

SUSTAINABLE DEVELOPMENT AS AN ANSWER TO THE ECONOMIC AND FINANCIAL CRISES
Dialogue Summary Report
Rio, 16 June 2012

- **The Rio Dialogues: an innovative experiment of cooperation**

The Sustainable Development Dialogues is an innovative experiment of participative democracy, organized by the Brazilian Government with the support of the United Nations Development Program (UNDP), in the days leading up to the Rio+20 Conference. This initiative is intended as an innovative bridge between civil society and Heads of State and Government and is expected to contribute to the incorporation and engagement of stakeholders, based on the understanding that public participation is essential to the promotion of sustainable development as the paradigm for action.

Ten topics are debated, based on their relevance to the furthering of sustainable development. They are: (1) Sustainable development for fighting poverty; (2) Sustainable development as an answer to the economic and financial crises; (3) Unemployment, decent work and migrations; (4) The economics of sustainable development, including sustainable patterns of production and consumption; (5) Forests; (6) Food and nutrition security; (7) Sustainable energy for all; (8) Water; (9) Sustainable cities and innovation; and (10) Oceans.

IDDR/Sciences Po, Beijing University and the University of Sao Paulo, were selected by the Brazilian Government to facilitate the second dialogue: “Sustainable development as an answer to the economic and financial crises”. Our role consisted in kick-starting the discussions; identifying and suggesting relevant networks to participate in the online platform; stimulating a lively and inclusive debate; proposing a first set of meaningful, innovative and concrete recommendations; and extracting a list of the ten best voted recommendations.

We hereby submit a summary report of the process and conclusions emanating from the Sustainable Development as an Answer to the Economic and Financial Crises Dialogue.

- **The online platform: A digital space for a wide and democratic discussion**

The on-line platform (www.riodialogues.org) is a digital social network tool, established in April 2012 by the Brazilian Government with support from UNDP, allowing thousands of people to take part in the Sustainable Development Dialogues with the aim of engaging civil society in the decision-making processes of the multilateral conferences.

After filling a simple form, participants worldwide were able to enter this digital space and share experiences, express opinions, and contribute fresh ideas to the forum. Facilitators and participants then had the opportunity to present their recommendations and support those they deemed important and most relevant. The ten recommendations with the highest number of votes were then transferred to an open *web site* for a global public vote.

Overall, the lively discussions in the 10 Dialogues generated over 843 recommendations which were submitted by 10,000+ participants from 206 countries, garnering 11,842 indications of support.

The ten recommendations emanating from the Sustainable Development as an Answer to the Economic and Financial Crises Dialogue are summarized below. They will be presented to the group of panellists in Rio Centro on June 16th, and will be subject to an open and action-oriented debate, in front of a two thousand person audience.

In the end, only three recommendations will be conveyed by the Chair of the panel to the Heads of State and Government present at the High-Level Roundtables of the Summit.

*** The top ten recommendations for sustainable development action**

- 1) Encourage businesses to adopt sustainability standards, such as the United Nations Global Compact principles.

The UN Global Compact is a strategic policy and advocacy initiative primarily targeted to businesses calling for the alignment of their operations and strategies with ten universal principles derived from UN instruments in the areas of human rights, labour, environment and anti-corruption. The initiative advances a comprehensive and integrated concept of corporate sustainability that combines corporate responsibility with strong encouragement that businesses take appropriate action in support of UN goals and global issues. Now with over 8000 corporate participants and other stakeholders from over 140 countries engaged and over 100 country networks, it is the largest voluntary corporate sustainability initiative in the world. The Global Compact is global and local, private and public, and calls for commitments that are voluntary yet accountable. It is the only voluntary initiative with a mandatory disclosure. Therefore greater adoption by businesses would significantly advance the sustainability agenda, and address the economic and financial crisis.

- 2) Promote collaboration across sectors and at the local level to address financial crises.

Promoting sustainable development as a holistic model and applying the term sustainable beyond the environmental dimension would allow structural reform to take place. This means promoting long-term planning to ensure continuity in policy through political changes. Meaningful collaboration between Governmental departments (national & local) and communities concerning green jobs creation (Energy and Climate Change, Work and Pensions, Business, Innovation and Skills, Education) as a mutually beneficial solution to interrelated sustainable development and unemployment challenges.

- 3) Create a tax on international financial transactions with a view to contributing to a Green Fund in charge of promoting decent jobs and clean technologies.

Intense flow of capital can be used as additional resources to fight poverty through a compulsory contribution of international investors in a Green Fund. The fund would aim to intensify the generation of decent jobs, promoting social inclusion, environmental restoration and creation of clean technologies.

The processes observed in the recent financial crises in several countries, including the richest, indicated that the flow of capital, when uncontrolled, can generate serious crises that lead to an exacerbation of social conflicts. In addition, central banks from several countries made an important contribution with vast resources to reorganize the international financial system. International investments must be taxed to guarantee that part of their gains are applied to social and environmental issues, such as encouraging green jobs and green economy initiatives. Therefore it would be possible to combat the crisis with the creation of jobs while stimulating the recovery and technological innovation in the environmental area.

- 4) Moving towards a green economy must become a strategic economic policy agenda for achieving sustainable development.

Mounting evidence also suggests that transitioning to a green economy has sound economic and social justification. There is a strong case emerging for a doubling of efforts by both governments as well as the private sector to engage in such an economic transformation. For governments, this would include leveling the playing field for greener products by phasing out antiquated subsidies, reforming policies and providing new incentives, strengthening market infrastructure and market-based mechanisms, redirecting public investment, and greening public procurement. For the private sector, this would involve understanding and sizing the true opportunity represented by green economy transitions across a number of key sectors, and responding to policy reforms and price signals through higher levels of financing and investment. Moving towards a green economy must become a strategic economic policy agenda for achieving sustainable development. A green economy recognizes that the goal of sustainable development is improving the quality of human life within the constraints of the environment, which include combating global climate change, energy insecurity, and ecological scarcity

- 5) New institutions should be created to steward and manage the global commons and adopt commons-based economic models.

This recommendation calls for the development of a commons sector, alongside the private and public sectors, conferring rights and responsibilities to communities over resources on which they depend. This would ensure that the people who have a long-term stake in the preservation of these resources (natural, physical, intellectual, social, cultural; from local to global) would protect them while enabling the development of a flourishing commons-based economy around them. Commons are the shared resources that we inherit, create and use and transmit to future generations. Vital for our sustenance and livelihood, our individual expression and purpose, our social cohesion, quality of life and well-being, commons also embody the relationships between people, communities and these shared resources.

Recommendations:

The Commons Action for the United Nations team at the UN has drafted recommended Measures to Shift to a Sustainable Commons Based Global Economy as well as Measures to Finance that shift.

Adopting the principles of a commons based economy at the UN level would accelerate the emergence of new practices and behaviors by the mainstream.

To make this happen, the first step to be taken would be for the UN to establish a High Level Panel on the Commons. This would be a natural follow up on the vision of the Global Sustainability Panel, the orientation of which is much in the spirit of the commons.

6) Ban the use of Gross Domestic Product (GDP) as a measure for social progress.

For more than three decades, GDP has been criticized as a poor indicator of social progress. As a pure accounting identity, GDP does not reflect changes in natural stocks. On the opposite, an upsurge in warfare expenses will add positively while their impacts on well-being are more than controversial. Second, the indicator is also blind to any changes beyond the mean. GDP does not focus on distributional issues and growth can fail to reach majority of the population – this was the case in the USA from 1975 to 2000. As result, there is a widening gap between GDP increase and the perception of the increase in well-being among the population. This realization is not new and is shared by a widening community of policy-makers and scholars. Paradoxically, international organizations continue to use GDP as a measure for social progress in their reports. It is necessary to move beyond this narrow conception of progress and International Organization and governments must commit to the use of another flagship indicator. Use of GDP should be limited to comment on the evolution of the volume of exchanges in the economy. The General Assembly should thus adopt an indicator – or a panel of indicators- to measure progress.

7) Promote inequality reduction as a major goal in the agenda of international organizations.

Inequalities in terms of income, opportunities or access to essential services contribute to economic inefficiency, political conflict and institutional frailty, as the 2006 World Bank World Development Report shows. Since then, many academics have shown the negative impacts of inequalities on biodiversity (Gary Peterson), health and education (Richard Wilkinson), while the inequality-growth nexus remains under close scrutiny in ongoing research on the green economy. Last, converging evidence suggests that the design and implementation of effective sustainable development policies is all the more difficult so the society is unequal.

Our key messages and propositions are the following:

- Inequality reduction should be integrated in the mandate of all international and regional organisations working on development, starting with World Bank, UNDP and regional development banks.
- Countries must engage themselves to promote inequality reduction on their own territory. International organisations must help poor countries to implement inequality reduction policies.
- Beyond setting up a new mandate, there is a need to rethink the governance of international institutions for a better equity between countries and stakeholders.
- International institutions must develop indicators to follow more closely the evolution of inequality in terms of income, opportunities and access to essential services.

8) Promote Ecoservices Payment Mechanisms.

It was well received that Sustainable development are supported by three pillars that is economy, environment and eco-system, and society. Eco-services are public good with positive externality which benefit the human wellbeing. The activities conserving, increasing the eco-services should be acknowledged and their value should not only be recognized in moral term, but by price and market, or in another word, in financial flows. Studies found that the limited choices and constrains facing the poor may lead to undesirable and eco-environmental harming options. A well designed and implemented eco-services payment scheme will help the poor benefit from conserving the nature for maintaining the natural capital of the world that is they gain income and financial supports from their efforts and livings by conserving the ecosystem without introducing the harmful development path

9) Promote tax reforms that encourage environmental protection and benefits the poor.

The amount of subsidies to fossil fuels worldwide reached \$ 600 bn in 2010, i.e. 1% of world GDP (IEA, 2010). It has been demonstrated that consuming such fuels poses dangerous threats to local and global environment. Removing these subsidies would reduce energy-related GHG emissions by 6%. However, governments continue to finance fossil fuels - instead of taxing them. Paradoxically, in developing countries, most of these subsidies benefit the rich who are the largest consumers of oil products. Consumption subsidies for electricity or water also benefit those who already have access and they could be replaced by connection subsidies which would be better tailored for the poor. In a context of financial crisis and the need for fiscal consolidation in many States, Environmental taxes can also offer additional financial revenues for governments. Recent studies (Vivid, 2012) have shown that from a macroeconomic point of view, energy taxes have the potential to be the least-cost solution to raise revenues. This is the so-called double dividend of environmental taxation: meeting environmental objectives can raise country revenues. Other revenue recycling options are on the table, such as reduction in payroll taxes to support employment and redistribution of revenues to low income households. These options compete with one another and the right combination depends on the national context.

Suppressing country aids on fossil fuel consumption and setting environmental taxes poses several challenges to governments, especially in the developing world. The poor spend a higher share of their budget on energy than the rich. Overnight suppression of kerosene subsidies would thus represent an unbearable burden for low income households. It is clear that these categories of the population must be supported during a transition phase. We ask all Member countries to commit to pro-poor environmental tax reforms in the coming decade. UN will support reforms in two ways: financial and technical support for the identification losers in low income countries as well as for the design of pro-poor mechanisms to ensure sustainable and fair transitions. In order to do so, a pooling of national level experience is necessary. National coordinating mechanisms, or learning platforms, will be organized in order to assess policies, share best practices and mobilize stakeholders

10) Educate future leaders about sustainable development (PRME Initiative).

With the complexity of issues surrounding approaches to sustainable development, including necessary emphases on subjects as diverse as water, food security, energy, forests, and urban life, there are two common denominators, two strands of human activity that position individuals in roles through which sustainable practices are promoted not only by governments, non-profit organizations, or corporations, but also by people in their everyday lives, among their peers, families, and friends. These two strands of influence are business and education. This connection between institutions and individuals, the global and the local, and work and home, is most intense in business schools and management-related academic institutions. B-schools have a unique role, as they train current and future generations to initiate and lead consensus on sustainable practices. Given this understanding, I propose PRME as an interactive solution and mechanism through which to benefit the sustainability agenda. The mission of the Principles for Responsible Management Education (PRME) initiative is to inspire and champion responsible management education, research and thought leadership globally. The PRME are inspired by internationally accepted values that seek to establish a process of continuous improvement among institutions of management education in order to develop a new generation of business leaders capable of managing the complex challenges faced by business and society in the 21st century.

Summary table on propositions

| | + transformational | -transformational |
|---------------------|---|---|
| +operational | Promote pro poor environmental tax reforms (9) Promote inequality reduction (7) Promote education principles (10) | Tobin Tax (depends on level) (3) Panel on commons based economy (5) Ban the use of GDP (6) UN charter norms for businesses (1) |
| -operational | Ecosystem services (8) Strategic planning (4) Collaboration across sectors (2) | |

Key: promoting pro poor environmental tax reforms is highly transformational and highly operational

