

briefing From our director

MAY 2012



IIED director Camilla Toulmin considers how action at Rio+20 and beyond can help deliver a fair, sustainable planet for the future.

Policy pointers

- Current models of economic activity are fuelling a triple crisis marked by widespread environmental stress and change, huge inequality between people and nations, and a costly bust in financial markets.
- built on evidence, action and influence in partnership with others, is of a fair, sustainable world where countries and communities recognise and respect planetary limits, where resources are more equitably shared, where the wealthiest consume less and we all 'consume smart'.
- We see three key areas where focused action can help turn the vision into reality: localising development, investing in resilience and using metrics that provide a realistic valuation of scarce resources.

A three-point action plan for a fair, sustainable world

We live in an era of unprecedented wealth and extraordinary technical prowess, ever more connected across the globe through a web of economic, environmental and communication links. Yet extremes of wealth and life chances within and between nations are greater than ever. For every advance in material wealth, its converse is plain to see in extremes of hunger and impoverishment alongside obesity and overconsumption. The costs of the financial crash four years ago show how the pursuit of individual greed can wreak havoc on broader society. We have access to more evidence and information than ever before which show the risks we are running to environmental and social stability. Yet the will to act on our knowledge and understanding of these risks is sapped by inertia, shortsightedness and interests lobbying to keep things as they are. Rio+20 in June offers a vitally needed arena to urge a change in direction and gear our economic model to generate fair shares, within a stable and resilient planet.

Beyond statistics

Danica May Camacho from the Philippines is too young to talk but she is already famous because she was born on 30 October 2011, the day the world population reached seven billion. Ahead of all of the special babies born that day, the UN picked her to be the soul whose arrival tipped the scales, a symbol for us all. By the time she turns twenty, the world will have changed again in many ways. Will it be the fair, green and secure world that so many of us desire? Will it be the ecological nightmare that doomsayers sell? Or will it take us further down the dysfunctional path we're travelling now — where the rich grow richer while the poor scrabble over a diminishing share of natural resources? Will it be the future we want, or the future we get by default, because no-one has the courage to think and act for the longer term? After 40 years of research in this field, IIED presents a three-point action plan for ensuring that the world in store for Danica is one worth growing up in.

The future matters to us all but we don't always act as though it does. Our universal desires usually boil down

to a simple recipe of health, security and freedom to enjoy our lives without doing harm to others. In June, when world leaders gather in Rio de Janeiro, Brazil, to mark the 20th anniversary of the Earth Summit, the decisions that they take could play a big part in deciding Danica's future — and all of our tomorrows. It is a chance to reflect on what we have achieved, consider where we go from here, and to work with allies to reset the course for our future.

A cursory look at the past 20 years paints a rosy picture, in which income and prosperity have never been higher. The global economy has nearly doubled and average income per head is up by 40 per cent. An estimated 455 million people have moved out of poverty, with growth most marked in Brazil, China and India. And remarkable progress has been made in improving access to education, health and water, due in part to governments committing to the Millennium Development Goals.

But a closer look beyond the statistics reveals a more troubling reality, marked by a rapid rise in inequality between people and nations, and evidence of increasing — in some cases, irreversible — environmental damage. In many places, the needs of today are trumping those of the future, with demands

Security comes from fairer shares rather than widening disparities in incomes and life chances

on soils, water, ecosystems and atmosphere exceeding these resources' ability to replenish themselves.¹

For example, farmers in the mid-west of the United States, the Punjab, and much of the Middle East are drawing down water from rivers and aquifers

far beyond what can be replaced. Water must be used much more sparingly if it is to provide harvests for decades to come. Similarly, many fish stocks in rivers, in-shore and mid-ocean have been so heavily exploited they may never regain their presence and productivity.

Triple crisis

Environmental crisis. For millions of people in low-income countries grappling with erratic weather, more frequent floods and droughts, and increasing damage from storm surges and sea level rise, the impacts of climate change are already clear to see. A tiny minority of vocal sceptics with vested interests in the status quo may try to debunk the evidence, but the science is unequivocal: the world's climate is changing and this will impact people and planet. And yet, emissions of the greenhouse gases that fuel climate change continue barely checked and, in the case of fossil fuels, are positively encouraged by a massive US\$500 billion worth of subsidies every year.²

But climate change is not the only environmental challenge we face. Strong demand for natural resources fuelled by growing populations and rising affluence — especially in fast-developing 'BRIC' nations (Brazil, Russia, India, China) — is increasing the cost of many commodities, including oil, and pushing us closer to many limits of environmental stress.

Beyond climate change, we are already thought to have over-stepped another two of the nine 'planetary boundaries' — for nitrogen and biodiversity — that define the 'safe operating space for humanity' and avoid possible tipping points.³ It's not too late to shift course but we must use Rio+20 as a key opportunity to commit to building a 'green economy' based on fairness and efficiency in how we use our earth's assets.

Social crisis. The number of people suffering acute poverty has fallen over the past 20 years, but income inequality has risen to record levels in both low and high income economies.⁴ The top 10% of income earners have seen their share increase much more rapidly than the bottom 10 per cent, and worldwide,

it is reckoned that the top 10 per cent control 57 per cent of global income. Department of global income global income. See a global income global income. See a global income global income global income. See a global income global inc

At the same time, unchecked markets, lack of regulations and slack controls on risk taking have served to concentrate power and capital in the hands of large corporations — while 13 per cent of people are undernourished, 21 per cent live in poverty and around 30 per cent lack access to essential medicines. The concentration of wealth and power in few hands serves to fuel social and political unrest, as witnessed in 2011 by the widespread protests across North Africa, and the Occupy movements in Europe and North America.

It also rigs the rules of the economy in favour of large asset owners and big businesses. Corporate influence and lack of transparency in government decision making mean mining rights, forest resources and large tracts of land are being signed away for generations, with no compensation to the local communities who have lived there for generations and who today depend on them for their livelihoods.

Financial crisis. The build-up to the 2007–2008 boom and bust in financial markets demonstrates the powerful influence of ideology and interests in generating a huge global bubble that no single government was prepared to deflate.⁷ The full economic cost of the crash remains uncertain but estimates reach beyond one year of global gross domestic product (GDP) — that's more than US\$60 trillion.⁸ Compare this with the annual investment of just two per cent of global GDP (or US\$1.2 trillion) considered necessary to keep global warming to two degrees Celsius.⁹

Whatever the final cost figure, the 'credit crunch' has unleashed massive impacts on people, nations and institutions around the world. Price spikes enriched a few but pushed millions into greater hunger; while the bursting of the banking bubble in the global North has left a trail of debt, fear and political instability, most evident in the euro zone. The enormous leverage of banks over politicians was laid bare by the crisis, with the latter ready to shovel enormous amounts of tax payers' money to bail them out, with no reciprocal demand for accountability to society.

At Rio+20, we will hear a wide range of stakeholders express their views on how to tackle the triple crisis. They may argue about the best route forward for sustainable development but many agree that we need a different model of economic activity if we are to live within the limits of our one planet, in a way which guarantees fair shares for all. Since the 1992 Earth

Summit, held just after the fall of the Berlin Wall and the collapse of the Soviet Union, the market economy has been trumpeted as the answer to all ills. Yet with a single shared planet, under increasing stress, we cannot afford the cumulative consequences of individualism and greed. Collective decision making is ever more urgent.

A three-point action plan

Forty years ago, when IIED was founded, it was one of the first organisations to recognise the critical connections between the economic, environmental and social threads needed to ensure sustainable growth and prosperity. IIED's founder Barbara Ward made clear the urgent need to understand that on a single planet, each person's prospects for the future depend on everyone else's demands from this shared Earth. In 1972, she wrote that it requires a huge leap of the imagination to see that "we can damage the entire biosphere. Resources are not unlimited. States acting separately can produce planetary disaster." Over the past 40 years, this 'imaginative leap' has been backed by hard science, which shows the growing risks of disaster.

IIED's vision, built on evidence, action and influence in partnership with others, is of a fair, sustainable planet. For four decades we have researched, advised on and advocated for sustainable development — development that improves livelihoods in ways that protect the environments on which these are built, particularly for poorer countries and communities.

In our vision, the social, environmental and economic threads of sustainable development are tightly woven together into a single fabric from which to tailor a better world — one where everyone recognises and respects planetary limits, where resources are more equitably shared, where the wealthiest consume less and we all 'consume smart' — for example by cutting waste, reducing energy use, and recycling all we can. It's a world where our search for profit upholds the wellbeing of people and planet, and where we are all more accountable for the decisions we make.

A fairer, more sustainable planet is one where we acknowledge that the resources on which life depends are finite, and the price of using them needs to reflect the true cost in terms of scarcity and the externalities they impose on others. This will help generate incentives for research and innovation to use our limited resources more efficiently.

But we must also recognise that clever science cannot stretch planetary limits beyond a certain point and so, to make the books balance and address the needs of the poor, we must rein in overconsumption. All the evidence shows that beyond a certain income

level, the 'happiness' reported by people does not increase with rising income; a shift in consumption from rich to poor should bring higher aggregate global wellbeing.

Turning IIED's vision into reality will require collective engagement, imagination and will. It needs people, corporations, and governments to admit that current ways of running the economy are working neither for the majority, nor for the future. Changing the way we all live and work is quite doable and should ensure we leave an inheritance to the next generation we can be proud of.

At IIED, we see three key areas where focused action can make a real difference and move us from social, environmental and economic crisis to a fair, sustainable planet: localising sustainable development, investing in resilience and developing metrics that provide a realistic valuation of scarce resources (see Figure, overleaf).

We must turn our vision for a global summit upside down. Rio+20 should not be the place for wise leaders to design a global plan that cascades downwards through regional, national and local implementation. Rather, the summit must begin with the wellbeing of ordinary people and judge the effectiveness of actions taken by governments and corporations by the extent to which they provide tangible answers to the needs of the many, not the few.

It is said that you can judge the value of a society by the way in which the weakest of its members is treated. In like manner, a global society of which to be proud is one that measures its success by the attention it puts on the needs of the poorest. Globalisation is a powerful force, yet we possess no effective global mechanism for managing its aggregate impacts, and trade-offs. In a world of more than 200 nation states, the privilege of national sovereignty has been maintained at the expense of our collective need. If the world were a single political entity, it is barely credible that we should witness such disparities in power and wealth. To navigate the 21st century successfully we must address such inequities directly: security comes from fairer shares, rather than widening disparities in incomes and life chances.

IIED's catalogue of activities shows that change is possible and brings results. We have tried and tested a range of strategies that mutually reinforce the three threads of sustainable development to deliver benefits for people, planet and profit — from federations of the urban poor that improve city neighbourhoods to inclusive business models that link small-scale farmers to export markets, and by acting to strengthen small forest enterprises and increase the voice of marginalised groups in global negotiations.

Localised development: strengthening local rights and responsibilities

The routes to localised development are many, and include recognising community assets, ownership and tenure, supporting neighbourhood organisation and enabling local decision making. Our forty years of work

With a single shared planet collective decision making is ever more urgent

tell us that local control of natural assets is the surest route to increasing investment in, and sustainable use of forests, soils and water. For millions of the world's rural poor who depend on these

assets for their subsistence and livelihoods, maintaining their long-term productivity is not a question for debate but one for survival.

Governments and large businesses may be sceptical of giving strong rights to local people, but the evidence points to multiple opportunities, in terms of profitable enterprise, job creation and sustainable natural resource management. From community forestry in Nepal to family forests in Sweden, the places where local people have secure forest tenure rights are marked by stable forested landscapes, in which local businesses supply a wide range of forest products and services that benefit not only local society, but also the global public good. Researchers estimate that rural communities invest around US\$2.6 billion in forest management and conservation activities every year. 11 And community-

Building sustainable neighbourhoods

Supported by IIED with funds from the Bill & Melinda Gates Foundation, the Asian Coalition for Housing Rights has helped more than 700 local groups to co-finance, design and implement neighbourhood improvements in 18 Asian countries. More than US\$10 million has been invested to date, with local communities contributing on average a quarter of the funds needed for each project. As a result, more than 192,000 households have improved living conditions, including secure tenure, housing and essential services.14 With small amounts of money to invest, the communities have a stake with which to get local governments to listen to their priorities, and blend government and community funds in better infrastructure and housing.

managed forests have been found to be at least as effective at conserving forests as state-controlled protected areas — and they bring additional social benefits too.¹²

The value of localising development by upholding local land ownership and tenure can also be seen in agricultural landscapes, where years of research show that secure tenure brings greater investment by farmers in conserving water and managing soil fertility. It also brings high returns both for household farmland and for collective management of woodland and grazing.

Equally, investment models that offer alternatives to 'land grabs' create a joint interest in sustainably managed land and water, which combines a safer long-term return to investors with environmental and social benefits for local people, in terms of retained land ownership, jobs and better access to markets and technology.¹³

In urban areas too, localised development has proved to be the best route to improving environments and securing prosperity for city dwellers. Across Africa, Asia and Latin America federations of the urban poor have struggled successfully to negotiate with municipal governments, improve city neighbourhoods and manage collective funds (see Building sustainable neighbourhoods).

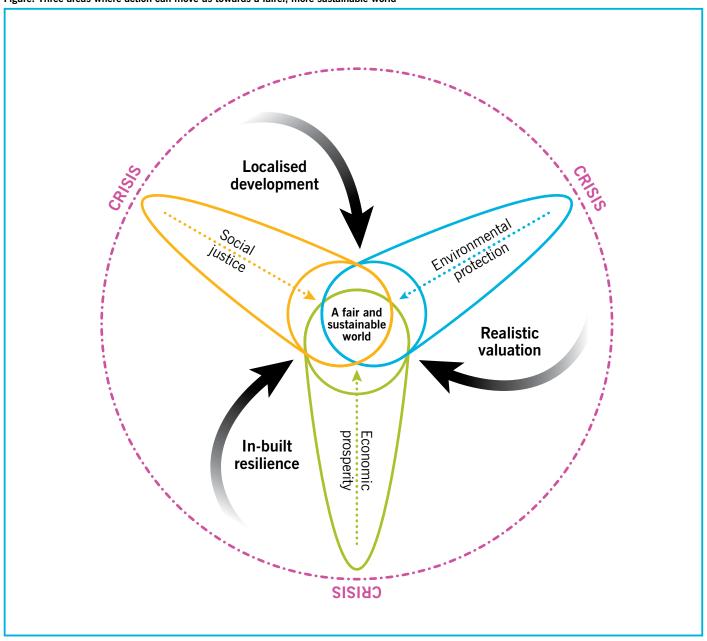
Promoting a business environment that favours smaller, more diverse players is another way to localise development. This means governments recognising the value of small enterprise development, consciously limiting monopolistic power and levelling the playing field for all. ¹⁵ Much can be done to promote more inclusive business models that involve local communities as partners and co-designers — for example, supporting local renewable energy suppliers, strengthening small forest businesses or connecting small-scale farmers to local and foreign markets.

Investing in resilience: helping people cope with change

With a population set to reach nine billion by 2050, mounting demands on finite resources, a likely doubling on current trends of greenhouse gas emissions from 2009 to 2050, ¹⁶ and an increase in average global temperatures that could reach three degrees or more by 2050, major social, economic and environmental shifts are now unavoidable. Ensuring that countries and communities are resilient to the changes ahead is a critical component of building a more sustainable world.

Climate change is inevitable, and its impacts will be felt most severely by the poor. There is a real need to support bottom-up delivery of adaptation measures — in cities and rural areas — that build on local capacity

Figure. Three areas where action can move us towards a fairer, more sustainable world



for innovation. There are many examples of what is possible, from rainwater harvesting and better water storage systems to regenerating mangrove stands along coastlines, and from women's groups exchanging seeds of drought-resistant traditional crops to building bigger urban drainage systems to cope with storm flows.

Many of these examples start at a local level — within communities, organisations or local governments. But they all demand actions higher up the chain to secure long-term results, as well as access to flexible and assured funding to address adaptation priorities, develop long-term adaptation strategies and build climate resilience. Getting the money that's needed to the

people that need it is not simple. Wealthy nations have promised fair and adequate adaptation finance to help poor countries cope with the changes ahead. But they are yet to make good on their word. And current funding pledges fall well below conservative estimates of what is needed to prevent harm in vulnerable communities.¹⁷

Unless significant efforts are made to improve accountability in global institutions, integrate adaptation into national politics and practice, and engage local stakeholders, there is no guarantee that the money will reach the people on the ground or address their immediate adaptation priorities. Much of the money pledged to help countries adapt to climate change is

tied up in the bureaucracy of large global institutions that are not accountable to the poor.

Beyond effective adaptation measures and monitoring, efforts to weave in low carbon, green economy approaches are required if climate resilient growth is

We will all be losers if we let the future be decided by inertia, shortsightedness and vested interests

to be achieved. This includes using the power of government spending to generate secure, long-term markets for low carbon and equitable produce. Brazil's food security policy known as Zero

Hunger (*Fome Zero*), for example, uses government money to buy products directly from small-scale farmers for distribution to food-insecure groups and school feeding programmes. It focuses on local markets and values local food habits, supporting food security for both producers and consumers and building resilience.¹⁸

Of course, investing in resilience is not just about adapting to climate change. It is also about enabling countries and communities to better cope with resource instability and economic shocks. In towns and cities, this could mean rethinking urban density, as done in Karachi, Pakistan, to achieve a more balanced and diverse urban ecosystem that reduces environmental burdens and offers poorer households a much better set of opportunities.¹⁹ Or it could mean taking advantage of economies of concentration to improve resource use efficiency and cut transport costs.

In rural areas, it could mean choosing to invest in a large number of small dams and water storage systems, rather than a few large-scale structures; and opting for decentralised energy generation through thousands of solar panels rather than a single large centralised power station.

Across the board, the aid business needs a redesign, to reflect the very different world we face today and will need to build for tomorrow. The simplistic picture of a world divided into developed and developing countries, that held in the second half of the 20th century, fails to describe reality today. The traditional bilateral aid agenda does not deliver sufficient and secure funds for the challenges faced by low-income countries, which are now grappling with both a wide development deficit and damage from increased climate stress.

It is time to refresh the collective vision of 'Only One Earth' and the purpose of global transfers, both to address poverty and improve access to key services as well as to construct a fairer, more stable global economy. We need to establish global levies on global 'bads' — for example through a financial transactions

tax on hot money flows, aviation duties and bunker fuel taxes — to generate the financial means to solve collective problems.

Realistic valuation: using appropriate measures of success

The third arm of IIED's action plan for sustainable development is a more realistic valuation of environmental costs and benefits, and of human wellbeing. Rethinking the metrics we use to track progress in development is a must. Traditional indicators such as GDP, that form the backbone of national income accounts, do not place any value on the depletion of natural resources or social capital.

An economy can grow in the short term by liquidating 'natural capital'— for example, cutting down forests or depleting mineral reserves. But such growth comes at the expense of vital 'services' provided by forested watersheds, such as clean drinking water, regulation of local climates or cultural and spiritual beliefs. In low-income countries, these natural resources and services average around a third of total wealth²⁰ and play a key role in helping millions of people secure food, water, shelter, energy, a safe environment in which to live and work, and a livelihood.

Monitoring GDP can tell you whether your economy is growing. But it says nothing about whether that growth is sustainable. Alternative accounting methods, such as those used in the internationally agreed System of Environmental-Economic Accounts,²¹ are emerging but national accounts based on GDP still reign supreme.

If GDP fails to account for natural capital, so too does it fail to measure social wellbeing. "Money does not buy you happiness" as the saying goes; equally, income growth does not necessarily measure welfare increases. GDP can even go up in times of particular distress — for example, through large spending on reconstruction after an earthquake. And where growth in total income is pursued at the expense of distributional concerns, you can find that high levels of inequity erode away the social cohesion and institutions that are vital for the health and strength of our societies.

Alternatives that aim to capture broader social progress do exist and need wider take-up. These include the UN Development Programme's Human Development Index, the Gross National Happiness Index in Bhutan, the Sufficiency Economy in Thailand, and the Harmonious Society and Circular Economy in China.

Beyond changing the metrics that we use to measure progress, addressing market failures that cause social or environmental problems such as climate change, water pollution, land degradation or biodiversity loss



is equally important in ensuring realistic valuation of natural resources. Putting a significant and rising price on carbon is the first and most critical step.

One approach has been to regulate — by restrictions on forest clearance, controls on use of nitrogen fertilisers, or a ban on trade in wild animals. But regulations are often expensive and difficult to enforce. Powerful groups can usually find ways of getting around regulations, so using the price mechanism often offers a quicker, more powerful tool to change behaviour.

In some places, a range of incentive mechanisms have been tried out and shown to work, based on payments for environmental services, where forest owners or farmers are paid to manage their land in ways that protect or enhance environmental services, such as carbon sequestration, watershed protection and biodiversity conservation.²²

Other tried and tested methods to encourage change in large company practice and consumer behaviour include requiring that corporations report on their social and environmental performance, alongside their financial profitability. Tighter controls on commercial advertising — which encourages overconsumption — alongside limits on funding for political parties, control of lobby activities, and the abolition of fossil fuel subsidies would also help rein in company practices that benefit neither people nor planet.

Making progress at Rio

We believe that action in each of the three areas above — localising development, investing in resilience and using appropriate metrics — is essential to ensuring the long-term future of people, planet and profit. More importantly, action in each of these areas is achievable and known to work: forty years of experience with

partners from around the world have shown IIED that it is possible, desirable and urgent.

Rio+20 offers a much-needed platform to agree change in each key area. The agenda could crystallise in the form of global Sustainable Development Goals, with governments setting the context for local action (see Sustainable Development Goals).

Change is difficult because there are always winners and losers. But we will all be losers if we let the future be decided by inertia, shortsightedness and vested interests. Much of the discussion at Rio+20 will focus on the 'green economy' and how it relates to sustainable development (see Green economy or sustainable development, overleaf). And across governments, businesses and civil society groups there is a growing mix of actors who want to make serious progress towards sustainability.

Several governments — including those of Brazil, China, Denmark, Ethiopia, South Korea and Rwanda — see the low carbon, climate resilient agenda as key to their future growth. On the business side, many food and drink companies recognise the huge supply side risks from current patterns of growth, while renewable energy companies urgently want governments to cut the billion-dollar subsidies to the fossil fuel industry. Insurance companies also see their future jeopardised by a rapid increase in climate-related disasters and associated claims for loss and damage. And institutional investors are demanding carbon disclosure to enable them to decide where to invest for long term returns.

A mass of civil society groups drawn from anti-poverty groups, environmental and rights-based organisations, thinktanks, social movements and citizen action have been pushing for change in this direction for decades. Having thought a global agreement was the way to kick-

Sustainable Development Goals

The Colombian government and others have suggested that Rio+20 set the stage for a new set of global 'Sustainable Development Goals', or SDGs, that build on experience with the Millennium Development Goals (MDGs), and work alongside action agreed within UN climate negotiations.

Those advocating for SDGs suggest that Rio+20 can kick-start the process by identifying the main areas for each goal, and agreeing the timeframe for design. The idea is to have a firm set of goals that can be in place to guide the global development agenda in 2015, when the MDGs conclude their term.

What might these SDGs cover? There's a wide range of possibilities: food and water security, access to energy, urbanisation, social safety nets, health, gender, education, green jobs, and sustainable oceans, forests, soils and biodiversity. But we also need to build in distributional issues such as addressing over-consumption and inequity, alongside demanding accountability from corporations and governments.

Whatever the coverage, the SDGs will need to work in ways which localise development, increase investment in resilience, and widen use of realistic valuation.



Green economy or sustainable development?

The Green Economy has been promoted over the last five years as the latest idea for boosting growth through green investments. But many have been unhappy with the idea of abandoning 'sustainable development' as the core aim. In practice, the two concepts can be congruent. IIED sees green economy tools as a valuable way of engaging with government and business, talking the language of markets and economics, aiming to improve their governance. The core elements being promoted for a green economy — low carbon, resource conserving, waste reducing, increasing efficiency — can only drive us towards sustainable development if social values and distributional concerns are uppermost.

Having held several Green Economy dialogues around the world, we recognise the huge importance of understanding stakeholder perspectives and tailoring tools to different contexts: in some places investing in soils, water, vegetation, in others resilient urban infrastructure, but in all places ensuring core economic policy internalises environmental and social values.

off lots of local action, people recognise more and more that it is local action that generates momentum, and spurs demand for a global agreement.

Guiding decision makers in government, business and civil society to build a green, fair and secure future for Danica May Camacho in the Philippines, and for all generations across the world, requires us to both demonstrate through local example and evidence what sustainability looks like in practice, and spur our leaders to agree global action. IIED's experience points to the

first half of the equation: localised development, in-built resilience and realistic valuation. Whether Rio+20 can fulfil the second half remains to be seen.

CAMILLA TOULMIN

Camilla Toulmin is the director of IIED.

This briefing was prepared in consultation with IIED's strategy team; it includes contributions from a wide range of IIED researchers and other staff.

Notes

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Contact: Camilla Toulmin camilla.toulmin@iied.org 80–86 Gray's Inn Road, London WC1X 8NH, UK Tel: +44 (0)20 3463 7399 Fax: +44 (0)20 3514 9055 Website: www.iied.org

