The paper identifies lessons and promising approaches which can serve actors in the Netherlands and elsewhere.

Climate is high on the agenda of foreign policies of all case study countries and at the EU level, although the depth varies. Circular economy is also moving up the agenda. While most attention goes to recycling and/or waste management, there are some signs of increasing attention also for other parts of the life-cycle of goods and services.

The paper covers background factors, policies, their operationalisation as well as institutional mechanisms to support the integration of climate and circular economy in foreign policies. It highlights a wide range of initiatives, such as amongst others:

- tools to assess the impact of new development cooperation and trade initiatives on climate change and a transition to a circular economy;
- relevant financial instruments, including measures to integrate circular economy dimensions in existing instruments;
- efforts to build capacity of foreign policy staff through for instance climate attachés in embassies, external helpdesks, as well as online and face-to-face training sessions.

In short, the paper presents a wealth of experiences – their strengths and weaknesses – to learn from and adapt to particular contexts at hand.



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## Acknowledgements

The paper was commissioned and financially supported by PBL Netherlands Environmental Assessment Agency. The authors would like to thank, in particular, Timo Maas, Hester Brink, Marcel Kok, Paul Lucas and Andries Hof of PBL for their valuable input and the good collaboration. The authors would also like to thank the people they interviewed for sharing their experiences and insights. Furthermore, the authors are grateful to their ECDPM colleague Inna Perova for layout.

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## Quick guide

The paper is structured in two parts. The first part includes an [introduction](#) to the paper, the [analytical framework](#) and a section on [main findings](#) from the different case studies, divided into subsections for each case study. The final section of part one summarises the [key conclusions and lessons](#). Part two of the paper presents the detailed case study chapters for [Finland](#), [France](#), [Germany](#), [Sweden](#), [Switzerland](#), and the [European Union](#).

## Acronyms

AF	Adaptation fund
AFD	French development agency
AfT	Aid for trade
BMU	Federal Minister for the Environment, Nature Conservation, and Nuclear Safety (Germany)
BMWi	Federal Ministry for Economic Affairs and Energy (Germany)
BMZ	Federal Ministry for Economic Cooperation and Development (Germany)
CAN	Climate Action Network
CAPE	Climate Action Peer Exchange
CE	Circular economy
CEDRIG	Climate, Environment and Disaster Risk Reduction Integration Guidance
CETA	Comprehensive Economic and Trade Agreement
CFI	Canal France International
CICID	Interministerial Committee for International Cooperation and Development
CIRAD	French Agricultural Research Centre for International Development (France)
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CoP	Community of practice
DAG	Domestic Advisory Group
EBA	Everything but Arms
ECC	Environment, conflict and cooperation
ECDPM	European Centre for Development Policy Management
EEP Africa	Energy and Environmental Partnership programme
EFTA	European Free Trade Association

EIA	Environmental impact assessments
EKF	Energy and Climate Fund
EMS	Environmental Management System
EPA	Economic partnership agreement
EU	European Union
FDFA	Federal Department of Foreign Affairs
FFA	Federal Finance Administration
FFEM	French Facility for Global Environment
FLEGT	Forest Law Enforcement, Governance and Trade
FOEN	Swiss Federal Office for the Environment
FTE	Free trade agreements
GCF	Green Climate Fund
GEF	Global Environment Facility
GIZ	German development agency
GNI	Gross national income
GPCCC	Global Programme Climate Change and Environment
GSP	Generalised System of Preferences
HSD	Human Security Division
IGAD	Intergovernmental Authority on Development
IDDRSI	IGAD Drought Disaster Resilience and Sustainability Initiative
IDFC	International Development Finance Club
IFC	International Finance Corporation
IKI	International Climate Initiative
IMDC	Internal Displacement Monitoring Centre
IPCC	Intergovernmental Panel on Climate Change
IRD	Research Institute for Development
JCSF	Joint Civil Society Forum
MEAE	Ministry of Europe and Foreign Affairs (France)
NGO	Non-governmental organisation
ODA	Official development assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
OECD DAC	Development Assistance Committee of the Organisation for Economic Co-operation and Development
PCD	Policy coherence for development
PCSD	Policy coherence for sustainable development
PIF	Public Sector Investment Facility
PLAFICO	Platform on Funding International Cooperation on Environmental Issues
SDG	Sustainable development goal
SEI	Stockholm Environment Institute
SFPD	Sectoral Foreign Policies Division
SIA	Sustainability Impact Assessment
SIPRI	Stockholm International Peace Research Institute
SIWI	Stockholm International Water Institute
SME	Small and medium-sized enterprise
SRC	Stockholm Resilience Centre at Stockholm University
SRI	Sustainable Recycling Industries

SSC	State Secretaries' Committee
TSD	Trade and Sustainable Development
UNFCCC	United Nations Framework Convention on Climate Change
UNHCR	United Nations High Commissioner for Refugees
WCEF	World Circular Economy Forum
WTO	World Trade Organization

# PART I



# 1. Introduction

The government of the Netherlands is strongly committed to tackling climate change, and is taking combined action towards climate mitigation and adaptation. It aims to reduce greenhouse gas emissions by at least 49% by 2030, as compared to the levels in 1990.<sup>1</sup> The Netherlands has also adopted a national adaptation strategy to better prepare for the impacts of climate change. Moreover, given that a transition towards a 'circular economy' offers great potential for societies to reduce their environmental footprint, the Dutch government is taking various measures to accelerate progress towards a circular economy. Legislation and regulations are being changed and investments stimulated in businesses working towards a circular economy.<sup>2</sup>

Addressing climate change and transitioning towards a circular economy cannot be achieved by the Netherlands or any other individual state alone, as this has to be tackled at a global scale. The covid pandemic has only strengthened the case for more resilient global economic systems. To this end, integrating a concern for climate change and circular economy in foreign policy approaches can improve prospects for more effective efforts at an international level.

The need to integrate climate change in foreign policies is in line with the 2030 Agenda, that emphasises the importance of balancing the economic, social and environmental dimensions of sustainable development in achieving the Sustainable Development Goals (SDGs). Coordinated policies are required to take into account the multiple relationships existing between the different dimensions of sustainability. There are various ways in which countries can structure policies around the SDGs, and in particular integrate environmental issues in foreign policies. Lessons can be learnt from other countries and their different approaches towards prioritising and integrating climate change and circular economy in the various aspects of their foreign policy, which can provide inspiration for the Netherlands and beyond.

In that light, this study presents an analysis of how a select number of countries and the European Union (EU) integrate climate and circular economy in their foreign policy. The main aim is to present interesting lessons for the Netherlands, while it may also serve a broader audience. It does so by looking into the background factors, the policies, their operationalisation as well as institutional mechanisms.

The foreign policy areas covered are **development cooperation, trade and investments, international diplomacy, migration and security, as well as international dimensions of environmental policy**. Some of these areas overlap, in particular as development cooperation includes initiatives related to migration and security.

The countries covered in this report are **Finland, France, Germany, Sweden and Switzerland**. This presents a diverse selection of countries which have shown a certain level of ambition when it comes to addressing climate change and/or promoting a transition towards a more circular economy. When it comes to trade (and linkages with Aid for Trade), the **EU** is also covered, as trade is an exclusive EU competence.<sup>3</sup> The analysis is based on a desk review and 24 semi-structured phone/Skype interviews. The list of interviewees is presented in Annex 1.

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<sup>1</sup> For more details see: <https://www.government.nl/latest/news/2019/06/28/climate-deal-makes-halving-carbon-emissions-feasible-and-affordable>.

<sup>2</sup> During the last 15 years, awareness about the unsustainability of the current linear economic system has grown, and the concept of circular economy (CE) has been given increased attention in Europe (Westblom, 2015).

<sup>3</sup> Other EU foreign policy areas with a 'shared competence', such as climate diplomacy, are also relevant. However, due to time constraints, PBL and ECDPM have decided to limit the scope to trade and aid for trade only.

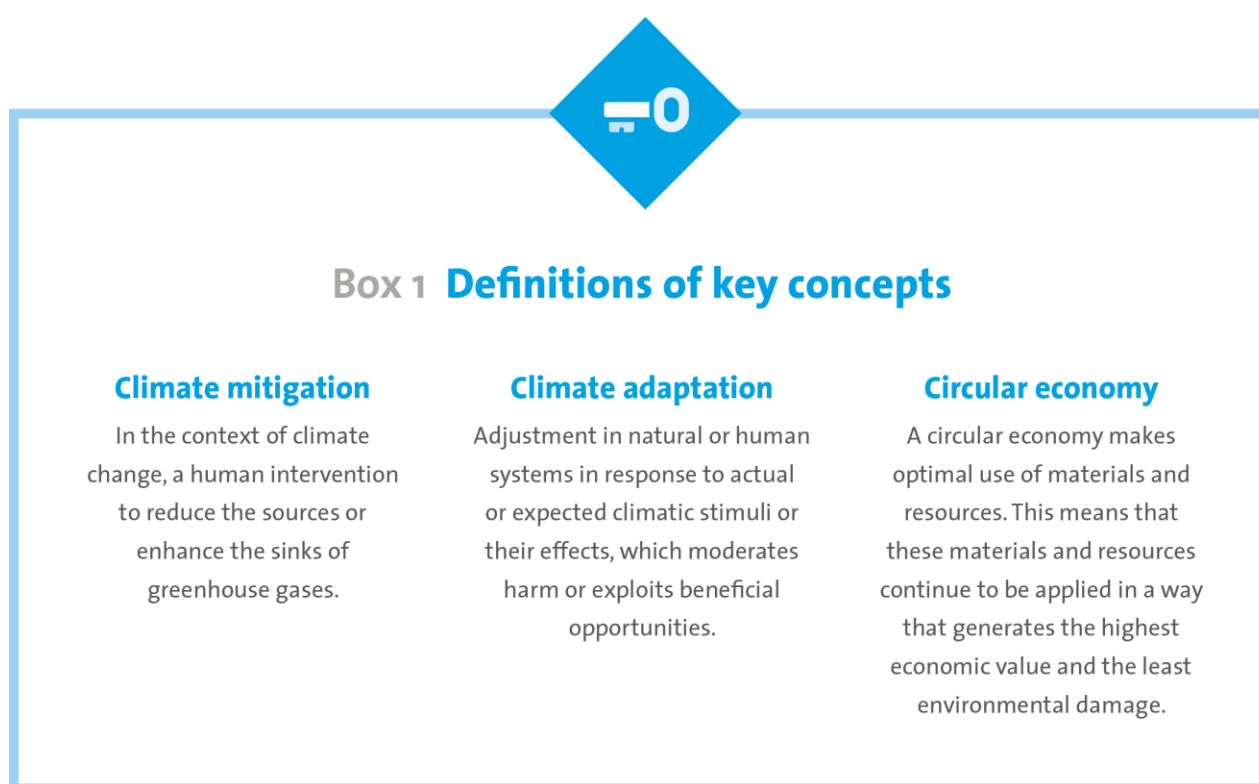
## 2. Analytical framework

### Key concepts

The importance of promoting integrated policy is not new. After two decades of stressing the importance of policy coherence, European Union and Organisation for Economic Cooperation and Development (OECD) governments have become accustomed to the need to promote coherence among their policies. In their international cooperation work, the principle of policy coherence for development (PCD) in particular has become accepted, even though it often leads to fierce debate on trade-offs that may need to be made between policies. A whole set of mechanisms and practices have been built up in support of this debate, so as to encourage the search for synergies and inform the trade-offs and arbitration that are often inevitably required. With the advent of the 2030 Agenda, the principle of policy coherence has now extended to cover the whole scope of sustainable development, now labelled '**policy coherence for sustainable development**' (PCSD) (Mackie et al., 2017). Coherent policies are required to take into account the multiple relationships existing between the different dimensions of sustainability.

This study builds on the key features of a PCSD 'system' as proposed by Mackie et al. (2017), namely: (i) **Framework elements**, including legal and/or political statements of intent and designated leadership; (ii) **Mechanisms**, including coordination mechanisms and policy champions spearheading the PCSD system as a group within institutions; (iii) **Knowledge systems** to provide analysis capacity, data, and modelling of optimised solutions and monitoring; and (iv) **Accountability** based on transparency, reporting, peer review and scrutiny by external actors. These features are all covered in this study.

The concepts of climate change adaptation, mitigation and circular economy are defined in Box 1.

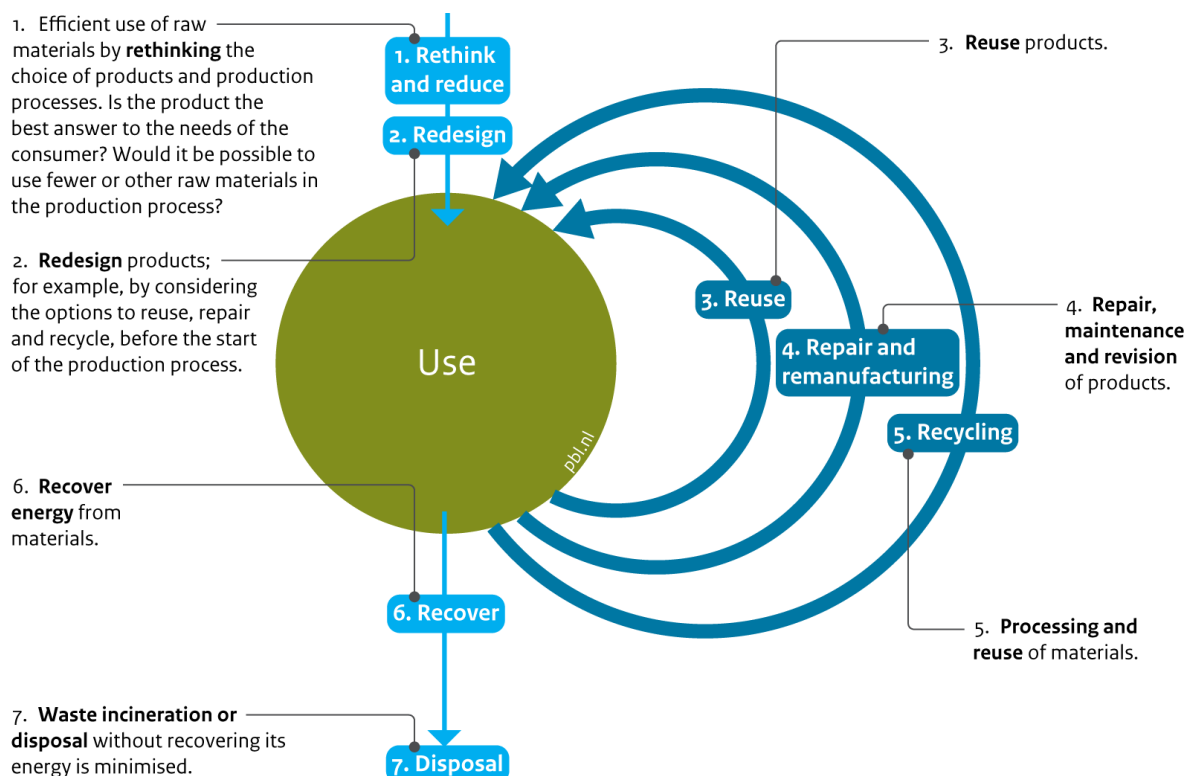


Sources: UNFCCC, [Glossary of climate change acronyms and terms](#) and PBL, [Netherlands Environmental Assessment Agency](#)

Circular economy-related interventions are not always explicitly referred to as such. Other related terms may be used, such as resource efficiency, green economy, waste management or recycling for example. Therefore, the ladder of circularity is used in this study to identify circular economy-related initiatives in foreign policies, see Figure 1. Anything that falls within this ladder is thus considered a circular economy-related initiative for the purpose of this paper.

Figure 1: Ladder of circularity<sup>4</sup>

### The circular economy



Source: [PBL, Netherlands Environmental Assessment Agency](#)

### Research questions, judgement criteria and indicators

To structure the research, and in line with the range of questions presented in the Terms of reference (ToR) and the key features of PCSD, five main questions have been defined. These are:

- 1. Background factors:** Through what rationales, assumptions and motives are climate and circular economy integrated in foreign policies?
- 2. Policies:** Which climate and circular economy objectives are integrated in foreign policies and how, including in terms thematic choices and priorities?
- 3. Operationalisation:** What intervention strategies/approaches/instruments are used to operationalise this integration and with which type of partners?
- 4. Governance:** What institutional mechanisms affect a government's ability to effectively integrate climate and circular economy in foreign policy (e.g. coordination mechanisms; division of responsibilities etc.)?

<sup>4</sup> The ladder is built in such a way that - as a rule of thumb - each higher step on the ladder represents a higher value reuse of resources within the cycle. However, there will always be exceptions.

For each question, the paper will identify lessons and promising approaches to further strengthen the effective integration of climate and circular economy throughout the various elements of foreign policy of the Netherlands and beyond.

Per question, **judgement criteria** have been defined, which are key aspects required to make a judgement. For every judgement criterion, possible **indicators** have been specified, which clarify the type of evidence to show the strength of these aspects. **The indicators and judgement criteria guide the research, but are not all comprehensively covered in all the case studies. This would have been unfeasible, given the limited time available, but also not necessary, given the aim of identifying lessons and promising avenues, not conducting a fully-fledged comprehensive evaluation.** The judgement criteria and indicators are presented in Annex 2.

### 3. Main findings

This section presents a summary of the key findings from each of the case studies. The aim is to allow readers to get a short overview of the case studies, while the full analysis is presented in the second part of this report. Since the findings presented in this section are based on the detailed case studies in part two of the paper, the references are not provided here but can be found in the case study chapters. As such, these sub-sections can be treated as executive summaries of the case study chapters. The reader is encouraged to look at the case studies for more detail on the key findings discussed here.

#### 3.1. Finland

One of the key themes driving Finland's integration of climate and circular economy in foreign policies is the **growing focus on promoting Finnish environmental expertise and technology internationally**. Finland aims to become the world leader in circular economy by 2025, and sets itself concrete targets in its circular economy roadmap focusing strongly on promoting Finnish cleantech and circular economy solutions. Finland was the first country in the world to prepare a national road map to a circular economy in 2016, which puts considerable emphasis on international dimensions. The Ministry for Foreign Affairs supports this strong orientation towards promoting Finnish expertise and technology, within the aim of creating a carbon-neutral and resource-wise Finland.

On the other hand, climate change is also considered as a driver of conflict, migration and poverty in Finnish foreign policies. For instance the Finnish Defence and Security Policy takes into consideration a number of security risks beyond traditional military threats, including climate change. Climate considerations are also reflected in Finland's multilateral as well as bilateral relations, specifically with big emitter countries, such as China, US and Russia. Similarly, the development policy highlights the particular threats posed by climate change to sustainable development, while maintaining that a strong Finnish and European climate policy will help reduce human migration caused by environmental changes.

With respect to migration, there is space to better explore the links with climate change when it comes to implementation of development projects. At the policy level, all development cooperation measures aimed at having sustainable societal impacts are considered to have an indirect impact on forced and voluntary migration. In practice, however, there is a lack of systematic coverage of the links between climate change and displacement, specifically in countries prone to climate-induced displacement. It appears that more can be done to upgrade Finland's approach towards the "climate refugee" issue.

Beyond the climate-migration nexus, Finnish development cooperation has a specific goal pertaining to both climate change and circular economy. Climate action is grouped together with the sustainable use of resources as part of a single priority area. With this goal the focus has been on a number of different themes. This includes for instance, promoting gender perspectives in climate action and improving the ability of developing countries to attract investment in clean technologies. Between 2010 and 2018, spending on mitigation (77%) was much more significant than on adaptation (22%) (1% was spent on both mitigation and adaptation simultaneously). Some of the regions that received the most attention include the South of Sahara, Asia, South America, Africa (broader), together with bilateral support to Kenya.

While all new development projects undergo an ex-ante appraisal on how they contribute to climate sustainability, the OECD DAC peer review has concluded that environment and climate change issues are not considered to be sufficiently mainstreamed in development cooperation. This may be due to the absence of definite targets and indicators, or lack of capacity to implement. Between 2011 and 2018 climate finance has been in decline, except for a rise in 2017. This is reflective of the sharp cuts to ODA in the last few years. This decline in aid budget is commensurate with greater priority given to non-grant finance (investments and loans), which reflow back to Finland. Between 2010-2018 around 90% of climate finance was provided as ODA grants, while 10% was provided in the form of equity investment.

In line with the growing focus on promoting Finnish environmental expertise, a number of private sector instruments have been put in place, targeting both Finnish and developing country companies. This includes for instance challenge funds and blended finance facilities. In addition, Finland is active in promoting its national sustainability agenda internationally. For instance, Finland organises the annual World Circular Economy Forum (WCEF), a global initiative that brings together business leaders, policymakers and experts from around the world to present circular economy solutions. Another example is the Coalition of Finance Ministers for climate action, which is an illustration of Finland's international efforts to promote the utilisation of fiscal policy instruments to address climate change (see Box 2).



## Box 2 The Coalition of Finance Ministers

In 2018 the finance ministers of Finland and Chile, supported by the World Bank's Climate Action Peer Exchange (CAPE) initiative, agreed to co-lead the Coalition of Finance Ministers and invited other governments to join. The coalition focuses on the role of countries' finance ministers to address climate change, and the ways in which their efforts could be strengthened through collective engagement. It aims to help countries mobilise and align the finance needed to implement their national climate action plans, and integrate climate

change in economic planning. Finance ministers from over fifty countries, including the Netherlands, have signed on to the 'Helsinki Principles' that aim to promote national climate action, particularly through fiscal policy and the use of public finance. During COP 25, the coalition launched its Santiago Action Plan, with the aim to advance concretely on the Helsinki Principles. The year 2020 will test whether finance ministers are able to follow-through on these commitments.

Source: [The Coalition of Finance Ministers](#)

More broadly, **Finland is strongly committed towards a “whole-of-society” approach towards implementing the 2030 agenda on sustainable development.** At the highest level, the National Commission on Sustainable Development at the Prime Minister’s Office is responsible for the overall steering of the 2030 Agenda, and a stakeholder advisory body, the Development Policy Committee, monitors Finland’s development cooperation. All government bodies report on their implementation of the sustainable development agenda. In addition, a number of thematic coordination mechanisms also exist, including inter-ministerial working groups. One particularly interesting coordinating mechanism is the Team Finland Network, as explained in the box below.



### Box 3 Team Finland network

The Team Finland network helps companies in internationalisation, attracts foreign investment in Finland, and seeks to promote the country’s image by bringing together key players at home and abroad. It comprises three Ministries - the Ministry of Economic Affairs and Employment, the Ministry for Foreign Affairs and the Ministry of Education and Culture - together with publicly funded bodies and Finnish offices abroad (including diplomatic missions, Business Finland, and other institutes). The network promotes Finland and its interests

abroad and aims to ensure that publicly funded services and functions do not overlap and are communicated coherently. Circular economy is one of the key themes for Team Finland’s export promotion activities. The Team Finland network has more than 80 local teams worldwide which offer services including the provision of general information on the circular economy, establishing links between Finnish companies/exporters and local actors, and engaging in knowledge exchange with local actors.

Source: [Team Finland Network](#)

## 3.2. France

In the spirit of the climate agreement that it hosted, climate change is high on the agenda in France, in domestic but also foreign policy policies. It is considered important to address climate change through international action, as it is a global challenge that does not respect borders. The transition to a circular economy is also increasingly reflected in domestic and foreign policies, with particular attention for its potential to contribute to addressing climate change. This is supported by concrete figures illustrating circular economy - climate change linkages, which can help make the case for circular economy efforts. Another argument provided for the transition to a circular economy is the reduction of France’s dependence on raw materials. Economic interests also come into play, but are put less to the fore than in countries like the Netherlands and Finland.

France's climate change agenda has a strong international component, which is reflected in its Climate Plan adopted in 2017 and different foreign policy documents. However, while it is praised internationally for its leadership role related to the Paris Agreement and its follow up, the government is criticised by some domestically for national climate targets being missed. France increasingly promotes a circular economy, with a main focus on domestic policy measures, but also international components, as its Circular Economy Roadmap adopted in 2018 shows.

France is very active in the area of climate diplomacy. A regularly used tool in France's climate diplomacy efforts is the joint declaration, notably with major emitters such as China and India, as illustrated by the Beijing Call for Biodiversity Conservation and Climate Change of Presidents Emmanuel Macron and Xi Jinping in November 2019. Circular economy is also covered to some extent in its diplomacy efforts, even if it is not always called as such, but terms such as resource efficiency or sustainable consumption and production are used instead.

**France is increasingly vocal on the need to strengthen the consideration of environmental issues in new trade agreements that the EU will conclude.** It argues particularly at EU level and globally that trade agreements should be consistent with the objectives of the Paris Agreement.

Development cooperation strongly incorporates climate change, and to some extent circular economy, with a leading role for the Agence Française de Développement, the main implementer of French development cooperation. Implementation of the Paris Agreement is among the overall objectives of development cooperation. Relatedly, the AFD is the first bilateral development bank with the target to be '100% Paris Agreement compliant', as is reflected in its 2018-2022 strategy. This means to systematically ensure that all funding, in every country, finances resilient low-carbon development that is compliant with the Paris Agreement, which may be something for other countries to consider. France pays in its development cooperation particular attention to fragility and security, notably in the Sahel region, with attention for climate change.

France dedicates considerable resources to climate development financing and the level is increasing. The shares of climate- and of environment-related development finance as a percentage of total ODA were double the OECD average in 2017. The AFD has set the objective to commit 5 billion euros in climate financing by 2020. France mainly focuses on mitigation, although the share of adaptation activities is rising. By far most climate finance is provided in the form of ODA loans, little in the form of ODA grants. France has been assessed by the OECD DAC peer review to be "at the forefront of innovative financing". Examples are the '1% water', '1% energy' and '1% waste' facilities. They enable French local authorities to contribute 1% of the budget of their utilities concerned (respectively water and sanitation utilities, electricity and gas, and household waste) to international cooperation activities. Another example is the solidarity levy on air tickets, which has been adopted by France, Brazil, Chile, Norway and the United Kingdom at the Paris Ministerial Conference on Innovative Financing for Development in 2005, and through which France has generated around 210 million euro per year since 2006, which is earmarked for development assistance, a considerable share of which is climate-related. The French Facility for Global Environment presented in the box below is also an example.





## Box 4 French Facility for Global Environment

The French Facility for Global Environment Facility (FFEM) was created in 1994 and seeks to finance innovative projects with a leveraging effect in developing and emerging countries. Since then, over 300 projects have been financed, in over 120 countries, with about 2/3 located in Africa and the Mediterranean including 69% located. Sustainable consumption and production was a cross-cutting theme of its strategic programming framework

in the period 2015-2018, while in the 2019-2022 a priority theme is 'product life cycle, pollution and waste. The steering committee, which is the FFEM decision-making body, comprises the Ministry of Economy and Finance, the Ministry for Europe and Foreign Affairs, the Ministry for the Ecological and Inclusive Transition, the Ministry of Higher Education, Research and Innovation, the Ministry of Agriculture and the AFD.

Source: [The FFEM at a glance](#)

An important **tool for the AFD to operationalise its '100% Paris Agreement' compliance commitment, is an ex-ante impact assessment framework that assesses the consistency of all operations with partner countries' long term low emissions and resilient development.** However, few arrangements exist to ensure that cross-cutting themes such as climate change are properly taken into account in project implementation and monitoring.

Research and innovation is another approach of the AFD to further the integration of climate and circular economy, as it seeks to contribute to knowledge generation to underpin future sustainable models and to inform AFD projects. Many climate-related publications have been published in recent years. Circular economy-related research activities are more rare for the time being

The national SDG framework of France contributes towards an integrated approach of France's efforts to pursue the sustainable development goals. A strong feature of the framework is the involvement of stakeholders, such as in the drafting process of the SDG roadmap in 2018/2019. Through this multi-stakeholder approach, France seeks to harness the potential of societal stakeholders and facilitate partnerships around shared objectives.

In the Ministry for Europe and Foreign Affairs, a structure of climate focal points in geographical divisions at headquarters has been put in place, who liaise with the thematic environment and climate unit. Furthermore, the ministry organises brown bag lunches on climate-related topics, for staff across the ministry's headquarters. The AFD is setting up regional offices that engage on transnational topics, such as climate change and energy corridors.



### 3.3. Germany

The German motivation to integrate climate change and circular economy varies across different foreign policy areas. findings point towards a predominant focus on addressing climate change as an impediment to sustainable development. The rationale is particularly relevant in the areas of international security and migration, but also for climate diplomacy. To a lesser extent, there is also some consideration of the opportunities offered by climate action and circular economy. Development cooperation policies highlight the potential for European and German companies in the field of green technologies in developing countries, while the Climate Diplomacy Report (policy from the Federal Foreign Office) refers to the role that global trade and economic relations can play in supporting climate-friendly transformation processes. Finally, efforts have been made to link the circular economy with climate change, by exploring how a transition towards a circular economy can contribute to climate action, in particular for development cooperation.

External dimensions have also been incorporated in German circular economy and climate change policies. In particular this pertains to Germany's global responsibility towards other countries, given that climate change and circular economy are transnational phenomena. A reason is that Germany relies heavily on imports of certain raw materials and so has a responsibility towards the countries it imports from. One of the priority areas is to foster climate friendly investments and support more sustainable supply chains. Additionally, there is a focus on **enabling developing countries to access and implement resource efficient solutions**, which in turn may help create export opportunities for German companies. This aim is **implemented by expanded bilateral cooperation as well as technology and knowledge transfer in export countries**. While there is an attempt to address various steps of the circular economy, the focus seems to be on waste management. The Recycling Technologies and Waste Management Partnership e. V. (RETech) is an example of such measures.



#### Box 5 The Recycling Technologies and Waste Management Partnership e. V. (RETech)

The Recycling Technologies and Waste Management Partnership e. V. (RETech) promotes international application of sustainable environmental technologies made by German companies. RETech serves as a contact point for all public and private organisations and institutions in Germany and abroad that are interested in German recycling and efficiency technologies.

As such, RETech brings all companies and institutions involved in the waste management and recycling chain under one roof. The platform also intends to be an important contact for the government ministries working in the field of the circular economy. BMUB, BMWi and BMZ represent the Federal Government on the RETech Advisory Board.

Source: [RETech](#)

Relatedly, global energy transition is an important area of focus, as it reflects Germany's national "Energiewende" (Energy transition). Sustainable energy is one of the focus areas of BMWi's strategy. It is also reflected in trade promotion services, namely through the Energy Export Initiatives. More broadly, Germany has engaged in a number of energy partnerships with countries that are important in terms of energy production transit or consumption. The focus is on supporting the expansion of renewable energy and efficient energy technology. At the same time, Germany is criticised for not living up to its commitment towards eliminating environmentally harmful subsidies at national, European and international levels, as it continues to provide support to the consumption of fossil fuels both domestically and internationally.

With regards to climate change and its relation with international security and migration, Germany promotes international dialogue and knowledge generation. There is a **particularly strong focus on integrating climate change considerations in the security policy**. This is especially relevant with respect to climate diplomacy, and the Foreign Office operationalises the agenda by promoting the climate-security nexus debate in international fora, both at the ministry and embassy level. Communication tools have been created to engage a broader audience in the debate around climate diplomacy and security policy. While approaches to the climate-migration nexus are relatively less developed, there appears to be a **push towards funding research and fostering dialogue to better understand the relationship between migration flows and climate change**. Such measures can help Germany better design development-oriented approaches to address human mobility in the context of climate change, which is an area that can be further improved.

With respect to aid flows, climate related development finance is on the rise, with a much stronger focus on mitigation (85%) as opposed to adaptation (15%) between 2010-2018. During the same period, there was a greater focus on middle income countries, with the top recipients of climate finance being India, Morocco, Brazil, Vietnam (and a large portion committed to developing countries in general with particular countries unspecified). Unsurprisingly energy received the most climate-related development finance, followed by general environment protection (e.g. biodiversity promotion, environmental research) and agriculture. 70% of this finance was provided in the form of loans, with only 30% as ODA grants.

To better mainstream climate considerations in development cooperation, an environmental and climate assessment tool is used, which is considered useful in aligning/readjusting project proposals in line with environment and climate considerations. Germany also stands out for its innovative funding instruments such as the International Climate Initiative.



## Box 6 The International Climate Initiative

The International Climate Initiative (IKI) by BMUB was created as a mechanism to be funded through the sale of carbon-market credits. In order to ensure the continuity of the financing, further special funds were made available with the energy and climate fund. Both funding mechanisms are now part of the regular budget of the BMUB. IKI funds climate and biodiversity projects in

developing and emerging countries, and countries in transition. Projects focus primarily on the financial sector and the mobilisation of climate-friendly investments. These projects, for instance, pilot innovative financial instruments in the form of public-private partnerships and provide support to develop project pipelines as well as sustainable business models ready for finance.

Source: BMUB, [International Climate Initiative](#)

In line with the overarching German Sustainable Development Strategy, a few important mechanisms have been developed to promote broader policy coherence. Based on the strategy, all proposals for new laws undergo a sustainability impact assessment, aided by an electronic tool. The work is steered by the central steering institution, the State Secretaries' Committee (SSC), composed of representatives from all ministries. At a lower level, a number of capacity building measures have been taken to support the German Federal Foreign Office in their efforts towards climate action. In addition to an external help-desk for energy-related issues and a small number of dedicated Climate Attachés to support German embassies, **a training programme, particularly focused on climate-security nexus has been conducted**. There also exists an internal network for GIZ staff to discuss and share knowledge on circular economy related topics and projects.

### 3.4. Sweden

Sweden's pro-environmental identity and long-time activism has led to the integration of climate change into all foreign policies. In addition, Sweden has a culture of cross-government dialogue and invests strongly in evidence-based research on climate change to feed policy-making. Sweden also carries the ambition to be a thought leader on climate nexus issues. Furthermore, through its diplomatic relations, it promotes climate action within EU and global circles. For instance, Sweden has made the case for the EU to further enhance the integration of climate in trade policies. Also during its term in the UN Security Council (2017-2018), Sweden made use of its position to highlight the link between climate change and conflicts.

While climate change is being integrated into all Swedish foreign policies, it is done with varying degrees of depth. Climate change is especially well covered in development cooperation policies. More recently, the climate-security nexus has received considerable attention in policy and practice circles. For instance, Sweden works with the UN Refugee Agency to implement environmental management projects in refugee settings. However, Sweden's push for the integration of climate change, as an important sustainability element, into trade-related policies has only emerged in recent years.

Circular economy is in the first place promoted domestically, but certain elements of circular economy are being integrated in foreign policies, such as Swedish trade-related policies or the environmental and migration policy of the Swedish International Development Cooperation Agency (Sida). Importantly, **Sweden is now in the process of developing a National Strategy for Circular Economy, that will cover all policy areas, with specific attention to trade.** Sweden is a pioneer in "eco-innovation" and promotes cleantech nationally and internationally. The integration of cleantech and other aspects of circular economy are seen as business opportunities in areas in which Sweden has a competitive advantage.

On the operational level, Sweden strongly supports climate integration by providing climate-related finance: Sweden's bilateral and multilateral (including through the Green Climate Fund) development assistance is a significant source of climate finance. Sweden only provided grants and the main focus of its climate-related finance is adaptation, with most support going to Sub-Saharan Africa. Moreover, agencies such as Sida, use a number of tools for the implementation of its climate goals as well as mechanisms to support staff to effectively integrate climate change into development, as laid out in more detail in Box 7.



## Box 7 Sida's tools for climate change integration into development

The **Environmental Management System (EMS)**, the main tool for Sida's work with environmental integration, requires the agency to carry out internal and external annual audits. The EMS and related mechanisms exist to support staff to make climate integration into development more effective. It is closely integrated with Sida's internal system for contribution management, the so-called **Trac** system. Trac is an IT application meant to guide users through the contribution management process and give support and guidance for assessments and documentation. Trac also provides links to Sida's **Green Toolbox** that contains a selection of key documents that support the integration of the environment and climate change perspective in Sida's operations in all sectors. As part of the Green Toolbox, Sida provides **Dialogue Support for a Green Economy** (Sida, 2017a), focusing on environment integration in employment, market development and trade. Concretely, the Dialogue Support tool provides a list of guiding questions with regards to "opportunities for positive environmental impacts from the contribution", "risks from the

contribution to the environment" and "risks from climate change or other environmental degradation to the contribution". Furthermore, Sida has had an external help desk function for supporting environmental integration since 1999 – currently Sida's **Helpdesk for Environment and Climate Change**. This is an agreement between Sida, the Swedish University of Agricultural Sciences and the University of Gothenburg. The Helpdesk is commissioned by Sida to assist Sida staff in integrating environmental perspectives into Swedish development cooperation. However, much of the climate knowledge management is outsourced to the Helpdesk, and so it does not routinely inform wider policy and practice reviews. The Helpdesk tends to have more engagement from environmental experts and champions than other staff. It lacks a proactive mandate to promote, nurture, mentor and critique environment actors and actions (OECD DAC, 2019a). All these tools have enabled Sida to integrate "environment" in its three major roles as financier, analyst and dialogue partner.

Despite this wide range of tools, the actual integration of climate into foreign policies faces barriers. Although all foreign policy working areas have one, two or more dedicated policy specialists on climate change and some staff members have the explicit task to integrate climate change into their work, most organisations, including Sida, remain under equipped for effective climate integration. Reasons for this limited integration include: understaffing, low awareness, and a lack of expertise and training about the requirements for climate integration. Furthermore, practical climate integration concentrates more on the assessment and planning stages instead of the final implementation, and climate is not routinely included in monitoring and reporting. It appears that the current tools lack the mandate to make climate integration compulsory. So, without strong champions advocating for climate integration, success is limited. As a response to these barriers, Sida has launched a "Human Resource Planning System" that helps the agency to address situations where it finds itself lacking staff with required competences.

In conclusion, there is still room to enhance country policy dialogue on climate change integration, but also on politically important topics like circular economy. This type of dialogue should help to influence regular core policy and planning processes such as national planning and promote a stronger coordination and coherence with other EU member states, the European Union and UN partners with regards to climate responses and circular economy.

### 3.5. Switzerland

Switzerland has promoted policy coherence for development since the mid-1970s. This is one of the factors that has contributed to the integration of climate change and circular economy into foreign policies. However, as is the case in other countries, this type of integration happens with varying degrees of depth and effectiveness, depending on the foreign policy area. In 2019, the Director of the Swiss Development Agency (SDC) announced that the integration of climate change would be compulsory for all development programmes. With respect to circular economy, the main focus of circular economy has been national with a dynamic circular economy community in Switzerland, but in recent years, the country started to integrate aspects of circular economy into foreign policies, such as trade and development policies, due to an increasing awareness on the topic and because it offers interesting business opportunities.

The current Swiss Foreign Policy Strategy (2020-2023) presents “climate change” as a challenge under the thematic priority of “sustainability” (1 of 4 thematic priorities), but not as a separate thematic priority. “Climate change” is also not one of the five policy areas of the current development strategy, the so-called Dispatch on Switzerland’s International Cooperation (2017-2020). Importantly, since 2008, Switzerland has been implementing a separate Global Programme on Climate Change and Environment in partner countries. The next Development Strategy (2021-2024) will set climate change as one of the main priorities, thereby raising it to a more important level. Furthermore, Switzerland is increasingly taking into account climate-fragility risks within its foreign security policies. Also, Switzerland considers climate change as one of the root causes for migration, triggered by the migration crisis that started a few years ago. However, there is a **general recognition of the need for a more coherent foreign economic, environmental, and climate policy in order to effectively tackle drivers of migration.**

Switzerland's funding for international cooperation is considered to be modest, in comparison with the country's wealth: while most OECD DAC countries have set a benchmark of 0.7% of Gross National Income (GNI) for development cooperation, Switzerland has committed 0.5% of its GNI to ODA. Climate-related development finance has increased in the period 2010-2018 with a peak around 2013. Switzerland is aiming for a sharp increase of climate-related finance in the coming years. The Swiss use this type of finance for adaptation and mitigation projects (evenly-balanced) and most assistance is provided in the form of grants. Furthermore, for its internal functioning, SDC has developed the Climate, Environment and Disaster Risk Reduction Integration Guidance (CEDRIG), as presented in Box 8.



## Box 8 The Climate, Environment and Disaster Risk Reduction Integration Guidance (CEDRIG)

The CEDRIG tool was developed by SDC to enable development practitioners and other partners to systematically integrate climate, environment and disaster risk reduction into development cooperation and humanitarian aid in order to enhance the overall resilience of systems and communities. Concretely, CEDRIG follows an integrated approach to assess the unintended potential negative impacts and risks of a new strategy, programme or project. By its application, existing or planned interventions will become more climate- and environment-smart. CEDRIG is divided into 3 parts: CEDRIG Light helps to decide

whether a detailed risk and impact assessment must be conducted or not. In case of a 'yes', CEDRIG Strategic helps to analyse strategies and programmes, while CEDRIG Operational will be applied for projects. As internal assessments can be quite time- and resource-consuming, splitting the process up into different stages is an effective way of ensuring that costs of doing the assessment are commensurate with the likely benefits. The CEDRIG Tool has a practical website ([www.cedrig.org](http://www.cedrig.org)) with videos and clear examples of its various applications.

Around 60% of the environmental impacts caused by the production of goods consumed in Switzerland are impacts on foreign countries. Subsequently, sustainable production and processing methods, as well as waste management techniques, have increasingly been integrated into trade policies. Furthermore, moving towards a circular economy has also been regarded as a way to strengthen the Swiss economy, especially in the area of clean technology and e-waste. This evolving engagement to support the transition to a circular economy over the last two decades shows a moderate move from domestic policies to also being covered in foreign policies, as well as a move from waste management to a more comprehensive circular economy agenda that also covers higher rungs of the circular economy ladder to ultimately encompass the whole life-cycle of goods and services.

Switzerland is characterised by a consensus-based, federal governance system and broad-based consultation mechanisms that allow for disagreements to be discussed at federal council and parliamentary levels. The **Swiss system of interagency consultation and dialogue allows for cross-cutting issues, such as climate change, to be widely discussed and also - to a large extent - integrated.** There exists several multi-stakeholder platforms and networks that work around issues such as climate change, as explained in more detail in Box 9.





### Box 9 Ensuring coherence and cooperation through inter-agency platforms and networks

The **Platform on Funding International Cooperation on Environmental Issues (PLAFICO)** was established in 2012 as a coordination platform that promotes policy coherence. PLAFICO brings together the Swiss Federal Office for the Environment (FOEN) that is the authority responsible for the financing mechanisms of the environmental Conventions and other federal authorities, namely the State Secretariat for Economic Affairs (SECO), the Swiss Agency for Development and Cooperation (SDC), the Federal Finance Administration (FFA) and the Sectoral Foreign Policies Division (SFPD). All matters related to international environment finance and development cooperation are coordinated through this platform. Through the work of the platform, the institutions involved were subject to considerable structural adjustments to better respond to the increasing challenges posed by climate change, and further expanded their cooperation with non-government stakeholders in recent years (FOEN, 2016). According to an OECD evaluation, PLAFICO has contributed to environmental mainstreaming in Switzerland (OECD, 2017b).

The **Climate Change & Environment Network (CC&E Network)** is hosted by the Global Programme Climate Change and Environment of SDC. CC&E aims to ensure inter-agency coherence by providing a knowledge exchange platform and sharing achievements and operational experiences. The main objective is to promote the integration of environment and climate change mitigation and adaptation into policies, strategies, programmes and projects of development cooperation. About 300 professionals with different backgrounds including governmental organisations, NGOs, multilateral organisations, companies, consulting firms, research and science institutions are currently part of the network. The CC&E Network works with the CEDRIG tool (see above) and also provides targeted training and customised assistance during strategy or programme design processes (SDC, 2017).

## 3.6. European Union

The EU is a global leader in the fight against climate change and increasingly in promoting a transition to a more circular economy, as illustrated by the Green Deal, the two consecutive EU circular economy action plans, and the proposed European climate law. Trade-related policies are part and parcel of this climate and circular economy agenda. To illustrate, the new circular economy action plan contains a commitment to ensure that free trade agreements reflect the enhanced objectives of the circular economy and to organize more circular economy missions. This is also reflected in trade policy documents such as the Trade for All strategy, which reveal an increasingly strong emphasis on using trade policies to promote sustainable development, including environmental protection.



Policy documents present primarily three mechanisms through which trade policy measures can make a difference for climate change and the circular economy transition: (i) through its trade policy measures, and given the size of the EU market, the EU can set environmental standards that apply across global value chains; (ii) trade policies can help companies to seize circular economy growth opportunities internationally (iii) trade policy measures can facilitate the supply of sustainable raw materials necessary for clean technologies

Also when it comes to the operationalisation, the EU is considered to be at the forefront when it comes to the integration of environmental, labour and human rights standards in its trade instruments. Nevertheless, it has its weaknesses and areas for further strengthening have been identified by EU institutions and other stakeholders. The EU trade policy review launched in June 2020, which has been triggered by the COVID-19 pandemic and should result in a Commission Communication by the end of 2020, provides an opportunity to further advance greening of the EU's trade policy.

An important tool is the GSP+ that provides preferential access to goods originating from developing countries that have ratified eight conventions related to the environment and 19 other international conventions. The GSP+ may promote environmental protection, as well as labour rights and good governance, not only by offering economic incentives, but also by establishing a platform for regular dialogue. GSP+ has incentivised beneficiary countries to adhere to international conventions and reflect them in national legislation. However, GSP+ beneficiaries are lagging behind with reporting on environmental conventions as compared with the human rights and labour rights conventions. Relatedly, the **European Commission states in its latest GSP monitoring report (2020) that more focus on the environment in GSP+ monitoring could allow for a stronger impact. The GSP scheme expires in December 2023 and the process to develop its follow-up has been launched.** This is a window of opportunity to further strengthen the integration of climate and circular economy in the GSP scheme specifically, for example by adding the Paris Agreement to the list of conventions of the GSP+ and possibly also to the list of 15 conventions of the standards GSP and EBA arrangements.

As regards trade agreements, since 2011, all trade agreements the EU concludes have a Trade and Sustainable Development chapter. With each negotiation the wording of environment-related provisions tends to be more all-encompassing, with for example an explicit reference to the Paris Agreement introduced as of 2018 and circular economy-relevant features increasingly integrated. For example, the EU - Canada Comprehensive Economic and Trade Agreement (CETA) and the EU - Vietnam Trade Agreement explicitly mention sustainable production and/or consumption. The agreement in principle with Mexico and the initial text proposals of the EU for the negotiations with New Zealand explicitly mention circular economy, calling on parties to promote it as part of their cooperation on trade-related aspects of environmental policies and measures. Moving forward, sustainability provisions, including those related to climate and circular economy can be made more precise and more committing, rather than aspirational, and the effective implementation of TSD chapter merits to be improved, as the European Commission itself has recognized. Key measures that could be taken are presented in the box below.

Importantly, while it is overlooked by some, **provisions relevant for climate and circular economy don't need to be, and are not restricted to TSD chapters.** This applies for example to the public procurement chapter proposed by the European Commission in the context of the ongoing EU - New Zealand FTA negotiations, which includes an article which would allow the parties to take into account environmental and social considerations, provided they are non-discriminatory. In this light, it has been recommended to further enhance circular economy aspects also beyond the environmental considerations in TSD chapter, and integrate circularity aspects more strongly in sector-specific principles and regulatory actions in other parts of trade agreements.



### Box 10 Examples of measures to enhance the implementation of sustainability provision of trade agreements

The new function of '**Chief Enforcement Officer**' that will take shape in 2020 can play a role in enforcing the implementation of sustainability provisions of trade agreements (European Commission, 2019a). Furthermore, the use of **Sustainability Impact Assessments** could be strengthened. All negotiations on EU trade agreements are informed by Sustainability Impact Assessments since 1999. A review of the published assessments done since 2016 showed that climate and possible impacts on resource use and efficiency as well as waste management were common indicators in all these SIAs. Measures to further improve them could be more detailed sector- and region-specific impact analysis and adapted timing, to make them available before the conclusion of the negotiations and an updated version once the outcomes of the negotiations

get clearer, as the Netherlands has explicitly asked the Commission (Ministry for Europe and Foreign Affairs France and Ministry for Foreign Affairs the Netherlands, 2020). Also, more in-depth **analysis ex-post of the implementation of EU trade agreements** could be conducted, by building on the recent example of the analysis related to the EU-Korea agreement (European Commission, 2018d). The **functioning of civil society mechanisms** that oversee TSD chapters - and are marred by challenges such as their representatives, capacities and unclarity as to how governments are supposed to deal with their inputs - could be improved too (e.g. Harrison et al., 2019; Marx et al., 2016; Orbie et al., 2016). **Capacities in the European Commission** to deliver on these high environmental and social sustainability ambitions in the area of trade are currently limited and will need to be strengthened.

EU Aid for Trade seeks to assist partner countries to seize trade opportunities and ensure environmental protection. The overarching European Consensus on Development and the more specific EU joint Aid for Trade strategy both reveal a commitment to support partner countries to seize trade opportunities, while addressing climate change and promoting a circular economy transition. Despite examples of relevant climate and circular-economy related Aid for Trade provided by the EU, synergies between the GSP scheme/trade agreements and Aid for Trade can be further enhanced.

Tools and incentives for environmental mainstreaming in Aid for Trade, and development cooperation more generally, have been enhanced in recent years, for example through the externally provided and internally housed Environment and Climate Mainstreaming Facility. Furthermore, clear climate and environment-related targets such as the 20% climate spending have incentivised both specialist environment and other staff. Staff training on environment-related matters, including pertaining to the circular economy, merits to be improved.

## 4. Conclusions and lessons

### 4.1. Background factors



**Question 1 Through what rationales, assumptions and motives are climate and circular economy integrated in foreign policies?**

#### **Climate action crucial for sustainable development and can provide economic opportunities**

**Climate is increasingly high on the agenda of all case study countries and at EU level, and seen as a global challenge that requires global solutions.** Climate change can undo past progress towards sustainable development and put future development at risk. There is recognition that scarcity of resources can aggravate conflicts and that climate change is one of the factors contributing to increased migration movements. It is widely considered as “a defining issue of our time” as the Foreign Policy of Sweden states. **There is also a consideration of the opportunities offered by climate action.** For instance, Germany is increasingly emphasizing the economic potential of energy efficient solutions.

#### **Circular economy transition offers business opportunities and promotes sustainable global value chains**

**Circular economy is also moving up the agenda in the EU and the case study countries in domestic and foreign policies, although to varying degrees. This is driven by the recognition that the linear ‘make, consume, throw away’ model within and beyond national borders will lead towards the depletion of the planet’s resources.** Furthermore, making global value chains circular requires actors in more than one than one country to act. A key driver for countries which are advanced in terms of domestic circular economy is to **promote national cleantech and expertise abroad.** For instance, Finland strives to be a world leader in circular economy by 2025 and strongly promotes Finnish environmental expertise and technology. Germany is also increasingly promoting its green technology and waste management solutions internationally, while Sweden and Switzerland are also gaining some pace in recent years to explore business opportunities offered through the promotion of circular economy. The business rationale is also put forward strongly at the EU level. The transition is seen as an opportunity to expand sustainable and job-intensive economy activity, within and beyond the EU. This is based on the assumption that there is significant potential in global markets for sustainable products and services across globe in high and lower income countries. Economic interests may be less important for France which is relatively less advanced in terms of circular economy transition.

Another argument for integrating circular economy in foreign policies is some countries’ heavy dependence on imported raw materials and the consequences associated with it. This is particularly important for Germany, which relies heavily on imports of certain raw materials, and considers to have a responsibility to address the environmentally and socially damaging practices in countries and value chains that supply raw materials to it. This resonates with Netherlands’ consideration of the high claim that it makes on other countries’ resources due to being a major importer of raw materials. Addressing the negative impact of Dutch

consumption, particularly on developing countries is high on Netherlands' policy coherence agenda (Ministry of Foreign Trade and Development Cooperation, 2018). As such, better understanding and mitigation of possible negative external effects of domestic policies and the need to consider sustainability dimensions from the perspective of global supply chains is important.

### Transition to circular economy can help fight climate change

**There is recognition in the case studies, particularly in France, Germany and at the EU level, that circular economy can play a strong role in addressing climate change.** In the case of France, this is widely supported by concrete figures illustrating circular economy - climate change linkages. For example, worldwide food waste would be the third largest emitter of greenhouse gases if it were a country. **Stressing circular economy - climate linkages can help make the case to step up circular economy efforts in domestic but also foreign policies,** and can be a powerful argument in dialogue and cooperation with other countries to advance the circular economy agenda. In a similar vein, bilateral and multilateral climate finance commitments may be further used to support the transition to a more circular economy.

### Practicing domestically what you preach internationally enhances credibility

There are also **variations in the extent to which the case study countries seek to lead the way through exemplary behaviour.** This is particularly strong in Sweden, which seeks to export its green identity. Ambitious goals and their serious pursuit - not least the country's steps towards the target of zero net greenhouse gas emissions by 2045 - are considered to provide a strong basis for effective climate diplomacy internationally. In other words, you need to practice what you preach. Finland, through its circular economy roadmap, has also given itself concrete domestic targets which are aimed at making the country a world leader in the sphere. This logic seems less prevalent in countries such as Switzerland and France. In the latter case, it is praised internationally for its leadership role related to the Paris Agreement and its follow up, while national climate targets are being missed. In the long run, misalignment of a country's domestic efforts and its foreign policy discourse may undermine credibility.

## 4.2. Policies



### Question 2 How are climate and circular economy objectives integrated in foreign policies, including in terms of thematic choices and priorities?

#### External dimensions merit more attention across domestic circular economy related policies

While international dimensions are generally quite well reflected in domestic climate-related policies such as national climate plans, there is more diversity when it comes to national circular economy-related policies. For example, Finland was the first country in the world to prepare a national road map to a circular economy in 2016, which puts considerable emphasis on international dimensions, particularly the promotion of Finland's environmental know-how of its research institutes and companies. France's circular economy roadmap adopted in 2018 captures international dimensions, but they are far from being put front and centre, and are not very specific. The 2016 government-wide circular economy programme of the Netherlands presents international cooperation as one of its five key intervention areas, and it merits continued attention. In general, there is scope to better integrate external dimensions in domestic circular economy policies, **in particular focusing on synergies across different areas with concrete targets rather than a separate section on international cooperation**. A good example could be the Swedish National Strategy for Circular Economy (currently being prepared), which will reportedly cover all policy areas including trade.

#### Climate change high on the development cooperation agenda

There is a strong and growing emphasis on the climate change objective in foreign policies, especially development cooperation. In all case study countries and at the EU level, there is a longstanding commitment to mainstream climate change in development cooperation, and increasingly, addressing climate change features explicitly as a main objective of development cooperation. In Switzerland climate change is not one of the five policy areas of the current development strategy, the so-called Dispatch on Switzerland's International Cooperation (2017-2020), but the next development Strategy (2021-2024) will set climate change as one of the main priorities, thereby raising it to a more important level. In France, the Paris Agreement is among the overall objectives of development cooperation and the AFD has a **commitment to be '100% Paris Agreement' compliant**. This means to systematically ensure that all funding provided, in every country, finances resilient low-carbon development that is compliant with the Paris Agreement, which may be something for other development banks and organisations, including in the Netherlands, to consider. An even more ambitious '2050 climate neutrality' compliance could be considered, by French, Dutch and other European organisations in international development, given this EU target going beyond the Paris Agreement.

**A good practice identified is the setting of clear and measurable climate and circular-economy related targets in foreign policy frameworks.** The quantitative targets for environment and climate integration in Sweden's development cooperation have been conducive for making progress on policy improvements. Equally, in Finland it was concluded in an annual development policy report that the absence of definite climate mainstreaming targets, a plan of action and meaningful indicators have hampered implementation.

## Climate and circular economy increasingly integrated in other foreign policy areas

The depth of the integration of climate and circular economy in foreign policies varies between country cases and policy areas. **While climate and circular economy considerations are most strongly integrated in development cooperation, there is growing emphasis in other foreign policy areas.** The climate-security nexus is a rising star in policy circles across all our case-study countries and the EU. ‘Climate diplomacy’ is well-known and practiced, illustrating the strong integration of climate in international diplomacy. The integration of climate change, and to a lesser extent circular economy, in **trade and investment-related policies** is slowly but steadily increasing in recent years as well. One can think of the 2015 EU Trade for All Strategy, in which it is firmly embedded, but also countries’ policy frameworks for trade and investment promotion, such as Sweden’s new Export Promotion Strategy. A promising circular economy-related trade and investment promotion initiative is the announcement of the EU to organise more EU circular economy missions, which can be interesting for Dutch and other European companies to participate in.

Climate is increasingly referred to in **migration-related policy measures** (sometimes through development cooperation). However, these policies are more silent on how this can be addressed, as both the Finnish and German case studies revealed for example. In that sense, Germany’s emphasis on **enhancing research and understanding the intersection between climate and migration flows** is interesting to note. This may inform **more targeted strategies in place for addressing migration caused by environmental degradation or climate change.**

## Climate priorities affect geographical choices in some but not all foreign policy areas

Big greenhouse gas emitters tend to receive considerable attention, particularly to promote climate mitigation. For example, Finland has intensified its relations with China in areas such as environmental technology and renewable energy. Similarly, in relations with the US and Russia, topics of interest include climate and energy. Germany is also engaged in energy partnerships with countries such as India, China, South Africa and Brazil, which account for a large share of the global consumption of fossil fuels. Similarly, France puts considerable emphasis in its climate diplomacy efforts on fellow G20 members. With respect to development cooperation, the analysis did not find conclusive evidence on choices of partner countries specifically being influenced by climate considerations. This could possibly be explained by other criteria, weighing more strongly for the time being, such as poverty levels, fragility and historic ties.

### 4.3. Operationalisation



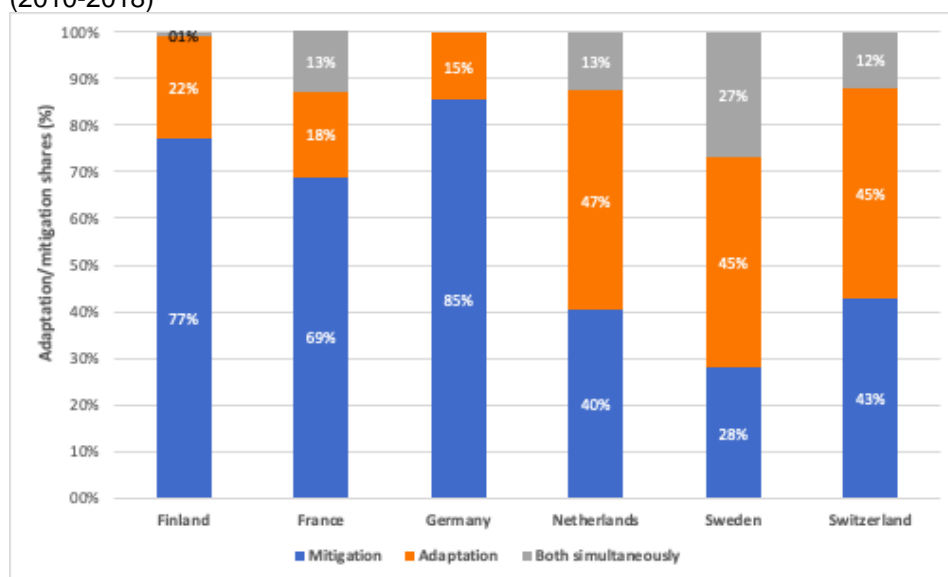
**Question 3 What intervention strategies/approaches/instruments are used to operationalise this integration and with which type of partners?**

## Climate finance flows on the rise, with varying mitigation and adaptation priorities

Climate related finance is on an overall upward trajectory in all but one of the case study countries, which also holds true for the Netherlands. A notable exception is Finland, which suffered sharp cuts to its overall ODA budget and consequently for climate change. With respect to distribution of climate finance, countries

assign varying priorities to mitigation and adaptation, as shown in the chart below. In Switzerland, as in the Netherlands, more or less equal levels of funding are dedicated in recent years to climate mitigation as compared to climate adaptation, when looking at commitments targeting climate change as a main objective. Finland and France on the contrary dedicate considerably more financial resources to climate change mitigation, namely approximately three quarters. This has led to a complaint of the multi-stakeholder Finnish Development Policy Committee that adaptation has been neglected. On the contrary, in Sweden the balance tilts the other way, with only one quarter dedicated to climate mitigation.

Figure 2: Adaptation and mitigation shares of total principal climate development finance commitments (2010-2018)



Source: [Aidatlas](#)

The mitigation-adaptation balance affects geographical priorities of climate finance. For example, Sweden, with its strong attention for adaptation support, mainly provides support to Sub-Saharan Africa, including Kenya and Burkina featuring in the top 5. Germany and France, with more emphasis on mitigation support, target more on middle income countries, with for example Morocco and India featuring in both their top five, along with others including Mexico and Egypt (in the case of France) and Brazil and Vietnam (in the case of Germany). **This illustrates how a stronger focus on mitigation may imply greater focus on Middle Income Countries (MICs)**, which generally are larger greenhouse gas emitters than Low Income Countries (LICs). Whereas greater priority towards adaptation measures implies targeting more vulnerable Low-Income Countries (LICs). **As such, there can be a trade-off between poverty objectives and climate mitigation priorities, which countries should be conscious about and weigh.**

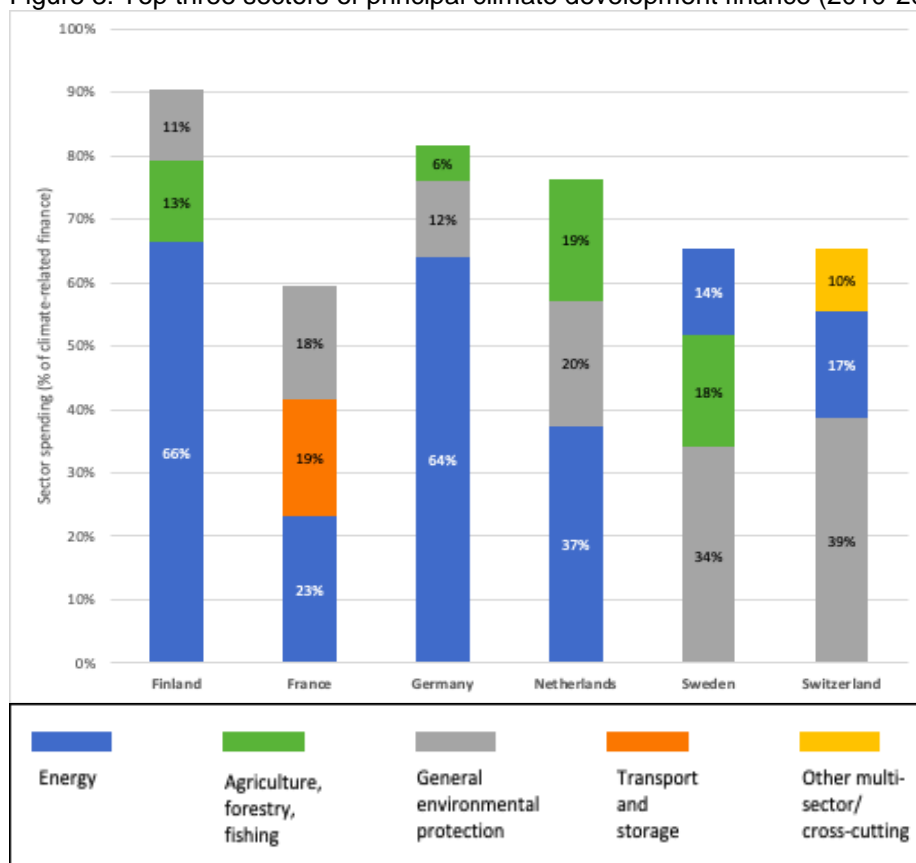
With respect to aid delivery modalities, Sweden and Switzerland mainly provide climate finance in the form of grants, as the Netherlands does, according to OECD DAC data. In Finland, grants also represent by far the largest share, but equity investments are also provided (10,5% in period 2010-2018). On the contrary, in Germany the main share is provided in the form of loans (close to 70% in the period 2010-2018), while this is even stronger in France. This reflects Germany and France's relatively stronger focus on MICs, which tend to get more concessions loans and less grants than LICs.

### Energy sector a key priority with respect to climate finance, while first steps in the ladder of circularity receive most attention

As regards the sectoral focus, there are a lot of similarities in the countries' top three, as the chart below shows. Energy gets considerable attention in all the case studies with General Environmental Protection coming second.



Figure 3: Top three sectors of principal climate development finance (2010-2018)



Source: [Aidatlas](#)

In line with the rise of circular economy-related concepts in policy frameworks, circular economy-related interventions have increased in recent years, particularly in Finland, but also to a more limited extent in the other cases. However, most countries seem to pay most attention to the first steps of the ladder of circularity, namely recycling and/or waste management. There is far less attention for the other rungs of the ladder relating to product design and production processes in development cooperation and foreign policies more generally, as seen in development cooperation of a country like Germany. This is changing however in some cases, like for example in Switzerland where a shift can be seen from a focus on waste management to a more comprehensive circular economy agenda that also covers other rungs of the circular economy ladder. **There would thus be value in countries taking a more holistic approach to circular economy, as is done more prominently in domestic policies.**

### Environmental and climate screening important but not enough to mainstream climate considerations

Environmental and climate screening of policies and projects is prevalent across the case studies. In Finland, all new development cooperation projects submitted for appraisal must answer a checklist of questions on how they contribute to the cross-cutting climate change objective of Finnish development cooperation. Ex-ante screening mechanisms may include considering a two-step approach as Germany and Switzerland for example have. It consists of a first screening, which if pointing to considerable climate risks is followed by more in-depth analysis. This second stage could also be divided in two, with a strategic assessment of strategies and programmes, and an operational one applied to projects, as done in Switzerland. Screening is not only the case in development cooperation, but also for a foreign policy area such as trade and investment. Environmental Sustainability Impact Assessments in the context of EU trade agreement negotiations pay attention to both climate and circular economy. **EU Member States may want to**



**encourage and support the European Commission to further improve the use made of impact assessments.** For example, they can call for more detailed sector- and region-specific impact analysis and adapted timing, to make them available before the conclusion of the negotiations and an updated version once the outcomes of the negotiations get clearer, as the governments of France and the Netherlands have asked the Commission.

However, despite these screening processes in place, climate mainstreaming, in particular in development cooperation, remains challenging for all case study countries. This even holds true for a climate frontrunner such as Sweden, which has seen a decline in environmental integration in key sectors that Sida operates in, such as health and education. **One of the key explanatory factors of this policy-practice gap across the case studies is a lack of capacities**, which thus merits considerable attention for any country seeking to strengthen climate mainstreaming (more on this below).

### Lessons to be learned from climate and circular economy-related financing instruments

The report highlights various financing mechanisms used across the case study countries, allowing a number of lessons to be drawn. For instance, **opportunities can be seized to integrate the circular economy in existing instruments**, rather than necessarily creating new ones. For example, the French Facility for Global Environment (FFEM) created in 1994 introduced sustainable consumption and production as a cross-cutting theme in 2015. In the case of Finland, circular economy has become one of the key themes for the long existing Team Finland and its export promotion activities.

In addition, **a joint steering of climate- and circular economy-related instruments by foreign ministries, environment ministries and others, is also worth considering.** The German Special Energy and Climate Fund is for example jointly managed by BMZ and BMUB. The steering committee of the earlier mentioned FFEM comprises the Ministry of Economy and Finance, the Ministry for Europe and Foreign Affairs, the Ministry for the Ecological and Inclusive Transition, the Ministry of Higher Education, Research and Innovation, the Ministry of Agriculture and the AFD.

Moreover, countries could **explore the possibility of measures that not only address climate change directly, but also mobilise additional climate finance.** For instance, France has generated around 210 million euro per year since 2006 through the solidarity levy on air tickets, which is earmarked for development assistance (a considerable share of which is climate-related). Another example is Germany's International Climate Initiative (IKI) which was created as a mechanism to be funded through the sale of carbon-market credits.

### Engaging with different stakeholders to facilitate action towards shared objectives

Better engagement between different stakeholders involved in international climate action and transition towards a circular economy can contribute to more effective policy implementation. **There is value in combining engagement at the policy level with business support.** This is for example the case in the bilateral energy partnerships of Germany, which combine high level dialogue with direct support to business and business-to-business matchmaking. **Another key stakeholder category is countries' finance ministers**, who can play an important role in aligning a country's fiscal policy instruments to address climate change. The Coalition of Finance Ministers, initiated by Finland, Chile and the World Bank, focuses on the role of countries' Finance Ministers to address climate change, and the ways in which their efforts could be strengthened through collective engagement.

## **Gender considerations matter**

All case studies have shown examples of efforts to integrate gender considerations in their international climate action. Sweden claims that the level of gender integration in Sida's climate finance in the period 2013–2016 was around 80%. Finland actively promotes gender considerations in international climate action for instance by developing national climate and gender equity plans for partner countries and supporting the inclusion of women in climate negotiations through targeted training courses. The global climate and environment programme implemented by the Swiss development agency SDC has a special focus on gender and social inclusion. The France-Canada Climate and Environment Partnership pays particular attention to gender equality, while GIZ in Germany has developed a gender and climate change toolkit to support practitioners in gender related issues of climate-induced human mobility. Efforts could be further strengthened to mainstream gender in international climate as well as circular economy efforts.

## **Growing use of research to advance international climate and circular economy agenda**

Promoting research and knowledge generation is a key tool for further climate and circular economy agenda, especially in areas that are relatively less developed. For example AFD in France has published several climate-related reports, while circular-economy-related research activities are more rare for the time being. More research, especially in circular economy, as well as the links between circular economy and climate change, is essential and should be emphasised within a country's policy framework.

There is also potential to further promote knowledge generation in the fields of climate-security and climate-migration nexuses. For instance, Germany has created communication tools to promote research and debate around climate diplomacy and security policy, and while approaches to the climate-migration nexus are relatively less developed, there is a push towards funding research and fostering dialogue to better understand the relationship between migration flows and climate change. Such measures can help countries better design policies that address migration and conflict in the context of climate change, areas that need to be further strengthened especially the migration-climate nexus.

## **Windows of opportunity to strengthen the integration of climate and circular economy in EU trade policies**

The EU is considered to be at the forefront when it comes to the integration of environmental standards in its trade instruments. Nevertheless, it has its weaknesses and areas for further strengthening have been identified by EU institutions and other stakeholders. EU member states such as Finland, France, Germany, Sweden and the Netherlands can further promote and support the further integration of climate and circular economy considerations in EU trade policy measures,

A window of opportunity for member states and other stakeholders is the review of the EU trade policy launched in June 2020. It has been triggered by the COVID-19 pandemic and should result in a Commission communication by the end of 2020. Relatedly, another more specific window of opportunity is the upcoming revision of the GSP scheme. For example, they could push for the Paris Agreement to be added to the list of currently 27 conventions of the GSP+ and possibly to the current list of 15 conventions of the standard GSP and EBA. The negotiation mandates of the European Commission for free trade agreements could cover increasingly ambitious climate and circular economy-related aspects. More generally, member states can further encourage the Commission to better monitor and support the implementation of sustainability dimensions of existing and future agreements. In this light, member states can encourage synergies between the GSP scheme/trade agreements and Aid for Trade to be further enhanced.

#### 4.4. Institutional mechanisms



##### Question 4 What institutional mechanisms affect the ability to effectively integrate climate and circular economy in foreign policy?

#### Strengthening staff capacity crucial to mainstream climate and circular economy in foreign policies

**Capacity constraints** are identified across all the case studies. When it comes to trade, capacities in the European Commission will need to be enhanced if the EU is to deliver and step up its green trade ambitions. Country case studies have employed a number of mechanisms to enhance capacity, in particular to mainstream climate change issues. Germany has installed an interesting mechanism of **‘climate attachés’ in certain embassies**, who are staff seconded from the environment ministry to take charge of climate change issues. France has appointed **climate focal points in geographical departments**. Germany also set up an external help desk to support diplomats at embassies with regard to energy-related technical questions such as renewable energies. The European Commission has also opted for an external help desk - although internally housed - called the Environment and Climate Mainstreaming Facility. Similarly, Sida’s external Helpdesk for Environment and Climate Change. Netherlands, and other countries, may consider a structured approach to support embassies through dedicated climate experts, and climate representatives in geographical departments at the Ministry of Foreign Affairs.

Awareness raising and in-depth training, as well as guidelines can also play an important role. At the French Ministry for Europe and Foreign Affairs, **brown bag lunches** are organised to present and discuss climate-related topics. Another example presented in the current report is the **series of climate diplomacy videos** of Sweden, which concisely and attractively explain the three pillars of Sweden’s climate diplomacy, and feature embassy peers. Sweden has also developed a ‘Green Toolbox’. The climate diplomacy online platform funded by the German Foreign Office, along with its interactive tool on climate-related fragility in different regions, is an interesting instrument to promote climate diplomacy and the climate-security nexus.

While the country case studies provide examples of some of the ways in which climate expertise and capacities can be strengthened, there is a dearth of similar practices related to circular economy. The network between GIZ staff members to encourage knowledge sharing on circular economy related topics may be one exception. Countries can explore ideas of linking the circular economy agenda with climate action and incorporating circular perspectives in existing tools to enhance climate related expertise and capacity, both at embassy and headquarters level.

#### Institutional mechanisms to promote coherence need to be entrenched in governance systems

Integrating climate change and circular economy in governance structures requires dedicated and sustained commitment. This can be exemplified by the fact that the Swedish Shared Responsibility - Policy for Global Development – adopted in 2003 is still part of the governance system, pointing to the long-haul nature of integrating climate in national governance systems, with successive governments building on past work. Another example is Finland, which continues to demonstrate strong political commitment to a “whole-of-

society” approach in its long-term vision of implementing the 2030 agenda. Institutional coordination mechanisms in Finland include the Development Policy Committee, the National Commission on Sustainable Development and Team Finland, which operate at different levels. Switzerland and Germany also have a history and structure to promote policy coherence for (sustainable) development. A Swiss example related specifically to climate change is the inter-departmental committee on climate finance. These examples show the importance of a long-term commitment towards mainstreaming climate change, with concrete coordination structures that become more embedded in governance structure over time.

In addition, these structures point to a possible gap in coordinating mechanisms on the circular economy agenda. While circular economy is arguably part of the 2030 agenda there is little explicit reference to promoting coherence and coordination on circular economy, as opposed to climate. Understandably, this may be due to the fact that transition towards circular economy is a relatively recent phenomenon, and promoting greater policy coherence may be difficult for countries that are not advanced in the field. Having said that, even countries which are considered ‘frontrunners’ in circular economy, for example Finland, lack such coordinating mechanisms. As such there is scope to develop mechanisms for promoting coordination and coherence on circular economy, or better integrating it in existing structures, including linking it with climate change, may be a more feasible first step.

### **High political leadership is key to steer the climate/circular economy agenda in the long term**

The case studies show how **high political leadership is essential in promoting climate action and the circular economy agenda**. Concretely, the fact that the upcoming Green Deal - which relates strongly to climate as well as circular economy - is spearheaded by the first Vice President of the European Commission, gives it considerable weight. Furthermore, the explicit ambition for the Green Deal ambitions to be reflected in *all* relevant EU policies, both domestic and external, make it a promising initiative. Political leadership is also important at the country level to signal long-term commitment towards the climate and circular agenda. In Germany, Chancellor Angela Merkel’s pledge to double Germany’s climate funding by 2020 is reflected in rapidly rising climate related development finance. President Macron placed climate at the top of his priorities for France’s international partnerships.

In conclusion, the report highlights a wealth of lessons and promising approaches to integrate climate change and circular economy in foreign policies. The approaches and lessons may be used by actors in the Netherlands and beyond to draw inspiration from, dig into deeper and further tailor to their own specific contexts.

Following the overview presented in Part I, the next sections in Part II present the full case studies.

# PART II

## 5. Finland

### 5.1. Background factors

#### Climate change as an impediment to sustainable development

Climate change as a threat to sustainable development and a driver of conflict, migration and poverty, is a commonly featured theme in Finnish foreign policies. The strategic priorities of the Finnish Foreign Service 2018 draw attention to how **support towards climate mitigation and adaptation in developing economies can help prevent crises and forced migration** (Ministry for Foreign Affairs Finland, 2018a). This is supported by Finland's Development Policy 2016 which highlights the particular threat posed by climate change and associated extreme weather events, water and forest depletion, and problems in food, water and energy supply (Ministry of Foreign Affairs Finland, 2016). It further contends that in the longer term, a strong Finnish and European climate policy will also help to reduce human migration caused by environmental changes. The Foreign and Security Policy 2016 also highlights the growing demand and competition over raw materials and its impacts on global security (Prime Minister's Office Finland, 2016). Furthermore, the transformation process from fossil fuels to renewables is considered to impact the balance of economic and political power in the world. Climate considerations are explored in detail in the Finnish Defence and Security Policy 2012 which uses a **"comprehensive concept of security"**, taking into consideration a number of challenges beyond traditional military threats, including climate change (Prime Minister's Office Finland, 2013).

Moreover, Finland promotes climate action on a regional basis in the northern hemisphere. The focus is on **integrating climate change mitigation and adaptation in the Arctic** in Finland's international cooperation (Ministry of the Environment Finland, 2016). The Medium-term Climate Change Policy Plan for 2030 draws attention to the fact that (black carbon<sup>5</sup>) emissions transported to the Arctic glaciers from nearby regions have the largest impact on the temperature increase (Ministry of the Environment Finland, 2017).<sup>6</sup>

#### Climate change and circular economy present opportunities for growth and investment

At the same time, climate and circular economy represent an opportunity to promote Finnish expertise and technologies abroad. This is particularly important with respect to the Circular Economy Roadmap, which is **driven by the motivation to make Finland a "world leader in circular economy" by 2025** (Sitra, 2016). Finland was the first country in the world to prepare a national road map to a circular economy in 2016, under the Finnish Innovation Fund Sitra.<sup>7</sup> The road map spelled out concrete actions for growth, investments and exports, as well as a reflection on how Finland was positioned in 2016 in relation to its global leader target. **The vision puts companies at the forefront, with an emphasis on research, development and innovation to create comprehensive solutions ready to export to the world.** Similarly, the National Energy and Climate Strategy for 2030 highlights the need to strengthen domestic solutions for renewable energy, resource efficiency and flexible energy systems, which are growing global sectors (Ministry of Economic Affairs and Employment Finland, 2017). The Action Plan for the Adaptation to Climate Change 2016 also puts emphasis on promoting Finland's environmental know-how, through internationally renowned

<sup>5</sup> Black carbon absorbs thermal radiation and amplifies Arctic warming.

<sup>6</sup> This means that even though countries in the Arctic council only produce 6% of the global black carbon emissions, they are responsible for a third of the Arctic warming. Thus, global action on emissions of short-lived climate pollutants (black carbon) can contribute to slowing down the rapid change in climate.

<sup>7</sup> In 2018, Sitra conducted an update of the Finnish Roadmap to a Circular Economy, supplemented by the Action Plan to a Circular Economy. The roadmap was updated in 2018. The Government of Finland and the Finnish Innovation Fund Sitra also adopted a new action plan to promote the circular economy.

Finnish environment research institutes, and adaptation-related cleantech technology internationally (Ministry of the Environment Finland, 2016).

The Ministry for Foreign Affairs supports this strong orientation towards promoting Finnish expertise and technology, as guided by the priorities set out in the Government Report on the Implementation of the 2030 Agenda for Sustainable Development. One of the two aims of this broad policy on the 2030 agenda is to create a “carbon-neutral and resource-wise Finland”, based on which it outlines priorities for promoting the same goal globally (Prime Minister's Office Finland, 2017). The Ministry for Foreign Affairs emphasises Finland's experiences and practices in this sphere, and promotes sustainable development by fostering exports, innovation and investment in Finnish cleantech and circular economy solutions (Ministry for Foreign Affairs Finland, 2018a).

*Climate change frequently features as an impediment to sustainable development in Finnish foreign policies. For instance, using a “comprehensive concept of security” the link between climate change and security is explored in detail. Protecting the arctic region against climate change is another important concern for Finland. At the same time, there is also strong emphasis on the opportunities offered by circular economy and climate action, especially in terms of promoting Finnish expertise and technologies globally. Finland aims to become the world leader in circular economy by 2025, and thus focuses strongly on promoting Finnish cleantech and circular economy solutions.*

## 5.2. Policies

The strategic priorities of the Foreign Service provide a broad overview of the Finnish government's foreign policy towards climate change. This includes promoting Finnish experience and practices; energy and climate diplomacy of the EU; development cooperation; promoting exports related to Finnish cleantech; and strengthening arctic cooperation. These are guided by the priorities set out in the Government Report on the Implementation of the 2030 Agenda for Sustainable Development.

### Priorities for international climate action and circular economy

**With regards to development cooperation, climate action has been linked with the sustainable use of resources as part of a single priority area.** The goal is improved food security and access to water and energy, together with sustainable use of resources (Ministry for Foreign Affairs Finland, 2016). This includes a focus on sustainable energy solutions, renewable energy and renewable natural resources such as forests and water. **One of the ways in which this goal is promoted is by improving developing countries' know-how and ability to attract investment and make use of clean technologies and expertise.** In addition, Finland aims to contribute to international and EU policy-making in this sphere, as well as fund collaboration between different research institutions, companies, civil society and the public sector. Both the private sector and civil society are considered important partners in implementing the development policy.

In terms of influencing international climate policy, Finland focuses on a number of different issues. An example of this has been the **strong push towards the inclusion of gender perspectives in climate action.** Finland has pushed for the incorporation of gender equality in the 2015 Paris Agreement (Ministry for Foreign Affairs Finland 2018b). As part of development cooperation, Finland has also created national climate and gender equity plans for partner countries (such as for Jordan, Mozambique, Nepal and Peru) and also supports the inclusion of women in climate negotiations by providing them with training courses related to climate negotiations. In addition, Finland also advocates for the elimination of harmful subsidies for fossil fuels in international fora. It is a member of the international group Friends of the Fossil Fuel Subsidy Reform, which calls for elimination of fossil fuel subsidies. At the same time, the development policy results



report 2018, by the Ministry of Foreign Affairs, **criticises Finland for not being coherent in its own policies as it supports the domestic use of fossil fuels through the provision of tax concessions and other subsidies.**

### Growing attention to private sector

Finland's ODA has seen sharp cuts in the last few years which has substantially reduced climate finance as well (detailed in the next section). In 2016, Finland's ODA represented 0.44% of its gross national income (GNI), a sharp fall from 2015 (0.55%) and 2014 (0.59%) (OECD DAC, 2017).

A key trend in Finland's development cooperation is the **growing focus on the private sector**, especially given the sharp cuts to ODA (OECD DAC, 2017). The Government Report on the Implementation of the 2030 Agenda for Sustainable Development emphasises the need to allocate private funds to fight climate change. The development policy supports this by encouraging Finnish companies to provide commercially viable, development-enhancing solutions to developing countries. It also highlights that by strengthening societies and business environments in developing countries, development cooperation can more broadly benefit Finnish private sector. **In 2015 the government created a new budget item, "development cooperation finance investments", which were meant to complement grant-based development aid.** These can be in the form of investments or loans, and they differ from grant-based support in that the invested capital will return to the investor.<sup>8</sup> **At least 75% of funding is targeted towards climate finance.** (Ministry for Foreign Affairs Finland, 2019). These investments represent a major part of Finland's commitment under the Paris Agreement. Given the possibility of financial returns, investments are considered to be more suited for mitigation measures as opposed to adaptation, while efforts are continued to be made to meet adaptation targets. The overall geographical focus of the investment plan is on Africa, including LDCs, with the target to allocate at least 60% of the funding to Africa.

### Integrating climate considerations in migration and international security

Development policy is also relevant in the context of the climate-migration nexus. As mentioned earlier, the impact of climate change on migration has been highlighted in policy documents, including the Government resolution on the future of migration<sup>9</sup>, Government Action Plan on Asylum Policy<sup>10</sup> and the Development Policy 2016. It is argued that a broad set of tools can be used to influence factors behind migration spanning from development cooperation and humanitarian aid to economic and trade cooperation (Ministry for Foreign Affairs Finland, 2018b). **With regards to development cooperation, all measures aimed at having sustainable societal impacts are seen as having an indirect impact on forced and voluntary migration.**

However, the Ministry of Foreign Affairs' 'Evaluation on Forced Displacement and Finnish Development Policy' report 2019, brings forth a nuanced picture with respect to implementation of the policy. The report examines how consistently the development policy's goals concerning forced displacement have been implemented. The evaluation points to a lack of systematic coverage of the links between climate change and displacement, notably in Somalia, a country prone to climate induced violence and displacement. It also provides the example of Afghanistan, where little attention was given to climate change and displacement, despite its relevance to the country (Zetter et al., 2019). Based on this, the **Development Policy Committee report 2019 also urges Finland to update its approach towards the "climate refugee" situation** (Development Policy Committee Finland, 2019).

<sup>8</sup> Development policy investments aim to achieve development impacts in the partner countries. At the same time the funds must yield revenue and the invested capital must be returnable, which means that it is expected to eventually reflow back to Finland.

<sup>9</sup> See: [Government resolution on the future of migration](#).

<sup>10</sup> See: [Government Action Plan on Asylum Policy](#).



With regard to security, the Foreign and Security Policy Report identifies the promotion of sustainable development, including the fight against climate change, as one of its objectives. Finland promotes these objectives both nationally and as a member of the UN and the EU (Prime Minister's Office Finland, 2016). In this regard, the development policy (including climate action) is considered an important element of the foreign and security policy. Development more generally is considered to enhance international security (Ministry of Foreign Affairs Finland, 2016). The Foreign and Security Policy provides examples of climate-related considerations being integrated in bilateral relations. For instance, Finland is said to intensify its relations with China, in areas such as environmental technology and renewable energy. Similarly, in relations with the United States and Russia, topics of interest include climate, energy and the Arctic. As mentioned earlier, climate change with respect to the Arctic is an important consideration for Finland. In this respect, the policy stresses on implementing the Paris Agreement and the goals of the 2030 Agenda for Sustainable Development in Arctic cooperation.

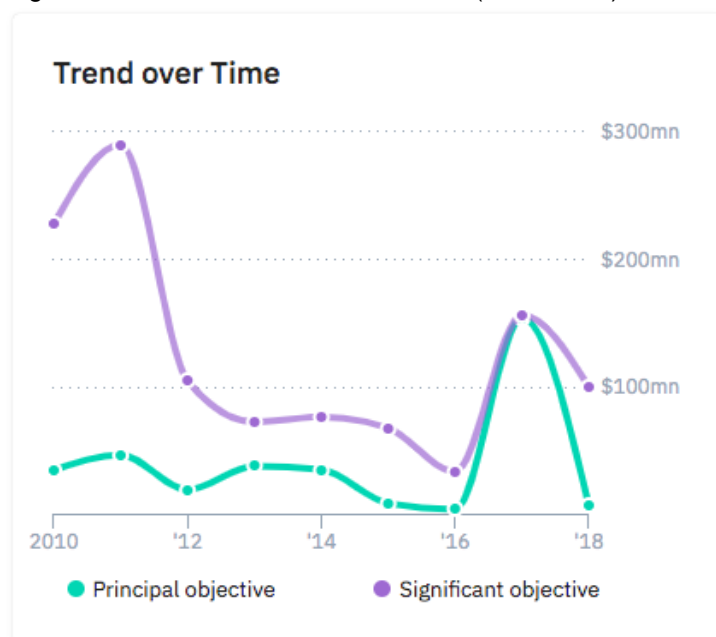
*Development cooperation groups climate action together with the sustainable use of resources as part of a single priority area. With this goal a number of different themes have been focused upon. This includes for instance, improving the ability of developing countries to attract investment in clean technologies and promoting gender perspectives in climate action. The declining aid budget is matched with a greater focus on the private sector and non-grant based support (returnable investments). With respect to migration, there is space to better explore the links with climate change when it comes to implementation of development projects. Development cooperation (as a whole including climate action) is also considered important for international security and climate related considerations are embedded in international (bilateral and multilateral) relations.*

### 5.3. Operationalisation

#### Climate-related development finance reporting and monitoring:

As mentioned earlier, climate finance is in decline, which is largely due to the cuts made to Finnish ODA. The figure below shows the steep decline in climate finance since 2011, with the exception of an increase seen in 2017. The green line presents financial support that was reported by Finland to the OECD DAC as targeting climate change as a 'principal' objective. In other words, climate change was the main aim of the activity. The purple line presents financial support targeting climate change as a 'significant' objective. This means that it was not the main focus, but still contributes to addressing climate change, be it in terms of adaptation and/or mitigation.

Figure 4: Finland: climate finance flows (2010-2018)



Source: [Aidatlas](#)



### Box 11 Finland: development finance commitments targeting climate change as a principle objective (2010-2018)

- There has been a much stronger focus on mitigation, with 77.6% of climate finance targeted to mitigation activities, compared to only 21.7% targeted to adaptation activities. 0.7% of climate finance targeted both mitigation and adaptation simultaneously.
- 89.5% of climate finance was provided as ODA grants, while 10.5% was provided in the form of equity investment.
- A large portion of climate finance goes to multilateral funds and regional programmes, which is why the recipient countries cannot be specified. Some of the regions receiving most attention include South of Sahara, Asia, South America, Africa (broader). Kenya is the only bilateral recipient in the top 5 recipients.
- Top sectors receiving climate finance include energy, agriculture, forestry and fishing, and general environment protection (e.g. biodiversity promotion, environmental research).

Source: [Aidatlas](#)

The predominant focus on mitigation is criticised by the Finnish Development Policy Committee (a government appointed advisory body that monitors and reviews Finland's development cooperation and policy). In its 2019 report, the committee noted that developing countries' adaptation to climate change has been neglected, including in terms of funding (Development Policy Committee Finland, 2019).

At the policy level, there is a high-level political commitment towards ensuring that all development cooperation supported by Finland is climate proof and smart.<sup>11</sup> Climate sustainability is one of the three cross-cutting topics of Finland's development policies (OECD DAC, 2017). This means that **all new projects submitted for appraisal must answer a checklist of questions on how they contribute to gender equality, reducing inequality and climate sustainability**. A 'Quality Assurance Group' assesses all funding proposals according to certain markers, including the Rio Markers and reviews the level of inclusion of the cross-cutting objectives.

However, the OECD DAC peer review of Finland drew attention to the insufficient mainstreaming of climate and environment issues into all of development cooperation (OECD DAC, 2017). One of the key obstacles, as identified by the development policy results report 2018, has been **the absence of definite targets, a plan of action and meaningful indicators** (Ministry for Foreign Affairs Finland 2018b). The report indicates that Finland is in the process of updating guidelines, training and communications so that more consideration can be given to climate sustainability in all areas of development cooperation.

The OECD DAC Review report also points to a lack of capacity of staff to mainstream the cross-cutting objective of climate sustainability in all development cooperation projects. The report highlights that country teams and desk officers do not systematically screen and adapt projects to ensure the integration of the cross-cutting objectives during planning, programming and evaluation (OECD DAC, 2017). This is compounded by the fact that there are a small number of advisors in the Ministry of Foreign Affairs for the cross-cutting themes<sup>12</sup>, given the cuts in the overall ODA budget. As mentioned earlier, the updated and developed guidance tools are aimed at strengthening this function.

### Stimulating development policy investments

With respect to operationalising external climate action, a number of instruments are used, particularly related to development investment finance. One such instrument is the **Energy and Environmental Partnership Trust Fund (EEP Africa)**, funded by Finland with co-financing from Austria and the Nordic Development Fund.<sup>13</sup> EEP Africa provides early-stage grant and catalytic financing to innovative clean energy projects, technologies and business models in 15 countries across Southern and East Africa. Since 2010, EEP Africa has committed more than EUR 70 million to 250 projects. It identifies projects competitively through a challenge fund mechanism. **EEP-type challenge funds are recognised for their potential to catalyse significant private sector financing** (Halonen et al., 2017).

Relatedly, in 2017 the **Finland-IFC Blended Finance for Climate Program** was established to catalyse innovative investments in climate smart projects in developing countries. Finland made an investment of 114 million euros into a climate fund that is set up together with the World Bank's International Finance Corporation (IFC).<sup>14</sup> Both Finland and IFC provide financing and the objective is to attract a large amount of other private and public capital. It is the largest funding ever targeted at international climate work by Finland. The funding instruments of the programme comprise loans granted for companies operating in developing countries, capital investments and guarantees, for instance. Focus sectors are energy efficiency, renewable energy, sustainable forestry and land use, meteorology, and water and wastewater solutions. **Finland is**

<sup>11</sup> See: [Climate change and natural resources](#).

<sup>12</sup> This is based on the OECD DAC review report from 2017. The situation may have changed now.

<sup>13</sup> For more information see: [ABOUT EEP AFRICA](#).

<sup>14</sup> For more information see: [Finland-IFC Blended Finance for Climate](#).

**IFC's first bilateral European partner in blended finance for climate using ODA resources in an innovative manner to allow for reflows instead of traditional grant-based contributions.** The programme can be considered as an example of the "returnable capital" model- a relatively new approach for the provision of concessional capital for use by development finance institutions.<sup>15</sup> With this model, principal, interest, and other amounts are repaid to the original provider of the concessional funds (usually a government) on a regular basis. Government can potentially redeploy the returns to other programmes and priorities.

Another Finnish instrument for funding investments in developing countries is the **Public Sector Investment Facility (PIF)**. **PIF supports public sector investments in developing countries that promote sustainable development and make use of Finnish expertise and technology.**<sup>16</sup> The facility provides blended finance for public sector projects in developing countries in line with their national development strategy and the SDGs. The developing country in question is responsible for preparing an investment project that is based on Finnish expertise and technology. This is tied aid because the project contractor must be a Finnish-registered company with adequate Finnish project content. While the facility is not only limited to environmental technology, it is mentioned that projects that are likely to benefit from this funding include, among others, rural electrification; the construction of solar, hydro and wind power plants, waste management plants and water supply in poor regions.

### Promoting global dialogue and cooperation

Finland seeks to progress discussions on how trade can help facilitate circular economy transition. An example of this is the **World Circular Economy Forum (WCEF)**, a global initiative of Finland and the Finnish Innovation Fund Sitra. The forum brings together more than 2,000 business leaders, policymakers and experts from around the world to present circular economy solutions.<sup>17</sup> The WCEF examines how businesses can exploit new opportunities, gain a competitive advantage through circular economy solutions and how the circular economy contributes to achieving the UN Sustainable Development Goals. **The third WCEF in 2019 had a strong emphasis on scaling up the circular economy transition.** This involves growing investments into circular economy businesses, spreading and adopting new technologies and making significant regulatory changes that enable the circular economy to flourish.

Moreover, based on its domestic efforts to integrate climate issues in national budgetary processes, **Finland promotes in international fora the utilization of fiscal policy instruments to address climate change.**<sup>18</sup> The Coalition of Finance Ministers for climate action is one example of Finland's international efforts towards this objective. In 2018 the finance ministers of Finland and Chile, supported by the World Bank's Climate Action Peer Exchange (CAPE) initiative, agreed to co-lead the Coalition and invited other governments to join. The coalition focuses on the **role of countries' finance ministers to address climate change**, and the ways in which their efforts could be strengthened through collective engagement. It aims to help countries mobilise and align the finance needed to implement their national climate action plans, and integrate climate change in economic planning. Finance ministers from over fifty countries, including the Netherlands, have signed on to the 'Helsinki Principles' that aim to promote national climate action, particularly through fiscal policy and the use of public finance. During COP 25, the coalition launched its Santiago Action Plan, with the aim to advance concretely on the Helsinki Principles.<sup>19</sup> The year 2020 will test whether finance ministers are able to follow-through on these commitments.

<sup>15</sup> For more information see: [Blended Concessional Finance: The Rise of Returnable Capital Contributions](#).

<sup>16</sup> For more information see: [Public Sector Investment Facility](#).

<sup>17</sup> For more information see: [WCEF2019 in Helsinki, Finland, 3-5 June 2019 Scale it up! The next era of the circular economy](#).

<sup>18</sup> For more information see: <http://pubdocs.worldbank.org/en/646831555088732759/FM-Coalition-Brochure-final-v3.pdf>.

<sup>19</sup> For more information see: [COP25: Finance Ministers from over 50 countries join forces to tackle climate change](#).

One of the key objectives of Finland's Presidency of the Council of the EU in the second half of 2019 has been to turn the European Union into a global climate leader. To support this objective, Finnish diplomatic missions around the world addressed climate change in a number of ways during the Finnish presidency. Several localized activities were conducted to raise the awareness of Finland's national sustainability goals, with a key focus on circular economy.<sup>20</sup> For instance, the Finnish Embassy in Tallinn organised a touring exhibition on circular economy, presenting Finnish expertise in Estonia's regions and local schools. Several embassies also took steps to reduce their own emissions, for instance through greater recycling and more efficient use of electricity.

*Since 2011, climate finance has been in decline, with the exception of an increase in 2017. This mirrors the cuts to the overall ODA budget, including to climate finance. Climate mitigation receives a much stronger attention as compared to adaptation. While all development projects undergo an appraisal on how they contribute to climate sustainability, environment and climate change issues have not sufficiently been mainstreamed in development cooperation. Contributing factors seem to have been a lack of clear targets and indicators and a lack of capacity to implement. To operationalise external climate action a number of instruments are being used. There is a strong focus on private sector instruments such as challenge funds and blended finance facilities. Moreover, various measures have been taken to promote global dialogue and cooperation around climate action and circular economy, an example of which is the annual World Circular Economy Forum (WCEF).*

## 5.4. Institutional mechanisms

### Monitoring and reporting

Finland is strongly committed towards a “whole-of-society” approach towards implementing the 2030 agenda on sustainable development, in which climate change and circular economy-related concepts such as resource efficiency are embedded. The **National Commission on Sustainable Development, housed at the Prime Minister's Office is responsible for follow-up and assessment of the implementation of the 2030 Agenda**. The commission is composed of the Ministry of Foreign Affairs, the Prime Minister's Office and Secretariat General of the National Commission. In addition, **the Development Policy Committee is a government appointed advisory body that monitors and reviews Finland's development cooperation and policy** (Prime Minister's Office Finland, 2017). Its members include representatives of parliamentary parties, NGO platforms, government officials, Finnish industry and enterprise representatives, and universities. The committee publishes annual reports and provides an external review of the development policy to government officials, as well as to the public and parliament.

Moreover, since 2017 all branches of the government are supposed to report on their progress towards implementation of the 2030 Agenda, which together forms the Government's annual report. The report is presented in an annual public event co-hosted by the Prime Minister's Office, the Finnish National Commission on Sustainable Development and the Development Policy Committee. This discussion serves as a self-assessment mechanism and to strengthen accountability to the Parliament and citizens (Prime Minister's Office Finland, 2017).

<sup>20</sup> For more information see: [Finland's diplomatic missions highlight climate issues in host countries](#)

## Coordination mechanisms

In addition, there are a number of thematic coordination mechanisms to promote policy coherence within the government. For instance, the inter-ministerial working group on bioeconomy and clean solutions handles matters falling within the scope of the Government's key objective 'bioeconomy and clean solutions'.<sup>21</sup> The working group comprises various ministers, which includes, among others, the Minister for Foreign Trade and Development and the Minister for Agriculture and Forestry.

An interesting example of a broader coordination mechanism beyond government institutes is the Team Finland network. The **Team Finland framework helps companies in internationalisation, attracts foreign investment in Finland, and promotes the country's image by bringing together key players at home and abroad.**<sup>22</sup> It is comprised of three Ministries - the Ministry of Employment and the Economy, the Ministry for Foreign Affairs and the Ministry of Education and Culture - together with publicly funded bodies and Finnish offices abroad (including diplomatic missions, Business Finland, and other institutes). The network promotes Finland and its interests abroad and aims to ensure that publicly funded services and functions do not overlap and are communicated coherently. Circular economy is one of the key themes for Team Finland's export promotion activities. These services span from providing general information on the circular economy, to establishing links with Finnish companies and exporters, and engaging in knowledge exchange with local actors (WCEF, 2019). The previous section highlights some of the instruments used under the Team Finland network.

*Given that Finland is strongly committed to a whole-of society approach towards implementing the 2030 agenda, a number of mechanisms have been put in place to promote policy coherence for sustainable development (PCSD). While the National Commission on Sustainable Development at the Prime Minister's Office is responsible for the overall steering of the 2030 agenda, a stakeholder advisory body, the Development Policy Committee, monitors Finland's development cooperation. All government bodies report on their implementation of the sustainable development agenda. At a thematic level, inter-ministerial working groups on different thematic areas such as bioeconomy and clean solution coordinate the work of the ministries. Team Finland is an example of a network specifically focused on promoting Finnish expertise abroad, with circular economy as a key priority area.*

<sup>21</sup> See: [Ministerial Working Groups of the Sipilä Government](#).

<sup>22</sup> See: <https://www.team-finland.fi/en/>



## 6. France

### 6.1. Background factors

#### Guardian of the Paris Agreement

France played a leading role in the conclusion of the Paris Agreement, which is internationally considered a major diplomatic success. Subsequently, the government considers itself to be somewhat of a **guardian of the Paris Agreement**, with a role to encourage accession and implementation (OECD DAC, 2018).

In that spirit, **climate change is high on the agenda in France**. Domestic but also foreign policy documents put great emphasis on the need to tackle global warming. It is considered critical to address climate change through national as well as international action, given that it doesn't stop at France's borders. Global challenges such as climate change and pandemics, **require collective action and a coordinated response at the international level** (Government of France, 2019). President Macron has expressed this by indicating that *"danger no longer strikes only at a few while sparing the rest [...] we are all neighbours"* (AFD, 2017).

#### A rising star: circular economy and the role it can play to address climate change

Increasingly, the government also stresses the need to transition to a circular economy. A circular economy roadmap was adopted in 2018, as **the linear 'make, consume, throw away' model in France and other countries will lead towards the depletion of the planet's resources** (Government of France, 2018a). France's 2018 SDG report (Government of France, 2018b) specifically notes the trend of increasingly intense consumption of goods and services, combined with increasingly short product lifetimes, which increases the use of natural resources as well as the production of waste and nuisances. As a worsening factor it mentions global population growth and the legitimate desire of this ever-increasing number of people to enter the consumer market. In this light, the circular economy roadmap seeks to promote the move towards a different type of economy primarily in France but also worldwide, with moderate consumption, products with a longer lifespan, limited waste, and waste turned into new resources (Government of France, 2018a).

**Policy documents emphasise linkages between a circular economy and climate change, as consumption and production patterns are an important source of greenhouse gas emissions** (Government of France, 2017, 2018b & 2019; AFD, 2017). The documents provide examples to make it concrete. For instance, the national Climate Plan points out that the recycling of waste avoids the emission of 25 Mt CO<sub>2</sub> per year, equivalent to the emissions of French air transport (Government of France, 2017). The circular economy roadmap notes that the production of a plastic bottle from recycled plastic emits 70% less CO<sub>2</sub> than one produced from virgin plastic (Government of France 2018a). The 2018 SDG report highlights that worldwide food waste would be the third largest emitter of greenhouse gases if it were a country (Government of France, 2018b). Relatedly, the circular economy roadmap has an objective related to climate - circular economy linkages, which is to *"avoid the emission of 8 million additional tonnes of CO<sub>2</sub> each year thanks to plastic recycling"*. **Pointing to the role that a transition to a more circular economy domestically and internationally can play in combating climate change, illustrated with concrete examples, can help make the case for circular economy efforts in domestic and foreign policies, especially in countries where climate change is high on the agenda as in France.**

#### Bringing biodiversity into play

**Domestic and foreign policies also pay considerable attention to biodiversity and climate change-biodiversity linkages.** As an example, the 2018-2022 strategy of the Agence Française de Développement (AFD) - France's development bank and main implementer of the country's development cooperation - states that warming affects biodiversity, and reduced biodiversity aggravates warming (AFD, 2017).

An increased emphasis on climate change - biodiversity linkages can also be seen in France's climate change and broader environmental diplomacy efforts. This is evident from the France - China 'Beijing Call for Biodiversity Conservation and Climate Change' of November 2019.<sup>23</sup> Attention for the linkages could be particularly beneficial in relations with China, given its leadership role on biodiversity in 2020/2021, as intended host of the upcoming 15th session of the Conference of Parties of the Convention on Biological Diversity, that was scheduled to take place in Kunming China in October 2020 but postponed due to COVID-19. Bringing biodiversity into the climate change debate and vice versa may contribute to China's engagement on climate change.

### Commercial interests of international circular economy efforts put less to the fore

Beyond environmental sustainability and climate change, **another argument for a transition to a circular economy is the reduction of France's dependence on raw materials and its vulnerability to global economic uncertainties. Economic interests also come into play.** The circular economy roadmap (Government of France, 2018a) puts forward that France's transition to a circular economy can create 300,000 additional jobs, create wealth, new business, jobs and innovations. **However, economic opportunities abroad feature far less prominently than in countries like Finland and the Netherlands. This can possibly be explained by the fact that France is not a circular economy frontrunner.** For example, in France 20% of plastic packaging is recycled while the European average is 30%. The recycling rate of plastic bottles is 55% on average, compared to over 90% in Scandinavia. It is thus noted in the roadmap that *"France has a long way to go to make progress on the circular economy"*. **There is however an ambition to move to the front**, as it also states that *"Following the leadership it has taken in climate-related matters France can become the spearhead of the circular economy at the global level."*

*In the spirit of the climate agreement that it hosted, climate change is high on the agenda in France, in domestic but also foreign policy policies. It is considered important to address climate change through international action, as it is a global challenge that doesn't respect borders. The transition to a circular economy is also increasingly reflected in domestic and foreign policies, with particular attention for its potential to contribute to addressing climate change. This is supported by concrete examples of circular economy - climate change linkages, which can help make the case for circular economy efforts. Another argument provided for the transition to a circular economy is the reduction of France's dependence on raw materials. Economic interests also come into play, but are put less to the fore than in countries like the Netherlands and Finland.*

## 6.2. Policies

### The UN Sustainable Development Goals as a key overarching framework

France has shown strong political commitment to the 2030 Agenda and its Sustainable Development Goals (SDGs) (OECD, 2017a). The UN Agenda 2030 and its Sustainable Development Goals (SDGs) present an overarching framework guiding France's policy directions. **In 2019 France adopted an SDG roadmap** that sets out actions for the major transformations to carry out in French territory, in Europe and internationally. It replaced the National Sustainable Development Strategy and was drafted through a participatory process that involved approximately 300 public and private stakeholders from various backgrounds. **One of the six major challenges that the roadmap addresses is to 'transform society models by implementing low-carbon strategies and conserving natural resources, to act for the climate, planet and its**

<sup>23</sup> See: <https://www.diplomatie.gouv.fr/en/french-foreign-policy/climate-and-environment/news/article/beijing-call-for-biodiversity-conservation-and-climate-change-06-nov-19>.



**biodiversity’, with explicit references to promoting consumption and production patterns that are circular** (Government of France, 2019).

### International dimensions strongly reflected in the Climate Plan

The current climate specific framework is the national **Climate Plan** adopted in 2017.<sup>24</sup> In the plan, France sets itself the target of achieving carbon neutrality by 2050. One of the by now well-known measures in the plan is an incrementally increasing carbon tax, which raised the cost of fuel and was the starting point of the ‘gilets jaunes’ movement.<sup>25</sup> **The plan pays considerable attention to international dimensions.** It presents six areas of action, one of which focuses on the external dimension, that is the EU and beyond. It should be noted though that while France is praised internationally for its leadership role related to the Paris Agreement and its follow up, the government is criticised by GreenPeace and others domestically for national climate targets being missed.<sup>26</sup>

The section of the Climate Plan dedicated to international matters indicates for example that France will seek to strengthen the consideration of environmental issues in new trade agreements that the EU will conclude. **Quite some emphasis in the plan is put on climate financing**, including abroad for the most vulnerable countries, particularly in Africa. Paris should become ‘the capital of green and responsible finance’. To contribute to that ambition, the government will promote the creation of sustainability labels and green bonds, including by supporting countries wishing to launch their own green bonds and market them in France’s financial ecosystem.

**The Climate Plan also presents a commitment to halt the import of products that contribute to deforestation.** It particularly refers to products related to destruction of the world’s three major tropical rainforests Amazonia, South-East Asia and Congo Basin. It expresses a commitment to the Amsterdam Declaration to eliminate deforestation in agricultural supply chains and commits to the development of a national strategy to end deforestation caused by importing unsustainable products, which has been adopted in 2018 (Government of France, 2018c). The strategy primarily targets agricultural commodities that contribute the most to imported deforestation, such as soybeans, palm oil, beef and beef co-products, cocoa, rubber, as well as timber and timber products. It includes measures such as the creation of a national platform against deforestation bringing together businesses, NGOs and public authorities; the development of a ‘zero deforestation’ public procurement policy; and using development aid as a level to develop roadmaps with exporting countries and regions.

The transition to a circular economy is part and parcel of the Climate Plan, especially with the announcement that a national circular economy roadmap would be developed. This roadmap was adopted the year after in 2018.

<sup>24</sup> The plan was preceded by the Climate Plan 2004-2012, the Energy Programme Bill (2005), Grenelle 1 Act (2009) and the Energy Transition Law for Green Growth (2015), all steadily increasing ambitions to curb greenhouse gas emissions (Government of France, 2017).

<sup>25</sup> As a result of the protests, the carbon tax rate increase was put on hold in 2019. According to the government, the rate of change is up for discussion, not the principle of the tax. See: <https://www.euractiv.com/section/energy/news/french-energy-transition-conferences-reopen-carbon-tax-debate/>.

<sup>26</sup> See for example: <https://www.greenpeace.fr/inaction-climatique/>.

## International dimensions far less strongly reflected in the Roadmap for a circular economy

**The Roadmap for a circular economy (Government of France, 2018a) captures international dimensions.** For example, one of its targets is to decrease France's per capita domestic consumption of materials. The 2018 SDG report (Government of France, 2018b) points out this 'material consumption' at first sight seems to have remained stable between 1970 and 2008, and even decreased between 2007 and 2014. However, when taking into account indirect flows linked to materials consumed abroad to manufacture imported goods consumed in France, material consumption shows an upward trend instead.

**However, international dimensions are far from being put front and centre, and are little specific.** The roadmap presents 50 measures in total, of which the large majority is nationally focussed, with only one of them, last in the list, to "*continue France's action in support of the circular economy on European and international scale*". This covers supporting changes in European law in parallel with French law and the upcoming (and by now adopted) European Circular Economy Action Plan. Beyond Europe, it mentions the mobilisation of other countries in the fight against plastic waste in collaboration with the UN and more generally the promotion of "*the French approach to the circular economy*" through international bodies and forums.

The next few paragraphs will discuss some of the ways in which circular economy and climate change is integrated in foreign policies. It particularly focuses on environmental diplomacy and development cooperation.

## Climate diplomacy a top priority

**France is very active in the area of climate diplomacy.** Macron placed climate at the top of his priorities for France's international partnerships. This is not limited to a restricted set of countries, but quite some emphasis is put on fellow G20 members. **Circular economy is also covered to some extent, even if not always called as such,** but rather resource efficiency or sustainable consumption and production.

**A regularly used tool in France's bilateral climate diplomacy efforts is joint declarations,** notably with major emitters such as China and India, to amplify their climate commitments (Government of France 2020). An example is the earlier mentioned Beijing Call for Biodiversity Conservation and Climate Change.<sup>27</sup> It not only notes that the two countries are "*committed to working together on the link between climate change and biodiversity*" but also mentions for example that trade agreements should be consistent with the objectives of the Paris Agreement and the SDG agenda. There is also a reaffirmation of their joint G20 commitment to phase out inefficient fossil fuel subsidies that encourage wasteful consumption. An example of a longer-term agreement is the 2018 France-Canada Climate and Environment Partnership signed on 16 April 2018, which seeks, for example, to enable France and Canada to coordinate their development policies from an environmental perspective, support green finance and promote sustainable development issues in trade policies within the WTO and the OECD. Particular attention is paid to gender equality, as illustrated by the joint commitment to "*promote gender equality and support women's ability to increase the resilience of their crops, access to water and other natural, and support the training of female francophone negotiators from African countries to enable their meaningful participation in international climate change negotiations.*"<sup>28</sup>

<sup>27</sup> See: <https://www.diplomatie.gouv.fr/en/french-foreign-policy/climate-and-environment/news/article/beijing-call-for-biodiversity-conservation-and-climate-change-06-nov-19>.

<sup>28</sup> See: <https://www.diplomatie.gouv.fr/en/country-files/canada/events/article/france-canada-climate-and-environment-partnership>.

**France also pursues its climate and circular economy diplomacy in the context of the G7 and G20, including through joint declarations. Climate change was a central theme of France's G7 Presidency in 2019, to take that example.** The G7 leaders announced \$20 million in emergency aid to fight fires in the Amazon and the medium-term need for funding for reforestation. They also agreed to establish a 'Tropical Forest Conservation Alliance' to serve as an information platform to better direct financial flows to the tropical forest basins of the Amazon, Central Africa and Southeast Asia (Government of France, 2020). **Furthermore, as part of its G7 Presidency and in partnership with the European Commission, France organised two circular economy-related workshops.**<sup>29</sup> Climate change efforts in the G7 and G20 setting are not without criticism, with for example Coordination Sud calling in 2019 for more ambitious, concrete and quantified G7 commitments with accountability mechanisms (Coordination Sud, 2019).

### **Implementation of the Paris Agreement among the overall objectives of development cooperation**

Climate change is strongly reflected in development cooperation, with a leading role for the AFD. Circular economy is increasingly also promoted through development cooperation, although not at the same level.

The strategic directions of the French policy of international cooperation and development aid are defined by the Interministerial Committee for International Cooperation and Development (CICID). CICID at its last meeting on 8 February 2018 set the overall goal of poverty eradication, the implementation of the Sustainable Development Goals (SDGs), the Paris Agreement and the protection of the global public goods (CICID, 2018). In other words, **implementation of the Paris Agreement is among the overall objectives of development cooperation.** The term 'circular economy' is not mentioned as such, but some circular economy-related aspects are included such as the statement that "*France will strengthen its action in favour of more responsible solid waste management in developing countries*".

France has a particular focus on Africa in its development cooperation (CICID, 2018). It does not have an Africa policy, but President Macron set out a **vision for France - Africa relations** in a speech at the University of Ouagadougou in Burkina Faso in November 2017. In the speech he notes that **Africa is being hit hard by the effects of climate change, but can also be at the forefront of solutions.** "*It can succeed where Europe has not always been able to.*" **Climate-related topics that he pays particular attention to are renewable energy and sustainable cities.** He announced that the Africa-France summit in 2020 - which has been cancelled due to the corona virus - would focus on sustainable cities.

France pays particular attention to fragility and security, notably in the Sahel region (CICID, 2018; OECD DAC, 2018). **It seeks to promote an agenda linking security and development adapted to fragile contexts, with attention for climate change.** In this context, together with the EU and Germany, it was one of the initiators of the Sahel Alliance created in 2017. It consists of a selection of bilateral and multilateral development partners, which also includes the Netherlands. It seeks to coordinate and deliver aid more effectively in the G5 Sahel states and one of the six priority areas of the alliance is climate and energy.<sup>30</sup>

<sup>29</sup> One workshop focussed on voluntary agreements, standardisation and non-financial reporting as tools to make value chains more circular and resource efficient (20-21 March 2020) and another workshop focussed on value retention policies (19-20 November). The workshops took place in the context of the G7 Resource Efficiency Alliance, which was created in 2015 and seeks to share best practices for using natural resources less, longer and better.

<sup>30</sup> See for more information: <https://www.alliance-sahel.org/en/>.

### Matching '100% Paris Agreement' commitment of its bilateral development bank

The main implementer of French development cooperation, AFD<sup>31</sup>, is the first bilateral development bank with an explicit mandate to implement the Paris Agreement and the objective of keeping climate change below 1.5°C/2°C and strengthening the resilience of economies and populations across its entire portfolio of activities.<sup>32</sup> This was announced in the Climate Plan (Government of France, 2017). Consequently, **one of the two top priorities of the AFD strategy for the period 2018-2022 is to become the first development finance institution that is '100% Paris Agreement' compliant.** This means to systematically ensure that all funding, in every country, finances resilient low-carbon development that is compliant with the Paris Agreement. This commitment was added to another commitment that had existed since 2012, namely that at least 50% of annual financing goes to projects that have a direct and beneficial impact on the climate. For the 2018-2022 period, this has been extended to the entire AFD group (AFD, 2017).

**Given AFD's extensive energy-sector experience, it is not surprising that particular emphasis is put on energy transition assistance.** This covers support in the area of renewable energy and a stop to AFD investments in coal and nuclear power. The 2018-2022 strategy also indicates that AFD will seek to support energy-consuming sectors – construction, transportation, manufacturing, and others – to reduce their usage and improve their efficiency, especially in urban areas (AFD, 2018).

Furthermore, some attention is given in the AFD 2018-2022 to promoting resource efficiency more generally. In particular, the strategy states that it strives to invent resilient, low-emission, *resource-efficient*, environmentally-friendly development models for controlled urban growth and sustainable agriculture and food systems. It is further specific that economic development efforts have to include both climate-change adaptation and mitigation interventions to alleviate poverty while taking into consideration the needs of a viable planet (AFD, 2018).

*France's climate change agenda has a strong international component, which is reflected in its Climate Plan and foreign policy documents. France increasingly promotes a circular economy, with a main focus on domestic policy measures, but also international components, as its Circular Economy Roadmap shows. France is very active in the area of climate diplomacy. A regularly used tool in France's climate diplomacy efforts is joint declarations, notably with major emitters such as China and India. Circular economy is also covered to some extent in its diplomacy efforts, even if it is not always called as such, but terms such as resource efficiency or sustainable consumption and production are used instead. Development cooperation strongly incorporates CC, and to some extent circular economy, with a leading role for the AFD. Implementation of the Paris Agreement is among the overall objectives of development cooperation. Relatedly, the AFD is the first bilateral development bank with the mandate to be '100% Paris Agreement' compliant. This means to systematically ensure that all funding, in every country, finances resilient low-carbon development as compliant with the Paris Agreement, which may be something for other countries to consider.*

<sup>31</sup> Other public agencies in the area of development cooperation and under the authority or joint authority of the French Ministry for Europe and Foreign Affairs (MEAE) are: Canal France International (CFI); France Volontaires; the Research Centre for International Development (CIRAD) and the Research Institute for Development (IRD).

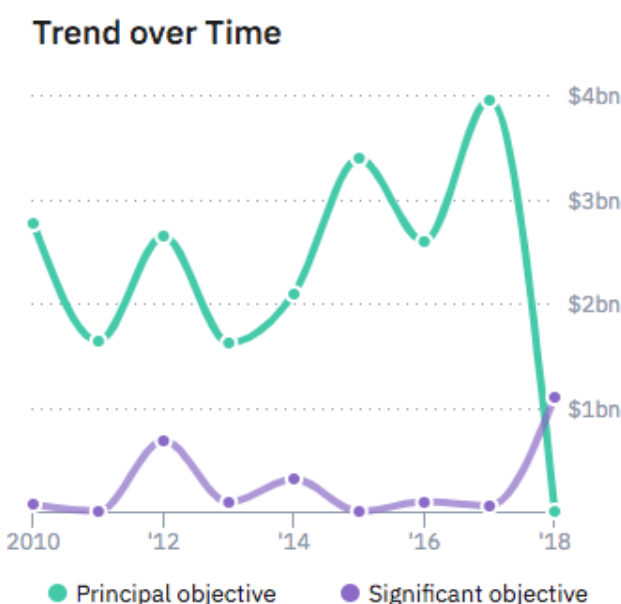
<sup>32</sup> Since 2005, addressing climate change has been a priority for the AFD. See: <https://www.afd.fr/en/page-thematique-axe/climate>.

### 6.3. Operationalisation

#### Increasing climate finance trend, mostly in the form of loans

**France's climate finance is increasing.** This is shown in Figure 5 below, which covers the period 2010-2018. As also explained in the previous section, the green line presents financial support that was reported by France to the OECD DAC as targeting climate change as a 'principal' - i.e. main - objective. The purple line presents financial support targeting climate change as a 'significant' objective, meaning it was not the main focus, but still contributes to addressing climate change. The sharp decline of principal climate-related development finance in 2018 is an outlier that should be ignored. It doesn't match AFD statements on climate-related development finance that year, and is likely to be due to a data issue. A decline in the following years is also not to be expected, as the AFD has set the objective to commit 5 billion euros in climate financing - be it principal or significant - by 2020 (AFD, 2018).

Figure 5: France climate-related development finance flows (2010-2018)



Source: [Aidatlas](#)

#### The climate-related development finance share of total ODA is relatively high in France and growing.

In 2017, 52% of ODA was climate-related, while the OECD average is 25%. It is an increase compared to 2016, when it stood at 41%. A similar picture emerges when looking at the share of ODA supporting the environment. In 2016, the environment-related share of ODA was 56%, which grew to 62% in 2017. Again, this is well above the OECD average, which was 33% in 2017.<sup>33</sup>

The box below provides further information on the distribution of France's climate development finance, notably in terms of mitigation versus adaptation, grant versus loans, as well as top sectors and top recipient countries. It focusses on principal climate-related development finance committed in the period 2010-2018.

<sup>33</sup> See: <https://www.oecd.org/dac/development-cooperation-report/>.



## Box 12 France: development finance commitments targeting climate change as a principle objective (2010-2018)

**France mainly focuses on mitigation. In the period 2010-2018, 68.9% of climate-related development finance targeted mitigation activities**, 18.4% was targeted at adaptation activities, and 12.6% targeted both mitigation and adaptation simultaneously. **The share of adaptation activities is rising**, in light of the commitment to allocate 5 million euro by 2020 to combating climate change, of which 1.5 billion is earmarked for climate change adaptation, with priority given to Africa and the Least Developed Countries (LDCs) and those most vulnerable to climate change, particularly in the agricultural sector (AFD, 2018; CICID, 2018).

**For climate-related development finance, similar to its overall development finance, France relies heavily on its loan instrument.** In the period 2010-2018, 97.2% of climate-related development finance was provided in the form of ODA loans, and 2.8% as grants. AFD seeks to “maximize its financing’s snowball effect”, largely via credit lines to banks or through direct loans by Proparco, the Group’s private-sector subsidiary (AFD, 2018), towards investments adapted to countries’ low-

carbon, resource-efficient and resilient transitions. France has a larger share of loans than many other OECD DAC countries, and has been informed in the past (based on ODA data covering the period 2012-2016) that the grant element of French ODA loans remained below the DAC recommended grant element for loans to LDCs (OECD DAC, 2018)

Most principal climate-related development finance in the period 2010-2018 targeted the **energy sector** (23.1%). Other top sectors were **transport and storage** (18.6%) and **general environment protection** (17.8%). The latter includes activities such as environmental research and biodiversity promotion.

The top five recipients were Morocco, Mexico, India, Colombia and Egypt. Clearly, climate change is a priority for France’s allocations to middle-income countries, as also noted in the OECD DAC peer review (OECD DAC, 2018). France also contributes to multilateral funds, such as the Green Climate Fund, the Adaptation Fund and Global Environment Fund (OECD DAC, 2018).

Source: [Aidatlas](#)

### Use of ‘innovative’ instruments

France seeks to use innovative development financing mechanisms to fund climate-related activities, and has been assessed by the OECD DAC peer review to be “*at the forefront of innovative financing*”. An example is the **solidarity levy on air tickets**, which has been adopted by France, Brazil, Chile, Norway and the United Kingdom at the Paris Ministerial Conference on Innovative Financing for Development in 2005. France has generated through that tax around 210 million euro per year since 2006, which is earmarked for development assistance, a considerable share of which is climate-related as discussed earlier (OECD DAC, 2018).

A financing mechanism example that explicitly covers circular economy aspects is the **French Facility for Global Environment**, which is presented in the box below.





### Box 13 French Facility for Global Environment

The French Facility for Global Environment (FFEM) was created in 1994 and seeks to finance innovative projects with a leveraging effect in developing and emerging countries. Since then, over 300 projects have been financed, in over 120 countries, with about 2/3 located in Africa and the Mediterranean including 69% located. The FFEM budget for 2019 - 2022 is 120 million euros. Sustainable consumption and production was a cross-cutting theme of its strategic programming framework in the period 2015-2018, while in the 2019-2022 a priority theme is 'product life cycle, pollution and waste. Others current priority themes are protection and enhancement of biodiversity; sustainable forests and agricultural lands; resilience of aquatic ecosystems; and energy transition and resilient cities.

The steering committee, which is the FFEM decision-making body, comprises the Ministry of Economy and Finance, the Ministry for Europe and Foreign Affairs, the Ministry for the Ecological

and Inclusive Transition, the Ministry of Higher Education, Research and Innovation, the Ministry of Agriculture and the AFD. A Scientific and Technical Committee of 12 experts helps formulate strategic direction, ensures that financed projects are relevant and contributes to project monitoring and evaluation, while the fund is run by a secretariat with approximately 13 permanent officers.

An example of a circular economy-related FFEM project is the collection and treatment of waste electrical and electronic equipment in Cameroon. The project seeks to demonstrate the feasibility and sustainability of an activity for the recovery of waste of electrical and electronic equipment in the context of developing countries. It does so by setting up a waste collection and treatment system in the cities of Yaoundé and Douala, in partnership with public authorities, economic actors, associations and workers in the informal sector (Government of France, 2018b).

Sources: <https://www.ffem.fr/en/ressources/ffem-glance> and Government of France, 2018b

**Other funding mechanisms that have been labelled 'innovative' by the French government and the OECD DAC are the '1% water', '1% energy' and '1% waste' facilities (OECD DAC, 2018).** They enable French local authorities to finance projects in developing countries. The water facility was the first one to see the light in 2005. Local authorities and their groupings in charge of public drinking water supply and sanitation utilities can devote up to 1% of the budget of their water and sanitation utilities to international cooperation activities. In 2006, the mechanism was extended to the authorities organising the distribution of electricity and gas by allowing them to devote up to 1% of the budget in this area to international cooperation actions. In 2014, the scheme was extended to the household waste sector (Government of France, 2017). As an example, through this waste facility, co-financing was provided to the above mentioned FFEM project for the collection and treatment of waste electrical and electronic equipment in Yaoundé and Douala (Government of France, 2018b).

### A key AFD analytical framework to deliver on '100% Paris Agreement' commitment

An important tool for the AFD to operationalise its '100% Paris Agreement' compliance commitment, is **a framework for analysis in the project examination stage** (i.e. ex-ante). **Consistency of all operations with countries' long-term low emissions and resilient development is assessed.** Each project is rated on a scale from -2 to +3 based on a set of criteria. As one would think, minus two and one points to a negative contribution; '0' means no harm; while 1, 2, 3 means that the project is expected to have a positive contribution. The project analysis is informed by a climate analysis of the country, which sheds light on the development path of the country vis-à-vis its Paris Agreement commitments. These analyses are then used in shaping the 'sustainable development opinion, which was introduced in 2013 and seeks to ensure that sustainability concerns are taken into account in ex-ante project appraisals.<sup>34</sup>

While the OECD DAC peer review commended this ex-ante appraisal mechanism, it notes that **few arrangements exist to ensure that cross-cutting themes such as climate change are properly taken into account in project implementation and monitoring.** It also notes that a mechanism is lacking for coordination and exchange between the Ministry for Europe and Foreign Affairs and the AFD on the consideration of cross-cutting themes. (OECD DAC, 2018)

Relatedly, given that the country context matters greatly for projects, AFD has approved a '2050 facility' in July 2019. It has been set up to provide technical assistance to support countries to elaborate long-term low-carbon and resilient development strategies.<sup>35</sup>

### Research to inform AFD operations and beyond

AFD has a long history of conducting and commissioning research, and it still features prominently in the current 2018-2022 strategy of the agency. **Through the 'research and innovation' component of the strategy, the AFD seeks to contribute to knowledge generation to underpin future sustainable models and to inform AFD projects.** In light of its '100% Paris Agreement, one of the three research priority topics is a 'transition toward decarbonised societies'.

Many climate-related reports have been published in recent years.<sup>36</sup> AFD has also created a macroeconomic and climatic modelling tool called GEMMES. The model simulates national development pathways for specific countries. It sheds light on interactions between economic development and climate-change mitigation and adaptation. GEMMES has been created to inform discussions with clients and to allow the AFD to provide policy advice (AFD, 2018).

Circular economy-related research activities are more rare for the time being. One example is a recent publication on recycling channels and public waste management services in Lima, Bogotá, Lomé, Antananarivo, Delhi and Surabaya (AFD, 2019). Another example is mentioned in the 2018 SDG report, namely research on the feasibility, efficiency, mode of governance and equity of certification models in developing countries (Government of France, 2018b).

<sup>34</sup> Interviews, OECD DAC, 2018 and <https://www.afd.fr/en/page-thematique-axe/climate>.

<sup>35</sup> See: <https://www.afd.fr/en/page-thematique-axe/climate>.

<sup>36</sup> All AFD publications can be found here: <https://www.afd.fr/fr/ressources-accueil>.



## Joining forces in the International Development Finance Club and other initiatives

The AFD is a founding member of the International Development Finance Club (IDFC)<sup>37</sup>, created in 2011. Since October 2017, the AFD has acted as the chair of the network.

**IDFC is a network of the national and regional development banks and currently has 26 members.** This includes for example Japan's JICA and Germany's KfW, regional banks such as the West African Development Bank and the Trade and Development Bank in Eastern and Southern Africa, and national institutions from developing and emerging countries. The Dutch Development Bank FMO is not among its members. The IDFC seeks to influence international debates on development and climate finance through common positions, to identify and develop common business opportunities, and to pool know-how and good practice for mutual learning

One of the club's tools is the IDFC Climate Finance Facility. This facility was approved in 2018 and the four-year pilot phase started in September 2019. The facility pools resources of IDFC members to share knowledge among members, build capacities through training, coaching and an IDFC toolbox; support project preparations and facilitate access to the Green Climate Fund.<sup>38</sup>

More generally, the AFD is involved in various coordination and cooperation structures that seek to contribute to enhance the integration of climate considerations into the strategies and operations of financial institutions.<sup>39</sup> This includes the Mainstreaming Climate Action in Financial Institutions initiative<sup>40</sup> and the Task force on Climate Financial Related Disclosure.<sup>41</sup>

Another example of an international network that France is very involved in is the **One Planet Network**. France together with the UN and World Bank launched it in 2017 in Paris. It brings together public and private actors and seeks to contribute to the international Ten-Year Framework of Programmes on Sustainable Consumption and Production Patterns.<sup>42</sup>

*France dedicates considerable resources to climate development financing and the level is increasing. France mainly focuses on mitigation, although the share of adaptation activities is rising. By far most climate finance is provided in the form of ODA loans, little in the form of ODA grants. France has been assessed by the OECD DAC peer review to be "at the forefront of innovative financing". Examples of such instruments are the solidarity levy on air tickets, French Facility for Global Environment, '1% water', '1% energy' and '1% waste' facilities.*

*An important tool for the AFD to operationalise its '100% Paris Agreement' compliance commitment, is a framework that assesses the consistency of all operations (ex-ante) with countries' long term low emissions and resilient development. Research and innovation is another approach of the AFD to further the integration of climate and circular economy, as it seeks to contribute to knowledge generation to underpin future sustainable models and to inform AFD projects. France is also a driving force of certain international coalitions, such as the International Development Finance Club that pays considerable attention to climate finance and the One Planet Network.*

<sup>37</sup> See for more information: <https://www.idfc.org/>.

<sup>38</sup> See for more information about the IDFC Facility: <https://www.idfc.org/idfc-climate-facility/>.

<sup>39</sup> See: <https://www.afd.fr/en/page-thematique-axe/climate>.

<sup>40</sup> See for more information: <https://www.mainstreamingclimate.org/>.

<sup>41</sup> See for more information: <https://www.fsb-tcfd.org/>.

<sup>42</sup> See for more information: <https://www.oneplanetnetwork.org/>.

## 6.4. Institutional mechanisms

### SDG mechanism: harnesses the potential of stakeholders but lacks a proper monitoring system

The national SDG framework of France contributes towards an integrated approach of France's efforts to pursue the sustainable development goals. A strong feature of the framework is the involvement of stakeholders. The SDG roadmap drafting process in 2018 and 2019 involved approximately 300 public and private actors from various backgrounds, including environment and international development. The group comprised officials from various ministries, parliamentarians, companies, associations, local authorities, trade unions and researchers. They came together in thematic working groups and workshops. A multi-stakeholder steering committee guided the process, which was co-chaired by the Ministry for Ecological and Solidarity Transition and the Ministry for Europe and Foreign Affairs (Government of France, 2019). Similarly, the 2018 SDG progress report - which preceded the SDG roadmap and zooms in on a select number of SDGs including SDG 12 on sustainable consumption and production - was also drafted in a participatory manner under the leadership of the two ministries (Government of France, 2018b). **Through this multi-stakeholder approach, France seeks to harness the potential of societal stakeholders and facilitate partnerships around shared objectives** (Government of France, 2019).

Responsibility for overall coordination of SDG implementation falls directly under the Prime Minister's office. Mandated by the Prime Minister, the General Commissariat for Sustainable Development coordinates efforts, through a network of senior officials for sustainable development appointed by each ministry (OECD, 2017a). Nevertheless, the OECD DAC peer review notes that monitoring of policy coherence for sustainable development is weak (OECD, 2018a).

### Newly established High Council on Climate covers international dimensions

President Macron established a **High Council on Climate** in November 2018. It is an independent body tasked with issuing advice to the French government on public measures and policies aimed at reducing France's greenhouse gas emissions, presented in annual and five-yearly reports. It is made up of thirteen members with expertise in the fields of climate science, economics, agronomy and the energy transition.

**“Operating at the international level” is one of the objectives of the council.** In this context, it seeks to engage with similar independent national scientific bodies advising governments in other countries. It also endeavors to help the French government put forward ambitious proposals at the European level.

**While most of the Council's recommendations in its first annual report focus on domestic policy measures, it also presented concrete recommendations to take international dimensions better into account.** It notes that the draft national low-carbon strategy presented by the government does not take into account emissions from international transport, in particular aviation and shipping, and from imports. It concludes that the draft strategy therefore “does not cover France's entire responsibility” (High Council on Climate, 2019). The government did not fully take on board the recommendations of the Council in this regard, but did commit that from the next revision of the low-carbon strategy, *indicative* carbon limits will be adopted for emissions from international aviation and shipping, as well as for France's total carbon footprint that includes emissions from imports (Government of France, 2020).

## Capacity strengthening

Within the Ministry for Europe and Foreign Affairs, the Directorate Globalisation, Culture, Education and International Development houses the thematic environment and climate unit.<sup>43</sup> It liaises with **climate focal points in geographical divisions**. This Directorate also organises **brown bag lunches** on climate-related topics, for staff across the ministry's headquarters (Interviews, 2020).

The AFD under its 2018-2022 strategy set up three cross-cutting units, one of which is a climate unit. Furthermore, the strategy announces that the AFD will set up **regional offices that will engage on transnational topics, such as climate change and energy corridors** (AFD, 2018).

*The national SDG framework of France contributes towards an integrated approach of France's efforts to pursue the sustainable development goals, and stakeholder involvement is a strong feature of the framework. France seeks to harness the potential of societal stakeholders and facilitate partnerships around shared objectives.*

*The independent High Council on Climate advises the French government on the implementation of policy measures to achieve carbon neutrality by 2050. It covers international dimensions, as illustrated by its ambition to engage with scientific bodies in other countries for knowledge sharing and dialogue, as well as its recommendation in 2019 to take emissions from international transport and imports into account in France's emission reduction targets.*

*The Ministry for Europe and Foreign Affairs has designated climate focal points. The ministry organises brown bag lunches on climate-related topics, for staff across the ministry's headquarters.*

<sup>43</sup> See the [organigramme of the Ministry for Europe and Foreign Affairs](#), 10 October 2019.

## 7. Germany

### 7.1. Background factors

This section will look at the motivations and rationale behind integrating climate change and circular economy in German foreign policies, as well as the arguments for incorporating external dimensions in (domestic) climate and circular economy policies.

#### Foreign policies, to a large extent, focus on climate change as a root cause of poverty and fragility

**A predominant argument for integrating climate change in German foreign policies relates to how climate change is a hindrance to sustainable development, particularly for fragile and developing states.** This is especially evident in the areas of international security and migration. The 2016 White Paper on German Security Policy makes reference to how scarcity of resources can aggravate conflicts, particularly for fragile states (Federal Ministry of Defence Germany, 2016). In the same vein, the Strategy for Migration and Development by the Federal Foreign Office attributes climate change as one of the factors contributing to increased migration movements (Die Bundesregierung, 2016).

This argument is also reflected in climate diplomacy, as defined by the Climate Diplomacy Report which highlights how increasingly scarce resources can fuel violent conflict and result in migration and displacement (German Federal Foreign Office, 2019). At the same time, the report also mentions the role that global trade and economic relations can play in supporting climate-friendly transformation processes, for instance in fostering climate-friendly projects and technologies. However, this does not come out as a priority, and the focus is on “preventive foreign policy” that forestalls or limits the impacts of climate change.

**With respect to development cooperation, both narratives, relating to the threat posed by climate change as well as the opportunities of circular economy and climate action, are evident.** The climate policy of the Federal Ministry for Economic Cooperation and Development (BMZ) argues that climate change mitigation and adaptation, and sustainable development all belong to the same agenda. Climate change can undo past progress towards sustainable development, and put future development at risk (BMZ, 2017a). On the other hand, the broader German Development Policy report also highlights the opportunities for German and more generally European companies and investors in the field of green technologies in developing countries (BMZ, 2017b).

#### Climate change and circular economy policies integrate transnational perspectives

Looking at climate change and circular-economy related policies, a common rationale for integrating external dimensions stems from **Germany’s global responsibility towards other countries, given that climate change and circular economy are transnational phenomena.** The Adaptation Action Plan (2011)<sup>44</sup>, contends that supporting developing countries that face adaptation challenges is part of Germany’s international responsibility, along with promoting coordination and cooperation between industrialised states. Similarly, within the Resource Efficiency Programme (ProgRess)<sup>45</sup>, international dimensions of resource efficiency are considered to be of “special importance” to the government, which is driven by Germany’s global responsibility towards the impacts and conditions of resource extraction, use and disposal (BMUB,

<sup>44</sup> The Adaptation Action (2011) is based on the [German Strategy for Adaptation to Climate Change from 2008](#).

<sup>45</sup> The German Resource Efficiency Programme (ProgRess) was adopted in 2012 and established targets, guiding principles and approaches to the conservation of natural resources. The German government is obligated to submit a report on developments in resource efficiency in Germany every four years and to update the programme. ProgRess II, the first report and updated programme, was published in 2016. The next (ProgRess III) is due in 2020. This paper particularly looks at ProgRess II.

2016b). One reason for this is the fact that Germany relies heavily on imports of energy resources, metals and other industrial minerals, which are often sourced from regions that are politically unstable with low environmental and social standards. Therefore, German policies towards securing sustainable raw materials should also deliver on Germany's responsibility towards sourcing countries.

Similar to foreign policies, **there is some, albeit limited, consideration of the opportunities associated with climate action and circular economy.** In particular, the Resource Efficiency Programme supports developing countries in the establishment of appropriate enabling conditions and infrastructure for environmentally efficient waste management and resource efficient circular economy. Such measures are aimed at promoting international resource efficiency, as well as providing export opportunities for German companies.

*German foreign policies frequently consider climate as a driver of poverty, migration and conflict. To a lesser degree, climate action and progress towards circular economy is also seen as an opportunity for growth and innovation. The importance of different drivers varies across foreign policy areas. With respect to (domestic) climate and circular economy policies, the global responsibility of Germany and the transboundary nature of climate is considered important.*

## 7.2. Policies

This section will begin by exploring the ways in which external dimensions are incorporated in climate and circular economy policies, which will be followed by a more in-depth focus on the integration of climate and circular economy perspectives in different foreign policy areas.

### Climate change and circular economy policies integrate international trade, migration and development cooperation

As mentioned earlier, the Climate Action Plan 2050 incorporates external dimensions in some of its goals and instruments. For instance, **sustainable trade and climate friendly investments are considered important to implement the climate action targets** (BMUB, 2016a). The policy argues that sustainable products and services should be preferred, and that sustainability should play a greater role in trade agreements. It also urges for greater efforts towards tackling illegal waste exports and binding European standards for final consumer products. The policy further emphasises the need to reconcile global financial flows with internationally agreed climate targets to encourage climate-conscious investment decisions. In addition to sustainable trade and investment, it is also stated that the **German government will work towards eliminating environmentally harmful subsidies at national, European and international levels.** This policy aim is also featured in the development cooperation policy report, which is discussed later in this section.

In a similar vein, the Resource Efficiency Programme<sup>46</sup> integrates external dimensions, particularly related to sustainable global production. **One of the aims is to strengthen environmental, social and transparency standards internationally and make supply chains more sustainable** (BMUB, 2016b). This is operationalised through a range of foreign policy instruments including, but not limited to, development cooperation and international diplomacy. According to the policy, the Federal Government will urge greater integration of resource efficiency issues in existing bilateral and multilateral agreements. In addition, the programme also supports the move towards a more circular economy in developing countries, which in turn

<sup>46</sup> While there is no comprehensive circular economy strategy, there exist other policy documents particularly on waste and resource efficiency. This includes for instance, the German Resource Efficiency Programme (ProgRess), the programme for avoidance of waste (Abfallvermeidungsprogramm), and the Recycling Act (Kreislaufwirtschaftsgesetz).

helps create opportunities for German companies. This aim is pursued through bilateral cooperation, focusing on technology and knowledge transfer in export countries.

Moreover, the Adaptation Action Plan, with its focus on Germany's global responsibilities, aims to promote adaptation through international conventions, development cooperation, and international cooperation in research and development. With respect to development cooperation, an important aspect is raising the capacity of developing country partners to become self-reliant in adapting to climate change, planning and implementing measures. This includes supporting research capacity in developing countries. Moreover, **the policy especially refers to the need to intensify efforts to address climate induced migration**. It asks for climate considerations, including possible impacts for various regions of origin and transit, to be incorporated in the EU policy towards migration and the tools developed within this framework.

The next few paragraphs will discuss some of the ways in which circular economy and climate change are integrated in different foreign policy areas. At the German federal government level, key players with regards to climate and circular economy diplomacy include the Federal Foreign Office, the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) and the Federal Ministry for Economic Affairs and Energy (BMWi). Different ministries take lead on different topics and respective engagements in international and bilateral processes.

### Climate-security nexus as an important component of German foreign policies

The newly launched Climate Diplomacy Report by the Federal Foreign Office provides an overview of some of the key priorities of the foreign office with regards to climate diplomacy. In particular, there is **strong emphasis on climate-security nexus**, with a commitment to address this nexus in international fora, as well as developing a new foreign policy toolbox to provide partners with targeted support to tackle security risks arising from climate change (German Federal Foreign Office, 2019). Relatedly, the policy commits to a stronger focus on climate change and its impact on stabilisation, post-conflict peacebuilding and humanitarian assistance.

This is also reflected in the 2016 White Paper on German Security policy which focuses on **raising awareness and understanding of the climate and security nexus at the international level**, and discussing mechanisms to deal with the challenges (Federal Ministry of Defence, 2016). The White Paper advocates for making climate change a permanent item on the security agenda of international organisations and forums, including the United Nations (UN), EU and the G7.

Apart from security, climate diplomacy includes other fields of action as well. This includes for instance pressing for the implementation of the Paris agreement in bilateral and multilateral relations, especially with big emitters, with a specific (but not exclusive) focus on energy transition. There is also concern for geopolitical shifts caused by climate change. For example, exporters of fossil fuels may be at risk of losing influence with the growing shift towards clean energy, or small island states increasingly affected by climate change may lose economic power. The Federal Office is committed to limiting such risks and helping all countries gain from global climate action. As a further field of action, which may not be an immediate priority, the policy acknowledges that in future climate change must be considered in all areas of foreign relations, including trade and economic relations.

### Foreign policies reflect Germany's energy transition ambition

Energy and its link with climate change do not fall within the climate diplomacy report, as energy related topics are the purview of the International Energy Policy unit at the Foreign Office and the Federal Ministry for Economic Affairs and Energy (BMWi). The ministry has adopted an international energy policy, which aims to safeguard the reliability and affordability of energy supply both in Germany and around the world. It



further aims to reduce the cost for innovative technologies and keep clean energy affordable.<sup>47</sup> **Germany's vision for a “transformative shift” and “the energy transition” in the world economy, reflects its national ‘Energiewende’ (Energy Transition)** - planned transition to a low carbon, environmentally sound, reliable, and affordable energy supply. Germany aims to switch fully to renewable energies by 2050, by pursuing specific targets and following a roadmap.<sup>48</sup> BMWi pursues the international energy policy through different avenues including energy partnerships with major energy-producing, transit and consumer countries; creating business opportunities abroad, particularly in the areas of renewables and energy efficiency; and working in multilateral fora to find partners for the development of sustainable energy systems and to promote the adoption of a sustainable energy policy globally.

**In the context of development cooperation, BMZ's Development Policy 2030 attaches strong importance to global energy transition and in particular renewable energy.** (BMZ, 2018). The policy argues **that subsidies that have a negative effect on developing countries and the environment should be abolished at EU and global level.** In addition, there is a commitment that no more coal-fired power stations would be built or upgraded within the framework of German development cooperation. The Climate Diplomacy report supports this commitment towards fostering climate-friendly technologies and rejects investment in coal-fired power stations within the scope of federal guarantees<sup>49</sup> (German Federal Foreign Office, 2019). There is also emphasis on building the capacity of banks and institutional investors to take greater account of environment and climate related aspects. More broadly, there is a focus on decoupling growth from resource consumption and environmentally damaging production.

### Linking circular economy and climate change

The Development Policy Report groups together climate and circular economy within a roadmap on “combating climate change and keeping within planetary boundaries” (BMZ, 2017b.) As such preserving natural resources and introducing a circular economy worldwide is integrated within the broader goal of combating climate change in development cooperation. Circular economy-related elements that are reflected in the Development Policy report include waste management, resource efficient production, access to water and wastewater treatment and pollution. In other words, the German development policy covers many of the circular economy steps presented in Section 2, from changing production processes to waste disposal. However, looking at BMZ's portfolio, there appears to be a focus on waste management, specifically urban waste and marine litter.<sup>50</sup> In line with the effort to link climate change and circular economy, BMZ highlights the impact of waste on climate change (pollution creation) as well the potential role of waste management in fighting climate change (reducing global greenhouse gas emissions).

### Climate-migration nexus as an evolving phenomenon

The Strategy for Migration and Development outlines relevant areas of work by the federal government, with some links made to climate change. It refers to strengthening overall development cooperation, including efforts towards climate action, as a way to improve the living conditions of countries of origin in the long term.

<sup>47</sup> See: [International Energy Policy](#).

<sup>48</sup> See: <http://www.energiewende-global.com/en/>.

<sup>49</sup> As other countries do, the German Federal Government concludes bilateral investment treaties with developing and emerging economies, to create a stable environment for German foreign direct investment. These treaties form the basis of federal guarantees, which provide coverage against political risks. A number of instruments/guarantees are available for investors. This includes:

- i) Export credit guarantees: available to German exporters and banks financing these exports, and can be used to insure against default on repayment claims due to economic and political reasons, with the exporting company paying a premium commensurate with the risk.
- ii) Investment guarantees: provide guarantees for investments by German-based companies in developing and emerging economies and former countries in transition to insure them against political risks.
- iii) Guarantees for investment loans: provide cover for loans from financial institutions based in Germany for raw materials projects, protecting against the risk of default on repayments for commercial or political reasons. For more information see: [Financing and Insurance, BMWi](#).

<sup>50</sup> See: [From waste to a circular Economy](#), BMZ.

The strategy also mentions that the federal government is driven by **funding science and research analysis for early detection of migration patterns and consequences**. This includes the interaction of migration flows with global processes, such as climate change. (Die Bundesregierung, 2016). In the same vein, the climate diplomacy report also mentions the need to examine more closely the connection between climate change, environmental degradation and forced displacement.

With regards to development cooperation, the Development Policy Report acknowledges the migration-climate nexus, but does not outline targeted measures to address this (BMZ, 2017b). The policy on disaster and climate change goes further in expanding on the role of German development cooperation with respect to climate induced human mobility. The guiding principle here is that those affected by climate change should be free to make their migration decisions (BMZ, 2019). This means helping to create better prospects if they choose to stay, or assisting them if they migrate. But above all, the focus is on protecting vulnerable groups from the impacts of climate change, in order to reduce the number of people who are forced to migrate. This relates to **adaptation strategies, to strengthen resilience of affected communities, as well as efforts to mitigate the effects of climate change**. Improving resilience of urban centres is considered essential as this is where most internal migrants seek refuge.

However, integrating climate considerations in approaches to address migration may still be an area with potential for further development. Despite links in the migration strategy and development policy, **Germany does not have any targeted strategies in place for addressing migration caused by environmental degradation or climate change** (IOM, 2019). This is consistent with the earlier mentioned need to build expertise related to the climate-migration nexus. According to a report by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), German and international development cooperation "do not have sufficient knowledge and experience to shape a development-oriented approach" towards migration and climate change (GIZ, 2018). Having said that, more is being done in the field and GIZ plans on stepping up its work on climate change and human mobility in the future. The next chapter provides examples of some of these measures.

*Climate change and circular economy policies integrate different foreign dimensions including trade, migration and development cooperation. Promoting sustainable supply chains and climate friendly investments is considered important to implement climate action targets, while adaptation measures are relevant for addressing climate-induced migration. With respect to foreign policies there is a particular focus on promoting understanding of the climate-security nexus, which is especially relevant for climate diplomacy. Global energy transition is another important area of focus, as reflected in Germany's national 'Energiewende' (Energy transition). With respect to circular economy focus in development cooperation, waste management receives strong attention, while many of the other rungs of circular economy have also been incorporated. In relation to migration, there appears to be a push towards funding research to better understand the links between migration flows and climate change.*

### 7.3. Operationalisation

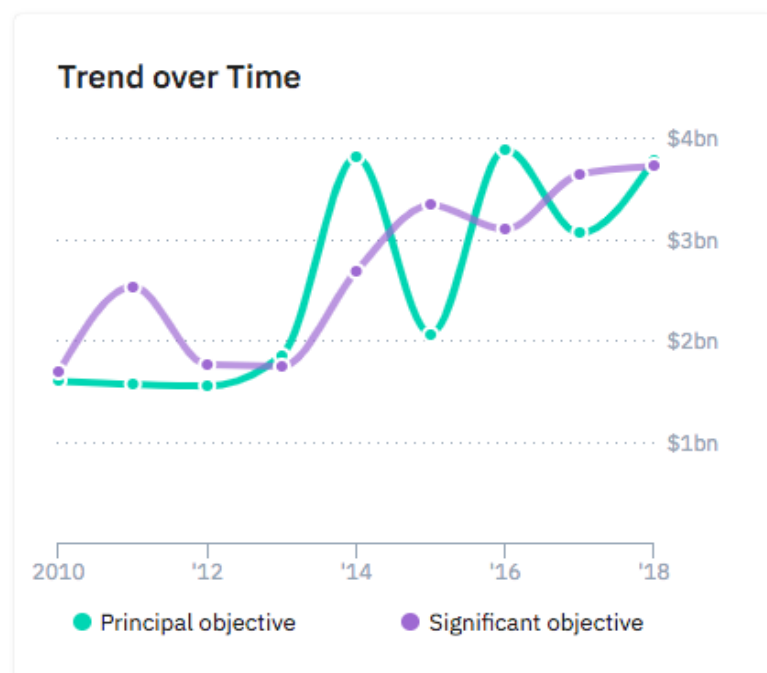
This section will provide some information on the various instruments used to operationalise the integration of climate and circular economy in German foreign policies.



## Climate-related development finance reporting and monitoring

In the context of development cooperation, the Federal Ministry for Economic Cooperation and Development (BMZ) supports climate mitigation and adaptation in almost all its partner countries (BMZ, 2017b). In addition, the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) also supports climate action through its International Climate Initiative (IKI). The majority of Germany's contribution to international climate finance is channelled through BMZ and its implementing agencies.

Figure 6: Germany: climate finance flows (2010-2018)



Source: [Aidatlas](#)

The figure above shows a rising trend in the overall spending on climate-related development finance. This reflects the pledge by Chancellor Angela Merkel made in 2015 to double Germany's climate funding by 2020.<sup>51</sup> Between 2010 and 2018, Germany committed 23.28 billion US dollars in development finance that principally targeted climate change objectives. The box below provides further information on the distribution of climate finance committed between the period 2010-2018.

<sup>51</sup> See: [Financing climate action – Germany as a responsible partner.](#)



### Box 14 Germany: development finance commitments targeting climate change as a principle objective (2010-2018)

- There has been a much stronger focus on mitigation, with **85% of climate finance targeted to mitigation activities, compared to only 15% targeted to adaptation activities.**
- Of the total development finance, 29.1% of climate finance was provided as ODA grants, while 69.3% was provided in the form of ODA loans.
- The top recipients for climate finance include India, Morocco, Brazil, Vietnam as well a large portion committed to developing countries in general with particular countries unspecified.
- Top sectors of climate finance include energy, general environment protection (e.g. biodiversity promotion, environmental research) and agriculture.

Source: [Aidatlas](#)

With regards to monitoring and evaluation systems, Germany's use and quality control of the Rio markers is considered rigorous as per the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD DAC) Peer Review 2015. It is also one of the few DAC members reporting its other official flows against the Rio marker on climate change.

Moreover, in 2011 BMZ introduced an **Environmental and climate assessment tool** to help mainstream environment and climate issues across all of its development cooperation portfolio (OECD DAC, 2015). Guidelines have been developed to enable systematic consideration of environmental and climate aspects both at strategic and operational levels. The Environmental and Climate Assessment explored three themes including environmental impacts, greenhouse gas emissions reduction and adaptation to climate change. In line with this tool, all bilateral projects are screened at the appraisal phase, which involves a two-step process (GIZ, 2013). All projects are first subjected to screening involving a checklist of seven questions. This helps identify, with relatively little effort, whether a more in-depth assessment is required, in cases where there is high environment/climate relevance or when no conclusive decision on relevance is found. The assessment findings are used to prepare options for action to reduce environmental and climate risks, improve environmental quality and enhance adaptation to climate change. The results of the screening are reviewed by BMZ country divisions. According to the OECD Review 2015, the tool is considered useful as some screened proposals did undergo adjustments.

The next few paragraphs explore some examples of instruments and approaches used to integrate climate and circular economy across different foreign policy areas.

## Knowledge generation and dialogue around climate change, conflict and migration

Based on a strong commitment towards addressing the climate-security nexus, the Federal Foreign Office has undertaken a number of steps to advance the discussion internationally. An example of this is the Green Central Asia Initiative (launched in January 2020) through which the Foreign Office is supporting **regional integration between the six Central Asian countries by fostering dialogue on the consequences of climate change and the risks associated with it.**<sup>52</sup> Germany is pursuing a preventive and stabilising foreign policy in the region. In Central Asia and Afghanistan, climate change has had a particularly severe impact on water, land and soils, and is so jeopardising the stability of states and societies. The aim of the Green Central Asia initiative is to create better access to information and promote academic cooperation in the Central Asian states and Afghanistan during the next four years. The concrete implementation of the declaration is to be underpinned by a high-level political dialogue format, which strengthens cooperation in the region as well as the exchange between policy-makers, academia and civil society. The Initiative is to be implemented at national and regional level. The initiative was launched in a conference in January 2020 where the countries signed a joint letter of intent, which will be followed by an action plan. While it may be too early to comment on the details of the initiative, the conference report highlighted the need for Germany and /EU to build on the long history of working with central Asia and Afghanistan and build on existing contacts and work.

Moreover, the Federal Foreign Office has also initiated several communication instruments to engage with the wider public in the debate around climate diplomacy, especially related to security policy. Together with adelphi, a knowledge platform was developed to provide resources and exchange on environment, conflict and cooperation (ECC) theory, policy and practice (Carius et al., 2017). **The online platform provides a space to share analysis and research on climate change impacts and climate change responses in fragile states, as well as on the actions necessary to build resilience and stability.** The platform also features an interactive map with a comprehensive database of conflicts related to environment and security. Along with providing region-specific information the platform fosters a global network of partners with regional expertise.<sup>53</sup>

Similarly, in the field of climate-migration nexus, one objective of the federal government is to pursue research and analysis to better understand the linkages between migration and climate change. An example of this is BMZ's Global Programme- Sustainable Management of Human Mobility in the Context of Climate Change. With a specific focus on the Philippines and the Caribbean, the aim of the two-year project (2017-2020) is to **improve knowledge of partner countries as well as German development cooperation on developing future-oriented management approaches to address human mobility in the context of climate change** (GIZ, 2018). In collaboration with national governments, researchers and climate migration organisation, knowledge gaps are identified and addressed, with different approaches to climate-induced migration being piloted. One output of the programme is a gender and climate change toolkit, which intends to support practitioners in gender related issues of human mobility in the context of climate change.<sup>54</sup> At a broader level, Germany also engages in the international fora to promote debate on climate change-induced displacement, migration and human mobility. For instance, it wishes to expand its existing commitment to the international Platform on Disaster Displacement, which was created in CoP23 to formulate recommendations for addressing the adverse effects of climate change on displacement (German Federal Foreign Office, 2019).

<sup>52</sup> For more information see: Federal Foreign Office [Launch of Green Central Asia: Regional cooperation to tackle the impact of climate change](#).

<sup>53</sup> For more information see: <https://www.ecc-platform.org/>.

<sup>54</sup> For more information see: GIZ [Human Mobility, Climate Change and Gender Compendium of best practices, lessons learnt and tools for Pacific practitioners](#).

## Innovative funding instruments

**The country stands out for its innovative approaches to climate finance and increasing support for green investments in middle income countries** (OECD DAC, 2015). An example of this is the earlier mentioned International Climate Initiative (IKI) by BMUB, which was created as an innovative mechanism funded through the sale of carbon-market credits. In order to ensure the continuity of the financing, further special funds were made available with the energy and climate fund. Both funding mechanisms are now part of the regular budget of the BMUB. IKI funds climate and biodiversity projects in developing and emerging countries, and countries in transition. Projects focus primarily on the financial sector and the mobilisation of climate-friendly investments (BMUB, 2019). These projects, for instance, pilot innovative financial instruments in the form of public-private partnerships and provide support to develop project pipelines as well as sustainable business models ready for finance.

The Special Energy and Climate Fund (EKF) is another example of a funding instrument that has received proceeds from auctions of greenhouse gas allowances. EKF, which is jointly managed by BMUB and BMZ, aims to promote sustainable energy supply and national and international climate and environment protection (BMUB, 2013). From 2011-2012 the Federal Foreign Office was able to draw resources from the fund to finance dialogue on climate protection. Since 2014, the resources from the fund have been incorporated into the Federal Foreign Office's regular budget for this specific purpose.<sup>55</sup> German missions abroad use these funds to promote climate protection dialogue in their host countries in the spheres of politics, business, society and academia, and support local political initiatives.

## Supporting sustainable energy and reduced fossil fuel consumption

In recent years the German Government has entered into a number of **bilateral energy partnerships** with countries that are important in terms of energy production, transit or consumption. The energy partnerships are based on a joint declaration of intent or on a bilateral agreement signed at a high political level.<sup>56</sup> Practical cooperation is conducted within formalised committee structures and the concrete project work operates through bilateral working groups which include businesses and research institutes. The main aim of cooperation within the energy partnerships is to support the expansion of renewable energy and the wider use of efficient energy technology in partner countries. These partnerships are different from other forms of cooperation, as they **combine high-level dialogue with specific project work involving the business community, and also provide opportunities for B2B matchmaking**. A number of bilateral energy partnerships are established with major consumer countries such as India, China, South Africa and Brazil, which account for a large share of the global consumption of fossil fuels.

As mentioned earlier, Germany supports abolishing subsidies that have a negative effect on developing countries and the environment at EU and global level. With respect to phasing out subsidies to fossil fuels, Germany is demonstrating leadership in the EU in transparency of reporting on fossil fuel subsidies. It is one of the few EU member states that reports on its subsidies through a biannual subsidy report and has participated in the G20 fossil fuel peer review process (van der Burg et al., 2019). It is also supporting secure and sustainable energy systems in developing countries as part of its development cooperation efforts. However, **despite Germany's commitment to phase out fossil fuel subsidies, it continues to provide support to the consumption of fossil fuels both domestically and internationally**. According to a report by Overseas Development Institute (ODI) and Climate Action Network (CAN) Europe, Germany provides over €2.4 billion financing per year towards oil and gas projects, and fossil fuel-powered electricity, outside of the EU (Gençsü and Zerkawy, 2017). As such, Germany is considered to be lagging in its commitment towards abolishing fossil fuel subsidies.

<sup>55</sup> For more information see: Federal Foreign Office [Dialogue for greater climate protection](#).

<sup>56</sup> For more information see: Federal Foreign Office [Energy Partnerships](#).

## Sustainable environmental technologies and waste management

With regards to trade promotion, the Exports Initiatives in the field of energy and environmental technology are particularly relevant. The **Energy Export Initiative** helps companies, especially small and medium-sized enterprises (SMEs) based in Germany, to enter foreign markets.<sup>57</sup> The focus is in the fields of renewable energy, energy efficiency, smart grids and storage technologies. The initiative offers comprehensive and market-specific package, including information events and business trips abroad organised by chambers of commerce. Similarly, the **Environmental Technologies Export Initiative** supports SMEs in the fields of water management, sustainable mobility, recycling and air/noise pollution control. The first priority of market development support and business initiation trips abroad is to establish contact with decision-makers, business partners and clients.

The Recycling Technologies and Waste Management Partnership e. V. (RETech) is another instrument that promotes international application of sustainable environmental technologies made by German companies. RETech serves as a contact point for all public and private organisations and institutions in Germany and abroad that are interested in German recycling and efficiency technologies. As such, **RETech brings all companies and institutions involved in the waste management and recycling chain under one roof.** The platform also intends to be an important contact for the government ministries working in the field of the circular economy. BMUB, BMWi and BMZ represent the Federal Government on the RETech Advisory Board (BMUB 2016b).

As mentioned earlier, waste management is one of the priority areas of German development cooperation, with respect to circular economy. An example of this is a global waste management and circular economy programme implemented by GIZ (2016 to 2022), which aims to encourage the integration of “resource and climate friendly” waste management in national and international policy process and programmes.<sup>58</sup> This includes for example training tools and workshops in areas such as sustainable plastic production and environmentally friendly electronic waste. The programme also promotes exchange between regional and international stakeholders from partner countries to better implement waste management approaches.

*OECD data reveals that while climate related development finance is rising overall, there appears to be a slight decline in climate finance as a percentage of ODA. It also shows a consistently stronger focus on mitigation as opposed to adaptation in the last five years. To better mainstream climate considerations in development cooperation, an Environmental and climate assessment tool is used. Beyond development cooperation, a number of other instruments are also used to integrate climate change and circular economy in foreign policies. This includes for instance international dialogue to advance discussions around climate-security nexus, innovative funding instruments such as the Special Energy and Climate Fund and the International Climate Initiative, and export initiatives to promote sustainable environmental and renewable energy technologies. While sustainable energy and abolishing fossil fuels remain high on foreign policy agenda, the country is criticised for continuing to support consumption of fossil fuels domestically and internationally.*

<sup>57</sup> For more information see: Federal Ministry for Economic Affairs and Energy [Export initiatives: Finding new markets.](#)

<sup>58</sup> For more information see: GIZ <https://www.giz.de/en/worldwide/15109.html>.

## 7.4. Institutional mechanisms

### Accountability and interministerial coordination spurred by the SDGs

With regards to reporting on climate action, transparency is an important aspect of Germany's development policy. The German government reports on development cooperation activities and spending to the parliament and to citizens.<sup>59</sup> This includes development cooperation related to climate action. More broadly, the German Sustainable Development Strategy, is the key policy instrument for implementation of the 2030 Agenda (OECD, 2018a). The strategy defines concrete targets and measures over the entire range of political issues. An inter-ministerial working group develops new indicators, which are established to measure transboundary and domestic impacts, while the Federal Statistical Office reports on progress every two years. **Establishing such indicators for domestic and transboundary impacts is considered a good example for tracking progress on PCSD** (OECD, 2018a). The Federal Statistical Office reports on progress every two years, allowing for independent monitoring. The Parliamentary Advisory Council on Sustainable Development monitors the Federal Government's sustainability policy at national, European and international level.

Based on the German Sustainable Development Strategy, **all proposals for new laws and regulations in Germany are subject to a Sustainability Impact Assessment (SIA)**. Such assessments include intergenerational and transboundary considerations. To support the process, an electronic sustainability impact assessment (eNAP) was introduced in 2018 and is now being used in all ministries (German Federal Government 2018).<sup>60</sup> The tool helps check proposals for laws and regulations against all the indicators, goals and management rules of the Sustainable Development Strategy, as well as the SDGs.

**To support coordination, the State Secretaries' Committee (SSC), composed of representatives from all ministries, is the central steering institution for the Sustainable Development Strategy.** A standing working group on Sustainable Development, chaired by the Federal Chancellery, prepares the SSC's meetings with participation of all ministries. The SSC meets regularly to address relevant cross-cutting or sectoral topics, for instance setting a new political frame or announcing concrete actions. The coordination mechanism is meant for decision making, information sharing and consultations. Decisions are taken on a consensus basis. To encourage stakeholder participation, an independent Sustainable Development Council, appointed by the Chancellor, advises the government on sustainability issues. In addition, a sustainability forum is organised every year to provide an opportunity for stakeholders to comment on the sustainable development policy in Germany.

### Climate attachés, an energy hotline and other measures to strengthen staff capacities

A range of capacity building formats are used to train and support Foreign Office staff in their efforts to promote external climate action. A limited number of German embassies have dedicated **Climate Attachés**, who are BMUB staff seconded to take charge of the climate issues at the embassy. A few embassies also have energy or climate desk officers, who report to the Federal Foreign Office (Li, 2016). In addition, the Federal Foreign Office has contracted The Renewables Academy (RENAC93) to set up a helpdesk and **hotline to support diplomats** at its embassies with regard to energy related technical questions such as renewables.<sup>61</sup>

<sup>59</sup> See Federal Ministry for Economic Cooperation and Development (BMZ), [Transparency for greater effectiveness](#).

<sup>60</sup> The application is freely available to all societal stakeholders at [www.enap.bund.de](http://www.enap.bund.de).

<sup>61</sup> See Renewables Academy, [Communicating the Energiewende worldwide services for federal foreign Office and German embassies](#).



**In addition, the Foreign Office, together with its think tank partner adelphi, have taken on a programme that entails different capacity building approaches, with a particular focus on climate-security nexus.** For instance, a series of Climate Security Dialogues were organised between Foreign Office staff and other government officials, and experts from four different regions of the world (Carius et al., 2017). The aim was to exchange particular linkages between climate and security in each region. Adelphi also conducts policy briefings for German Embassy officials, officers from German implementing agencies, and representatives of German foundations in selected capitals. Moreover, there exists a two-track training programme for diplomats (Li, 2016). The first is for younger German diplomats from embassies and headquarters on current topics of climate and energy policy. It also provides an opportunity for headquarters and embassy staff to learn from each other's experiences of implementing climate and energy diplomacy projects. The second training track is for diplomats, both German and from other countries, covering a range of foreign policy approaches, including approaches and perspectives on climate change.

With regards to circular economy, GIZ staff are encouraged to exchange information with the support of an internal knowledge management system (interviews, 2020). The system allows staff in GIZ offices across the world to share and access documents and other information related to circular economy. There is also a bi-monthly exchange between projects which are working on similar topics. This is a relatively new exercise, which aims to encourage knowledge exchange and cooperation among GIZ staff members.

*To provide strategic direction, the German Sustainable Development Strategy defines concrete targets and measures for implementing the 2030 agenda, taking into account domestic and transboundary impacts. Based on strategy, all proposals for new laws undergo a sustainability impact assessment, aided by an electronic tool. The State Secretaries' Committee, composed of representatives from all ministries provides overall coordination to steer the sustainable development strategy. At a lower level, a number of capacity building measures have been taken to support the German Federal Foreign Office in their efforts towards climate action. In addition to a small number of dedicated Climate Attachés to support German embassies, a training programme, particularly focused on climate-security nexus has been conducted. An internal knowledge management system has been set up in GIZ to encourage knowledge exchange around circular economy related topics among GIZ staff in different offices across the world.*

## 8. Sweden

### 8.1. Background factors

#### Climate change running as a thread through foreign policies

Sweden's pro-environmental activism goes back to the 1970s: in 1972, Sweden hosted the UN Conference on Human Environment.<sup>62</sup> Since then, leading by example on environment and climate change has become part of the Swedish identity, with Greta Thunberg's activism being the culmination of it. The Green Party in Sweden has played a major role in pushing for a pro-environmental approach in national politics.<sup>63</sup> In 2003, the Swedish Parliament adopted a policy for equitable and sustainable global development – the Shared Responsibility - Policy for Global Development – which stresses that coherence between different policy areas is needed to promote sustainable development (Government of Sweden, 2003). This bill made global development the responsibility of all ministers and it provided a solid basis for factoring in climate change. To this day, the bill is part of the Swedish governance system, pointing to the long-haul nature of this work of climate integration to be entrenched into the national governance system that successive governments work with and build on.

Sweden carries the ambition to be a leader in the implementation of the 2030 Agenda's Sustainable Development Goals, nationally and globally.<sup>64</sup> Importantly, in line with the objectives of the Paris Agreement on Climate Change and the IPCC Special Report on Global Warming of 1.5 °C (IPCC, 2018), **Sweden aims to have zero net greenhouse gas emissions by 2045 and hence, become the first fossil-free welfare nation.** This ambitious goal is laid down in the Climate Act and Climate Policy Framework that entered into force in 2018, consisting of a climate act, climate targets and a Climate Policy Council (Government of Sweden, 2017). The latter Climate Policy Council, an interdisciplinary expert body, is tasked to independently assess if the government's policies are in line with the climate goals. Sweden was one of the first European countries to agree on this type of climate law that sets concrete targets and ensures that climate policy goals and budget policy goals work together, and with the aim to integrate climate into *all* relevant policy areas, domestic and foreign (Government of Sweden, 2017).

Consequently, **all foreign policy areas have clear climate undertones**, with an especially strong integration of climate change in development, security and environmental policies. The importance of *"tackling the threat of climate change"* runs like a red line throughout the Government's latest Statement of Foreign Policy: climate change is considered as *"exacerbating tensions and conflicts"* (Government of Sweden, 2020: p.5).<sup>65</sup> Therefore, the Swedish Government will *"seek forms of cooperation to tackle climate-related security risks"* (Government of Sweden, 2017: p.4). However, the climate change-migration nexus is still young and the connection is not yet fully made by policy-makers, researchers or other types of experts, not least due to the fact that the link is often indirect.

<sup>62</sup> See: <https://sustainabledevelopment.un.org/milestones/humanenvironment>.

<sup>63</sup> In recent years, however, far right political voices have gained in power, affecting the Greens' strong position. Due to space constraints, this report does not go in detail about these political evolutions.

<sup>64</sup> Since the 1990s and the UN Conference on Environment and Development in Rio de Janeiro in 1992, Sweden has been working on sustainability issues at local, national, and international level. Sweden's first national sustainable development strategy was adopted by the Government and the Parliament in 2002. See: <https://sustainabledevelopment.un.org/memberstates/sweden>.

<sup>65</sup> Sweden's first foreign policy priority is to implement a "feminist foreign policy" (Government of Sweden, 2019b and 2020).



## Investing in cross-government dialogue and evidence-based research

**Sweden has a culture of cross-government dialogue.** This type of dialogue has - to a large extent - allowed to overcome “silo issues” and other types of fragmentation, and it has enhanced policy coherence. For instance, in the run up to the UNFCCC negotiations, an **active cross-government dialogue takes place, coordinated by the Ministry for Foreign Affairs, involving all agencies and departments that conduct climate-related work**, such as the Swedish International Development Cooperation Agency (Sida), the Swedish Environmental Protection Agency and the Swedish Meteorological and Hydrological Institute (Interviews, 2020). In addition, the Ministry for Foreign Affairs regularly organises dialogues and learning seminars with journalists, think-tanks and NGOs working on climate-related matters.

The **Swedish Government invests strongly in evidence-based research on climate impacts and risks and promotes collaboration among research institutes.** Considerable financial support from the Swedish Government goes to research centres and think-tanks and their collaboration, such as the **Stockholm Climate Security Hub** and the **Stockholm Sustainable Finance Centre**, to provide policy-relevant input. The Stockholm Climate Security Hub, funded by the Swedish Ministry for Foreign Affairs, provides evidence-based insights on building security and prosperity and strengthening resilience in the face of a changing climate.<sup>66</sup> It involves four leading research institutes: the Stockholm Environment Institute (SEI), the Stockholm International Water Institute (SIWI), the Stockholm International Peace Research Institute (SIPRI) and the Stockholm Resilience Centre at Stockholm University (SRC). SEI, for example, is an independent research institute that receives long-term core funding from Sida, the Ministry of Environment and the Ministry for Foreign Affairs, amongst others (SEI, 2020). Therefore, the fact that policy-making is constantly being fed by evidence and science is one of the reasons that the Swedish foreign policies are often ahead of the curve. Internationally, Sweden holds a strong interest in “**exporting**” the **Swedish green identity via diplomacy in EU and UN circles**. To meet this objective, the Ministry for Foreign Affairs has been putting effort in elaborating the concept of climate diplomacy with the aim to increase global climate ambition, as will be explained in more detail in the following sections.

## Incremental integration of circular economy into foreign policies

**Circular economy is in the first place a national policy goal**, integrated into domestic policies, under the Ministry of Environment. Sweden has the ambition to be a pioneer on “eco-innovation”, which is a key component in Sweden’s national environmental policy strategy. Concretely, the country is on the forefront in developing new technologies in areas like bioenergy, smart grids, green building, waste and recycling, green vehicle technologies, water resource management, ocean energy and solar power. Many of these aspects relate to “circular economy”. In fact, the country is ranked first in the EU-28 Eco-innovation scoreboard 2017. Sweden has scored above the EU average on all indicators, except for socio-economic outcomes. Yet, during 2011-2014 the Swedish government implemented an Environmental Technology Strategy, with the goals to increase commercialisation of innovative environmental technology and exports from the environmental technology sector. This strategy has since then been followed by several strategies as for example the export strategy, the strategy for smart industries and the strategy for key enabling technologies.<sup>67</sup> The purpose of Swedish Cleantech initiative is to contribute to the development, commercialisation and export of Swedish environmental technology.<sup>68</sup> Therefore, the promotion of circular economy in foreign policies, or dimensions of the circular economy, is in the first place considered as a business opportunity. The Platform for Sustainable Business, created in 2019, states that the purpose of coordinating sustainability solutions - the aim of the Platform - is to have a competitive advantage in promotion activities and supporting the missions abroad in external coordination (Government of Sweden, 2019a: p. 51).

<sup>66</sup> See: <https://www.climatesecurityhub.org/>.

<sup>67</sup> See: [https://ec.europa.eu/environment/ecoap/sweden\\_en](https://ec.europa.eu/environment/ecoap/sweden_en).

<sup>68</sup> See: <https://swedishcleantech.com/>.

However, due to an increasing awareness of environmental concerns and a growing understanding of global interconnections, circular economy, or aspects thereof, have increasingly been integrated into development policies, most notably environment and migration-related development policies, and trade policies.<sup>69</sup> For instance, references to circular economy aspects (e.g. waste management) are made in certain project activity outlines, such as activities in refugee settings.

*Sweden's pro-environmental identity and activism has led to the integration of climate change into foreign policies. Two factors contributed to this integration: Sweden's culture of cross-government dialogue and its investment in evidence-based research on climate change. References to circular economy (e.g. waste management) pop up in development, environmental and trade policies, but it remains largely a national policy goal. When promoting circular economy elements in foreign policies, Sweden sees this mainly as a business opportunity.*

## 8.2. Policies

### Climate as integral to development, circular economy not yet

The role of Sida is the implementation of development strategies, decided upon by the Ministry for Foreign Affairs. Sida also has the power to interpret the strategies in the operationalisation process and in the annual planning cycle (Åhrgren et al., 2019). Its work is guided by two main policy documents that incorporate environment:<sup>70</sup> Sweden's Policy for Global Development (2003), mentioned above, and the more recent Policy Framework for Swedish Development Cooperation and Humanitarian Assistance (Government of Sweden, 2016). An integrated environmental and climate change perspective is one of the five prioritised perspectives of the latter framework.<sup>71</sup> Clearly, in the course of the last three decades Sida has developed a **comprehensive framework for environment action, which emphasises the integration of environment and climate in all forms of development and humanitarian action** (OECD DAC, 2019a).<sup>72</sup> The framework includes various policies, plans and tools, including an Environmental Management System (EMS), an Environmental Policy (2017), an Environment Action Plan (2017-2020) with quantitative targets for environment and climate integration, as well as a Multidimensional Poverty Analysis framework and a green toolbox (more details in the next section below). In its Environmental Policy, Sida commits to “*protect the environment [...] by integrating environmental aspects in all operations and sectors*”. It does so by a “*Strengthened focus on climate change adaptation, as well as climate change mitigation [...]*” and also by the “*Promotion of a circular economy, through economic instruments, incentives and technical solutions that in*

<sup>69</sup> Circular Economy initiatives in Sweden are listed here: <https://circulareconomy.europa.eu/platform/en/main-language/swedish>. See Sida's Environment Policy, here: <https://www.sida.se/contentassets/a40fb3606c8a40b483014c4734c002b8/22337.pdf>.

<sup>70</sup> The integration of environment into development work dates back to the late 1980s - early 1990s: Sida developed a guidance for environment and poverty in 1991. During the mid-1990s, environmental impact assessments (EIA) became a compulsory element in all projects getting support from Sida. In the early 2000s, this was followed by revised EIA guidelines. In 2010, a new Policy for Environment and Climate Change in Swedish Development Cooperation 2010-2014 was agreed. In 2014, as a result of the elections, a Minister for Development Cooperation from the green party was appointed and the focus on environment and climate change further increased. Then, in 2016, when the Government decided on the new Development Policy Framework, Sida also revised the environmental management system (EMS) and related tools, as further explained in Box 11.

<sup>71</sup> Swedish development cooperation has two overarching perspectives, notably the perspective of poor people on development and the rights-based perspective, and three thematic perspectives: a conflict, gender and, environment and climate perspective (Åhrgren et al., 2019). Sida requires these five ‘perspectives’ to be assessed in all activities. This means that not only environment and climate are considered in developing activities in many sectors, but (in a reciprocal manner) environment-focused projects may also be conceived in ways that are supportive of gender or human rights concerns (OECD DAC, 2019a).

<sup>72</sup> Note that when Sida refers to “environment”, this includes “biodiversity, climate adaptation and mitigation, and pollution” (OECD DAC, 2019a).

*a transformative manner contribute to a resilient, climate neutral and resource efficient development”* (Sida, 2017b & 2017c).

The Guidelines for Swedish Development Cooperation and Humanitarian Aid Strategies (Ministry for Foreign Affairs Sweden, 2017) underline that all geographical and thematic strategies must integrate environmental and climate issues. An example of this approach is the “Strategy for Sweden's global development cooperation in sustainable economic development 2018-2022”. It underlines the importance of *“institutions and other actors to take conflict dynamics in consideration and create inclusive growth, socially and environmentally sustainable economic development to prevent tensions and build stable and peaceful countries and regions.”* (Ministry for Foreign Affairs Sweden, 2018). Another example is the the Strategy for Sweden's Regional Development Cooperation in Sub-Saharan Africa (2016-2021) that underscores that Sida will contribute to *“A better environment, sustainable use of natural resources, reduced climate impact and strengthened resilience to environmental impact, climate change and natural disasters”* (Ministry for Foreign Affairs 2016d). Also, the country strategies for Ethiopia (Ministry for Foreign Affairs Sweden, 2016) and Kenya (Ministry for Foreign Affairs Sweden, 2016), for example, have environment and climate among their main goals.

Processes, actors and contributions that have the environment as a primary goal can range from integrated water management projects to contributions for better waste management. Therefore, besides climate change integration, **references are made to circular economy aspects in development policies**, but there is no separate workstream on “circular economy” as such. In fact, the OECD DAC report of the peer learning on mainstreaming environment (2019) states that more could be done *“to integrate environment and climate through (a) highlighting politically hot opportunities like green/circular economy and green enterprise [...] to enhance the environment mainstreaming dialogue in developing countries* (OECD DAC, 2019a: p. 8 & 30).

### Climate change seen as one of the root causes of migration

**“Migration” as a foreign policy issue has only gained importance in recent years**, mainly due to the refugee crisis that started in 2015. Migration is not dealt with as a foreign policy area in itself, but rather integrated into other policies, essentially development policies, as is the case in the other countries covered in the underlying report. The Policy Framework for Swedish Development Cooperation and Humanitarian Assistance has a subchapter on Migration and Development. One of the five long-term policy directions refer to *“[...] tackling environmental and climate-related threats and reducing the risk of humanitarian crises that could lead to forced migration”* (Ministry for Foreign Affairs Sweden, 2016a: p. 35). Just like the “environment and climate” domains, “migration” is also considered as a “mainstreaming policy area” within development cooperation.<sup>73</sup> Sida refers to **climate change as one of the root causes that force people to migrate or flee**.<sup>74</sup>

### Climate change as a security risk, recognised at high political level

*“[...] we are indeed at a time in history when climate change must be rightfully recognised by all actors as a security risk.”* These are the words of Swedish Ministry for Foreign Affairs Margot Wallström, during a speech at the Berlin Climate and Security Conference on the 4th of July 2019 (Ministry for Foreign Affairs Sweden, 2019). In recent years, Sweden has played a strong role in highlighting the link between climate change and conflicts. **During Sweden's term on the United Nations Security Council (2017-2018), the Council adopted its first ever resolution that underlined the need for climate-risk assessments and risk management strategies** by governments and the UN (UN Security Council, 2017). The resolution focussed

<sup>73</sup> The Sida approach on migration is completely different from, and not influenced by, the national asylum agenda that is being dealt with by the Migration Agency and Ministry for Foreign Affairs (Interviews, 2020).

<sup>74</sup> See: <https://www.sida.se/English/how-we-work/our-fields-of-work/migration/>.

on the Lake Chad Basin region and was informed by research from the Expert Working Group on Climate-related Security Risks, hosted by SIPRI.<sup>75</sup> The Permanent Representation of Sweden to the United Nations (UN) in New York also organised a mission for representatives of members of the Security Council to the Lake Chad region to better understand the climate-security nexus. The Lake Chad report (Expert Working Group on Climate-related Security Risks, 2018) was followed by other geographically focused reports, including on Iraq.<sup>76</sup> The Council Resolution was followed by similar resolutions and statements, including for Darfur and Somalia.<sup>77</sup> In 2018, the Government of Sweden supported the establishment of the Climate Security Mechanism to strengthen the UN's capacity to address the linkages between climate change, peace and security. The mechanism now involves the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP) and the UN Department of Political and Peacebuilding Affairs. Activities include the design of early warning, risk prevention and management strategies, and the strengthening of the evidence-based and targeted advocacy.<sup>78</sup>

### Incremental integration of climate and circular economy in trade

Lastly, the **integration of climate change into trade-related policies has been an emerging issue in Sweden, especially in the last three years.** While a few years ago, discussions on trade-related policies focused mainly on environment and labour rights, climate change now receives most attention in the overall sustainability discussions related to trade, and circular economy aspects are also increasingly taken on board. The government adopted a new Export Promotion Strategy in December 2019 (Government of Sweden, 2019c). In parallel with this strategy, the government established a Platform for International Sustainable Business (Government of Sweden, 2019a) to improve the dialogue between Swedish companies to ultimately better manage the risks associated with complex investments. Both the Strategy and the Platform aim to promote trade in a sustainable way, while integrating climate change and circular economy elements, and working within the framework of the UN Global Compact.<sup>79</sup> Specifically with respect to circular economy, aspects such as trade in second hand materials or reused materials, are integrated. The government's latest Statement of Foreign Policy (Government of Sweden, 2020) states that export credits for investment in exploration and exploitation of fossil fuels will cease by 2022.

Circular economy is becoming increasingly important for Sweden's foreign policies. **The country is in the process of developing a Swedish National Strategy for Circular Economy, under the responsibility of the Ministry of Environment, that will cover all policy areas including trade** (Government of Sweden 2019a).

<sup>75</sup> In 2018, SIPRI hosted the Expert Working Group on Climate-related Security Risks to provide policy-relevant research findings during the period of Sweden's membership of the UN Security Council (2017-18). See: <https://www.sipri.org/research/peace-and-development/climate-change-and-risk/expert-working-group-climate-related-security-risks>.

<sup>76</sup> For all publications by the Expert Working Group on Climate-related Security Risks, see: <https://www.sipri.org/research/peace-and-development/climate-change-and-risk/expert-working-group-climate-related-security-risks>.

<sup>77</sup> Recently, the UN established a small mechanism in New York to enhance its capability to coordinate analysis and response in the area of climate-related security risks, but Sweden is of the view that more is needed. This has been voiced by Minister Wallström in her speech, who asked, among other things, for: (1) an institutional home for climate-related security risk in the UN and EEAS/EU; (2) better tools for early warning systems; (3) a better connection between science and policy (Ministry for Foreign Affairs Sweden, 2019).

<sup>78</sup> See: <https://www.undp.org/content/undp/en/home/2030-agenda-for-sustainable-development/peace/conflict-prevention/climate-security.html>.

<sup>79</sup> See: <https://www.unglobalcompact.org/>.

*Climate change is being integrated into Swedish foreign policies with varying degrees of depth. Particularly strong integration happens in development policies. Furthermore, Sweden has played a strong role in putting climate-related security risks, largely thanks to diplomatic efforts, on the global agenda. Climate change is also recognised as one of the root causes of migration. Yet, the integration of climate change, as an important sustainability element, into trade policy has only emerged in recent years.*

*References are made to circular economy aspects in development and environmental policies, but there is no separate workstream on “circular economy” as such. Elements of circular economy, such as trade in second hand materials, are integrated into trade-related policies. Sweden is now in the process of developing a Swedish National Strategy for Circular Economy, that will cover all policy areas.*

### 8.3. Operationalisation

#### A three-dimensional climate diplomacy framework

**Sweden’s climate diplomacy is based on three elements.** Firstly, there is a focus on **policy dialogue** with third countries on how to integrate climate into policies, which includes sharing of Swedish approaches as laid down in the Climate Act and the climate policy framework. Secondly, it covers **financing**, for instance through the use of official development assistance or the engagement in the EU sustainable finance taxonomy processes. Lastly, **innovative technology** is a key component, with a focus on Swedish companies’ potential to help third countries to raise ambition on energy efficiency (Government of Sweden, 2019a). Through this three-dimensional climate diplomacy framework, embassies are assisted in integrating climate change into their various activities.<sup>80</sup>



#### Box 15 Strengthening climate diplomacy capacities

To raise the capacity of embassies’ and headquarter’s staff to work with the climate diplomacy framework, the Ministry for Foreign Affairs has created a space on climate diplomacy on the intranet. It presents tools and training material. This includes among other things a short

online training course in English, of three blocks of approximately ten minutes each, to ensure accessibility for Swedish and non-Swedish staff. It includes examples of Swedish embassies to showcase their concrete climate diplomacy efforts (Interviews, 2020)

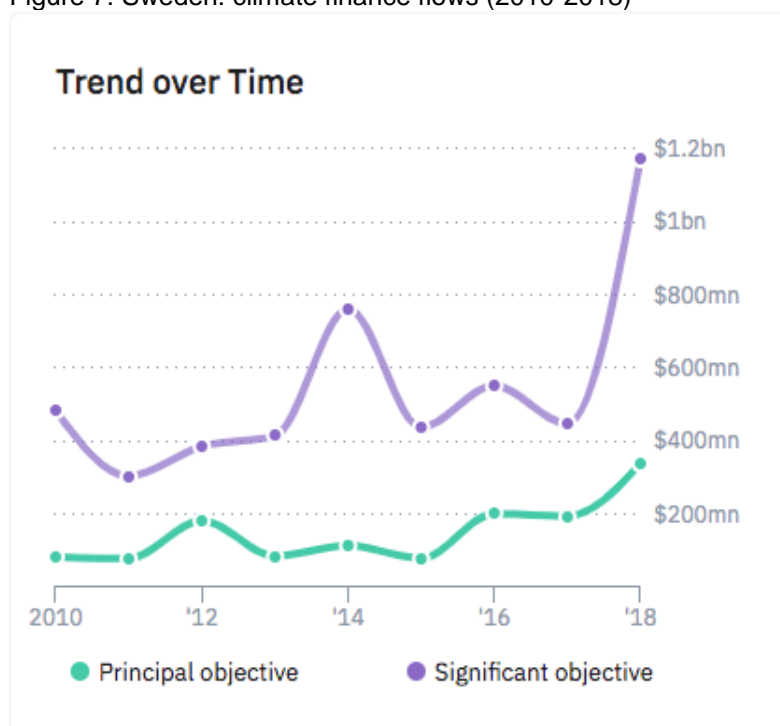
<sup>80</sup> Interviews, 2020. See also the latest Government’s Statement of Foreign Policy 2020: <https://www.government.se/speeches/2020/02/2020-statement-of-foreign-policy/>.



### Climate-related development finance with a strong focus on adaptation

In 2017, Sweden provided 1.02% of its gross national income as ODA, making it the most generous donor in relative terms (OECD DAC, 2019a). Figure 7 below the proportion of Sweden climate-related development finance: between 2010 and 2018, Sweden committed 1.36 billion USD in development finance to all countries worldwide that principally targeted climate change objectives. In the course of 2017-2018, there was a strong rise of climate finance flows, due to revised political priorities as well as various new strategies with focus on climate change.<sup>81</sup> Sweden holds the ambition to increase this further. Sweden also provides funding to multilateral funds, including the Green Climate Fund and the Adaptation Fund. In fact, Sweden was one of the first multi-annual contributors to the Adaptation Fund that was officially launched in 2007 (Interviews, 2020).

Figure 7: Sweden: climate finance flows (2010-2018)



Source: [Aidatlas](#)

<sup>81</sup> Sida is obligated to contribute to the Swedish climate finance reporting according to the Climate Finance Regulation (2014:1434). There are three types of reporting: the national communication to the UNFCCC; the biennial report to the UNFCCC; and the annual report to the EU (Sida, 2019).

The box below provides further information on the distribution of climate finance committed between the period 2010-2018.



### Box 16 Sweden: development finance commitments targeting climate change as a principle objective (2010-2018)

- A total of 27.9% targeted mitigation activities, 44.6% was targeted at adaptation activities, and 27.6% targeted mitigation and adaptation simultaneously.
- The total amount of Sweden's climate-related development finance (1.36 billion USD) was provided as ODA grants. ODA loans were not provided.
- The top recipients for climate finance commitments for the period 2010-2018 include Kenya, developing countries in general with particular countries unspecified, Burkina Faso, Africa (regional) and the South of Sahara region.
- Top sectors of climate finance commitments include "general environment protection" (e.g. biodiversity promotion, environmental research), "agriculture, forestry and fishing" and "energy".

Source: [Aidatlas](#)

In 2018, Sida had guarantees to climate relevant initiatives with a total guarantee volume of approximately 4.4 billion Swedish krona or 432 million euros (3.3 billion Swedish krona or 336 million euros in 2017). Sida reports that these guarantees mobilised about 14 billion Swedish krona or 1373 million euros of capital (7 billion Swedish krona or 713 million euros in 2017).<sup>82</sup> It notes that the increase in both guarantees and mobilised capital between 2017 and 2018 may be attributed to the implementation of several new guarantees as well as quality assurance of the application of the Rio markers. Sida also provides some examples of mobilisation of capital through other instruments, such as Public Private Development Partnerships and challenge funds (Sida, 2019).<sup>83</sup>

### Climate projects to "prevent" migration and projects in refugee camps

Most of the **climate-related migration projects by Sida** are "**preventive projects**". Concretely, these are environmental projects, such as water or land conservation projects, that aim to reduce the risks of involuntary, irregular migration and discourage the local population from migrating (Interviews 2020). For

<sup>82</sup> Calculations from Swedish krona to euros are based on the exchange rate valid for respectively 31/12/2017 and 31/12/2018.

<sup>83</sup> Sida voluntarily reports about the level of gender integration in its climate finance. In 2018, the level of gender integration was 87%, compared to 89% in 2017 (Sida, 2019).



instance, Sida implemented a water conservation programme in a migration-prone region in Kenya, with the objective to curb migration, in coordination with the World Food Programme.<sup>84</sup>

Besides the preventive work, Sida's engagement happens through environmental management interventions in refugee settings. In 2019, Sida made a pledge to the UN Refugee Agency (UNHCR) that it would contribute to reduce the negative impacts on the climate and environment in refugee settings. It has committed to do so through a wide variety of activities, including funding and support to the UNHCR to phase out fossil fuels by shifting from diesel to renewable energy in Sub-Saharan Africa, during the period 2019-2024, and to support knowledge generation of environmental degradation in large scale refugee situations.<sup>85</sup> In addition, Sida is a member of the Clean Energy Challenge Action Group led by UNHCR and others.<sup>86</sup> At the country level, Sida aims to contribute to reducing the impact refugee camps' activities have on climate change and to enhance the camps' resilience to environmental impact, climate change and natural disasters, such as in Cox's Bazar in Bangladesh.<sup>87</sup>

To date, Sida is still exploring how to further strengthen its work around the migration/climate nexus. They are considering various options, including the mapping of direct and indirect links and the process of selecting the most critical aspects to focus on? (Interviews, 2020)

*Sweden's bilateral and multilateral (including through the Green Climate Fund) development assistance is a significant source of climate finance. The main focus of its climate-related finance is adaptation, with a strong geographic focus on Sub-Saharan Africa. Sida also supports climate relevant initiatives with loans, using instruments such as Public Private Development Partnerships and challenge funds. Furthermore, Sida uses a number of tools to support staff to effectively integrate climate change into development. These include: the Environmental Management System (EMS) the Green Toolbox, the Dialogue Support for a Green Economy, the Helpdesk for Environment and Climate Change and the environmental network and hub. Nevertheless, in practice, there is no full integration of environment and climate perspectives into all aspects of the development process and some tools lack a proactive mandate to promote climate integration. In practice, climate integration concentrates more on the assessment and planning stages instead of the final implementation, and it is not routinely included in monitoring and reporting.*

## 8.4. Institutional mechanisms

### Tools for climate integration into development facing limitations

Sida uses a number of tools for the implementation of its climate and environment goals, explained in more detail in Box 16. However, despite these multiple integration mechanisms, Åhrgren et al. (2019) found that, **over the past 10 years, there has been a decline in environmental integration for Sida's five largest non-environmental sectors** (i.e. government and civil society; health; education; population policies; other multi-sector).<sup>88</sup> In addition, in practice, climate change integration concentrates more on the assessment and planning stages than the whole 'messy' business of implementation, and is not routinely included in monitoring and reporting (OECD DAC, 2019a). There is also not yet a focus on environmental integration in

<sup>84</sup> Also, Sida supports the Internal Displacement Monitoring Centre (IDMC) with specific focus on environmentally-induced displacement (See: <https://www.internal-displacement.org/>) and it contributed to the IGAD Drought Disaster Resilience and Sustainability Initiative (IDDRSI) that included migration as one of the areas of work.

See: <https://www.sida.se/contentassets/6f2b98297148428d89f3fefcc082bfe9/ht2019/poff-brief.pdf>.

<sup>85</sup> See: <https://www.unhcr.org/clean-energy-challenge.html>.

<sup>86</sup> See: <https://www.sida.se/English/where-we-work/Asia/Bangladesh/Our-work-in-Bangladesh/>.

<sup>88</sup> The aim of contributions to sectors where environment and natural resources are the primary focus can look very different. But often they aim to improve management of, and equitable access to, natural resources, promote sustainable agriculture, fishing and forestry practices and value-chains, access to water and sanitation as well as support increased production and distribution of clean energy (Åhrgren et al., 2019).

country policy dialogue processes held by Sida and embassies in developing countries, or in country capacity assessment and support (OECD DAC, 2019a).



### Box 17 Sida's tools for climate change integration into development

The **Environmental Management System (EMS)**, the main tool for Sida's work with environmental integration, requires the agency to carry out internal and external annual audits. The EMS and related mechanisms exist to support staff to make climate integration into development more effective. It is closely integrated with Sida's internal system for contribution management, the so-called **Trac** system. Trac is an IT application meant to guide users through the contribution management process and give support and guidance for assessments and documentation. Trac also provides links to Sida's **Green Toolbox** that contains a selection of key documents that support the integration of the environment and climate change perspective in Sida's operations in all sectors. As part of the Green Toolbox, Sida provides **Dialogue Support for a Green Economy** (Sida 2017a), focusing on environment integration in employment, market development and trade. Concretely, the Dialogue Support tool provides a list of guiding questions with regards to *"opportunities for positive environmental impacts from the contribution", "risks from the contribution*

*to the environment"* and *"risks from climate change or other environmental degradation to the contribution"*. Furthermore, Sida has had an external help desk function for supporting environmental integration since 1999 – currently **Sida's Helpdesk for Environment and Climate Change**. This is an agreement between Sida, the Swedish University of Agricultural Sciences and the University of Gothenburg. The Helpdesk is commissioned by Sida to assist Sida staff in integrating environmental perspectives into Swedish development cooperation. However, much of the climate knowledge management is outsourced to the Helpdesk, and so it does not routinely inform policy and practice reviews. The Helpdesk tends to have more engagement from environmental experts and champions than other staff. It lacks a proactive mandate to promote, nurture, mentor and critique environment actors and actions (OECD DAC 2019a). All these tools have enabled Sida to integrate "environment" in its three major roles as financier, analyst and dialogue partner.

Source: <https://www.sida.se/English/partners/methods-materials/green-tool-box/>.

Lastly, the Ministry for Foreign Affairs has recently set up a three-part online training for headquarter and embassy staff, working on various domains including development, on climate diplomacy with a focus on the basics of Sweden's climate policy. All these tools aim to contribute to the integration of 'climate change' in Sida's role as financier, analyst and dialogue partner (Interviews, 2020).

## Barriers to climate integration at Sida

As mentioned in Section 7.1 above, an active cross-government dialogue takes place on climate-related matters and the Swedish Government also invests considerably in evidence-based, policy-relevant, climate-related research. There exist various institutional mechanisms and dialogue platforms to discuss climate-related issues. In this final section, we take **a closer look at Sida's configuration, while discussing the barriers to effective climate integration.**

Sida consists of eight departments, the internal audit unit and the Director-General's office. Among these eight departments, there are five operational departments, including the International Organisations and Policy Support (INTEM) department. INTEM is tasked with implementing thematic/global strategies as well as the contribution to Sida's expert support to the Government, including multilateral cooperation. One of the units subordinated to INTEM is TEMA (the Thematic Support Unit) which is responsible for specific expertise on key topics. Currently at TEMA, there is one Lead Policy Specialist for Environment and Climate Change and one Senior Policy Specialist for Environment and Climate Change (Åhrgren et al., 2019).

For a Sida evaluation study, Åhrgren et al. (2019) interviewed ten programme officers of Sida with a non-environmental background about the level of environmental integration in their work: several of them did not know about the requirement that all contributions should include some kind of environmental assessment. The authors explained that **low awareness about the requirements could be one explanation for the low number of environmental assessments. In addition, a lack of expertise on environmental issues among Sida programme officers as well as among partners, was also mentioned as a possible reason behind the few environmental assessments.** In addition, Sida's Environmental Targets 2017-2020 aim to increase the share of funding to environmental objectives. However, from the interviews, it was unclear what is required to be able to assess a contribution to "environmental integration": six out of ten programme officers found it difficult to know exactly how to mark a contribution correctly. There were also programme officers that had never used it. Respondents also answered that they needed more environmental capacity building in general and training on the Green Toolbox (Åhrgren et al., 2019). Furthermore, the report of the OECD DAC peer learning visit to Sweden in 2019 notes that while there is an interest in learning about climate change integration, and acknowledgement that adaptive approaches are needed, this **learning is not systematised and regular within Sida** – and is lacking at the portfolio level (i.e. across different kinds of projects). Investing in capacity for integrating environment is critical but limited attention is currently given to partner countries' and agencies' capacity as well as those of development co-operation agencies on the ground (OECD DAC, 2019a).

The general OECD DAC (2019a) peer review of Swedish development cooperation states that **Sida is understaffed in relation to its growing ODA budget, as well as in relation to the domains of environment and climate change** (OECD DAC, 2019a). Furthermore, the potentially greatest challenge in fragile contexts is that Sida staff are often forced to focus on short-term needs. This reduces the ability to also address the long-term goals that are necessary to handle many climate-related challenges, notably those related to agriculture.

In order to tackle these types of issues, Sida has launched a project called "Human Resource Planning System". It aims to help Sida to address situations where the agency finds itself lacking staff with relevant competence in important areas, like the integration issues of which environment is an integral part (Åhrgren et al., 2019).

## Efforts to increase awareness on climate, security and migration issues

Taking a closer look at the security portfolio, while some staff have an explicit task to integrate climate change, **Sida like many other development agencies and ministries does not have a unit or another type of institutional configuration aimed specifically at addressing combined climate and conflict challenges.** Yet, recently, Sida has recruited staff to work in embassies with an explicit task to bridge humanitarian aid and development cooperation within the climate resilience programmes in the Sahel and the Horn of Africa. In addition, within the Ministry for Foreign Affairs, at the time of writing there is one person, allocating half of his/her time to work on climate and security linkages. Within different departments, people can have a small part of their time allocated to climate and security. For instance, in the Africa Department, there are people working on climate change and security, especially within the working groups on the Sahel and the Horn of Africa. However, the Ministry for Foreign Affairs is **putting effort to increase awareness on the climate-security nexus among development staff.** In December 2019, the Ministry for Foreign Affairs hosted a one-week training course on climate and security for UN Peace and Development Advisors, located in different places in the world. This was the first ever climate/security education, organised by UNDP, backed with research support from SIPRI (Interviews 2020; Born et al. 2019).

In relation to migration, within Sida, the position of “Policy Specialist Migration and Development” is taken by one person, which was created about a year and a half ago. The main portfolio of this expert involves the sharing of knowledge and experiences within Sida circles and beyond, liaising with Government offices, the EU, UN agencies (mainly on the 2 compacts on refugees and migration) and researchers. This policy specialist is also responsible for the development of a methodology on the climate/migration nexus (Interviews, 2020). Furthermore, Sida makes investments in research and knowledge exchange on the climate-migration nexus. For instance, last year, Sida organised a session with IOM, and other experts on the climate-migration nexus with a focus on knowledge exchange and joint learning. Another such type of dialogue has been planned for 2020.

*Sida works with a few dedicated policy specialists on climate change and some staff members have the explicit task to integrate climate change into their development work. However, the agency remains under equipped for effective climate integration. Reasons for this limited integration include: understaffing, low awareness, and a lack of competence and training about the requirements for climate integration. For instance, Sida does not have a unit or other institutional configuration aimed specifically at addressing combined climate and security challenges. As a first response, Sida has launched a “Human Resource Planning System” that helps the agency to address situations where it finds itself lacking staff with relevant competence. Also, more efforts are needed to increase awareness on climate-security nexus issues among development staff.*

## 9. Switzerland

### 9.1. Background factors

#### Policy coherence for development (PCD) as a guiding principle in foreign affairs

**Policy coherence for development (PCD) has been on the agenda of Swiss foreign policy for many decades.** Switzerland has acknowledged that development policies are interlinked with other policy areas, as reflected in policy statements from as early as 1976 (Federal Law on Development Cooperation and Humanitarian Aid). The institutional system to ensure PCD is deeply rooted in the Swiss political culture of consensual decision-making and strong interdepartmental coordination, discussed in more detail in the final section of this paper (Knoll et al., 2013).

The Federal Council has identified a particular need for coordination in five areas to ensure coherence in foreign relations: international financial flows and taxation; environmental and climate-related issues; trade, investment and corporate responsibility; migration; and international health issues. Consequently, **climate change is mentioned or integrated into all foreign policy areas, with varying degrees of depth.**<sup>89</sup> In January 2020, the Federal Council presented the foreign policy priorities for the period 2020-2023 that will be discussed in more detail below. The Federal Department of Foreign Affairs (FDFA) has prepared this foreign policy strategy as part of a broad interdepartmental process. The **Federal Council thus intends to increase the coherence, effectiveness and credibility of Swiss foreign policy.**<sup>90</sup>

#### Towards a more ambitious national climate policy

**As the other case study countries, Switzerland** supports the UNFCCC processes, specifically the Paris Agreement (2016) and the 2030 Agenda for Sustainable Development. Policy documents reflect the ambition to bring Swiss best practices and innovations to these processes and curb national emissions. However, civil society groups criticise the federal government for **concrete action being slow**, despite the fact that Switzerland, especially the Swiss Alps, are experiencing climate impacts already.<sup>91</sup> The Swiss Government aims to halve greenhouse gas emissions by 2030 and achieve emissions neutrality by 2050. However, the proposed, draft CO<sub>2</sub> Act was rejected by the House of Representatives in December 2018, because the proposed actions would not meet these targets. A more ambitious text is currently going through the legislative process, due to be debated by the Senate in Spring 2020. This law would put in place a number of measures to achieve the country's climate goals such as increasing the carbon levy on fossil fuels if emissions reductions objectives are not met, extending the levy to air travel and ramping up funding for energy efficiency measures in the building sector.<sup>92</sup>

#### Climate integration compulsory in development

An important trigger to start integrating climate change into development was the publication of the 2009 OECD Policy Guidance on *"Integrating Climate Change Adaptation into Development Co-operation"* (OECD, 2009). Since then, SDC mainly took a mainstreaming approach, but it would still take a decade before the "climate change" issue could step up in the order of priorities. Only in the course of 2019, the **SDC Director took the decision to make the integration of climate change compulsory for all development programmes**, as explained in more detail below.

<sup>89</sup> See: <https://www.eda.admin.ch/deza/en/home/results-impact/policy-coherence.html>.

<sup>90</sup> See: <https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-77958.html>.

<sup>91</sup> The shrinking glaciers in the Swiss Alps make climate change visible. The issue has led to more deaths in the Swiss Alps and they are threatening the country's economic security. See: <https://www.ft.com/content/6f43819a-2327-11ea-b8a1-584213ee7b2b>.

<sup>92</sup> See: [https://www.swissinfo.ch/eng/climate-change-performance\\_swiss-climate-policy--praised-abroad--attacked-at-home/44669104](https://www.swissinfo.ch/eng/climate-change-performance_swiss-climate-policy--praised-abroad--attacked-at-home/44669104) and <https://climateactiontracker.org/countries/switzerland/>.



## Diplomacy, a key tool for an autonomous state

**Diplomacy is of key importance for Switzerland's bilateral and multilateral relations.** Currently, the country's diplomatic efforts within UN circles focus on the protection of human rights (with special attention to women's rights), support for the UN reform processes, and the promotion of science diplomacy. Switzerland is convinced that through increased **collaboration between science and diplomacy**, it can create a suitable framework for the UN to also address global challenges, such as climate change.<sup>93</sup>

Switzerland is associated with the European Union through a series of bilateral agreements, through which Switzerland has adopted various provisions of European Union law in order to participate in the Union's single market, without joining as a member state. Therefore, unlike the other case study countries in this study, Switzerland does not trade under the EU umbrella. Hence, **Switzerland can take unilateral policy decisions on trade as well as other foreign policies** discussed in this chapter.<sup>94</sup> Since recently, climate risk and sustainability assessments in trade relations are being undertaken, especially in light of climate border tax adjustments and carbon tariffs.<sup>95</sup>

## Circular economy initiatives primarily domestically oriented and with a focus on waste management

**Switzerland subscribes to the move towards a more circular economy**, namely to reduce the country's footprint and improve resource management practices in order to achieve economic stability and sustainable living-conditions in a worldwide context (Federal Office for the Environment, 2012). **Activities with regards to circular economy are in the first place seen as a way to strengthen the Swiss economy** (Lehmann et al., 2014). Efforts towards a more **circular economy are in the first place domestically oriented**, with an active national circular economy movement, launched in 2019.<sup>96</sup> The Circular Economy Switzerland Movement focuses mainly on the reduction of waste in the economy and society, and the role of the private sector, discussed and promoted through "business matchmaking events". As discussed in the following sections, Switzerland has 'exported' some of its circular economy initiatives, for instance on e-waste, to partner countries.

Regardless of the emphasis on economic opportunities, Switzerland does not play a pioneering role on the world stage when it comes to more circular business models. To illustrate, in the most recent annual ranking from Corporate Knights of the 100 "Most sustainable corporations in the world" not one Swiss company featured.<sup>97</sup> In addition, according to the latest OECD Environmental Performance Review (2017), *"Switzerland has a huge ecological footprint associated with unsustainable consumption patterns, imposing significant pressure beyond its borders"*. On the other hand, the Review recognised that the country is a top OECD performer with regards to greenhouse gas emissions intensity and material productivity (OECD, 2017b).

<sup>93</sup> See: <https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-76398.html>.

<sup>94</sup> In addition to the European Free Trade Association (EFTA) Convention and the Free Trade Agreement with the EU of 1972, Switzerland currently has a network of 30 free trade agreements (FTAs) with 40 partners. Switzerland normally concludes its FTAs together with its partners Norway, Iceland and Liechtenstein, in the framework of the European Free Trade Association. See: [https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik\\_Wirtschaftliche\\_Zusammenarbeit/Wirtschaftsbeziehungen/Freihandelsabkommen.html](https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/Freihandelsabkommen.html).

<sup>95</sup> For more information, see: <https://www.carbontax.org/>.

<sup>96</sup> See: <https://www.circular-economy-switzerland.ch/?lang=en> and <https://zerowasteswitzerland.ch/en/2019/09/09/circular-economy-en/>

<sup>97</sup> The annual ranking from Canadian research firm Corporate Knights, revealed on January 21 2020 at the World Economic Forum meeting in Davos, Switzerland, scrutinized more than 7,000 companies to identify the 100 most sustainable corporations in the world. See: <https://www.corporateknights.com/reports/2020-global-100/2020-global-100-ranking-15795648/>.

*Since the mid-1970s Switzerland has acknowledged that development policies are interlinked with other policy areas. This and other factors have contributed to the integration of climate change as a cross-cutting issue into foreign policies, with varying degrees of depth. For instance, the integration of climate change is especially strong in development programmes, despite the fact that its national draft climate plan was criticised for not being able to meet climate targets. With regards to circular economy considerations, the country has advanced waste management techniques and there is a dynamic domestic circular economy movement. There is scope to further integrate it into foreign policies.*

## 9.2. Policies

The **Swiss Foreign Policy Strategy (2020-2023)** has four thematic priorities: **peace and security, prosperity, sustainability and digitalisation**. “Tackling climate change and protecting the environment” is not a separate thematic priority, but it is referred to under the “sustainability” priority (FDFA, 2020). The strategy also includes clear regional objectives worldwide, with a special focus on the EU, and new objectives for the external network and foreign policy communication. In this section, we take a closer look at the integration of climate into development, security and migration policies, all policy areas that are mentioned in the Foreign Policy Strategy. The latter document does not refer to the concept of “circular economy” as such, but circular economy elements are being integrated into certain foreign policies, such as trade or development policies.

### Development policies: a dedicated climate programme

Switzerland's international cooperation is implemented mainly by the SDC and the Economic Cooperation and Development Division of the State Secretariat for Economic Affairs (SECO). Spending by both the SDC and SECO accounted for almost 80% of Swiss official development assistance (ODA) expenditure in 2018. Other federal bodies are also involved in Switzerland's international cooperation, including the Human Security Division (HSD), which is responsible for the promotion of peace and human rights, and the Federal Office for the Environment (FOEN) that leads on the international dimensions of Swiss environmental policies.<sup>98</sup> SDC, as it is the lead agency for development cooperation closely coordinates with the FOEN on topics relevant for developing countries. Also, SDC is part of the Swiss Delegation to the UNFCCC negotiations and coordinates with the FOEN, SECO, the Federal Finance Administration (FFA) and the Sectoral Foreign Policy Division of FDFA Switzerland's contribution to the financing mechanisms of the environmental conventions, most notably the Green Climate Fund (GCF), Global Environment Facility (GEF) and the Adaptation Fund (AF) (Interviews, 2020).

Switzerland's development vision, shared across the government, is described in its **2017-2020 Dispatch on International Cooperation**.<sup>99</sup> This Development Strategy sets a comprehensive view of development that goes beyond ODA and is aligned with the 2030 Agenda for Sustainable Development. As “climate change” is one of the priority areas of the SDGs, it is also mentioned in the current Development Strategy, but “climate action” is not one of the focal areas of the five policy instruments that include “transition aid and cooperation with Eastern Europe” and “the promotion of peace and human security” (SDC, 2017a). More precisely, “climate change” is being dealt with through a specific programme. SDC has a separate **Global Programme Climate Change and Environment (GPCCE) - Strategic Framework (2017-2020)**.<sup>100</sup> The

<sup>98</sup> See: <https://www.eda.admin.ch/deza/en/home/activities-projects/figures-statistics/swiss-oda.html>.

<sup>99</sup> See: <https://www.eda.admin.ch/deza/en/home/sdc/strategy/legal-bases/message-international-cooperation-2017-2020.html>.

<sup>100</sup> Swiss development cooperation works on six global programmes that promote innovative solutions to tackle global challenges, including climate change. The other programmes are food security, water, migration, health, and finance and trade. They are all identified as having a disproportionate impact on the poorest and most vulnerable (OECD DAC, 2019c).



GPCC is based on four pillars: (1) multilateral processes and financing; (2) fighting the root causes of climate change; (3) climate adaptation; and (4) knowledge management. There is also a special focus on “gender and social inclusion” (SDC, 2017b). This framework presents climate change as a phenomenon interlinked with many sectors, particularly energy, health, sustainable land, forest and water management.

Currently, SDC is currently in the elaboration phase of the next **Development Strategy (2021-2024) that will present “climate change” as one of the main priorities, raising the climate topic to an even higher level.** This is the first time that climate change will be one of the first and foremost priorities (Interviews, 2020).

### The climate-security-migration nexus: a *niche* area

**Switzerland is increasingly taking into account climate-fragility risks into its foreign policy activities.** According to Rüttinger & Pohl (2016), the climate-security nexus was long considered a niche area in foreign policy, but it has become of great importance due to the growing conflict-related risks globally. Furthermore, Switzerland considers climate change as one of the root causes for migration, triggered by the migration crisis that started a few years ago (Rüttinger & Pohl, 2016).

However, according to the Swiss NGO Helvetas, there is a strong **need for Swiss public authorities to pursue a coherent foreign economic, environmental, and climate policy in order to effectively tackle drivers of migration.** Coherent foreign policies are key to achieving this: *“only an ambitious implementation of the Paris Climate Agreement can help to mitigate climate change impacts and thus reduce climate migration. This is also in Switzerland’s own interest. Switzerland can and must therefore take the lead in reducing its greenhouse gas emissions as well as in mobilising new and additional financial resources to support adaptation measures in poor countries”* (Helvetas, 2018: p. 16). Lastly, on a multilateral level, Switzerland could contribute to tackling climate-security interlinkages during its term at the UN Security Council in 2023-24 (Rüttinger & Pohl, 2016), as Sweden did in 2017- 2018.

### Moving up the circular economy ladder

When it comes to the transition towards a circular economy, since the mid-1980s, the national focus was on the waste economy, laid down in the Federal Waste Guidelines of 1986. Experts and the general public were primarily concerned about the pollution caused by disposed waste than by environmental impacts during the exploitation phase or during the resource depletion phase. Waste management was understood as “an incrementally improving environment management policy”. The above mentioned Waste Guidelines distinguished three fields of action: Avoidance, Reduction (re-use and recycling) and environmentally responsible Disposal. The core concept of these Guidelines was the “polluter pays” principle, which led to the widespread separate collection of waste. Thanks to this approach, the recycling rate has increased twelvefold since 1970. Despite this strong increase of the recycling rate, the total amount of waste generated is not decreasing due to population growth and consumer patterns (Lehmann et al., 2014).

In the beginning of the 1990s, circular economy-related dimensions started to be integrated into foreign policies: as a consequence of the UN conference on “Environment and Development” in Rio de Janeiro in 1992 and in preparation for the Johannesburg conference on “Sustainable Development” in 2002, the Federal Council released its “Strategy Sustainable Development 2002” (Swiss Federal Council, 2002). Based on the fully revised **Swiss Federal Constitution of 1999, in which sustainable development had become a national objective**, this strategy shifts the focus towards ‘sustainability’ as a political domain. **Around 60% of the environmental impacts caused by the production and processing of goods consumed in Switzerland are impacts on foreign countries** (Jungbluth et al., 2011; FOEN, 2013; cited by Lehmann et al., 2014). Following the “polluter pays” principle, responsibility must also be assumed for these “imported” impacts. Therefore, sustainable processes and production methods have increasingly been integrated into

trade negotiations and agreements and to some extent in development cooperation,<sup>101</sup> as discussed in more detail in the following section.

In 2012, the Federal Office of the Environment launched a Report on the “Action Plan Green Economy” (FOEN, 2012). Green and circular economy was regarded not only as a means to ensure the availability of resources in the future, but also as an **opportunity to strengthen the Swiss economy, especially in the field of clean technology** (Lehmann et al., 2014). This Action Plan’s activities are coordinated centrally by FOEN with a special focus on ‘consumption and production’ and ‘waste and resources’. Lastly, in 2013, the Federal Council suggested a revision of the Environment Protection Law in order to build a regulatory framework for all activities and support plans for a circular/green economy. This went beyond national objectives, as it included **Switzerland’s involvement in international initiatives and in supporting other countries in the implementation of a green economy**. This revision was influenced by the Green party in Switzerland and decisions from the Rio+20 meeting in favour of a green economy (Lehmann et al., 2014).

This evolving engagement to support the transition to a circular economy over the last two decades shows a moderate move from domestic policies to also being covered in foreign policies, as well as a move from waste management to a more comprehensive circular economy agenda that also covers higher rungs of the circular economy ladder.

*The current Swiss Foreign Policy Strategy does not present “climate change” as a separate thematic priority, but rather as one of the challenges under the thematic priority “sustainability”. Within the domain of development cooperation, Switzerland has a separate Global Programme Climate Change and Environment. The next Development Strategy (2021-2024) will set climate change as a key priority, thereby giving it more attention than it currently has. Furthermore, Switzerland integrates climate-fragility risks into its foreign policy activities and it considers climate change as one of the root causes for migration. However, an even more coherent foreign economic, environmental and climate policy could help to effectively tackle drivers of migration. Lastly, the transition to a circular economy over the last two decades shows a moderate move from domestic policies to also being covered in foreign policies. Since the 1990s for instance, sustainable production methods have increasingly been integrated into trade policies. Also, there has been a move from waste management to a more comprehensive circular economy agenda. Moving towards a circular economy has been regarded as a way to strengthen the Swiss economy, especially in the area of clean technology.*

### 9.3. Operationalisation

#### Climate-related development finance with a balanced adaptation-mitigation focus

**Switzerland's funding for international cooperation is considered to be modest, in comparison with the country's wealth.** While most OECD DAC countries make use of the international budgeting benchmark of 0.7% of Gross National Income (GNI) for development cooperation, set in 1970 and reaffirmed in the 2030 Agenda, Switzerland has committed 0.5% of its GNI to ODA.

In 2016, the budget for international cooperation, which covers development cooperation, humanitarian aid, and peace-keeping and human rights work, accounted for Swiss franc 2.6 billion (roughly 2.2 billion euros) or 3.9% of federal expenditure. The official figure for Swiss ODA according to OECD criteria is 0.54% of GNI, with one fifth of these funds is used to cover the domestic asylum costs (without the asylum costs, this figure corresponds to 0.39% of Switzerland's GNI). The current 2017-20 Development Strategy allocates only

<sup>101</sup> SDC integrates elements of ‘circular economy’ into development cooperation activities under the ‘transition to a green economy’ umbrella. See: <https://www.bafu.admin.ch/bafu/en/home/topics/economy-consumption/info-specialists/green-economy/international-green-economy-initiatives.html>.

0.48% of GNI as ODA, with no explicit plans to revert to the 0.5% target (OECD, 2019). In 2018, ODA expenditure fell to 0.44% of GNI, its lowest level since 2013. This decrease in ODA is mainly attributable to the drop-in asylum costs recorded in Switzerland's ODA, but also to the Confederation's cost-cutting measures that were approved by the Swiss Parliament.<sup>102</sup>

Figure 8 below shows the trends in overall spending on climate-related development finance of Switzerland for the period 2010-2018. During that period, Switzerland committed \$944.69 million in development finance to all countries worldwide that principally targeted Climate Change objectives. In 2017, overall climate finance reached 311 million euros. SDC, SECO and the FOEN are aiming to further increase climate-related finance to at least 400 million euros. SDC has committed to spend at least 50% of climate-related development finance to adaptation (Interviews, 2020). Moreover, Switzerland provides climate finance through bilateral and multilateral programmes. Switzerland also contributes to the global climate and environment funds. For instance, the latest Pledge of Switzerland to the Green Climate Fund is USD 150 million for the period 2020-2023. This is subject to approval of the Federal Council and it still needs to be agreed upon and confirmed by the Parliament (Interviews, 2020).<sup>103</sup> Current SDC climate-related projects include, for example, a bilateral project on Clean Air in India (2019-2023), the Climate and Clean Air Coalition with UNEP (since 2012), as well as bilateral and global projects on adaptation in mountain areas.<sup>104</sup>

Figure 8: Switzerland: climate finance flows (2010-2018)



Source: [Aidatlas](#)

<sup>102</sup> In accordance with DAC reporting rules, Switzerland also declares as ODA the costs of receiving asylum seekers, temporarily admitted persons and refugees from developing countries during their first 12 months in Switzerland. In past years, these costs for hosting refugees in Switzerland were significant. They represented 19.3% of total gross ODA in 2016 - twice the DAC average of 10% - and contributed substantially to Switzerland exceeding the 0.5% target between 2014 and 2016. See: <https://www.eda.admin.ch/deza/en/home/activities-projects/figures-statistics/swiss-oda.html>.

<sup>103</sup> See: <https://www.eda.admin.ch/deza/en/home/themes-sdc/climate-change/finanzierung-des-klimaschutzes.html>.

<sup>104</sup> For a full list of all activities, see: <https://www.dfae.admin.ch/deza/en/home/themes-sdc/climate-change.html/content/dezaprojects/SDC/en/2016/7F09699/phase1>.

The country's climate-related development finance is discussed in more detail in Box 18.



### **Box 18 Switzerland: development finance commitments targeting climate change as a principle objective (2010-2018)**

- A total of \$406.49mn (43%) targeted mitigation activities, \$425.94mn (45.1%) was targeted at adaptation activities, and \$112.27mn (11.9%) targeted both mitigation and adaptation simultaneously.
- Out of the total amount of climate finance (\$944.69 million), 96.1% was provided as ODA grants, while 0% was provided in the form of ODA loans. The remaining 3.9 % was provided through equity investments.
- The top recipients for climate finance commitments for the period 2010-2018 include developing countries that are unspecified, others (including Ukraine), Nicaragua, Egypt and Kyrgyzstan.
- Top sectors of climate finance commitments include “general environment protection” (e.g. biodiversity promotion, environmental research), “energy” and “cross-cutting issues” (e.g. urban development, disaster risk reduction, food safety and quality).

Source: [Aidatlas](#)

### **Practical climate integration into development**

SDC considers climate change as a cross-sectoral theme that concerns all thematic areas and geographical regions. To help tackle the risks of climate change, environmental degradation and natural hazards in an integrated way, SDC has developed the Climate, Environment and Disaster Risk Reduction Integration Guidance (CEDRIG). It targets development and humanitarian actors to assist them to take climate and environmental risks into account in existing and planned strategies, programs and projects. CEDRIG is discussed in more detail in Box 19.

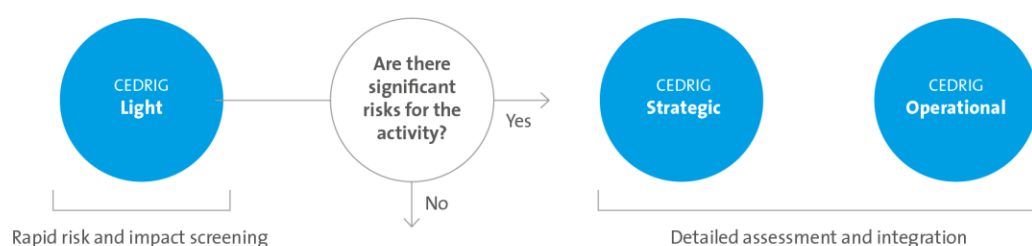


## Box 19 The Climate, Environment and Disaster Risk Reduction Integration Guidance (CEDRIG) Tool

The CEDRIG tool has been developed by SDC to enable development practitioners and other partners to systematically integrate climate, environment and disaster risk reduction into development cooperation and humanitarian aid in order to enhance the overall resilience of systems and communities. Concretely, CEDRIG follows an integrated approach to assess the risks for and the unintended potential negative impacts of a new strategy, program or project. CEDRIG is divided into three parts: **CEDRIG Light** is a rapid risk and impact screening. This module serves as an initial filter to assess whether strategies, programmes or projects are at a significant risk from climate change, disasters, and/or environmental degradation and whether they could potentially have a significant impact on greenhouse gas emissions and/or the environment and create new risks or exacerbate existing risks. The results are

used to decide if a detailed assessment must be conducted. If so, **CEDRIG Strategic** can be used to analyse strategies and programmes, while **CEDRIG Operational** has been designed to analyse projects.

CEDRIG Light is proposed to be conducted individually or in a participatory manner by involving various relevant stakeholders for maximum 2 hours. CEDRIG Strategic or Operational are proposed to be conducted in form of a workshop with all relevant stakeholders. The duration can vary from 1.5 to 3 days depending upon the scope and interest and availability of the participants. As internal assessments can be quite time- and resource-consuming, splitting the process up into different stages is an effective way of ensuring that costs of doing the assessment are commensurate with the likely benefits.



Source: <https://www.cedrig.org/>.

### Sustainable processes and production methods integrated in trade agreements

Switzerland is increasingly seeking to promote sustainability and climate protection in global value chains through its trade policy. For instance, for the first time Switzerland has carried out a sustainability impact assessment in the context of the negotiations of this trade agreement between EFTA and Mercosur (Interviews, 2020). While the EU carries out sustainability impact assessment for all trade agreements during the negotiation phase since 2000, this is new for Switzerland. This follows calls from the Control Committee of the National Parliament, some federal agencies and civil society organisations to move in this direction. Buergi Bonanomi and Musselli argue that the Swiss government has been reluctant due to concerns about



data availability, costs, reservation among federal agencies about cooperating more closely in trade negotiations and simply the desire to avoid adding new complications (Gotzmann, 2019).

Another example is the trade agreement that Switzerland and other EFTA members signed with Indonesia in December 2018, that includes a particular provision on palm oil:<sup>105</sup> it specifies that preferential imports of certain quotas for palm oil products (i.e. raw palm oil, palm oil stearin, palm nut oil) are conditional on respect of provisions on sustainable management in the vegetable oil sector (Bürgi 2019). In other words, sustainable palm oil from Indonesia will face a lower tariff when entering the Swiss market than palm oil that is not considered to be sustainable. It remains to be seen how ‘sustainability’ will be determined exactly. At the same time, the agreement also stipulates that Switzerland will provide development assistance to Indonesia, to support them in producing palm oil more sustainably. This approach is new and may provide lessons for the EU and others, particularly in light of the increasing discussion among policy makers, companies, experts and civil society organisations on the feasibility and desirability of tariff differentiation according to products’ sustainability.

### Putting circular economy into practice

With regards to circular economy, Switzerland adopts a step-by-step approach based on finding solutions through the involvement of various stakeholders. So far, the Swiss approach to circular economy focuses mainly on waste management activities, as part of targets around resource efficiency, as well as sustainable production methods in third countries of goods imported to Switzerland. This has been mainly a focal area for SECO, especially through its Sustainable Recycling Industries (SRI) Programme.<sup>106</sup> For instance, SECO has been developing knowledge partnerships in the area of e-waste since 2003. As part of the “Swiss e-Waste Programme”, Switzerland has supported India, China, South Africa as well as Columbia and Peru in their efforts to improve their e-waste management systems.

However, waste management and related activities cover only certain aspects of the circular economy. There is still room to encompass the entire life-cycle of goods and services, including material, water/energy reduction in the production stages in Switzerland and in partner countries (Lehmann et al., 2014).<sup>107</sup>

Another example is AGUASAN, an interdisciplinary Swiss Community of Practice (CoP), launched in 1984, that brings together a broad range of specialists to promote an **understanding of the sustainable transition of the water and sanitation sector in developing and transitioning countries**.<sup>108</sup> In 2017, their annual workshop focused on the concept of circular economy in the water and sanitation sector, while discussing successful approaches. There are many innovative and successful small-scale models being applied and promoted for the recycling of waste (i.e. wastewater) but there is a strong need for scaling up. Also, there are no “one size fits all” solutions and management systems must be designed to meet the needs and constraints of specific local conditions. Therefore, AGUASAN CoP developed **the “Blue Diamond” framework to analyse the most relevant dimensions for a transition towards circular water and sanitation models (SDC, 2015)**.

<sup>105</sup> See: <https://www.seco.admin.ch/seco/en/home/seco/nsb-news/medienmitteilungen-2018.msg-id-73435.html>.

<sup>106</sup> See: <https://www.sustainable-recycling.org/about-sri/>. The SRI is funded by SECO and jointly implemented by the Swiss Federal Laboratories for Materials Science and Technology and the World Resources Forum.

<sup>107</sup> By contrast, Germany for instance is subject to external constraints in the form of EU directives along with national, regional and local demands, as the chapter on Germany explains.

<sup>108</sup> See: <http://www.aguasan.ch/>.

*Switzerland's ODA is considered to be modest, in comparison with the country's wealth. Climate-related development finance was highest around the year 2013, but the Swiss aim to increase the total climate finance amount again. There seems to be a balance between adaptation- and mitigation-focused projects. For its internal functioning, the Swiss Development Cooperation Agency (SDC) has developed the Climate, Environment and Disaster Risk Reduction Integration Guidance (CEDRIG) to help development actors integrate climate risks into existing and planned strategies, programs and projects. Furthermore, Switzerland is integrating sustainability and climate protection measures in trade agreements. Lastly, with regards to circular economy, Switzerland adopts a step-by-step approach based on finding solutions through the involvement of various stakeholders. With respect to circular economy in, for instance, the water and sanitation sector in partner countries, there is a need to scale up innovative small-scale models, designed to meet local needs.*

#### 9.4. Institutional mechanisms

Switzerland is characterised by a **consensus-based governance system and broad-based consultations (i.e. public referenda)** that allow for disagreements at the technical level to be raised and addressed in inter-ministerial fora and subsequently at cabinet and parliamentary levels. Concretely, the elaborate Swiss system of interagency consultation and dialogue, involving both development-specific as well as non-development fora, offers opportunities for specific policy coherence issues, such as climate change, to be discussed. Caution should however be taken that such structures do not lose sight of the long-term consistency and coherence of policies amid the resolution of short-term political tensions (Knoll et al., 2013).

Switzerland plays an important diplomatic role with regards to **European and global institutions, and it cooperates regularly with civil society organisations and researchers, scientists and other types of experts**. In light of climate change-related work, SDC works with multiple partners on the implementation of programmes and projects. For example, at the multilateral level, Switzerland is now co-chairing the Climate and Clean Air Coalition. On the bilateral level, SDC looks specifically for additional expertise they need in certain programmes. For instance, they work through tenders with academic experts, supporting partnerships between universities in Switzerland and in the South. Or, they work with engineers on programmes to build energy efficiency. Lastly, at times, SDC works with local government, CSOs, NGOs that implement programmes on their behalf.

Lastly, the Swiss have created platforms and networks to ensure a coherent integration of environment and climate change into international cooperation. A first example is the **Platform on Funding International Cooperation on Environmental Issues (PLAFICO)** that was established in 2012 as a coordination platform that ensures policy coherence. PLAFICO brings together the Swiss Federal Office for the Environment (FOEN) that is the authority responsible for the financing mechanisms of the environmental Conventions and other federal authorities, namely SECO, SDC, the Federal Finance Administration (FFA) and the Sectoral Foreign Policies Division (SFPD). All matters related to international environment finance and development cooperation are coordinated through this platform. Through the work of the platform, the institutions involved (SDC, SECO and FOEN) were subject to considerable structural adjustments to better respond to the increasing challenges posed by climate change, and further expanded their cooperation with non-government stakeholders in recent years (FOEN, 2016). According to an OECD evaluation, PLAFICO has contributed to environmental mainstreaming in Switzerland (OECD, 2017b).

Second, the **Climate Change & Environment Network (CC&E Network)** is hosted by the Global Programme Climate Change and Environment (GPCCE) of SDC. CC&E aims to ensure inter-agency coherence: it provides a knowledge exchange platform for development practitioners, organisations and SDC



staff and partners working on climate change and environment issues, while sharing achievements and operational experiences. The **main objective is to promote the integration of environment and climate change mitigation and adaptation into policies, strategies, programmes and projects of development cooperation**. About 300 professionals with different backgrounds including governmental organisations, NGOs, multilateral organisations, companies, consulting firms, research and science institutions are currently part of the network. The CC&E Network works with the CEDRIG tool (see above) and also provides targeted training and customised assistance during strategy or programme design processes (SDC, 2017).<sup>109</sup>

*Switzerland is characterised by a consensus-based governance system and public consultations that allow for disagreements to be discussed at cabinet and parliamentary levels. This system of interagency consultation allows for policy coherence issues, such as climate change, to be discussed and - to some extent - integrated. In addition, there exist several platforms and networks in which stakeholders can work around issues such as climate change that support its integration.*

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<sup>109</sup> For more details, see: <https://www.shareweb.ch/site/Climate-Change-and-Environment/Pages/%C2%B0.aspx>.

## 10. European Union

Different from the country case studies, this EU case study focuses specifically on the integration of climate and circular economy in trade with non-EU countries and synergies with aid for trade only. Trade policy measures are taken at the EU rather than at the national level, as it is an 'exclusive EU competence'. This EU case study therefore complements the country case studies well. Aid for trade seeks to help lower income countries benefit from trade opportunities with the EU and beyond. Aid for trade, as part of development cooperation, is a shared competence, just as the environment is.<sup>110</sup>

### 10.1. Background factors

EU policy documents reveal **a firm recognition that climate change can have devastating effects**. This is laid out in the Communication on the EU Green Deal, which presents the first strokes of the new European Commission's plans to become the first climate neutral continent by 2050 (European Commission, 2019a). It stresses that a rise in the global temperature will bring about irreversible changes to ecosystems and a consequent loss of biodiversity. It makes clear that it will also result in high costs for the EU's economy and negatively affect countries' ability to produce food. Furthermore, climate change may be a source of instability and insecurity. The recognition that climate change is a global challenge requiring a global response has led the Union to engage in the UNFCCC process, including the Paris Agreement signed under the Dutch EU Presidency in April 2016. The Green Deal Communication confirms that the EU remains committed to its implementation and that it will continue to engage with other countries and regions to achieve its goals.

**Promoting a circular economy is seen as key to tackle climate change**, which has been a driver to adopt an EU circular economy package in 2015 (European Commission, 2015a) and the new circular economy action plan in 2020 (European Commission, 2020a). The case is also made in the Green Deal Communication (European Commission 2019a), which puts forward that from 1970 to 2017, the annual global extraction of materials tripled and the increase continues, presenting a serious risk. It further specifies that approximately half of total greenhouse gas emissions and over 90% of biodiversity loss and water stress come from resource extraction and processing of materials, fuels and food. It notes that the EU's industry still accounts for 20% of the EU's greenhouse gas emissions and only 12% of the materials it uses come from recycling.

**At the same time, tackling climate change and moving towards a more circular EU economy is seen as a business opportunity**. The 2015 circular economy action plan and its 2017 implementation report argue that there is a strong business case behind the circular economy, which enables companies to make substantial economic gains and become more competitive (European Commission, 2015a & 2017a). The transition is seen as an opportunity to expand sustainable and job-intensive economic activity. This is based on the assumption that there is significant potential in global markets for low-emission technologies, sustainable products and services. The Green Deal Communication confirms this view and specifies that in 2016, sectors relevant to the circular economy already employed more than four million workers, which is a 6% increase compared to 2012. It points to the potential of further growth, servicing markets inside and outside the EU. A circular economy can also reduce the EU's dependency on primary raw materials, many of which are imported (European Commission, 2019a).

<sup>110</sup> Other EU foreign policy areas with a 'shared competence', such as climate diplomacy, are also relevant. However, it was not feasible to cover those in this study, due to budgetary and time constraints. This EU case study simply seeks to complement the country case studies in the area of EU trade and aid for trade.

Following from the above, the EU recognises the importance of integrating climate and circular economy in foreign policies, including trade. Policy documents (e.g. European Commission, 2019a) present primarily three mechanisms through which trade policy measures can make a difference for climate change and the circular economy transition:

- its trade policy measures, and given the size of the EU market, the EU can **set environmental standards that apply across global value chains**. This is particularly powerful, given the EU market size, and its integration in global value chains (Marx, Lein & Brando, 2016).
- trade policies can **help companies to seize circular economy growth opportunities internationally**.
- trade policy measures can **facilitate the supply of sustainable raw materials**, necessary for clean technologies, digital, space and defence applications.

Something that tends to be overlooked, as Kettunen et al. (2019) argue, is the extent to which domestic policies affect the international trade - climate/circular economy nexus. The **impact of domestic EU policies and targets for circularity - through international trade - on third countries is often ignored, although it is changing in some cases**. This can be illustrated through the example of EU waste recycling targets, which have contributed to increased export of waste to third countries in recent years. While this can present an economic opportunity for importing countries, it can and has led to negative impacts on the environment, workers and broader communities in certain lower income countries that lacked the infrastructure to properly process and recycle the quantities of imported waste. In this particular case, awareness in the EU is increasing, particularly as a result of China's ban on waste imports for recycling in 2017, followed by India's ban of imports of solid plastic waste in 2019, and similar plans in Thailand, Vietnam and Malaysia. Based on this and other examples, Kettunen et al stress that "the shift to a circular economy in the EU will not be sustainable by default: it will only be so if it reflects the implications both within and outside the EU". In this light, they urge the EU to better reflect this in the circular economy monitoring mechanism. Indeed, the new EU circular economy action plan (European Commission, 2020a) features measures to address waste exports from the EU, as explained in the following section.

*There is a firm recognition in EU policy documents that climate change is a global challenge that can have devastating effects, and requires a global response. Promoting a circular economy is seen as key to tackle climate change and avoid the depletion of natural resources. At the same time, tackling climate change and moving towards a more circular EU economy is seen as a business opportunity, inside and outside the EU. Hence, the EU recognises the importance of integrating climate and circular economy in foreign policies, including trade. Policy documents present primarily three mechanisms through which trade policy measures can make a difference for climate change and the circular economy transition: (i) through its trade policy measures, and given the size of the EU market, the EU can set environmental standards that apply across global value chains; (ii) trade policies can help companies to seize circular economy growth opportunities internationally (iii) trade policy measures can facilitate the supply of sustainable raw materials necessary for clean technologies. However, the impact of domestic EU policies and targets for circularity - through international trade - on third countries is often ignored.*

## 10.2. Policies

### What the overarching EU treaties say

Environmental protection and improvement are a core value that EU Member States have committed to. The Treaty on European Union (2012a) in its third article states that the union shall work for “a high level of protection and improvement of the quality of the environment” and that “[i]n its relations with the wider world, the Union...shall contribute to...the sustainable development of the Earth...[and] free and fair trade...”. Article 21 of the treaty further specifies that the union’s external action aims among other things to “help develop international measures to preserve and improve the quality of the environment and the sustainable management of global natural resources, in order to ensure sustainable development” and to “foster the sustainable economic, social and environmental development of developing countries, with the primary aim of eradicating poverty. So **while neither climate nor circular economy are mentioned in the EU treaties, efforts in these areas are part and parcel of the EU’s strong environmental commitments as enshrined in the treaties.**

### Climate and circular economy-related policies

In 2008, the EU adopted its first package of climate and energy measures, which sets targets for 2020. It included commitments to reduce greenhouse gas emissions by 20% as compared to 1990, increase the share of renewable energy to 20% and make a 20% improvement in energy efficiency. In 2014, the 2030 climate and energy framework were agreed, in which the EU raised its ambitions. It commits to cutting its greenhouse gas emissions by at least 40% by 2030, compared to 1990. It also commits to increase the share of renewable energy to 27% and improve energy efficiency by 27%. In 2018, these latter two targets were further increased to 32% and 32,5% respectively.<sup>111</sup> **To support the 2030 targets, the EU adopted the EU circular economy package in 2015.**<sup>112</sup>

**The 2015 EU circular economy package focuses on the internal (i.e. EU) market, but also covers external dimensions.** The package consisted of legislative proposals revising the waste framework directive, the landfill directive, the packaging directive and the directives on end-of-life vehicles, batteries and accumulators, as well as a circular economy action plan for the period 2015-2020 (European Commission, 2015a).<sup>113</sup> The plan recognises that the circular economy will need to develop globally and that increased policy coherence in internal and external EU action in this field will be mutually reinforcing and essential. It is indicated that the **global dimension of the circular economy and supply chains is prominent in areas such as sustainable sourcing, marine litter, food waste, and an increasingly globalised market for secondary raw materials. The action plan makes specific reference to trade**, stating that primary raw materials, including renewable materials, will continue to play an important role in production processes, even in a circular economy and that in this context, attention must be paid to the environmental and social impacts of their production, in both EU and non-EU countries. **Ways to promote the sustainable sourcing of raw material globally that are mentioned in the 2015 circular economy package are policy dialogues, partnerships, trade and development policy.** A specific reference is made to the EU’s ‘trade for all strategy’ that had been adopted two months earlier.

As mentioned earlier, a **new EU circular economy action plan** has been adopted in March 2020 (European Commission, 2020a). The plan prioritises seven sectors, namely electronics and ICT; batteries and vehicles;

<sup>111</sup> As part of the European Green Deal, the Commission aims to propose raising the 40% emission target to at least 50% and towards 55% in a responsible way (European Commission, 2019a).

<sup>112</sup> See <https://www.consilium.europa.eu/en/policies/climate-change/>.

<sup>113</sup> In March 2019, the Commission report on the implementation of the circular economy action plan concluded that three years after adoption it could be considered fully completed. According to the report, all 54 actions have been delivered or are being implemented.

packaging; plastics, textiles; construction and buildings' and food, water and nutrients. The action plan also incorporates external trade dimensions, in particular the commitment to ensure that **free trade agreements reflect the enhanced objectives of the circular economy**. Furthermore, it announced that **outreach activities will be stepped up, including through European Green Deal diplomacy and circular economy missions**. In the past, destinations of circular economy missions have included Chile and China in 2016, South Africa and Colombia in 2017, and Japan, Indonesia and India in 2018 (European Commission, 2019b). These missions can be interesting for companies based in the Netherlands or in other EU member states to participate in. As alluded to above, the new circular economy action plan also features **a commitment to ensure that the EU does not export its waste challenges to third countries**. This will be done through a review of the EU rules on waste shipments and actions on product design, quality and safety of secondary materials, to make "recycled in the EU" a benchmark for qualitative secondary materials.

More broadly, the **Green Deal** - which the new EU circular economy action plan is a key component of - should "support the transformation of the EU to a fair and prosperous society, with a modern, resource-efficient and competitive economy without net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use." Another core element of the Green Deal is the European Climate Law proposed by the European Commission in March 2020, which makes the 2050 climate neutrality objective a legal obligation (European Commission, 2020b). The Green Deal communication states that all EU actions and policies will have to contribute to the European Green Deal objectives and that this will require intense coordination to **exploit synergies across policy areas**. One of the policy areas that the Green Deal will use is '**international cooperation**'. More concretely in the area of trade, the EU confirms in the Green Deal communication that **it will work to facilitate trade in environmental goods and services in bilateral and multilateral forums, and in supporting open and attractive EU and global markets for sustainable products**. A trade-policy measure announced featuring in the Green Deal Communication that received a lot of attention is the **carbon border adjustment mechanism**. More specifically, the European Commission announced that it will propose such a mechanism for selected sectors, in case differences in levels of ambition worldwide to reduce carbon emissions persist.<sup>114</sup>

### Trade and aid for trade policies

**The EU has a long-standing policy commitment to sustainable development in its trade policies.** Throughout its history, EU trade policies not only have sought to promote economic interests, but have also increasingly been seen as a tool to promote a normative agenda of values and principles, with mixed results so far (Marx, Lein, Brando, 2016). This has been only strengthened with the Trade for all Strategy adopted in 2015, which reflects the ambition to **better link trade policy instruments with the aim of addressing labour rights and environmental protection** (European Commission, 2015b).

To do so, the Trade for All strategy states that the Commission will focus on the systematic inclusion and implementation of provisions on trade and sustainable development in **Free Trade Agreements**, with specific reference to "environmental protection, including the fight against climate change". The strategy makes no explicit reference to the circular economy concept. It is noted that trade agreements can facilitate access to energy and raw materials by setting rules on non-discrimination and transit, namely by tackling local content requirements, by encouraging energy efficiency and trade in renewables, and by ensuring state owned enterprises compete with other companies on a level playing field according to market principles. At the same time, the proviso is made that such provisions must respect countries sovereignty over their natural

<sup>114</sup> The Communication specifies that a possible carbon border adjustment mechanism would be designed to comply with World Trade Organization rules and other international obligations of the EU. It aims to reduce the risk of 'carbon leakage' resulting from a transferral of production from the EU to other countries with lower ambition for emission reduction, or because EU products are replaced by more carbon-intensive imports. It would do so by ensuring that the price of imports reflect more accurately their carbon content.

resources and must not prevent action to protect the environment, including the fight against climate change. The **Generalised System of Preferences (GSP)+** is mentioned as another mechanism, which is a scheme that grants preferential market access to vulnerable low and lower-middle income countries that implement 27 international conventions related to human rights, labour rights, protection of the environment and good governance. Furthermore, the trade strategy mentions the key role of the EU in taking forward negotiations for an environmental goods agreement with other WTO members. The strategy also points out that the Commission can assist trading partners through **development cooperation** to respect human rights and ensure environmental protection.

A window of opportunity for member states and other stakeholders seeking further greening of the EU's trade policy is the review of the EU trade policy, which has been launched in June 2020. It has been triggered by the COVID-19 pandemic and should result in a Commission communication by the end of 2020. One of the focus areas of the review is maximising the contribution of trade policy to addressing key global challenges such as climate change and sustainable development.<sup>115</sup>

In the area of development cooperation, such aid - at EU and EU Member State level - is guided by the EU joint Aid for Trade strategy. Aid for trade (AfT) is assistance provided to support partner countries' efforts to develop economic capacities and expand their trade as leverage for growth and poverty reduction. In response to the EU AfT initiative, the EU adopted its first joint Aid for Trade strategy in 2007 and adopted an updated version ten years later (European Commission, 2017b). It is called a 'joint' strategy, as it should guide not only EU-level AfT, but also AfT provided bilaterally by EU Member States. One of the fundamental innovations in the new as compared to the old strategy is a stronger focus on social and environmental sustainability. The 2017 strategy explicitly states that environmental sustainability will be at the heart of aid for trade, highlighting that the green and circular economy offer developing countries leapfrogging opportunities in trade, growth and employment and that it will enhance societal and ecological resilience. The strategy specifies that AfT will be used to help developing countries' transition to low carbon and climate change resilient economics.

This is in line with the new **European Consensus on Development** (Council of the European Union, 2017), which is the overarching strategy to guide the EU institutions and Member States' cooperation with developing countries. The consensus determines that in addition to dedicated actions, environmental considerations need to be integrated across all sectors of development cooperation, including through preventative action. As the 2017 AfT strategy, it explicitly mentions climate change and the circular economy concept. It notes that "the EU and its Member States will promote resource efficiency and sustainable consumption and production, including the sustainable management of chemicals and waste, with a view to decouple economic growth from environmental degradation and enable the transition to a circular economy". It also states that a responsible private sector and the systematic application of the 'polluter pays' principle will be critical to success. As regards climate change adaptation and mitigation, it specifies that the EU and its Member States will integrate environment and climate change, including by promoting a sound balance between mitigation and adaptation, throughout their development cooperation strategies. It will be delivered through different instruments and modalities. It also stresses the importance of ensuring coherence across policy areas for (sustainable) development, in line with the 2030 UN sustainable development agenda that it seeks to support.

**In short, at the policy level, climate and circular economy are increasingly integrated in the area of trade.** But to what extent and how is this operationalised? This will be discussed in the next section.

<sup>115</sup> The review process includes a public consultation to gather input from the European Parliament, member states, stakeholders and civil society, which runs until 15 September 2020. See for more information about the review: [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_1058](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1058)



*The EU is a global leader in the fight against climate change and increasingly in promoting a transition to a more circular economy, as illustrated by the Green Deal, the two consecutive EU circular economy action plans, and the proposed European climate law. Trade-related policies are part and parcel of this climate and circular economy agenda. To illustrate, the new circular economy action plan contains a commitment to ensure that free trade agreements reflect the enhanced objectives of the circular economy and to organize more circular economy missions. This is also reflected in trade policy documents such as the Trade for All strategy, which reveal an increasingly strong emphasis on using trade policies to promote sustainable development, including environmental protection. Relatedly, EU Aid for Trade seeks to assist partner countries to seize trade opportunities and ensure environmental protection. The overarching European Consensus on Development and the more specific EU joint Aid for Trade strategy both reveal a commitment to support partner countries to seize trade opportunities, while addressing climate change and promoting a circular economy transition.*

### 10.3. Operationalisation

This section zooms in on the unilateral Generalised Scheme of Preferences, Free Trade agreements and Aid for Trade.<sup>116</sup>

#### Generalised Scheme of Preferences

The EU offers unilateral tariff preferences to goods originating from developing countries. though its Generalised Scheme of Preferences (GSP). The first GSP scheme was introduced in 1971 and the current GSP scheme entered into force in Jan 2014 for a period of 10 years (European Union, 2012b). It consists of three arrangements that distinguish between countries on the basis of their development status, needs and commitments towards sustainability, while all three arrangements having certain social and environmental conditions. **Everything but Arms (EBA)** is a special arrangement for least developed countries, providing them with duty-free and quota-free access for all products except arms and ammunition. The **standard GSP** allows reduced custom duties on 66% of tariff lines. Both EBA and standard GSP preferential tariffs can be temporarily withdrawn in case of serious and systematic violations of principles laid down in 15 conventions. These are core human and labour rights UN/ILO Conventions, not environment related ones. As such, **the Standard GSP and EBA arrangements do not include environmental requirements.** The third GSP arrangement known as **GSP+** grants full removal of tariffs on around 66% of EU tariff lines. It is a special incentive arrangement for sustainable development and good governance. It requires the ratification of 27 conventions, namely the same 15 human and labour rights conventions that also apply to the EBA and standard GSP, topped up by **eight conventions related to the environment** and four to governance principles. The specific environmental conventions are listed in Box 20.

<sup>116</sup> The Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan in combination EU Timber Regulation seeks to ensure that only legally harvested timber is imported into the EU, and as such are also climate-related, but they are not further discussed.





### Box 20 Multilateral Environmental Agreements covered in the GSP+

1. Convention on International Trade in Endangered Species of Wild Fauna and Flora (1973)
2. Montreal Protocol on Substances that Deplete the Ozone Layer (1987)
3. Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (1989)
4. Convention on Biological Diversity (1992)
5. The United Nations Framework Convention on Climate Change (1992)
6. Cartagena Protocol on Biosafety (2000)
7. Stockholm Convention on persistent Organic Pollutants (2001)
8. Kyoto Protocol to the United Nations Framework Convention on Climate Change (1998)

The EU can withdraw GSP+ trade preferences in case of serious and systematic violation of principles laid down in the conventions. The Commission monitors and promotes the implementation of the conventions through an ongoing “GSP+ dialogue” with beneficiary countries and “scorecards” assessing each country’s compliance with the conventions. As such, the model is very much based on dialogue and engagement. Monitoring on the effective implementation of the conventions is not only based on input received from the beneficiary country governments, but also on input from the relevant UN monitoring bodies, the European Parliament, EU Delegations in the beneficiary countries, EU Member States and civil society organisations (European Commission, 2018a). A GSP+ monitoring cycle lasts two years, which may result in the commission initiating the procedure for temporary withdrawal of preferences. To date there has been one instance of temporary withdrawal of GSP+ preferences only, namely Sri Lanka.<sup>117</sup> El Salvador and Bolivia have been investigated in the past by the Commission for failure to implement all of the conventions, but neither investigation ended with a suspension of preferences.<sup>118</sup> The European Parliament, civil society organisations and experts have called on the Commission to further strengthen GSP monitoring and enforcement mechanisms and enhance their transparency.

The independent Mid Term Evaluation of the GSP (European Commission, 2018c), as well as European Commission in its GSP reporting conclude that **GSP+ has incentivised beneficiary countries to adhere to international conventions and reflect them in national legislation**. The Commission gives the example of Paraguay, where GSP has triggered the country to put in place national legislation aligned with the

<sup>117</sup> The temporary withdrawal of preferences was particularly based on the government’s treatment of Tamils during and following the civil war. The EU noted significant shortcomings in the country’s implementation of three UN human rights conventions. The withdrawal took effect in 2010 and ended in 2017 (European Commission, 2018b).

<sup>118</sup> There have been three other instances in the Standard GSP, of temporary withdrawal of preferences, namely Myanmar, Belarus and most recently Cambodia.

Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).<sup>119</sup> The Mid Term Evaluation presents the example of Tajikistan, which ratified CITES and the Basel Convention as part of its roadmap to move from the standard GSP to the GSP+ arrangement. As acknowledged in a resolution of the European Parliament (2019), **the GSP+ may promote labour rights, environmental protection and good governance not only by offering economic incentives, but also by establishing a platform for regular dialogue** in the areas covered by the conventions. Regardless of these positive examples like Paraguay and Tajikistan, the Mid Term Evaluation of the GSP (European Commission, 2018b) flags that it is **difficult to determine the environmental impacts of the GSP regulation** due to a lack of available data on environmental indicators as well as long-time lags in their availability.<sup>120</sup>

The Mid Term Evaluation (European Commission, 2018b) notes that **GSP+ beneficiaries are lagging behind with reporting on environmental conventions** as compared with the human rights and labour rights conventions. Relatedly, the European Commission states in its latest GSP monitoring report (2020) that **more focus on the environment in GSP+ monitoring could allow for a stronger impact**.

The current GSP Regulation will expire on 31 December 2023. The Commission has launched the preparations for the new regulation and public consultations will take place in 2020. The European Parliament, in its March 2019 resolution, has called for the **Paris Agreement to be added** to the list of 27 core international conventions that GSP+ beneficiary countries must comply with. It could also be considered to add the Paris Agreement to the 15 conventions of the EBA and standard GSP arrangements. The parliament also calls on the Commission, to explore the possibility of introducing additional tariff preferences for products that have demonstrably been produced sustainably. Such a possible approach of tariff differentiation by the EU (in GSP and/or bilateral trade agreements) or others is increasingly analysed and discussed in academic and policy circles, especially since the standstill of the WTO negotiations on an environmental goods agreement (e.g. Ashraf & van Seters, 2019; Marx, 2018; van Asselt, 2019). More generally, the European Parliament recommends the future regulation to place more emphasis on improving environmental standards.

**Ambitions to fully deliver and further step up the integration of environmental matters in the GSP will need to match capacities in the European Commission to monitor and follow up on this.** The interviews indicate that this is a serious constraint, as capacities are currently limited, with for example only one person in DG TRADE and one person in DG CLIMA engaging specifically on the climate - trade nexus. Capacities in the European Commission would need to be strengthened, not only to match strong sustainability commitments in the GSP, but also bilateral trade agreements, which will be discussed now. **In this light, then Netherlands and other EU member states could argue in Brussels for strengthening the European Commission's capacities in this area.**

<sup>119</sup> See: <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1783>.

<sup>120</sup> Based on the evidence available, "it cannot be confirmed that the GSP+ entry mechanism, monitoring mechanism and withdrawal procedure have increased pressure to actually implement relevant environmental conventions, resulting in the expected positive outcomes for the environment in GSP+ beneficiary countries." The evaluation states that the GSP scheme has contributed to both positive and negative environmental developments in beneficiary countries and impacts differ per country. While the increased exports and resulting economic growth could contribute to sustainable development, the evaluation notes that the impact will only be positive if the beneficiary countries have and implement policies that counter potentially detrimental effects of increased economic activity on the environment.

## Free Trade Agreements

The EU's trade policy approach is guided by multilateralism and the leading role of the WTO, but with multilateral progress being slow, the EU also began negotiating bilateral agreements in the 1990s (Droge & Schenuit, 2018). This has resulted in many agreements, across all continents (European Commission, 2017b).<sup>121</sup>

**Similar to the GSP, the EU is regarded as a frontrunner, when it comes to the integration of environmental, as well as labour and human rights standards in its trade agreements** (e.g. Bjerkem, 2019). Since 1995, EU bilateral and regional trade agreements have included human rights clauses. Since the EU - South Korea FTA that entered into force in 2011, a separate 'Trade and Sustainable Development (TSD) chapter that includes social and environment-related provisions is a standard component of all trade agreements involving the EU (Harrison et al., 2019).

Specific provisions of TSD chapters differ between agreements, as a result of the negotiation process, but some core elements are recurrent in recent years. Such elements include commitment of the Parties to Multilateral Environmental Agreements, such as the UN Framework Convention on Climate Change - UNFCCC, promotion of sustainable forest management; sustainable management of fish stock, and cooperation on liberalisation of environmental goods and services (European Parliament, 2019b; Kettunen et al., 2019). It also covers commitments not to lower existing national levels of environmental protection and to cooperate in international environmental forums. **The explicit mention of the Paris Agreement was introduced as of 2018**, starting with the EU- Japan Economic Partnership Agreement (EPA), stating that the signatories are parties to the Paris Agreement and follow up on its implementation. (Droge & Schenuit, 2018). The Green Deal Communication (European Commission, 2019a) states that the **Commission will propose to make the respect of the Paris agreement an essential element for all future comprehensive trade agreements**. For now, **the concept of circular economy is not a regular feature of trade agreements signed by the EU, but circular economy-relevant features are increasingly integrated**. For example, the EU - Canada Comprehensive Economic and Trade Agreement (CETA) and the EU - Vietnam Trade Agreement explicitly mention sustainable production and/or consumption. **The agreement in principle with Mexico and the initial text proposals of the EU for the negotiations with New Zealand do explicitly mention circular economy**, calling on parties to promote it as part of their cooperation on trade-related aspects of environmental policies and measures. This illustrates that the EU approach evolves, with each negotiation the wording of environment-related provisions tends to be more encompassing.

Civil society organisations and experts have pointed out that **the sustainability provisions, including those related to climate and the circular economy can be made more precise and more committing**, rather than aspirational (e.g. Croquet, 2015). An example could be a clear commitment related to fossil fuel subsidies, particularly their phasing out. The Green Deal Communication (European Commission, 2019a) can be a first tentative step in this direction, as it states that the EU may engage with third countries on ending fossil fuel subsidies. As the European Commission has to act in line with the negotiating directives it gets from EU Member States through the Council, this can be something for Member States to propose for future negotiating directives.

**Clear commitments can facilitate monitoring and implementation, but so does the monitoring and enforcement mechanism**. Under all EU FTAs since the EU - South Korea agreement that entered into force in 2011, the TSD chapter has a specific monitoring mechanism, which is guided by a dialogue and consultation approach, through a Committee on Trade and Sustainable Development and civil society

<sup>121</sup> For a full overview of agreements fully in place, partly in place, pending, being updated and being negotiated, see: <https://ec.europa.eu/trade/policy/countries-and-regions/negotiations-and-agreements/>.

structures called Domestic Advisory Groups (DAGs) and Joint Civil Society Forums (JCSFs). A number of studies have identified serious issues with the functioning of the DAGs and JCSF, such as their lack of resources, their representativeness and unclarity as to how governments are supposed to deal with their inputs (e.g. Harrison et al., 2019; Marx et al., 2016; Orbie et al., 2016). The dispute mechanism related to the TSD chapter is also criticised. The TSD chapter is exempt from the general dispute settlement mechanism that applies to all the other provisions. Instead, it consists of government consultations, followed possibly by discussions in the context of the Committee on Trade and Sustainable Development and the independent advice of a panel of experts.<sup>122</sup> The advice is non-binding, so **a TSD-related dispute does not explicitly provide the right to any of the parties to suspend the trade preferences against the other.**<sup>123</sup> While remaining committed to this consultative mechanism, in reaction to strong calls from stakeholders to more assertively enforce commitments under the TSD chapter, **the European Commission has committed to steps to enhance enforcement** (European Commission, 2018c).<sup>124</sup> Ursula von der Leyen announced in her political guidelines for the new Commission that **a ‘Chief Trade Enforcement Officer will be appointed, to further enhance such efforts (European commission, 2019a)**, and for which the recruitment is ongoing at the time of writing of this report. The governments of the Netherlands and France have welcomed the announcement of this position, to contribute to improving the effective implementation of TSD chapters. **To facilitate the officer’s work, they propose a more streamlined EU notification mechanism to respond to possible breaches of TSD-commitment** (Ministry for Europe and Foreign Affairs France and Ministry for Foreign Affairs the Netherlands, 2020).<sup>125</sup>

**Importantly, provisions relevant for climate and circular economy don’t need to be and are not restricted to TSD chapters.** This applies for example to the Energy and Raw Materials chapter proposed by the European Commission in the context of the ongoing EU - New Zealand FTA negotiations, which includes an article in which the parties make commitments related to environmental impact assessments. Another example related to the same negotiations, is the proposed chapter on Public Procurement, which would allow the parties to take into account environmental and social considerations, provided they are non-discriminatory.<sup>126</sup> In a similar vein, Kettunen et al. (2019) note that some agreements explicitly cover trade related to specific economic sectors and **recommend integrating circularity aspects to sector-specific principles and regulatory actions**, thus mainstreaming the circular economy also at a sector level and beyond the environmental considerations in a TSD chapter.

<sup>122</sup> The TSD dispute mechanism is being tested in the context of the EU-Korea FTA on the topic of workers’ rights. At the request of the EU, formal government consultations took place in January 2019 and a panel of experts was established in December 2019. See: <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2095>.

<sup>123</sup> Even though a suspension of trade preferences is not explicitly mentioned in the text related to the TSD dispute settlement mechanism, it should be noted that there is some disagreement among experts whether a party could still unilaterally suspend trade preferences when the other party does not comply with labour and environmental obligations. See for example the Op-ed *‘Could the EU’s Chief Trade Enforcement Officer enforce sustainable development commitments under EU trade agreements against non-compliant third countries’* by Ann-Evelyn Luyten and Jin Woo Kim on EU Law Live.

<sup>124</sup> The Commission commits to be more assertive in making full use of the existing range of tools and mechanisms available. They specify a combination of actions, namely: to step up actions in the monitoring phase; to enable the civil society including the Social Partners to perform its monitoring functions on TSD; to resort swiftly to the panel proceeding where warranted; and to ensure the proper implementation of recommendations of panel reports, in liaison with the civil society bodies (European Commission, 2018c).

<sup>125</sup> Another proposal of the governments of the Netherlands and France to strengthen the effective implementation of TSD chapters, is for parties to introduce, where relevant, staged implementation of tariff reduction linked to the effective implementation of TSD provisions. They specify that the parties should clarify what conditions countries are expected to meet for these reductions. They also state that it should include the possibility of withdrawal of those specific tariff lines in the event of a breach of those provisions (Ministry for Europe and Foreign Affairs France and Ministry for Foreign Affairs the Netherlands, 2020).

<sup>126</sup> The initial text proposals tabled by the EU side for the EU-New Zealand Trade Agreement negotiations can be found here: <https://trade.ec.europa.eu/doclib/press/index.cfm?id=1867>.

**All negotiations on EU trade agreements are informed by Sustainability Impact Assessments (SIAs), which have been systematically conducted since 1999.** This is part of the European Commission's commitment to carry out impact assessments on all EU legislative and non-legislative initiatives expected to have significant economic, social or environmental impacts. An assessment of likely environmental impacts of the trade agreement is a key feature of all SIAs. The second handbook on SIAs (2016) prescribes including an assessment of possible contributions of the agreement to greening the economy, to resource efficiency objectives, and to promoting sustainable consumption and production. Kettunen et al. (2019) reviewed all published SIAs since 2016 and concluded that **possible impacts on resource use and efficiency as well as waste management are indeed common indicators in all these SIAs.** The Dutch and French government have recently underscored the importance of SIAs and have called on the European Commission to further improve them. They recommend more detailed sector- and region-specific impact analysis and adapted timing, to make them available before the conclusion of the negotiations and an updated version once the outcomes of the negotiations get clearer (Ministry for Europe and Foreign Affairs France and Ministry for Foreign Affairs the Netherlands, 2020).

In the Trade for All strategy, the Commission commits to also report annually on the implementation of the most significant FTAs and give more **in-depth analysis ex-post** of the effectiveness of EU trade agreements. A recent example of such an ex-post analysis relates to the EU - South Korea agreement, which through modelling estimated the impact of trade growth and trade diversion on emissions, and concluded that emissions overall decreased as a result of the agreement (European Commission, 2018d). **Approaches to ex-post evaluations of the implementation of FTAs could be further developed and used** (Interviews, 2020).

## Aid for Trade

European Heads of State and Government have decided on a minimum 20% climate-spending target of the EU 2014-2020 budget. This target also applies to the development cooperation budget, which includes Aid for Trade.<sup>127</sup> It may be increased in the next EU budget covering the period 2021 - 2027. The European Investment Bank (EIB) already has a more ambitious target for climate-related spending for developing countries of 35% of lending by 2020, from about 25% in 2015 (OECD DAC, 2018c)

The EU has been undertaking mainstreaming for over a decade and according to an OECD DAC peer learning on mainstreaming environment has shown improving progress (OECD DAC, 2018c). The 2019 EU AfT progress report includes several concrete examples of how the EU strategy relates to climate and circular economy objectives. Examples include SMART Myanmar<sup>128</sup>, which promotes sustainable consumption and production of garments, as regards labour rights and environmental standards. An example on the African continent is the SWITCH-Africa Green project, which covers six countries and also seeks to contribute to more sustainable consumption and production, including by supporting local eco-entrepreneurs to start up and develop green business ventures.<sup>129</sup> While one of the objectives of the SWITCH project is to support African companies to identify opportunities for domestic and export markets for sustainably produced goods and services, it does not explicitly strive towards including African circular economy businesses in a European circular economy system. Beyond specific geographical instruments, the European Instrument for Democracy and Human Rights includes dedicated support to empower civil society actors to contribute to the monitoring and effective implementation of the 27 GSP+ conventions by beneficiary countries.<sup>130</sup>

<sup>127</sup> [https://ec.europa.eu/clima/policies/international/paris\\_protocol/finance\\_en](https://ec.europa.eu/clima/policies/international/paris_protocol/finance_en).

<sup>128</sup> For more information on SMART Myanmar, see: <https://www.smartmyanmar.org/en>.

<sup>129</sup> For more information on SWITCH Africa Green, see: <https://www.switchafricagreen.org/index.php?lang=en>.

<sup>130</sup> [https://ec.europa.eu/commission/presscorner/detail/en/MEMO\\_18\\_350](https://ec.europa.eu/commission/presscorner/detail/en/MEMO_18_350).



However, despite the focus on cooperative activities in the text of the TSD chapters, synergies between the trade agreements and development cooperation can be further enhanced. More generally, climate and circular economy could be better mainstreamed in development cooperation. The OECD DAC concluded in its environmental peer review that one-third of DEVCO projects are assessed as having ‘poor quality mainstreaming’ (OECD DAC, 2018c). In the context of the peer review, the Commission recognised that the quality of environmental mainstreaming by DEVCO varies, depending on the sector. **Agricultural, rural development, water and energy projects reportedly provide strong evidence of mainstreaming. Less successful mainstreaming emerges from an analysis of action documents of projects related to private sector development and infrastructure and transport.** The Commission argues that government and business in such ‘harder’ sectors have resisted environmental arguments and investments more to date (European Commission, 2018e). It stresses that safeguards such as environmental impact assessments are in place, but positive opportunities e.g. to promote ‘ecological infrastructure’ are less commonly exploited.

*The EU is considered to be at the forefront when it comes to the integration of environmental, labour and human rights standards in its trade instruments, although it has its weaknesses and areas for further strengthening have been identified by EU institutions and other stakeholders. An important tool is the GSP+ that provides preferential access to goods originating from developing countries that have ratified eight conventions related to the environment and 19 other international conventions. The GSP scheme expires in December 2023 and the process to develop its follow-up has been launched. This is a window of opportunity to further strengthen the integration of climate and circular economy, for example by adding the Paris Agreement to the list of conventions of the GSP+ and possibly also to the list of 15 conventions of the standards GSP and EBA arrangements.*

*As regards trade agreements, since 2011, all trade agreements the EU concludes have a Trade and Sustainable Development chapter. With each negotiation the wording of environment-related provisions tends to be more encompassing, with for example an explicit reference to the Paris Agreement introduced as of 2018 and circular economy-relevant features increasingly integrated. Moving forward, sustainability provisions, including those related to climate and circular economy can be made more precise and more committing, rather than aspirational, and the effective implementation of TSD chapter merits to be improved, as the European Commission itself has recognised.*

*Furthermore, despite examples of relevant climate and circular-economy related Aid for Trade provided by the EU, synergies between the GSP scheme/trade agreements and Aid for Trade can be further enhanced.*

#### 10.4. Institutional mechanisms

**There is high level political leadership on climate and circular economy.** It is part of the portfolio of first Vice-President Timmermans, made responsible for the European Green Deal. In line with the EU’s policy commitments, the mission letter of Trade Commissioner Phil Hogan tasks him explicitly to use the EU’s trade tools to support sustainable development. He is expected to work with the (to-be-nominated) Chief Enforcement Officer, to closely monitor the implementation of climate, environmental and labour protections enshrined in EU trade agreements (von der Leyen, 2019).

As noted earlier, **ambitions to fully deliver and further step up the integration of environmental matters in the GSP will need to match capacities in the European Commission** to monitor and follow up on this. The interviews indicate that this is a serious constraint, as capacities are currently limited. It will require not only technical experts to engage on climate/circular economy - trade nexus, but also a further awareness



raising and training of a broader group of commission officials on this nexus, as well as strong coordination among directorates generals and their staff.

As regards Aid for Trade, and development cooperation more broadly, the OECD DAC (2018c) notes that capacities, tools and incentives for environmental mainstreaming have been strengthened. A strong example is the updating of the **Guidelines on the Integration of Environment and Climate into EU International Cooperation** in 2016. Another is the '**Environment and Climate Mainstreaming Facility**'. This is an **externally provided, but internally housed facility** that DEVCO staff can call on. It has provided support to assess programming and action documents particularly in the identification and formulation stages of projects. The OECD DAC peer review also concludes that clear **climate and environment-related targets**, such as the 20% climate spending and the target of doubling biodiversity spending from EU aid have put mainstreaming high on the operational agenda. This has according to the peer review **incentivised both specialist environment and other staff** to treat them seriously. For improvement, the peer review notes that DEVCO has quite a limited staff for mainstreaming, and training for non-environment staff on environment-related matters can be improved.

*There is high level political leadership on climate and circular economy and their integration in trade policies. Capacities in the European Commission to deliver on these high ambitions in the area of trade are currently limited and will need to be strengthened.*

*Capacities, tools and incentives for environmental mainstreaming in Aid for Trade, and development cooperation more generally, have been enhanced in recent years, for example through the externally provided and internally housed Environment and Climate Mainstreaming Facility. Furthermore, clear climate and environment-related targets such as the 20% climate spending have incentivised both specialist environment and other staff. Staff training on environment-related matters, including pertaining to the circular economy, merits to be improved.*

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## Annex 1: List of interviewees

No	Name, Title	Organisation
<i>Finland</i>		
1	Malena Sell, Senior specialist, Circular Economy	Sitra the Finnish Innovation Fund
2	Taru Savolainen, Special Adviser to the Minister of the Environment	Ministry of the Environment
3	Helena Arlander, Deputy CEO	Finnish Fund for Industrial Cooperation Ltd. (Finnfund)
<i>France</i>		
4	Lola Vallejo, Climate programme director	IDDR
5	Sylvain Chevassus, Policy Officer	Ministry for Ecological and Inclusive Transition
6	Nastassja Hoffet, Policy Officer Climate Policy & Energy	Ministry for Europe and Foreign Affairs
<i>Germany</i>		
7	Susanne Dröge, Senior Fellow, Global Issues Division	German Institute for International and Security Affairs
8	Michael Funcke-Bartz, Senior Advisor, Section Environment, Division 4D00 – Climate Change, Rural Development, Infrastructure	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
9	Michael Hackethal, Head of Division IIA1 General issues of international energy cooperation, multilateral energy cooperation	Federal Ministry for Economic Affairs and Energy (BMWi)
10	Stephan Contius, Commissioner for the 2030 Agenda for Sustainable Development, Head of the Division for United Nations, Developing Countries and Emerging Economies	Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMUB)
11	Achim Schkade, Head of Division, Division 404 – Climate and Environment Foreign Policy	German Federal Foreign Office

<i>Netherlands</i>		
12	Marcel Beukeboom, Climate Envoy	Ministry of Economic Affairs and Climate Policy
13	Carmen Hagens, Deputy Director Inclusive Green Growth	Ministry of Foreign Affairs
14	Martine Rutten, Senior Policy Advisor	Ministry of Foreign Affairs
<i>Sweden</i>		
15	Ulrika Åkesson, Lead Policy Specialist - Environment and Climate Change INTEM/TEMA	SIDA
16	Mattias Frumerie, Director, Global agenda department, Climate group	Ministry of Foreign Affairs
17	Mattias Broman, Deputy Director Department Global Agenda	Ministry of Foreign Affairs
18	Kevin Adams, Research Fellow	Stockholm Environment Institute (SEI)
19	Ingela Winter-Norberg, Senior Policy Specialist Migration and Development	SIDA
20	Charlotta Tideman, Deputy Director - Department for International Trade Policy	Ministry of Foreign Affairs
<i>Switzerland</i>		
21	Janine Kuriger, Head Global Programme Climate Change and Environment Division	SDC
22	Elisabeth Bürgi, Senior Lecturer in Sustainable Development and Law; Senior Researcher and Policy Advisor PCSD	University of Bern, Centre for Development and Environment (CDE)
<i>European Union</i>		
23	Daniel Waterschoot, Policy Officer, climate policy integration and strategy	European Commission, DG CLIMA
24	Axel Marx, Deputy Director Leuven Centre for Global Governance Studies	Centre for Global Governance Studies, KU Leuven

## Annex 2: Research questions, judgement criteria and indicators

<b>Q1 BACKGROUND FACTORS:</b> Through what <b>rationales, assumptions and motives</b> are climate change (CC) and circular economy (CE) integrated in foreign policies?	
JQ 1.1 <b>Arguments</b> provided for the integration of CC/CE in foreign policy areas and <b>underlying assumptions</b>	for instance possibly indicated by: <ul style="list-style-type: none"> <li>the level of understanding of the current and future climate vulnerabilities and the negative impacts of current and future economic organisation and the benefits of a CE</li> </ul>
JQ 1.2 <b>Main actors</b> driving or blocking the integration of CC/CE in foreign policy areas	for instance possibly indicated by: <ul style="list-style-type: none"> <li>references in policy documents and/or the media to specific actors having been a driving/blocking force</li> </ul>
<b>Q2 POLICIES: Which climate and circular economy objectives are integrated in foreign policies and how</b> , including in terms of thematic choices and priorities?	
JC 2.1. Ways in which external dimensions (i.e. dimensions that go beyond national borders) are integrated in <b>CC/CE policies</b>	for instance possibly indicated by: <ul style="list-style-type: none"> <li>references to other countries/regions and to (measures related to) foreign policy areas;</li> <li>the existence of a legal framework that supports climate action/CC and includes external dimensions</li> </ul>
JC 2.2 Ways in which CC/CE feature in <b>foreign policies</b>	for instance possibly indicated by: <ul style="list-style-type: none"> <li>references to CC/CE or aspects thereof, including thematic priorities, global/EU CC/CE commitments</li> <li>consideration of CC/CE in geographical focus</li> <li>the balance between climate mitigation and adaptation</li> <li>commitment to include CC/CE references in bilateral agreements (trade, investment, migration)</li> </ul>

<b>Q3 OPERATIONALISATION: What <b>intervention strategies/approaches/instruments</b> are used to operationalise this integration and with which type of partners?</b>	
JC 3.1 CC/CE-related <b>funding</b> within the budget of foreign affairs	<p>for instance possibly indicated by:</p> <ul style="list-style-type: none"> <li>• a separate budget line for CC/CE within the budget of foreign affairs</li> <li>• a commitment to a minimum share of CC/CE-related spending of Official Development Assistance or the foreign affairs budget more generally</li> <li>• actual level of climate-related funding within the foreign affairs budget (probably not feasible to get information on CE-related funding)</li> </ul>
JC 3.2 <b>Principal CC/CE-related programmes/projects/initiatives</b> in foreign policy areas	<p>for instance possibly indicated by:</p> <ul style="list-style-type: none"> <li>• types of activities</li> <li>• types of partnerships (e.g. with civil society, the private sector, international organisations, governments of low income countries etc.)</li> <li>• integration of CC/CE perspective in economic diplomacy efforts (e.g. trade missions), in political/policy dialogue</li> </ul>
JC 3.3 CC/CE-sensitive <b>ex-ante analysis and M&amp;E system (i.e. ex-post)</b> in place for evidence-based decision-making on CC/CE in foreign policies	<p>for instance possibly indicated by:</p> <ul style="list-style-type: none"> <li>• use made of and shape of ex-ante or ex-post CC/CE impact assessments within foreign affairs policies/activities (including information on the type of policy measures that require an impact assessment and depth of the assessment)</li> <li>• requirements for reporting on CC/CE related foreign policy actions</li> <li>• use made of CC/CE-sensitive indicators</li> </ul>

<b>Q4 GOVERNANCE: What <b>institutional mechanisms</b> affect the ability to effectively integrate climate and circular economy in foreign policy (e.g. coordination mechanisms; division of responsibilities etc)?</b>	
JC 4.1 <b>Staff are tasked, incentivised and capacitated</b> to integrate CC/CE in foreign policies	<p>for instance possibly indicated by:</p> <ul style="list-style-type: none"> <li>• CC/CE feature in foreign policy staff job descriptions and/or performance assessment (incl possible differences between junior, middle and senior management)?</li> <li>• capacity building tools in place, such as awareness raising, training and/or operational guidance on CC/CE in foreign policy areas</li> <li>• dedicated technical expertise (incl. specialised staff) in place to provide support to foreign policy staff</li> </ul>



<p>JC 4.2 <b>Coordination mechanisms</b> to support the integration of CC/CE in foreign policy making</p>	<p>for instance possibly indicated by:</p> <ul style="list-style-type: none"> <li>• existence, setup and frequency of cross-government dialogue on CC/CE (e.g. working group)</li> <li>• “sector champion(s)” promote “policy coherence for CC/CE”</li> <li>• existence, setup and frequency of a consensus-building mechanism that allows for wider stakeholder involvement (e.g. involvement of civil society/NGOs/private sector, etc?)</li> <li>• clarity on who is responsible for adjudicating on trade-offs</li> </ul>
<p>JC 4.3 <b>Accountability requirements</b> to an independent authority are clear</p>	<p>for instance possibly indicated by:</p> <ul style="list-style-type: none"> <li>• Requirement to report to Parliament on policy coherence established between foreign policies and CC/CE policies</li> </ul>

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In addition to structural support by ECDPM's institutional partners: The Netherlands, Belgium, Estonia, Finland, Ireland, Luxembourg, Sweden, Switzerland (SDC), Denmark and Austria, this publication mainly benefits from funding by PBL Netherlands Environmental Assessment Agency.



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SSN1571-7577

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