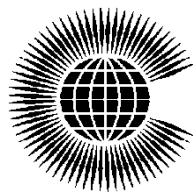


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HIGH SUSTAINABILITY RECOVERY – DRAFT CONSULTATION PAPER

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HIGH SUSTAINABILITY RECOVERY

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Given the overall 2009 CHOGM theme of ‘Partnerships for a More Sustainable and Equitable Future’, and the 2007 call from civil society for the Commonwealth to identify strategies for adaptation to climate change and transition to a more sustainable economy¹, the Commonwealth Foundation is working with civil society from across the Commonwealth to address the challenge of ‘high-sustainability recovery’ from recession. The purpose of this consultation paper is to introduce ways in which Commonwealth governments can ensure that economic recovery is indeed sustainable and equitable.

This paper is a preliminary one, and has been sent to 50 experts from across the Commonwealth in order to elicit their views on high sustainability recovery from recession. A new published paper on the subject will be presented to Commonwealth governments for consideration by Senior Officials at the CHOGM Committee of the Whole taking place on 21st October 2009, and will be distributed to Ministers of Foreign Affairs and Heads of Government at the Commonwealth Heads of Government Meeting in November 2009.

The Commonwealth Foundation is grateful to Commonwealth Ministers of Finance for the opportunity of an early discussion on the subject at their meeting in Cyprus, 30 September to 2 October 2009.

INTRODUCTION

The theme of high-sustainability recovery is very timely. There is increasing political awareness that we need to tackle the underlying causes of multiple current crises – financial, climatic, resource security – and not just their symptoms. Financial architecture and domestic economic policy are being redesigned, and huge fiscal resources are being deployed. It is timely to ensure we have got these things right – supporting a fair and well-managed transition to a high-sustainability recovery, rather than simply restarting ‘business as usual’, which contains the seeds of even more severe economic collapses in future.

The objectives of this initiative are:

- To shape the thinking of Commonwealth Ministers of Finance, Ministers of Foreign Affairs and Heads of Government on the *need for concerted action* in response to multiple, interconnected global challenges;
- To illustrate the *positive contribution that partnerships featuring civil society* can make to local, national and international responses to global challenges;

¹ Realising People’s Potential: The Kampala Civil Society Statement to the 2007 Commonwealth Heads of Government Meeting November 2007. London: Commonwealth Foundation. Page 17 para 30d.

- To identify the *particular contributions that the Commonwealth* (both as a unique association and through member Governments, Commonwealth agencies and the broader Commonwealth family) can make.

THE PROBLEM

A confluence of crises is threatening our ability to reduce poverty and sustain prosperity in the world. Prevailing 'extractive' economic models drive linked, escalating problems – climate change, environmental degradation, poverty, unemployment and inequality. The rapid expansion of unregulated credit and consumption-driven growth has poured investment into property, private consumption and fossil fuels and little into the 'green infrastructure' that sustains the natural resources (food, fibre and water) on which every livelihood and every sector depends. When that unsustainable growth trajectory collapsed in 2008-2009, it created the most severe economic recession since the 1930s. Poor countries in particular have been unable to cope, with falling export revenues, remittances, capital flows and aid (2009 MDGs report). It is now considered inevitable that climate change, a by-product of unsustainable growth, will disrupt the lives of many, especially poor people. Sixty percent of ecosystems are degraded, 75% of marine fisheries are fully or over-exploited, and a freshwater crisis is imminent. As a result of such problems, previous gains in development have been reversed – 55-90 million more people are expected to be living in extreme poverty, and 100 million going hungry. Our governance and financial systems cannot cope with such linked changes, and real 'tipping points' are looming in environmental, social and economic systems.

The world has made some admirable commitments to tackle such problems, but has a poor track record of compliance. In recent years, governments have agreed to far-sighted environment, climate change and poverty reduction agreements intended to ensure the world does not breach environmental and social limits. Sadly, there has been little progress in turning these good intentions into policies and practice. The actions required are substantial and politically challenging. Sustainable economic recovery cannot mean shoring up bad old structures, but must build new ones that deliver human and ecosystem wellbeing. The scale, urgency and connectedness of the complex challenges require far more attention and commitment than they currently receive. A necessary policy aim of an 80% cut in GHG emissions by 2050 would have to be achieved during a period when we are also envisaging the global economy may be three times bigger.

These fundamental changes are too tough for any one country, organisation, sector or strategy to develop and push through alone. While a 'business as usual' approach will not work, we do have much of the knowledge and technologies to manage resources sustainably, restore many ecosystems and eradicate poverty. We potentially also have the finances, given even highest estimates of the cost are only 4% of global GDP. What we do not yet have is sufficient political and public momentum – a critical mass of committed governments, business and civil society actors – to challenge the *status quo*. It is now time for unprecedented partnerships, moral and practical leadership, international cooperation and decisive action.

SIGNS OF SUCCESS – LOOKING 'BELOW THE RADAR'

The world is awash with conventions and plans for sustainability and equitability – notably the 1992 Rio Principles for sustainable development, the 2002 WSSD Johannesburg Declaration and the Millennium Development Goals for poverty reduction which, however commendable, have failed to spur the major structural changes needed to achieve impact. However, there is also action 'below the radar' which offers the seeds of success. Much of this is driven by the people and institutions that have the most to gain from greater sustainability and equity.

The informal economy offers resilience to recession. The recession is alerting us to the inherent resilience in the informal economy (IE) globally. It has existed for far longer than the formal economy, has evolved to support local interaction, copes with slow-moving environmental changes, and cushions formal employment dropouts. And in MICs and LICs it is very significant – over 50% of economically active adults work in the IE in all developing countries (90% of rural people), producing on average 40% of GDP (compared to 17% in HICs).² Many Commonwealth countries have large informal sectors, but are economically and environmentally vulnerable as they are reliant on trade in just one or a few sectors (e.g. cash crop agriculture, tourism and financial services).

While the resilience of the formal economy has been challenged by this recession, aspects of the informal economy are appearing recession-proof. In LICs and MICs, automatic stabilisers in the IE appear stronger and more significant for workers than in the formal economy. The IE appears adept at smoothing economic and business cycles locally, with inherent flexibility, lower overheads, common property decision making, locally appropriate investments and the plethora of intangible aspects that create a trampoline of social capital. For example, while 17 million are employed globally in formal forest enterprises, between 30-140 million more are working in informal small forest enterprises, which can be better at reducing poverty by capturing economic value locally, helping secure local resource rights and environmental accountability, and building business skills. Furthermore, tropical forest communities invest more than \$2.5 billion in cash and labour in conserving forests – more than combined international organisations.

NGOs and socially-oriented enterprises are enabling poor people to access sustainable technology. Incentives for sustainable enterprises to support a green economy may be overlooking the set of actors who have already been most involved in offering low-carbon technologies in developing countries. Clean energy technologies accessible to poor and low-income households tend to generate very low profit margins, reducing the business incentive to enter these markets. At the same time, emerging financial incentives for “green” enterprises are based on an assumption that such activity occurs largely in the profit-motivated private sector. As a result, these incentives may be ineffective in reaching the poor with technology options that could improve their lives. However, a growing number of NGO-commercial “hybrid” small and medium enterprises that do not fit the classic private sector mould are drawing on both market and non-market approaches and on financial instruments ranging from grants to CDM credits to regular commercial loans to deliver real benefits in terms of improved income, opportunities and quality of life to millions of low-income families throughout the world.

Civil society is becoming a driving force for tackling climate change. Estimates for the cost of adaptation to climate change in developing countries vary, but Oxfam suggests a minimum of US\$50 billion each year. What is currently on the table from developed country governments is a fraction of this amount; moreover, their solutions involve the transfer of high technology, such as carbon capture and storage, or investment in large infrastructure such as dams and sea walls, and sophisticated carbon market solutions for generating resources for developing nations. But such approaches are not sufficient, they require massive investment, and any benefits rarely filter down to the poorest communities that are most affected by climate change.

However, aside from these grand initiatives, poor communities have been dealing with major climate shocks for centuries, developing approaches that may predispose them to overcome the wider impacts of climate change in some cases. Many small-scale activities are supported by NGOs and frequently involve the conservation and sound management of

² HICs = high-income countries; MICs = middle-income countries; LICs = low-income countries

ecosystems and natural resources. Mangrove rehabilitation is a tried and tested approach, but one seldom prioritized by current mainstream approaches to climate change adaptation. Traditional farming systems and local knowledge incorporate many means for coping with climatic variability and include the seeds of adaptation to climate change – quite literally in many cases, e.g. women farmers in Darjeeling, India who adapt to changing conditions by procuring different seed varieties through traditional practices of seed saving, exchanges and networks. Kenya Green Belt Movement is effectively a large public employment programme, implemented by civil society, to protect the natural resource base for its economic, climate and livelihood benefits. But this is not just for developing countries: in the UK, too the Big Green Challenge prize fund encourages communities to reduce CO2 emissions in innovative ways which can be sustained and replicated more widely.

Many small island states are showing how to be resilient to major change. SIS are frequently viewed as vulnerable because of factors such as isolation, limited island land and resources, significant reliance on just one or a few exports, difficulties of erecting barriers to entry and controlling private rent capture, and dependence on imports of fossil fuels. Many are especially vulnerable to climate change (sea level rise as well as disaster events). However, considerable experience of handling such problems has helped many SIS to develop characteristics from which global economic recovery can learn – and subsequently support. These include community coherence and knowledge (within and between islands) especially for disaster management and natural resource use, nurturing unique biological and cultural heritage, circulatory migration and remittances, and autonomy without necessarily independence (from larger powers). Such ‘resilience’ is more than the upside of ‘vulnerability’, and learning from islands may benefit other countries more broadly. Some have shown remarkable leadership and consensus, e.g. the nation of Niue has gone entirely carbon-neutral with the help of Greenpeace. The ‘Maurice Ile Durable’ Fund aims to transform Mauritius into a model sustainable island state, promoting efficiency and renewability in energy, water, solid waste management, industrial processes and agricultural practices.

KEY OPPORTUNITIES

The 2009 response packages were decisive, but are aimed at crisis management. They pay only partial attention to the causes of linked global problems and solutions that work. 2009 has seen quick, coherent and unprecedented international cooperation to stabilise the finance system and put together economic recovery packages – but this strategy cannot be repeated. Countries have worked together tirelessly to forge new international financial regulations, market supervision, accounting rules, interest rate reductions and boosting money supply. The overriding focus has been on the headline ‘crisis’ – finance – with efforts having a short time horizon, essentially to put the world back where it was as soon as possible. High Street spending is being reinvigorated so that consumption reignites the economic machine, existing industries and jobs are protected as far as possible, and growth can be restimulated. The global \$3 trillion in stimulus is funded by huge increases in government debt.

The positive lesson – quick and decisive international cooperation can be achieved. The negative – if the long-term implications of such high levels of borrowing as a one-off ‘emergency’ measure are considered to be a risk worth taking, the potential greater perils of reviving an economic system that is out of synch with emerging global realities have been poorly considered. And the major debts that many governments have incurred will take at least a decade to clear, making it unlikely that a similar rescue package could be pulled together in the foreseeable future. New economic governance and financial solutions will be needed.

Some recovery packages include ‘low-carbon’ components; they tackle climate change as a major environmental threat, but do not nurture environmental assets such as soils, water and biodiversity. Their focus is on *two* headline ‘crises’ – finance and climate change – aiming to change investment so that growth is less carbon-intensive. On average, only 16% of the funds in 20 national recovery packages (of HICs and MICs) justify using the recession as an opportunity to develop ‘low-carbon’ renewable energy and energy efficiency, transport and housing, with some investment in relevant skills, and government procurement as a driver. The expected benefits are – meeting climate objectives, reducing the medium-term running costs of installing old-generation infrastructure, reducing reliance on the fragile geopolitics of sourcing fossil fuels, and securing first-mover advantages in what is already a \$5 trillion global market for low-carbon energy and infrastructure. That market is expected to grow 50% by 2015 with significant job creation (twice as many jobs are expected per dollar invested compared to ‘fossil fuel’ jobs).

The positive lesson – many countries (if well-resourced ones) now recognise an opportunity in addressing the problems of fossil fuel consumption and investing to make climate change commitments a reality. The negative – most ‘low-carbon’ packages are overwhelmed by the size of ‘mainstream’ support to the *status quo*; and they ignore key players with potential for installing a resilient economy and generating further ‘green’ jobs, notably managers of natural resources. In the UK, for example, only 7% of the package is low-carbon, and amounts to only 0.1% of GDP.

TOWARDS A PROPOSAL TO COMMONWEALTH HEADS OF GOVERNMENT

What propositions can be offered to Commonwealth governments? Early ideas are based on a realisation that sustainable recovery:

- can benefit poor people,
- will reach beyond government and mainstream business to mobilise civil society, the informal economy, communities and citizens, notably in partnerships, and
- will depend upon high-level moral and practical leadership.

They take forward the ideas of the 2007 Lake Victoria Commonwealth Climate Change Action Plan³ and the 1989 Langkawi Commonwealth Declaration on the Environment⁴.

Proposition 1. A new vision – balanced human and ecosystem wellbeing – should guide future efforts at recovery. This can be expressed in terms of four objectives of relevance globally, nationally and locally:

1. **Economic resilience** – conferred by many possible sources, ecosystems (e.g. ‘green infrastructure’) and people’s coping strategies (e.g. indigenous peoples, women natural resource managers) as well as the financial systems that currently preoccupy us – e.g. *lowering the energy input into GDP and the carbon input into energy*
2. **Biosphere protection** and sustainable resource throughput so that environmental assets (soils, water, biodiversity, etc) are nurtured – e.g. *increasing the ecological input into GDP and the carbon content of landscapes*
3. **Social justice and distributional equity** – improving wellbeing, rights and freedoms and helping vulnerable people to develop resilient livelihoods – e.g. *capabilities to manage and benefit from natural resources in the long term and adapt to climate change*
4. **Governance and institutional development** to support the above – decisive and transparent decision-making that can handle the speed of change and tipping points –

³ http://www.thecommonwealth.org/shared_asp_files/GFSR.asp?NodeID=173015

⁴

http://www.thecommonwealth.org/document/181889/34293/35468/171730/1989_langkawi_declaration_on_the_environment.htm

notably clear criteria for sustainability; incentives for achieving them; and accountability mechanisms to ensure compliance

Proposition 2. Structural changes are the key to achieving high-sustainability recovery – many of which involve embracing stakeholders and initiatives ‘below the radar’. As Ban Ki-Moon said in the 2009 MDGs Report, “Our efforts to restore economic growth should be seen as an opportunity to take some of the hard decisions needed to create a more *sustainable and equitable* future.... The time is ripe for making the *structural changes* needed.” Hard decisions will indeed be necessary if we are to pursue the above four objectives, as they do challenge the *status quo*. Leadership will be needed to help us through some major changes:

- from perpetually dealing with individual escalating crises *to systematically addressing the political and economic causes of linked crises*
- from dominance of the recovery agenda by economically powerful countries *to engagement of a diversity of countries (e.g. small states, including small island states, SIS are both vulnerable and have unique attributes of resilience)*
- from an obsession with GDP growth *to new ways of accounting for progress in human and ecosystem wellbeing – the outcome of ‘high sustainability recovery’*
- from idealistic government ‘magic bullets’ *to identifying, embracing, learning from, and mobilising a diversity of stakeholders and real-world approaches proven to work – many below the ‘radar’, notably civil society, social enterprises and the informal economy*

The last point is key – government-led efforts have often been most successful when they have engaged with other actors who have direct incentives for ensuring sustainable and equitable outcomes:

Informal economy: It is clear that recovery should not be structured so that it helps the formal economy alone, and continues to ignore the informal economy – rather recovery needs to build on what the informal economy (IE) can do. *We suggest* a two-tiered approach: (a) initially understanding and making politically and economically visible the contribution, capacity and failings of the IE through an “audit” coupled with listening campaigns; (b) analysing these to develop appropriate public policy to enhance the resilience of IE, upgrade IE workers’ skill sets, increase its productivity, ensure its environmental and social governance and reduce illegality, coupled with incentives for appropriate private policy.

NGO-commercial “hybrid” small and medium enterprises: Many of the most exciting and successful “hybrid” enterprises are operating in Commonwealth countries. The Commonwealth could take a lead role in promoting the changes required to get rid of the prevailing regulatory, incentive and technological barriers to the expansion of this largely unrecognized sector that is perhaps more effective than any other in combining the goals of poverty-reduction, livelihood resilience and sustainable economic development.

Civil society work in tackling climate change: The Commonwealth may wish to promote higher priority for those initiatives that use local knowledge and approaches to deliver multiple benefits at lower cost and with greater local co-benefits, such as traditional farming systems that conserve genetic and ecosystem diversity, sustain local adaptation, sequester carbon and reduce poverty.

Proposition 3. Recapitalise the natural resource base on which people depend – as an essential complement to the current ‘low-carbon’ emphasis of some recovery packages. Good management of environmental assets is as important as, and a necessary step in, managing climate change (the dominant environmental hazard). The recession is an

opportunity to invest in ecosystem services ('green infrastructure'), sustainable agriculture, forestry, fisheries and wildlife management; and the associated social capital that ensures good NR management (e.g. community and local-level organisations, small enterprise and civil society). The UNEP Global Green New Deal Initiative⁵ has broadened the notion of green recovery to supporting natural resource management. Important activities include: stripping out perverse incentives to degrade such assets, such as subsidies; creating rights regimes to support sustainable management by dependent groups; and offering new financial instruments – such as green bonds and green banking – to support investment in environmental goods and services.

The *benefits* could be huge – agricultural, forest and fisheries productivity, freshwater management and sanitation are proven to have high and demonstrable returns, especially in developing countries (Pearce, 2005). They can support a wide range of livelihoods and 'green jobs' that are more accessible to poor and rural people, and to those with little training, than high-tech 'low-carbon' jobs. They reduce social (protection) costs by supporting livelihoods of the majority in many countries (80% of Africa's population is engaged in smallholder farms) and they can generate real revenue (40% of Africa's exports are from such farms – Developments 46, 2009). Where they nurture local food systems, this also has food security and health benefits.

Proposition 4. Set up learning forums about 'what works' for high-sustainability recovery. A sequence of international assessments of poverty reduction (Millennium Project and MDGs report) and environment (GEO and MA) agree that virtually all key environmental and social indicators are tracking negatively – in other words we are actually heading away from sustainability. Rather than simply continuing bureaucratic and technical assessments of 'progress', a more open global learning process of dialogue and review is proposed. It should identify real progress on human and ecosystem wellbeing, what is out there on which to build and scale up, as well as what challenges countries continue to face. The Commonwealth is particularly well placed to lead on this, providing a mechanism to start engaging stakeholders from 53 countries, both rich and poor, representing more than 1.8 billion people (almost 30% of the world's population).

This might best be initiated by each member country establishing a *national sustainable development learning forum* to guide and coordinate a programme of enquiry and lessons-sharing, providing ways to engage public opinion – perhaps best seen as a 'people's barometer of sustainability'.

We would be most grateful to hear the views of Ministers, and suggestions on how to take forward the concept of high sustainability recovery from recession. These recommendations can be integrated into the document being prepared for the Committee of the Whole and the Commonwealth Heads of Government.

ACKNOWLEDGEMENTS

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ENDS

⁵ <http://www.unep.org/greeneconomy/>