Incheon Communique (07/03/21)

Sustainable Development Transformation Forum, 2020-21

We, the participants in the 2020-21 Sustainable Development Transformation Forum co-organised by the United Nations Office for Sustainable Development in Incheon, Republic of Korea, with the Asia Europe Foundation (ASEF) and broadcast virtually world-wide, having met during the week of 22-26 February 2021 to reflect on the topic of "Building Back Better and Greener: Sustainable, Low-Carbon Industrialisation", issue this Incheon Communique to share our policy-relevant conclusions with the international community, national governments and other stakeholders.

Crises can also offer opportunities. As countries invest in recovery and re-energizing their economies in a post-COVID-19 world, they have an opportunity to re-evaluate their pre-pandemic development trajectories. Global decarbonisation by 2050 will require all countries to wean themselves off fossil-fuel dependency. Reorientation is needed in developed and emerging economies but also in those newly embarking upon sustained industrial development.

Countries with large young populations need robust job creation, including promotion of relatively labour-intensive manufacturing. Late industrialisers may still capture investments from countries with fast-rising incomes – notably in Asia, including China – that are relocating labour-intensive industries away from their own shores. Governments seeking such investments need to be proactive. Experimentation can help. Ethiopia, for example, has set up industrial parks for both foreign and domestic investors that are easily replicable.

Jumpstarting industrial development is complex and difficult; adding *low-carbon* to the mix compounds the problem and no country has yet succeeded in decarbonising their industrial economies. Some progress has been made in developed countries, in part by sourcing carbon-intensive goods from emerging economies, and in developing countries.

The challenges are particularly great for the most carbon-intensive global industries, like steel and cement and concrete manufacture. Various routes to reducing the carbon intensity of cement have been successfully pursued by industry leaders in the past 30 years, and innovations are continuing. The challenge ahead will be to build millions of adequate, safe and affordable housing units for low-income households in the developing world, using materials made with low- or zero-carbon processes.

Sustainable, low-carbon industrialisation requires forward-looking and adaptive governance based on medium- and long-term planning. Governance models must emphasise more broad-based consultative mechanisms and less hierarchy, especially to build political consensus for hard decisions needed to move towards decarbonised economies and industries.

Substantially increased investments must be mobilised if the SDGs are to be achieved globally, but the financing gap has significantly increased with the COVID-19 pandemic.

Adequate investments cannot be mobilised without tapping the enormous pools of capital controlled by institutional investors. Multilateral financial institutions (MFIs) need to strengthen their capacity to add value for these investors by assisting them in assessing risk in new sectors and geographies, and helping relieve bottlenecks to investing in borderline regions and sectors. Jointly capitalised investment funds are needed where those investors not only provide capital with MFIs but also have a major stake in governance, within well-defined mandates.

Partnerships are a highly flexible vehicle for bringing together key stakeholders to tackle specific sustainable development challenges. They can mobilise varied types of resources and expertise, for example linking institutional investors with MFIs as conduits for financing of strategic investment funds, green banks and other downstream actors in developing countries. An inventory of existing partnerships and identification of key missing partnerships would be valuable in constructing a balanced SDG-targeted partnership portfolio in each country.[1]

Financing is not scarce globally, but it is not available where it is most needed to achieve the SDGs, nor is it well adapted to the needs of innovative, smaller-scale enterprises in developing countries. Public-private venture funds and other forms of blended finance can help to mobilise capital for innovative start-ups.

Government and international development partners have been experimenting with results-based financing. Such financing, which includes prizes-for-results initiatives, has been used to support agricultural innovations but the principle has broader applicability. Results-based financing is gaining traction in financial markets in the form of social impact bonds, which offer a return to investors only when pre-defined performance benchmarks are achieved.

Beyond financing, **strategic planning and policies will be crucial to fostering sustainable industrialisation**, based on realistic assessments of dynamic comparative advantage in relation to emerging opportunities, and avenues for value addition, including in the agricultural sector.

Focused policy support is needed where it is most likely to have multiplier effects and leverage private investment and innovation. This may be in pre-commercial R&D, government-supported incubators and industrial parks, and the provision of standards and testing laboratory services for local products to meet international quality and reliability standards. Critical infrastructure (transport, energy, storage) enables producers – both industry and farmers – to access markets and capitalise on innovation.

Sustainable industrial transformation will require a broad range of skills beyond the "obvious" ones. Skills in business, commerce and law are critical, as is IT training. Innovators

[1] UN DESA has recently developed a guidebook to help develop successful multi-stakeholder partnerships to deliver the Sustainable Development Goals at country level, which could be found at: https://sustainabledevelopment.un.org/content/documents/2698SDG_Partnership_Guidebook_1.01_web.pdf

need to know their intellectual property rights are protected and that they can bring a product to market.

The African Continental Free Trade Agreement (AfCFTA) would shift the balance away from reliance on trade preferences in OECD markets towards greater intra-regional trade, which is likely to be more diversified, with a higher share of intra-industry trade.

The transformation of the world economy towards zero net carbon will be minerals-intensive, and countries endowed with those minerals stand to derive significant benefits. However, they need to work with extraction companies to minimise and mitigate environmental damage. Mining operations have been moving towards labour-saving technologies, accelerated by the COVID-19 pandemic, which raises employment and livelihood concerns. The revenues from mining need to be used to secure the future well-being of the dependent communities when mining ends.

Agriculture, a dominant sector in low-income countries, **needs to be kept productive and to adapt to climate change, while identifying opportunities to add value for farming and agro-industries**. Niche products utilising the international geographic identifier system to facilitate sale at a market premium, and establishing a reputation for “green agriculture” can help.

Globally, progress towards adoption of circular economy principles is accelerating, albeit from a small base. The concept is a means, a set of tools to help countries move towards inclusive and sustainable economies that offer a high quality of life. **Scaling circular methods in developing countries offers the prospect of increasing economic return to waste-recovery jobs** which currently offer many informal sector workers a ‘hand-to-mouth’ existence.

Circular economy efforts remain piecemeal and disconnected, instead of creating momentum across different stages in the production-consumption system. **Plastic waste management often focuses on collecting, recycling and reusing plastic waste, but much remains to be done to develop good new substitutes.** Continued fossil fuel subsidies in many countries complicate efforts to reduce reliance on petroleum and natural gas as feedstocks. Bioplastics are still under development but hold promise as substitutes (Korea is actively pursuing research in this area).

The deep and fascinating **presentations** made to the 2020/2021 Sustainable Development Transformation Forum **provided inspiration for policy makers and implementers to adopt evidence-based pathways towards low-carbon, green and adaptive industrialisation.** While many challenges are clearly visible and hurdles will need to be overcome, the Forum shed several rays of light on ways forward into a more sustainable and rational industrial future.