

Equity for a Small Planet

Challenges and Ideas for the World Summit on Sustainable Development

'What role can markets play in delivering sustainable development?'

'What are the governance challenges and options to enable these roles at local, national and global levels?'

These are two critical questions for WSSD if a 'Global Deal' at the Summit is to breathe new life into sustainable development as a policy framework and a means to galvanise action at every level. This issues paper attempts to provide some answers, by reporting the conclusions of an international conference and workshop, *Equity for a Small Planet*, hosted in London by IIED in November 2001.

What role can markets play in delivering sustainable development?

Focusing solely on the influence of markets misses the underlying issue. Although markets are frequently the principal means by which resources are generated and disseminated – often in very inequitable ways – they generally reflect existing power structures. The key question is do they enforce or undermine these frameworks of power? The challenge is whether it is possible to create conditions in which markets weaken inequitable power relations. It is not a question of having to choose between government regulation or voluntary corporate responsibility. In most instances, some combination of the two is both possible and desirable.

WSSD could usefully focus on interactions between communities (North and South), producers (large and small) and governance structures (local, national and global) in the contexts addressed below. In each instance it is crucial to challenge

imbalances of power, and to achieve an effective mix of regulation and incentives.

Standards and certification: The costs, benefits and risks of certification vary tremendously – depending upon the product, market, and stage in the supply chain. It is not a magic bullet. It is time to consider how to integrate certification into a mature set of instruments for sustainable development. There is rarely an *a priori* reason to promote certification over other instruments unless it performs well for four criteria: effectiveness, efficiency, equitability and credibility. Certification stands out today for its perceived credibility among stakeholders (especially consumers). But there are many equity problems – smaller producers have been less able to benefit. And there are effectiveness problems – illegal producers are unaffected by the market- (retailer-)led incentive.

The incentives for certification also need careful consideration. A retailer-led approach, producing labelled products, is becoming the norm.

But there may also be advantages in certification for investors, insurers, landlords or unions. Certification has regulatory characteristics, both directly (defining how producers should act and providing 'soft' enforcement) and indirectly (leading policy debate on good production standards, roles and accountability). So there needs to be more government involvement than in the past – to ensure certification 'fits' with sector governance instruments, and to deal with the equity problems. The way forward is for local groups to get the opportunity to explore the possible purposes of certification, and what the right incentives and standards might be. This deserves more attention before top-down schemes become the norm.

Corporate-community partnerships: Partnerships between companies and groups of various kinds at local or 'community' level can work well for both partners in many circumstances. Where they work best, the community or local group is voluntarily and fairly represented in negotiations with a corporate interest over the use of a



commercially-viable resource. These best-practice partnerships provide mutual benefits to participants, the equitable sharing of risks and resources, commitment to a long-term but flexible relationship, and the achievement of broadly-endorsed common purposes.

Communities may enter into a relationship with a company because there is the potential for access to credit and markets; to utilise marginal or unused land; or to generate employment and social infrastructure. The company may look for exclusivity in access to a desirable resource, the security of a negotiated contract, or the good public relations to be gained from being socially responsible.

However, many 'partnerships' suffer from an imbalance of power, in which the corporate actor holds all the cards and the community lacks the capacity to influence decisions or benefit from its collective bargaining power. They can only be tools for good governance when the roles and terms of engagement are clear; when the partnership is both commercially-viable and fought-for by communities; and when there is sufficient time and space to rethink and renegotiate. Therefore support is needed to develop the 'bargaining power' of communities (through increasing awareness of rights to tenure and developing skills, for instance) and to foster effective and equitable third parties (to act as brokers, arbitrators or representatives) – notably from civil society and government.

Regoverning markets: The Rio agreements focused attention on access to natural resources and to public policy processes as key ingredients of equitable and sustainable development, but understated access to markets and the role of private sector policy. In the last decade it has become clear that small producers are at increasing risk of being excluded from markets, leading to a process of marginalisation and impoverishment. In the agri-food sector, barriers to market entry are exacerbated by current trends in global markets – liberalisation, market concentration, and increasingly strict market entry requirements, including 'sustainability' standards. These trends are not region specific; they impact on small producers both in the North and South.

Governments must recognise the above trends and start national level debates on the sustainable development benefits which a healthy small producer sector provides. If the marginalisation of small producers is to be reversed, new forms of governance must be developed at the local and global levels and in the public and private sectors. Public policy interventions can provide support for producer organisations and other mechanisms to strengthen small producers' trading capacities; introduce new forms of competition policy; and remove distorting subsidies and dumping. Companies can aim for sourcing strategies which are not *de facto* barriers to market entry for smaller producers. They can learn from the experience of the Fairtrade movement, and involve small producers when developing new standards. Civil society can develop mechanisms which provide incentives for positive corporate policies towards small producers.

Markets for environmental services: Path-breaking deals involving payments for environmental services such as watershed protection, climate change mitigation and

biodiversity conservation are emerging all over the world. Claims that market mechanisms can encourage environmental protection, promote greater economic efficiency, while saving tax payers money are tantalising. Cash-strapped governments looking to transfer responsibilities for environmental protection to the private sector are increasingly interested in what markets have to offer.

Yet, spreading enthusiasm is not matched by adequate knowledge as to why such markets are emerging where none existed before, the process through which they evolve and whether markets are always desirable. Governments are charged with ensuring equity as well as economic efficiency and environmental sustainability, so they need to understand how markets for environmental services impact on the poor. Do markets for environmental services involve equity trade-offs, or can markets be crafted to promote poverty reduction as well as improved efficiency?

The evidence suggests a need for caution. While the potential benefits are significant, the poor face an uphill battle in realising them. Key constraints include a lack of property rights over land and related environmental services, inadequate technical and market-related skills, poor market information, lack of market contacts, inadequate communication infrastructure, inflexible contract design, and lack of access to start-up capital. To tackle these, an understanding of how to build inclusive markets for environmental services is essential. Potential ways forward may involve:

- Assigning property rights over land and related environmental assets in ways that respect customary arrangements and that are equitable;
- Strengthening capacity for market participation, e.g. through training and education;
- Providing support through the provision of market information, advice, a contact point for buyers and sellers, and facilitation in the bundling of service contracts (e.g. bundling smallholder suppliers) as a means of reducing transaction costs;
- Improving access to start-up capital so that poor individuals can make necessary investments in market participation.

Investment for sustainable development: Much of the focus on foreign direct investment has been on the activities of large transnational corporations. While these dominate the flows of investment from North to South, they are less relevant to the needs of the large numbers of rural poor. Both public and private investment is needed for small and medium enterprises and for 'sustainable livelihood' activities that provide employment for and serve the needs of the poor. At the same time given that transnational companies will remain a key player in FDI it is important to ensure that a greater share of the value added from their activities stays in the host country and in the local community.

Numerous initiatives have been developed with the aim of making companies improve their environmental and social performance. Examples include the OECD Guidelines for Multinational Enterprises and the Global Reporting Initiative. However, these initiatives tend to involve large

companies. This creates a paradoxical situation in which the initiatives aimed at making companies more responsive to stakeholders end up putting small companies at a disadvantage. This is because the standards set reflect the interests and capabilities of those most closely involved. The priority is to open up these initiatives to a wider range of stakeholders in the South. In this way common standards can be developed.

What are the governance challenges and options at local, national and global levels – and for WSSD?

For sustainable development to be realised, action is needed at the local level. There are islands of success all over the world, but in most instances these are not recognised or supported by governance structures at national and international level, and consequently remain isolated. Strengthening the local economy, its livelihoods and its asset base is also essential – but much neglected by current policymaking.

So how can WSSD process help to join these islands up and create conditions in which effective local action is fostered and encouraged? And what broader issues and contexts should be addressed?

Integration with other key agendas: WSSD offers an opportunity to move beyond vague commitments to sustainable development, and demonstrate that its principles can be at the heart of international collaboration. This will require some tough choices, notably in establishing the relevance of sustainable development to international trade and finance. Links with the work of the World Trade Organisation and the UN Financing for Development process will be particularly important.

International governance: In considering shifts in the mandates and programmes of global institutions we should focus particularly on changing the systemic imbalances which perpetuate inequality, both between and within countries. We need to be honest about the ineffectiveness of international fora and processes, and to push hard for reform supported by a real and substantive international commitment to the resourcing of multilateralism.

Local governance: Strong local governance is essential in delivering sustainable development. How are national governments and international agencies going to meet their 'global' responsibilities without effective local government institutions as partners? How are national initiatives going to work without information on 'what works' locally, and strong institutions demanding effective and integrated policy support? A particular focus on ways in which donors and international institutions can provide direct support to local institutions should be a priority for WSSD.

Working towards greater equity: A Global Deal should build on what already works and focus on changing systemic imbalances which perpetuate inequality, both between and within countries. This includes the problems caused by the lack of representation of those suffering from poverty, exclusion and discrimination in global bodies, processes and negotiations – including WSSD itself.

Initiatives for impact

With these broad objectives in mind, it is important now to start setting out the nature of potential 'deals' for WSSD and engaging key governments and stakeholders in discussion on what can be delivered. Specific proposals include:

Indicators: While measures of economic well-being and human development are well-established, no clear instrument exists to gauge progress towards sustainable development. The 'ecological footprint' approach is based on the notion of carrying capacity and is a way of expressing the impact of human activity on the biosphere as a single number. The result is a per capita 'footprint' that can then be multiplied by national populations to provide a country's footprint on the planet. Although this measure is not perfect, if widely adopted it could provide much needed clarity to debates on sustainable development and a better guide to policy formulation than currently exists.

Nssds: The idea of national strategies for sustainable development (nssds) was central to Agenda 21, which suggested they should be umbrella schemes by which each country would plan and progress towards its goals of sustainable development. In 1997, the UN General Assembly set a target date of 2002 for their 'formulation and elaboration'. Recent reviews of practice and experience in a number of countries, notably by the OECD, UNDESA, UNDP/Capacity 21, and the Earth Council, have confirmed that an nssd should be an ongoing process, and not merely a 'master plan'. Nssds can take different forms, depending on local conditions, but to be effective they need to meet generic characteristics. They should demonstrate broad participation and partnerships; country ownership and commitment; an enabling environment; and a focus on outcomes, means of implementation and continuous learning and improvement. An nssd is any national process – such as national agenda 21s or Poverty Reduction Strategy Papers – which provides a framework for progress.

Although the emphasis is on country ownership (a valid reaction against international precepts and programmes which have failed to 'localise' and 'internalise' sustainable development), nssds cannot be developed and implemented in isolation. Thus they are good candidates for a Global Deal. Some countries will need assistance in the process, especially in setting up the necessary continuous systems (such as participation and information systems). All countries need to be challenged to ensure that nssds provide coherent responses to global agreements. There is also scope for cooperation and experience sharing, as challenges will be met by all – for example, integrating public concerns with scientific analyses and agreeing criteria by which to set priorities. While an nssd as 'conditionality' (e.g. for aid) should be avoided, all countries should be encouraged to develop one, in order that that their own house is in order before engaging in international 'bargaining'.

Environmental rights: The right of all people to a clean and healthy environment should be recognised. Members of the Economic Commission for Europe should ratify the Aarhus Convention, countries in the Americas should enact the plan of action from the Santa Cruz Declaration, and others

should look into developing regional instruments to help realise Principle 10 of the Rio Declaration. Substantive rights to clean air, water and sanitation, and food security need to be monitored and promoted as essential elements in broader understandings of fundamental human rights.

Sectoral 'global compacts': One of the main problems with the UN's Global Compact for private companies is that it does not compare like with like. This contributes to the lack of progress in agreeing measurable targets for the broad commitments to which signatories agree to adhere. In order to address this, the development of issue-based, geographically-based and sector-based coalitions should be attempted. The leaders of each sector could initiate 'compacts' (chemicals, forestry, mining and minerals, pharmaceuticals, finance, tourism and so on) by approaching a set of interested countries under some informal umbrella. Each compact would also be open to include key constituencies (including labour, civil society actors and inter-governmental organisations). They would build on existing work but because the effort would be

tripartite they would promote dialogue and collaboration in place of confrontation.

Removing trade barriers: New mechanisms are urgently required if international trade is to become a true engine of sustainable development – particularly driving the elimination of poverty and expansion of sustainable livelihoods across Asia, Africa and Latin America. At present there is a profound absence of trust at the root of many of the tensions surrounding trade and sustainable development. In the South, there are fears that environmental requirements will hamper export prospects ('green protectionism'). Continuing use of subsidies which distort markets also causes problems; in the six years since the Uruguay Round Agreement on Agriculture came into force, subsidies for agriculture in developed economies have risen – despite a commitment to reduce such support. There is thus a clear need for new initiatives focusing on the practical difficulties facing producers and exporters in Southern countries as well as retailers in importing countries. ●

On 12 and 13 November 2001, IIED hosted 'Equity for a Small Planet', an international conference to consider priorities for the 2002 World Summit on Sustainable Development. The conference marked IIED's 30th anniversary. On the first day, a workshop for 130 invited participants from over 30 countries considered the role and the limits of the market in furthering sustainable development, and the governance structures required to guide and enforce necessary actions at local, national and global levels. At an open conference on the second day the focus was on globalisation, whether sustainability provides a coherent framework within which to address inequity and resource depletion, and how the Johannesburg Summit could start dealing with these vast problems. A report on the event by *Earth Negotiations Bulletin* is online at <http://www.iisd.ca/sd/SDEQU>.

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