

## Briefing Paper for the Joint Seminar Series on Sustainability of Bertelsmann Foundation and World Future Council 2010

*This paper contains nine standard definitions of key issues to be addressed in the upcoming seminar series on sustainability. Definition sources are indicated after the headline. These definitions serve as a basis for a common understanding from which discussion can arise.*

*Concepts described include:*

- 1. Sustainable Development*
- 2. Development Model "Washington Consensus"*
- 3. Living Economies Model*
- 4. Beyond GDP Process*
- 5. OECD Global Project Community*
- 6. Scoreboard Policy*
- 7. Post-Lisbon Strategy*
- 8. EU Sustainable Development Strategy*
- 9. TEEB Process*

### **1. Sustainable Development**

[\(http://ec.europa.eu/environment/eussd/\)](http://ec.europa.eu/environment/eussd/)

Sustainable Development stands for meeting the needs of present generations without jeopardising the ability of future generations to meet their own needs – in other words, a better quality of life for everyone, now and for generations to come. It offers a vision of progress that integrates immediate and longer-term objectives, local and global action, and regards social, economic and environmental issues as inseparable and interdependent components of human progress.

Sustainable development will not be brought about by policies only: it must be taken up by society at large as a principle guiding the many choices each citizen makes every day, as well as the big political and economic decisions that have to be taken. This requires profound changes in thinking, in economic and social structures and in consumption and production patterns.

## 2. Development Model *Washington Consensus*

(<http://siteresources.worldbank.org/INTEDS05/Resources/PostWashingtonConsensus-englisch-04-2004.pdf>)

Until recently, there was a relatively broad consensus regarding the types of reform urgently needed in developing and transition countries. This widely shared perception was called the *Washington Consensus* and most succinctly expressed by John Williamson in the 1990s.

**The *Washington Consensus* includes 10 policy recommendations:**

*Macro Policies:*

- Budget discipline
- Liberalisation of interest rates
- Market-driven exchange rate

*Structural Policies:*

- Privatisation
- Deregulation
- Liberalisation of imports
- Liberalisation of foreign direct investment
- Tax reform aimed at lowering the progression of the tax base and broadening it
- Securing property rights
- Redistribution of public funds in favour of the education and health sectors

**The “inventor” of the *Washington Consensus*, John Williamson, himself stood for a differentiated interpretation of these recommendations.** He also rightly pointed out that the *Consensus* did not contain items that – from a current point of view – appear to be critical issues, such as complete liberalisation of capital markets, implementation of a monetaristic monetary policy, or a radical cutback of state functions. It is also worth remembering that the recommendations of the *Consensus* addressed the situation in Latin American countries at the end of the 1980s, and that Williamson did not claim that they were generally valid for all countries.

**In practice, however, a less differentiated view prevailed.** Thus, the standard reform package included far-reaching and swift privatisation as well as the liberalisation of capital markets. At the core of the recommendations were measures designed to deregulate prices, liberalise trade, and curb inflation. It was assumed that these measures alone would suffice to create the conditions for achieving an efficient allocation of resources and perpetuating high economic growth.

### 3. Living Economies Model (Dr. Maja Göpel)

#### Governance roadmap towards Living Economies – zooming in on relevant paradigm shifts

	Current Development Model - “Washington Consensus”	Living Economies Model - Emerging Consensus
<b>Primary policy goal</b>	MORE: More economic growth in the conventional sense, as measured by GDP. The assumption is that growth will ultimately provide the solutions for all other problems. More is always better.	GOOD: not monetary revenue at all costs but “development” in the sense of poverty eradication and improvement in quality of life, recognising that current economic goals have negative by-products, more is not always better, and fairness is a fundamental good for societal cohesion.
<b>Primary measure of progress</b>	GDP	New indicators mirroring environmental, social, cultural and economic development
<b>Scale/carrying capacity</b>	Not an issue because it is assumed that markets can overcome any resource limits via new technology and substitutes for resources are always available.	A primary concern as a determinant of ecological sustainability. Natural capital and ecosystem services are not infinitely substitutable, and real boundaries to the use of our resources exist.
<b>Distribution/poverty</b>	Lip service, but relegated to “politics” and a “trickle down” policy: A rising tide lifts all boats.	A primary concern since it directly affects multiple human rights and the quality of human and social capital and in some real ways is often exacerbated by our current economic goals.
<b>Property rights</b>	Emphasis on private property and conventional markets.	Emphasis on a balance of property rights regime appropriate to the nature and scale of the system,

		and a linking of rights to responsibilities. A larger role for trusteeship and “The Global Commons” in addition to private and state property.
<b>Resource productivity and effective allocation</b>	Efficiency is the primary concern, generally including only marketed goods and services (profit & GDP expression) and institutions.	Resource productivity is a primary concern, including both market and non-market goods and services and effects. Emphasises the need to incorporate the value of natural, social and human wealth to provide wellbeing at the lowest costs and achieve true allocative effectiveness.
<b>Role of money/finance</b>	Not assessed for its structural power impacts as it is portrayed to have a neutral function expressing value for society and guiding markets through price signals.	Newly designed in diverse formats and multiple scales and purposes so it serves diverse solutions of economic production and distribution.
<b>Role of public governance</b>	To be minimised and replaced where possible with private corporate institutions.	A central role, including new functions as referee, facilitator, and broker in a new suite of common-asset institutions
<b>Principles of governance</b>	<i>Laissez faire</i> market capitalism.	Adaptive Management principles (see below)

Table adapted from UNEP Yearbook 2009, p.62; based on R. Costanza, 2008, *Stewardship for a ‘full’ world. Current History. 107:30–35;*  
[http://www.uvm.edu/giee/publications/Costanza\\_Stewardship\\_2008.pdf](http://www.uvm.edu/giee/publications/Costanza_Stewardship_2008.pdf), accessed March 25 2009.

**\*Adaptive Management\***“ principles to govern an integrated approach across disciplines, stakeholder groups and generations: given that some level of uncertainty always exists in complex system management, decision-makers should continuously gather and integrate appropriate ecological, social, cultural and economic information in order to proffer solutions against best definitions of the challenges. Policy-making then is an iterative governance process acknowledging uncertainty and continuously improving information as well as capacities:

1. **Responsibility** – access to common asset resources carries attendant responsibilities to use them in an ecologically sustainable, economically efficient and socially fair manner. Individual and corporate responsibilities and incentives should be aligned with each other and with broad social and ecological goals.
2. **Scale-matching** – Problems of managing natural and social capital assets are rarely confined to a single scale. Decision-making should
  - a. be assigned to institutional levels that maximise input;
  - b. ensure the flow of information among institutional levels;
  - c. take ownership and actors into account;
  - d. internalise costs and benefits.

Appropriate scales of governance will be those that have the most relevant information, can respond quickly and effectively, and are able to integrate across scale boundaries.

3. **Precaution – in the face of uncertainty about potentially irreversible impacts on natural, social and human capital assets**; decisions concerning their use should err on the side of caution. The burden of proof should shift to those whose activities potentially damage natural, social and human capital.
4. **Full cost allocation** – All of the internal and external costs and benefits (including social and ecological ones) of alternative decisions concerning the use of natural and social capital should be identified and allocated. Whenever appropriate, full costs should be integrated into markets.
5. **Participation** – All stakeholders should be engaged in the formulation and implementation of decisions concerning natural and social capital assets. Full stakeholder awareness and participation contribute to credible, accepted rules that identify and assign the corresponding responsibilities appropriately.<sup>1</sup>

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<sup>1</sup> In February 2009 the Bertelsmann Foundation in Germany presented results of an extensive international study on Sustainability Governance Indicators to inform about the “reform capacity” of governing institutions. The most significant outcome debunked the myth that more efficient (in this context: streamlined and exclusive) decision-

#### 4. Beyond GDP Process (<http://www.beyond-gdp.eu/index.html>)

Economic indicators such as GDP were never designed to be comprehensive measures of well-being. Complementary indicators are needed that are as clear and appealing as GDP but more inclusive with regard to other dimensions of progress – in particular environmental and social aspects. We need adequate indicators to address global challenges such as climate change, poverty, resource depletion and health.

Taking this into account, in November 2007, the European Commission, European Parliament, Club of Rome, OECD and WWF hosted the high-level conference “Beyond GDP” with the objectives of clarifying which indices are most appropriate to measure progress, and how these can best be integrated into the decision-making process and taken up by public debate. The conference brought together over 650 policy makers, experts and civil society representatives to address these critical issues. Preceding the main conference, an expert workshop was held, wherein leading practitioners discussed the development and application of indicators of progress, true wealth, and well-being.

On 20 August 2009, the European Commission released its Communication “GDP and beyond: Measuring progress in a changing world”. The Communication—a direct outcome of the Beyond GDP conference—outlines an EU roadmap with five key actions that will be undertaken in the short to medium term to improve our indicators of progress in ways that meet citizens’ concerns and make the most of new technical and political developments.

The Communication outlines an EU roadmap with five key actions to be undertaken now and in the near future. The five key actions support the Commission’s aim to develop indicators relevant to the challenges of today — indicators that provide an improved basis for public discussion and policy-making. The five key actions are:

- Complementing GDP with environmental and social indicators
- Near real-time information for decision-making
- More accurate reporting on distribution and inequalities
- Developing a European Sustainable Development Scoreboard
- Extending National Accounts to environmental and social issues

Spurred on by the success of the 2007 conference, the Beyond GDP partners continue to work on improving our measures of progress, wealth and well-being.

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making in political matters would increase governance impact: democratic participation of stakeholders at an early stage clearly increased the effectiveness of governance. The study did not express who was defined as stakeholders though. The study and its data can be found at: [www.sgi-network.org](http://www.sgi-network.org)

## 5. OECD Global Project Community (<http://www.stiglitz-sen-fitoussi.fr/en/index.htm>)

The Commission on the measurement of economic performance and social progress was created at the beginning of 2008 on the French government's initiative.

Increasing concerns have been raised for a long time about the adequacy of current measures of economic performance, in particular those based on GDP figures. Moreover, there are broader concerns about the relevance of these figures as measures of societal well-being, as well as measures of economic, environmental, and social sustainability.

Reflecting these concerns, President Sarkozy decided to create this Commission, mandated to look at the entire range of issues. Its aim is to identify the limits of GDP as an indicator for economic performance and social progress, to consider additional information required for the production of a more relevant picture, to discuss how to present this information in the most appropriate way, and to check the feasibility of measurement tools proposed by the Commission. The Commission's work is neither focused on France, nor on developed countries. The output of the Commission will be made public, providing a template for every interested country or group of countries.

The Commission is chaired by Professor Joseph E. Stiglitz, Columbia University. Professor Amartya Sen, Harvard University, is Chair Adviser. Professor Jean-Paul Fitoussi, Institut d'Etudes Politiques de Paris, President of the Observatoire Français des Conjonctures Economiques (OFCE), is Coordinator of the Commission. Members of the Commission are renowned experts from universities, governmental and intergovernmental organisations in several countries (USA, France, United Kingdom, and India). Rapporteurs and a secretariat are provided by the French national statistical institute (Insee), OFCE, and the OECD.

The Commission held its first plenary meeting on 22 – 23 April 2008 in Paris.

## 6. Scoreboard Policy ([http://ec.europa.eu/consumers/strategy/facts\\_en.htm](http://ec.europa.eu/consumers/strategy/facts_en.htm))

### Political background

The Scoreboard initiative is in line with the Single Market Review which addresses the need to be more responsive to the expectations of citizens and pay greater attention to outcomes of policies, and with the EU Consumer Policy Strategy 2007–2013 which strives to empower EU consumers and to put consumer welfare at the heart of well-functioning markets.

In its conclusions on the Single Market Review of 13/14 March 2008, the Council "welcomed the Commission's intention to develop with the Member States a Consumer Markets Scoreboard and new consumer price data". On 18 November 2008, the European Parliament adopted a report endorsing the methodology and indicators and calling for additional evidence on consumer empowerment. It also underlined the importance of close cooperation with Member States and communication.

A public consultation on the development of the Scoreboard and the broader monitoring initiative ran in October and November 2007 on the basis of a questionnaire. Responses from national authorities, European Consumer Centres, non-governmental organisations, industry and individuals show support for the creation of the Scoreboard and the use of indicators to monitor whether markets are delivering for consumers.

### **Two stage approach to market monitoring**

The monitoring initiative is based on a two stage approach. In the first stage the Consumer Markets Scoreboard performs a screening of consumer markets, while in the second stage the markets which are suspected of malfunctioning are analysed in greater detail.

The Scoreboard looks at five top-level indicators – complaints, prices, satisfaction, switching and safety – to identify malfunctioning consumer markets that need further analysis. In sectors identified as not working for consumers, in-depth market specific analyses will be carried out addressing the reasons behind failure and suggesting appropriate policy measures. The Scoreboard will also track progress in retail market integration and benchmark the national consumer markets and policies.

### **Consumer Markets Scoreboard (CMS)**

#### **2nd edition of the CMS**

The Consumer Markets Scoreboard is a tool to identify where the internal market is not functioning well for consumers, and where intervention may be needed. The second edition of the Scoreboard finds that consumers are less satisfied and experience more problems with services than with goods markets. It also finds that consumers empowered by switching help to improve the outcomes for all consumers since consumers are less likely to report price increases in markets with higher switching rates.

As follow-up, the Commission will collaborate with national stakeholders to gather more quality data to develop a solid consumer evidence base. In particular, it will encourage regular collection of average prices of comparable products and develop a harmonised methodology to classify consumer complaints.

## 7. Post-Lisbon Strategy ([http://ec.europa.eu/growthandjobs/index\\_en.htm](http://ec.europa.eu/growthandjobs/index_en.htm))

The Lisbon strategy for growth and jobs was launched in 2000 as a response to globalisation. The idea is for the EU and its member countries to cooperate on reforms aimed at generating growth and more and better jobs by investing in people's skills, the greening of the economy and innovation.

### Key areas

The strategy gives pointers for some key reforms in EU countries:

**Investing in people** – to adjust to globalisation, the EU's fast-changing economy requires a flexible and highly skilled workforce. Lifelong learning projects help people adapt to a changing job market.

**More research, development and innovation** – strengthening links between research institutes, universities and businesses. At the same time, spending on research and development in the EU should increase to match international competitors.

**A more dynamic business environment** – less red tape and easier access to credit, especially for small and medium-sized businesses.

**A greener economy** – leading the fight against climate change, the EU aims to reduce the environmental impact of economic growth by saving energy and promoting new, environment-friendly technologies.

### Taking stock

The strategy has been successful in ensuring that key reforms in all EU member countries all push in the same direction. Over the last four years, climate change, innovation, research and development, and education have been high on the agenda in every country, which has helped to create jobs and encourage growth.

But implementation of the reforms has been uneven – less effective in some countries and sections of the economy than in others. More tangible results are needed on the ground.

### Looking to the future

The EU will soon revise the growth and jobs strategy for the period after 2010. By implementing more reforms at grassroots level, the new strategy will help the EU to overcome the recession and to move towards a low-carbon, knowledge-based society.

The EU should continue to lead the fight against climate change, encourage growth and support the creation of more and better jobs through lifelong learning, a stronger single market and investment in research and development, transport, energy and information and telecommunication technologies.

### Who does what?

As a “partnership for growth and jobs” between the EU and its member countries, the Lisbon strategy sets out the general thrust for reforms and sets the objectives and priorities for action.

Individual governments then set up national reform programmes that take account of their specific situation. Reforms cover areas such as public finance, education, research and development, the business environment and labour markets. The EU monitors each country’s progress and makes further recommendations if necessary.

EU countries receive €350 bn from the EU structural funds to help them implement these reforms. A further €50 bn is channelled into research and development projects.

### Economic recovery

In 2008, the EU adopted a plan to stimulate recovery from the economic and financial crisis. The plan injected €200 bn into the economy – €170 bn from national budgets and €30bn from EU funds and the European Investment Bank. The aim is to stimulate demand and boost confidence in the short term while at the same time making the EU economy greener and more innovative by funding investments in skills, infrastructure, and environment-friendly technologies.

### Key dates

- **March 2009:** EU summit delays detailed talks over the revised Lisbon Strategy until the new Commission takes office
- **24 July 2009:** Commission launches reflection on the EU's sustainable development strategy post-2010
- **20 Sept. 2009:** Likely date for the launch of a wide Internet-based consultation on the Lisbon Strategy post-2010
- **10–11 Dec. 2009:** EU summit to review priorities for the post-2010 sustainable development strategy
- **Late 2009 / early 2010:** New Commission to present its formal proposals for Lisbon post-2010
- **March 2010:** EU summit to adopt main policy orientations.
- **March 2010 / June 2010:** EU summit to provide more detailed decisions, including integrated guidelines, country-specific recommendations, a new type of Community Lisbon Programme and more developed proposals in specific policy areas (such as the EU's innovation strategy)

## 8. EU Sustainable Development Strategy (<http://ec.europa.eu/environment/eussd/>)

In July 2009 the Commission adopted the 2009 Review of EU SDS. It underlines that in recent years the EU has mainstreamed sustainable development into a broad range of its policies. In particular, the EU has taken the lead in the fight against climate change and the promotion of a low-carbon economy. At the same time, unsustainable trends persist in many areas and the efforts need to be intensified. The review takes stock of EU policy measures in the areas covered by the EU SDS and launches a reflection on the future of the EU SDS and its relation to the Lisbon strategy.

The review will be complemented by Eurostat's bi-annual monitoring report on sustainable development which will be published later in 2009.

The European Council of June 2006 adopted an ambitious and comprehensive renewed SDS for an enlarged EU. It builds on the Gothenburg strategy of 2001 and is the result of an extensive review process that started in 2004.

The renewed EU SDS sets out a single, coherent strategy on how the EU will more effectively live up to its long-standing commitment to meet the challenges of sustainable development. It recognises the need to gradually change our current unsustainable consumption and production patterns and move towards a better integrated approach to policy-making. It reaffirms the need for global solidarity and recognises the importance of strengthening our work with partners outside the EU, including those rapidly developing countries which will have a significant impact on global sustainable development.

The overall aim of the EU Sustainable Development Strategy is to identify and develop actions to enable the EU to achieve a continuous long-term improvement of quality of life through the creation of sustainable communities able to manage and use resources efficiently, able to tap the ecological and social innovation potential of the economy and in the end able to ensure prosperity, environmental protection and social cohesion.

The strategy sets overall objectives and concrete actions for seven key priority challenges for the coming period until 2010, many of which are predominantly environmental:

- **Climate change and clean energy**
- **Sustainable transport**
- **Sustainable consumption & production**
- **Conservation and management of natural resources**
- **Public Health**
- **Social inclusion, demography and migration**
- **Global poverty and sustainable development challenges**

To improve synergies and reduce trade-offs, a more integrated approach to policy making is proposed, based on better regulation (impact assessments) and on the guiding principles for sustainable development (adopted by the European Council of June 2005). The external dimension of sustainable development (e.g. global resource use, international development concerns) is factored into EU internal policy making and through integration of SD considerations in EU's external policies.

The EU SDS wants to be a strategy for the whole EU. It therefore proposes mechanisms for improving the coordination with other levels of governments and calls upon business, NGOs and citizens to become more involved in working for sustainable development. An example of this is the launch of a process for voluntary peer reviews of national sustainable development strategies, aimed at improving the sharing of good practices.

Education, research and public finance are stressed as important instruments in facilitating the transition to more sustainable production and consumption patterns. And because monitoring and follow-up are crucial for effective implementation, the renewed strategy contains a strong governance cycle. Every two years (started in 2007) the Commission is to produce a progress report on the implementation of the strategy. This report is to form the basis for discussion at the European Council, which will give guidance to the next steps in implementation.

## 9. TEEB process

([http://ec.europa.eu/environment/nature/biodiversity/economics/index\\_en.htm](http://ec.europa.eu/environment/nature/biodiversity/economics/index_en.htm))

At the meeting of the environment ministers of the G8 countries and the five major newly industrialising countries that took place in Potsdam in March 2007, the German government proposed a study on 'The economic significance of the global loss of biological diversity' as part of the so-called '[Potsdam Initiative](#)' for biodiversity.

The following wording was agreed at Potsdam: 'In a global study we will initiate the process of analysing the global economic benefit of biological diversity, the costs of the loss of biodiversity and the failure to take protective measures versus the costs of effective conservation.'

This proposal was endorsed by G8+5 leaders at the Heiligendamm Summit on 6–8 June 2007.

With this in mind, the German Federal Ministry for the Environment and the European Commission, with the support of several other partners, have jointly initiated preparatory work for this global study, which is named '**The Economics of Ecosystems & Biodiversity (TEEB)**'. Mr Pavan Sukhdev, a senior banker at Deutsche Bank, and a Founder-Director of the 'Green Accounting for Indian States Project', an initiative of the Green Indian States Trust (GIST), was

appointed as the independent Study Leader. He is assisted in his task by an Advisory Board, which consists of prominent experts.

The study is evaluating the costs of the loss of biodiversity and the associated decline in ecosystem services worldwide, and comparing them with the costs of effective conservation and sustainable use. It is intended that it will sharpen awareness of the value of biodiversity and ecosystem services and facilitate the development of cost-effective policy responses, notably by preparing a 'valuation toolkit'.

TEEB is being conducted in two phases. Preliminary findings from the first phase have been presented by Minister Gabriel, Commissioner Dimas and Mr Pavan Sukhdev at the High-Level Segment of the Ninth Conference of the Parties to the Convention on Biological Diversity (CBD COP-9) in Bonn, Germany, in May 2008, in the form of an interim report.

The second, more substantial, phase of the study is structured around one background report and several reports targeted towards specific groups of potential users of evaluation tools for biodiversity and ecosystem services. These reports will be compiled in a phased approach and published consecutively between autumn 2009 and autumn 2010. The final results will be presented at CBD COP-10 in 2010.