Towards Rio 2012 And Collaborative Governance For Sustainable Development

Jem Bendell recently advised UNCTAD on how to promote responsible business and investment, including in their support to the G20. He helped create the Asia Pacific Centre for Sustainable Enterprise at Griffith Business School in Australia, while from Geneva, he provides board-level strategy advice on addressing global challenges. His latest book is *Evolving Partnerships* published by Greenleaf Publishing, 2011. www.twitter.com/jembendell

Since the global Earth Summit in 1992, non-governmental organisations and businesses have made some strides towards sustainable development, but as **Jem Bendell** explains, governments need to join them.

Over two memorable weeks in June 1992, the Earth Summit brought representatives of 178 countries, including 117 government leaders, together in Rio de Janeiro. Organised by the UN Conference on Environment and Development (UNCED), it was the largest political summit ever held to discuss a host of inter-related global issues: Biodiversity, climate change, consumption patterns, deforestation, fragile ecosystems, hazardous waste, indigenous knowledge, poverty, responsible entrepreneurship and the role of non-governmental organisations (NGOs). The idea of "sustainable development" had suddenly arrived on the world's crowded stage, and, for the first time, it offered a common goal that integrated environmental protection and poverty reduction.[1]

But, 20 years on, the statistics on environment and development are not encouraging. As you read this article, in the last 24 hours, 80,000 acres of tropical rainforest have been lost,[2] whilst 98,000 people died of starvation, a large number of them children.[3] In just a day, over a million tonnes of toxic waste have been released

> ...the continued lack of major global progress towards sustainable development, towards true integration of environmental and developmental priorities, should make us question this **lack of attention to economic systems and government roles**.

into our environment,[4] and over 150 species have been driven into extinction.[5] These problems exist not because people have ignored them: Many of us have been engaged for a long time, along with the generations before us. Yet, these problems persist.

So, why has the sustainable development agenda agreed on 20 years ago not been implemented in transformative ways?

The Failure

The answer lies in economics and politics.

The focus on sustainable development was sidelined by a primary focus on trade liberalisation in the 1990s, on geopolitics and security in the 2000s, and by an over-riding focus throughout that time on increasing economic growth.[6]

In particular, the exuberance and hopes generated by the end of the Cold War at the time of the Earth Summit very effectively shifted the focus away from the economic root causes of social and environmental problems: discussing the flaws of capitalism was seen as neither helpful nor hopeful. Instead, the focus was on practical action on a broad menu of social and environmental problems. As the conference drew to a close, Paul Lewis of The New York Times wrote that "The Earth Summit … has given the world the first real glimpse of the kind of global diplomacy that is becoming possible now that the Cold War is over."[7]

At the same time, the dominant Western nations were embracing a laissez faire approach to economic governance. The burden of action was shifted to non-state actors. Twenty years later, the continued lack of major global progress towards sustainable development, towards true integration of environmental and developmental priorities, should make us question this lack of attention to economic systems and government roles.

Indeed, over the last twenty years, we have seen non-state actors experiment in many new ways to advance a sustainable development agenda, including the forging of partnerships and voluntary standards to promote responsible enterprise and finance.[8] One of the earliest successful examples is the Forest Stewardship Council, an international non-profit, multi-stakeholder organisation that promotes responsible management of the world's forests through standard setting, independent certification and labelling of forest products. It was established in 1993 after environmental groups, timber retailers, foresters and others collaborated to provide customers around the world with the ability to choose products from socially and environmentally responsible forestry and thereby reduce deforestation. Another example is the Fair Labor Association, a non-profit multi-stakeholder initiative founded in 1999 to bring together companies, colleges and universities, and civil society organisations to improve working conditions worldwide by promoting adherence to international and national labour laws.

It's been exciting and innovative work. However, despite our enthusiasm, these various experiments may be reaching the limits of what they can do to promote wider change. Leaders in business and civil society are therefore calling for government to become involved to help mainstream the innovations in sustainable development governance. If Rio 1992 was about governments calling non-state actors to act, Rio 2012 may be about non-state actors calling on governments to join them in creating greater change.

> If Rio 1992 was about governments calling non-state actors to act, Rio 2012 may be about non-state actors **calling on governments to join them in creating greater change**.

The Promise

It is a call that may well be heard and acted upon. Today, there are non-Western nations, with more recent experience of strong government leadership, that have a greater influence in the inter-governmental arena. This influence is reflected in the work of the newly energised Group of 20 nations, or G20, who are currently developing an action plan on private investment and job creation that recognises the potential role of governments in promoting the use of standards for social, environmental and developmental contributions of international business.[9]

I see three implications from a stock take of what has happened (and did not happen) since Rio, especially in the context of changes in global economic and political power.

First, discussions of the appropriate regulation of business and finance required to achieve sustainable development will be more welcome in next year's summit.

Second, discussions and decisions can, and should, focus more directly on economics, and countering the perverse economic drivers of social and environmental problems.

Third, innovations in private initiatives and standards on responsible business may be examined to see how they can be improved and scaled by governmental support. Taken together, this may begin a new era of policy making for "collaborative economic governance."

The growing focus on government roles in economic governance for sustainable development is reflected in the key theme for the Rio 2012 Summit, announced in 2011, which is how to promote a "green economy." The theme is largely the result of the UN Environment Programme which has outlined a range of policy areas where governments can stimulate private sector investment in sustainable enterprise.[10] Business sectors often considered to constitute that green economy include renewable energy, energy efficiency of buildings, resource efficiency, water conservation, forests, land and soil conservation, agriculture and food security, ocean ecosystems and ocean acidification, fisheries, sustainable waste management, natural resource extraction and the restoration of natural assets.[11] Progress in these areas is critical and needs to be done with attention to the social implications of policy initiatives. Yet, this should not be the sum of the economic governance agenda explored at Rio+20 and beyond. The progressive utilising and scaling of voluntary responsible business initiatives is key, as well as a deeper analysis of the drivers of un-sustainability, which is discussed below.

> …as the usefulness of such standards is more widely recognised, **governments are beginning to experiment with new ways of utilising such standards.**

Private standards, government push

Since the Earth Summit, twenty years of private sector-led innovation have led to a proliferation of private standards on responsible business practice, including many multi-stakeholder initiatives such as the Forest Stewardship Council and Fair Labor Association. Voluntary standards are helpful because they provide a way for consumers, investors, business partners, and staff to recognise best practices in the social or environmental performance of business, and thus encourage such performance.

Whereas national regulations provide a baseline below which performance should not fall, voluntary standards are aspirational and evolving, and point towards the types of enterprise needed for a more just and sustainable world. Until recent times, such standards were regarded as beyond the interest of government, because of their voluntary character. However, as the usefulness of such standards is more widely recognised, governments are beginning to experiment with new ways of utilising such standards.

Initial research shows that governments are doing this in four main ways.

In the first instance, governments combine public sector regulation with private sector standard setting to arrive at a mixed regulatory regime. For instance, South Africa's corporate reporting rules require listed companies to prepare annual reports using the Sustainability Reporting Guidelines of the Global Reporting Initiative. The Guatemalan government mandates Forest Stewardship Council certification for forestry firms operating in the Mayan Biosphere reserve. Governments can also impose requirements on suppliers in their public procurement. The German government has made a commitment to purchase wood and wood products that are verified as coming from legal and sustainable sources, and accepts the Forest Stewardship Council certification.

In the second instance, entities owned and managed by governments are certified to voluntary standards, often as a result of government passing mandatory regulations.

For example, the island territory of South Georgia and the South Sandwich Islands have a direct user relationship with the Marine Stewardship Council regarding fisheries the government manages.

In the third instance, governments can promote specific private standards. For example, policy makers sometimes develop capacity building and training programmes to help enterprises meet the qualifications of one or more popular private standards. In Bolivia, the government worked with USAID support to promote Forest Stewardship Council certification among its forestry industry; this included capacity building for companies that wanted to be certified, and providing assistance that linked certified companies with export markets. As a result of this programme, Bolivia now has the largest area of FSC-certified tropical forests in the world.

In the final instance, governments can act as facilitators of private standards by including material support, technical expertise, and convening power to mobilise the participation of relevant stakeholders.

Taken together, such government support to mainstream appropriate standards of responsible business and finance can offer a new paradigm of collaborative economic governance, though it is one that requires new knowledge, insight and skill on the part of governments to manage well across all their departments and regulatory bodies. In particular, governments will need to become clearer in understanding what constitute fair and credible voluntary standards. In particular, the transparency and accountability of such standards to stakeholders in the industries, trades and communities that are affected are key.[12]

The message from the first Rio summit was that we needed more collaboration between business, NGOs and other stakeholders to find compromises and synergies between different concerns, and to implement change together.

In the intervening years, multi-stakeholder initiatives have become a significant player in international trade. The FSC certification system now covers about 11% of global forests used for productive activities. The Marine Stewardship Council certification system covers about 6% of global landed fish. Meanwhile the Fair Labor Association is estimated to cover 75% of the athletic footwear industry, while the Roundtable on Sustainable Palm Oil addresses about 10% of global palm oil production.[13]

If such collaborative economic governance continues to develop, we will see more companies meeting voluntary standards of responsible practice.

However, even if the relevant certifications double, or even triple, it is very unlikely this will address the scale and urgency of the sustainable development challenges we face.

“Twenty years after Rio, with the old debates and fears of the Cold War well gone, **we should be able to show more maturity in exploring how systemic flaws in our economic systems could be changed** to improve social or environmental outcomes.

Instead, in many countries, growing inequality and financial instability threaten to compound the existing social and environmental challenges at a faster rate than they can be overcome. Our focus needs to be not only on scaling innovative solutions, but also on how to address the root causes of problems. As such, business, trade, and monetary policies need to be examined from a sustainable development perspective.

Greening the Whole Economy

A debate is already under way in both business and civil society circles about the type of economic system we need for a more fair and sustainable world. We chronicled this emerging debate in my company's review of corporate responsibility last year.[14] Our review found that although often rudimentary, and often misunderstanding what capitalism is, these debates show there is growing willingness to tackle issues at the depth and scale that matches their significance to our planet and people.

Twenty years after Rio, with the old debates and fears of the Cold War well gone, we should be able to show more maturity in exploring how systemic flaws in our economic systems could be changed to improve social or environmental outcomes. If it was practical not to discuss capitalism in 1992, given the shortcomings of our progress since then, it would not be practical to avoid discussing it today. In other words, Rio 2012 could be timely to globalise that conversation.

Whether the government delegations will be the ones having that conversation is in doubt. The preparatory meetings for

> **...it will take effort and courage, rather than mere intellect,** to articulate and implement a global policy agenda that tackles some of the economic causes of social and environmental problems.

Rio 2012 have heard from governments and "major groups" of stakeholders that there is a need for new impetus in transforming the economic drivers on un-sustainability. Whether the discussions and commitments extend beyond the enabling of markets for cleaner technologies is in doubt. It remains important for more government action to speed the development of a "green economy," if, by that, we mean promoting enterprise that benefits our biosphere in accountable and socially beneficial ways. Yet, it is more important to green economies at large, to address the systemic flaws in corporate, trade and financial regulation that externalise costs, drive inequality, reduce accountability, and stoke destructive levels of consumption. It is key that the agenda expands from helping the green economy to greening the whole economy. Otherwise, we will fail to draw upon the lessons of 20 years of action and reflection for sustainable development.[15]

It's worthwhile noting that the Earth Summit was itself held to commemorate the twentieth anniversary of the 1972 UN Conference on the Human Environment in Stockholm. Canadian industrialist Maurice Strong headed that conference, and said at the time that "there can be no fundamental conflict between development and environment; they are integral and indivisible."[16]

Twenty years later, after chairing the Earth Summit, Strong made the connection with economic governance very clear, commenting that the transition to sustainable development "requires a major shift in priorities for governments and people, involving the full integration of the environmental dimension into economic policies and decision-making in every sphere of activity."[17]

In summarising the Summit, The New York Times noted that "for many, the accord is important mainly as the start of a process that could eventually change the way the world approaches economic growth..." I recall these statements to highlight how the deeper analysis and the higher hopes that were already present back then failed to find traction in subsequent decades. That suggests to us that it will take effort and courage, rather than mere intellect, to articulate and implement a global policy agenda that tackles some of the economic causes of social and environmental problems.

What makes 2012 different from both the 1992 and 1972 summits is the new global role played by Asia. East Asian nations have a more recent experience and expectation of government leadership on matters of collective concern. It is important that they are able to share their experiences with sustainable development at Rio 2012 and beyond. It is also important that they do not allow a few powerful nations and commercial institutions to frame the sustainable development agenda narrowly on environmental technologies and services, in ways that could compound social problems and avoid the key need to reform economic governance. Whether or not international cooperation in the G20 era will engage these issues in sufficient depth is not certain, for it very much depends on how we ourselves engage each other to solve global challenges, rather than dwell on our local or personal preoccupations.

1. David F. Murphy and Jem Bendell, *In the Company of Partners: Business, NGOs and Sustainable Development Post Rio* (Bristol: Policy Press, 1997).

2. "Protect Nature for World Economic Security, Warns UN Biodiversity Chief," *The Guardian*, 16 August 2010, http://www.guardian.co.uk/environment/2010/aug/16/nature-economic-security.

3. Data recalculated from United Nations Information Service, "Independent Expert On Effects Of Structural Adjustment, Special Rapporteur On Right To Food Present Reports: Commission continues general debate on economic, social and cultural rights.," United Nations, 29 March 2004.

4. Data recalculated from GRID-Arendal, "Vital Waste Graphics," (2004), http://www.grida.no/publications/vg/waste/

5. Data recalculated from http://news.minnesota.publicradio.org/features/2005/01/31_olsond_biodiversity/ and http://www.rain-tree.com/facts.htm

6. Jem Bendell, "Barricades and Boardrooms: A Contemporary History of the Corporate Accountability Movement", Programme Paper 13, UNRISD, Geneva (2004).

7. Paul Lewis, "Storm in Rio: The day after – pursuing the portents of new global politics," *The New York Times*, 15 June 1992.

8. Jem Bendell et. al., *The Corporate Responsibility Movement* (Sheffield: Greenleaf Publishing, 2009).

9. G20 Final Communique fromCanada G20 Summit, 2010, Annex 2, http://www.canadainternational.gc.ca/g20/summit-sommet/2010/G20_seoul_annex-annexes%202.aspx.

10. UNEP, "Towards a Green Economy: Pathways to sustainable development and poverty eradication," http://hqweb.unep.org/greeneconomy/v2/GreenEconomyReport/tabid/29846/Default.aspx.

11. Co-Chairs' Summary of Second Preparatory Committee Meeting, United Nations Conference on Sustainable Development, 7-8 March 2011, http://www.stakeholderforum.org/fileadmin/files/Co-Chairs%20Summary%20of%20PrepCom%202.pdf.

12. Jem Bendell, "In Whose Name? The Accountability of Corporate Social Responsibility," *Development in Practice*, Volume 15, Numbers 3 & 4, June (2005).

13. Statistics excerpted from research for forthcoming "2011 UNCTAD World Investment Report."

14. Jem Bendell, Ian Doyle, Jonathan Cohen, Emma Irwin and Nicky Black, *Capitalism in Question: The Lifeworth annual review of corporate responsibility in 2009* (Lifeworth: 2010), http://www.lifeworth.com/capitalisminquestion.pdf.

15. Jim Thomas, "RIO+20: Toward a new green economy—or a green-washed old economy?" Grist Magazine (2010), http://www.grist.org/climate-policy/2011-03-24-rio-20-toward-a-new-green-economy-or-a-green-washed-old-economy

16. Wade Rowland, *The Plot to Save the World* (Toronto: Clarke, Irwin & Company Ltd., 1973)

17. United Nations, *The Global Partnership for Environment and Development* (New York: United Nations Publications, 1993).