

A young child is roller skating on a paved surface. The child is wearing a yellow long-sleeved shirt, black shorts, a black helmet, and black knee pads. They are in a dynamic pose, leaning forward with one arm raised and the other extended. The background is a blurred crowd of people, suggesting a public event or competition. The overall tone is energetic and positive.

# ROAD TO RECOVERY: MAPPING A SUSTAINABLE ECONOMY



**Commonwealth**  
Foundation



## » The Commonwealth offers real potential for accelerating the transition to sustainability – and for communicating solutions to the rest of the world

**THE WORLD** has a unique but brief opportunity to tackle several major challenges together. Evidence of the linked causes of financial, energy and climate crises – and not just their symptoms – is on the table. Financial architecture is being redesigned, and huge fiscal resources are being deployed. The public is increasingly open to transformative action towards a more sustainable and equitable world. This unprecedented moment must neither be wasted nor co-opted by a privileged few. With thought and conviction, the current crisis could be an opportunity to make some key shifts:

- from 'recovery' of the status quo of debt-fuelled, consumption-driven growth, to reviewing our underlying assumptions about what true and lasting prosperity is
- from seeing environment as a problem (rightly in the case of climate change), to also investing in environmental assets as a solution to poverty and growth challenges
- from responses that suit richer economies, institutions and people to those that empower poorer stakeholders and their institutions, too.

Such shifts are too complex and far-reaching for any one country or sector to make alone. We already have much of the knowledge and technology needed to manage resources sustainably, to restore many ecosystems and to eradicate poverty. What we do not yet have is sufficient political and public momentum to transform our governance and financial institutions fast enough and far enough. There is a need to build both globally and locally. Global governance must be based on principles of sustainability and an understanding of the interconnectedness of the problems we face, and local economies need to be strong, self-reliant and able to engage with one another on equal terms.

This paper has been developed by the Commonwealth Foundation as a response to the Kampala Civil Society Statement *Realising People's Potential*<sup>1</sup> and as a contribution to the 2009 Commonwealth Heads of Government Meeting in Trinidad and Tobago, whose theme is 'partnering for a more equitable and sustainable future'.

The Foundation commissioned the International Institute for Environment and Development (IIED) to gather inputs from leading Commonwealth thinkers. The paper focuses on the positive contribution that partnerships featuring civil society, social enterprise and other 'under the radar' actors can make in tackling the linked global challenges, and on what is required to make such partnerships work. It highlights the potentials from investing in the productivity of 'environmental assets' such as soils, water bodies, and biodiversity which support the health and wellbeing of every Commonwealth citizen, the livelihoods of a majority of poorer people, and growth and jobs in major economic sectors.

I commend the paper's proposal to Heads of Government. It is now time for moral and practical leadership, unprecedented partnership, and decisive action. The Commonwealth offers real potential for accelerating the transition to sustainability – and for communicating solutions to the rest of the world.

**Dr. Mark Collins**  
Director, Commonwealth Foundation

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## FOREWORD





**A CONFLUENCE** of crises is threatening our ability to spread prosperity and sustain the planet. The financial crisis is one; add to that a level of consumption the Earth can no longer sustain, and we have a monumental problem on our hands.

Commonwealth governments showed real leadership in helping to put the world economy back on track. This mammoth task was unprecedented in scale and pace, and in the huge size of the stimulus packages involved. But what happens next? Can our leaders be as bold in response to our growing realisation that financial problems are linked to environmental and social problems? To help find answers, experts and thinkers in environment, development and finance were consulted, including some of the Commonwealth's leading civil society voices. The majority conclusion? The world stands at the cusp of establishing a new vision of lasting prosperity for all.

Three goals must define the new vision:

- economic resilience
- respecting nature's limits
- social justice and equity.

Each of these goals reinforces the other. Commonwealth governments have already demonstrated commitment to work towards such a vision through the Lake Victoria Climate Change Action Plan and the Langkawi Declaration on the Environment. Making that vision a reality will now depend upon continued high-level moral and practical leadership.

While we have made progress on financial stabilisation, long-term economic resilience cannot be achieved without action on the environmental and social contributors to this resilience.

This demands leadership in two areas which have been largely ignored to date:

- investing in 'green infrastructure'. This includes the soils, water bodies, biodiversity and other natural resource foundations of health, wellbeing and development.
- unleashing the capabilities of civil society and the so-called 'informal economy' – the unmonitored economic activity that is well known to citizens and policymakers across the Commonwealth.

Progress is needed in both as essential elements in building economic resilience and tackling climate change, or we may fall back into further crises. This may seem like a tall order, but there are best practices already in the Commonwealth that can help us make secure first steps – and perhaps we can collect together a catalogue of them as a form of mutual help.

**» Financial stabilisation is not enough for economic resilience: environmental protection and social justice are key**

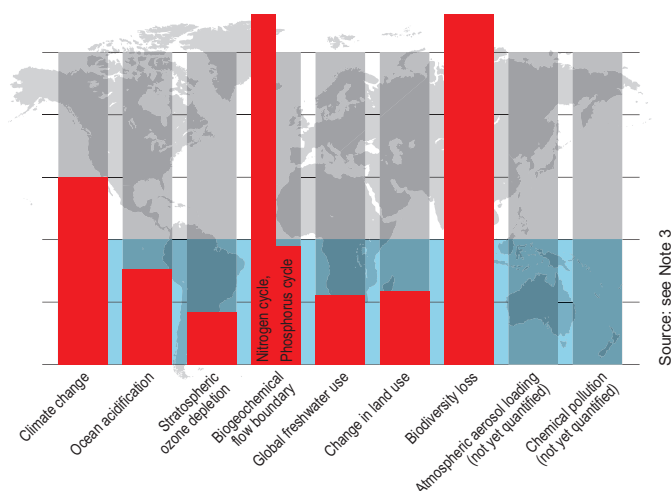
# CRISIS – OR OPPORTUNITY TO BUILD A RESILIENT, SUSTAINABLE ECONOMY?

# 1



#### Planetary boundaries

The blue tint represents the 'safe operating space' proposed for nine Earth systems, while the red bars show estimates of where we are for each variable. We have already passed the thresholds for biodiversity loss, climate change and the nitrogen cycle.



**GREEN INFRASTRUCTURE** – the very fabric of the biosphere – underpins health and development. But we are currently neglecting to maintain it, and it is degrading rapidly. Our current consumption levels exceed the capacity of the world's natural systems to continually generate goods and services and clean up wastes. This means the global balance sheet of green infrastructure is now dangerously in the red. While it is true that the banks were crucial and could not be allowed to fail, economics are meaningless if our greatest wealth – the biosphere – is destroyed.

The United Nation's Millennium Ecosystem Assessment calculated that 60% of natural systems are now degraded.<sup>2</sup> For example, 75% of marine fisheries are beyond exploitation limits, and a freshwater crisis is imminent. The news is not getting any better – a recent major paper in the science journal *Nature* identified nine 'planetary boundaries' and showed we have already exceeded three of them: climate change, biodiversity loss and the global nitrogen cycle (see Graphic above).<sup>3</sup> The crisis is real and serious, yet less than 1% of most national budgets is dedicated to nurturing the natural resource base. For years, environmental degradation has been unchecked and investment has been lacking. Green infrastructure needs our investment.

Sixteen per cent of the funds in the 20 economic recovery packages worldwide have been 'greened' to support low-carbon development in energy-efficient buildings, transport and renewable energy.<sup>4</sup> Such low-carbon technologies (already a US\$5 trillion market) will drive growth in the North. But better energy technology is only part of what we need when we talk of a 'green economy'.

In the countries of the developing world, green infrastructure can drive growth in sectors with the potential to reduce poverty in a big way. The UN Environment Programme says the quickest payback would be from sustainable agriculture, improved freshwater supply and sanitation, which offer big prospects for generating green jobs and livelihoods and can in part be 'powered by the sun'.<sup>5</sup> Add to this sustainable forestry – for example, forests account for 7% of India's GDP, but 57% of the 'GDP of the Poor' in India – which would also buffer all people, and the planet, from climate change. The Commonwealth's rainforest centre at Iwokrama, Guyana, is demonstrating how business, communities and conservation can work side by side to make sustainable use of the forest.<sup>6</sup>

An earlier review of 400 economic studies worldwide suggested some good benefit-cost ratios for green infrastructure investment, with many local benefits that can be captured:<sup>7</sup>

- providing clean water and sanitation: up to 14:1
- conserving mangrove forests: to 7.4:1
- conserving coral reefs: to 5:1
- soil conservation: to 3.3:1
- and fixing irrigation, too – where 60% of water is lost in transit.

**» Less than 1% of national budgets is dedicated to 'green infrastructure' – yet it can generate good, long-term returns**

## INVESTING IN GREEN INFRASTRUCTURE





**GOVERNMENT RESPONSES** to the recession principally focus on banks, formal institutions, the macroeconomy, and protecting jobs in existing industries. Yet even in today's financial crisis, it's the 'under the radar' players who are being innovative, helping to build resilience for livelihoods and harness the power of 'green infrastructure'.

Some examples:

**First, community groups.** When they can, they have been investing their own resources and skills heavily in green infrastructure. In tropical forests, it has been estimated that communities invest over US\$2.5 billion in cash and labour to conserve forests – more than double that from international organisations combined.<sup>8</sup> Given their scale and reach, communities could invest much more if barriers were removed – weak rights and access to land, capital and markets – and incentives provided.

**Second, the informal economy.** The impressive day-to-day 'coping strategies' of many poor people alert us to the inherent resilience of the informal economy. It can cope with slower-moving environmental changes, and cushion formal employment dropouts. It is inherently flexible, with lower overheads, communal decision making, and a plethora of intangible aspects that create a 'trampoline' of social capital and can reduce social protection costs. In developing countries it is very significant – by some measures, about half of economically active adults work in the informal economy. It has also grown throughout the last period of global economic growth. But, during weaker economic times, it is a harbour in a storm for many poor people.

**Third, social businesses.** Many are already enabling poor people to access sustainable technology. While emerging 'low-carbon' financial instruments are based on the assumption that the private sector will drive a low-carbon economy, profit-seeking business is not attracted to reaching the poor with technologies that could improve their lives. Instead, a growing number of 'hybrid' NGO-commercial small and medium-sized enterprises are drawing on a range of financial instruments from grants to carbon credits to regular commercial loans. They can deliver real benefits. A review of 10 of the best hybrid enterprises providing low-carbon energy to poor households demonstrated that they had already served over 9 million people, saving 2 million tonnes/year in carbon emissions.<sup>9</sup> A million solar panels are now in villages in Bangladesh through the efforts of just such a social business; a million bamboo water pumps have been delivered in the same country by another social business. Small, social projects can reach scale, too. Another example is the rapid spread of community toilet blocks through many cities in India – they are designed, constructed and managed as community enterprises by organisations formed by the urban poor and costing half of those designed by the state and constructed by contractors. With 1.2 billion people without access to good sanitation, we need more of this.

» **Poor people need the informal economy and community initiatives to bounce back from crises**



**THE SIGNS** are that public appetite for transformative change is high. But the window of opportunity, though wide, is open only briefly.

Here are a few ideas of what to do:

- **First, stopping bad practice.** Perhaps the best bet (and a good way of cutting public spending) is to halt many fossil fuel, farming and fisheries subsidies where these are perverse incentives to degrade environmental assets, or to neglect local green infrastructure (US\$300 billion each in OECD farm and fossil fuel subsidies). Another is removing barriers to effective social enterprise and community initiative, like insecure rights to land and ineligibility for trading permits.
- **Secondly, scaling up good practice.** One approach is increasing public procurement of socially and environmentally sound goods and services (27% of global markets are entirely in government hands). Another is improving microcredit to support the ability of the informal economy to cushion unemployment and food insecurity.
- **Thirdly, developing new financial practice.** Introducing innovations such as green bonds, green banking and social stock exchanges can support investment in environmental goods and services, such as Malaysia's US\$530 million green bond for planting 375,000 trees. And it can get people saving again for long-term prosperity.

One tool seems to be a useful first step to help government achieve these:

- **Public environmental expenditure reviews of national budgets,** to understand the dependence of growth and social sectors on environmental quality, and ways to improve returns. Assessing the environmental sensitivity of expenditure might be extended to stimulus packages, the new international Financial Stability Board, and IMF rules.

Finally, there is an increasing appetite to explore alternative approaches to economic development that result in truly valuable things being valued, and the breadth of real wellbeing being measured – moving from the prevalence of GDP growth targets towards a new vision of a resilient, sustainable economy.

The Commonwealth is especially well placed to nurture and link relevant discussions that are taking place at different levels – whether on 'green' values, or futures, or economic governance, business models, measurement of the economy, and so on.

Where the G20 is defined by the size of the economy, the Commonwealth is a grouping that is characterised by the diversity and size of its 'wealth' defined more broadly – including the wealth of green infrastructure and of the 'under the radar' actors that confer resilience in our economies. These environmental and social assets form an abundant but neglected part of the 'wealth' of the Commonwealth. Where some of them are immediately and seriously threatened – the extreme case being climate change hazards threatening the entire nation in the case of some small islands – there is an urgent special need for combining Commonwealth knowledge, political and financial power to tackle the problem head-on.

To sum up, the proposition is that 'high-sustainability recovery' must engage and support not only the privileged at the top of the economic pyramid, but also those near the bottom – and not only 'low-carbon' technology, but also investments in natural green infrastructure. There are many ways in which Commonwealth leaders and institutions can help to make this happen.

» **The Commonwealth has a rich catalogue of good practices to share, from 'green' public procurement to microcredit**

## A NEW INITIATIVE FOR THE COMMONWEALTH?



» A new vision of lasting prosperity  
for all – by improving economic  
resilience, respecting nature’s limits,  
and pursuing social justice

#### Notes

- 1 Commonwealth Foundation. 2007. *Realising People’s Potential*. The Kampala Civil Society Statement to the 2007 Commonwealth Heads of Government Meeting.
- 2 Millennium Ecosystem Assessment. 2005. *Ecosystems and Human Wellbeing: Synthesis*. Island Press, Washington DC.
- 3 Rockström, J. *et al.* 2009. A safe operating space for humanity. *Nature* 461:472-475.
- 4 HSBC Bank plc. 2009. *A Climate for Recovery: The colour of stimulus goes green*.
- 5 UNEP. 2009. *Global Green New Deal*. Policy brief.
- 6 Iwokrama International Centre. 2009. *Iwokrama: A model for the world*.
- 7 Pearce, D. 2005. *Investing in Environmental Wealth for Poverty Reduction*. UNDP, New York.
- 8 Khare, A. and Loughney, M. 2007. *Who Invests in Forest Conservation?* Forest Trends and Rights and Resources Initiative.
- 9 Geoghegan, T., Dixon, B. and Anderson, S. 2008. *Opportunities to Achieve Poverty Reduction and Climate Change Benefits through Low Carbon Energy Access Programmes: A review of the portfolio of the Ashden Awards for Sustainable Energy*. The Ashden Awards, GVEP International and IIED, London.  
[www.ashdenawards.org/files/reports/DFID\\_report.pdf](http://www.ashdenawards.org/files/reports/DFID_report.pdf)



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Research support: James MacGregor, Meera Mahadevan, Hannah Reid, Tom Bigg and Barry Dalal-Clayton  
Designer: Joe Hetzel  
Written by: Steve Bass and Tighe Geoghegan

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**For further information contact:**

Commonwealth Foundation  
Marlborough House  
Pall Mall  
London SW1Y 5HY  
United Kingdom

T: +44 (0) 20 7930 3783  
F: +44 (0) 20 7839 8157  
E: [geninfo@commonwealth.int](mailto:geninfo@commonwealth.int)  
[www.commonwealthfoundation.com](http://www.commonwealthfoundation.com)

