



## 1. Introduction

We urgently need to re-think economy, so that we can build systems that are not only useful tools to face today's urgent challenges of climate change and inequality, but also allow humanity to set the stage for a more organic, systemic and coherent set of rules, which enables prosperity for all, while preserving the world around us. Such is the size of the challenge we have decided to face at Y20's Sustainability for Development Task Force.

### 1. 1. Objectives

This Task Force is meant to be a thought-provoking call to action: delegates will discuss and visibilize the connections and generate cross cutting suggestions that could have "glocal<sup>2</sup>" effects, in their communities, their regions and the whole world.

Policy suggestions and projects that address the Sustainability for Development Task Force should include this "glocal" perspective: we expect big, game-changing ideas, which are rooted in local problems, and solutions that have proven success at the community level, impacting the life of citizens.

During the Y20 process we expect to:

1. Reach a common understanding of today's sustainability crisis and the need to make structural changes that benefit everyone.
2. Identify sustainable alternatives to current economic models, and debate on the convenience to aim towards any of them.
3. Understand current innovations that exist today and promote a more sustainable economy, and identify clear examples of each of them.
4. Propose a series of public policies based on the desired goals, as well as some paths to achieve them.
5. Propose a series of social and public innovation projects that can be carried out by individuals, organisations and communities to face the challenges and trends related to the need for a more sustainable economy.
6. Provide information to the governments to implement economic innovations that accelerate the 21st century sustainable economy that the world needs in order to survive and thrive.

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<sup>2</sup> Glocal refers to phenomenons characterized by both local and global considerations.

## 2. Current Trends, Challenges and Opportunities

### 2.1 Comprehensive Models and the path towards them

In 2015 the United Nations adopted a new agenda for development, centred in sustainability. They identified 17 Goals and 169 targets which compose the Sustainable Development Goals (SDGs), focused on different aspects of this approach, from social and humanitarian to climate actions, respect for institutions and sustainable consumption. The message is clear: ensuring prosperity for every person in the world implies thinking of development as a complex system, where all topics are connected and that can be transformed throughout time.

In the meantime, climate change is already happening, as well as water crisis in some of the biggest cities in the planet, the alarming level of plastic contamination in our oceans. Since these phenomena are creating pressing needs for human resilience both in urban and rural settings, they have become major drivers of innovation, as organizations search for measures to mitigate or help adjust to its effects.

"Climate change has wide-ranging consequences for many industries. Agriculture, tourism, insurance, forestry, water, infrastructure and energy will all be directly affected, though linkages with socio-economic and technological systems mean that risks can accumulate, propagate and culminate in even larger impacts. For example, climate change could threaten food and resource security in parts of the world which may in turn make poverty and conflict more likely" (Bakhsi et al, 2017; p26)

Unfortunately, as global economic growth continues to lead to demand for natural resources and raw materials, over-exploitation implies higher extraction costs and degradation of ecosystems in many countries, even with evidence of the terrible consequences of such practices (Bakhsi; Downing; Osborne and Schneider, 2017).

This means that consumer markets will expand, increasing the demand for already constrained natural resources... but what if that was not the case? What if instead of the linear production-consumption pattern, we could think of waste as a resource?

The **circular economy approach** is grounded in the study of feedback-rich (non-linear) systems, particularly living systems<sup>3</sup>. The approach finds value in products that otherwise would be considered waste, introducing changes in product design, manufacturing process, supply chain, consumer perception, transport infrastructure, policy and regulations, and cultural attitudes. The challenge, then, needs to be addressed considering many stakeholders and limits, and foreseeing the

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<sup>3</sup>Ellen MacArthur Foundation (2015 ) Towards a Circular Economy: Business Rationale for an Accelerated transition. <https://www.ellenmacarthurfoundation.org/publications>

consequences of the transformation in the job market and quality of life of "transition" workers and families.

Source: Ellen MacArthur Foundation

Although the circular economy suggests many opportunities even for profitability, there are "often non-financial barriers limiting further scale-up or holding back development pace"<sup>4</sup>. The Ellen MacArthur Foundation, which is providing global thought leadership on circular economy, identifies some of these barriers, including "unintended consequences of existing regulations (e.g. definitions of waste that hinder trade and transport of products for remanufacturing), social factors such as a lack of experience among companies and policymakers to detect and capture circular economy opportunities, and market failures such as imperfect information (e.g. for businesses to repair, disassemble and remanufactured products) and unaccounted externalities (e.g. carbon emissions)."<sup>5</sup>

Alongside these lines, the **Blue Economy** is an open-source movement built around concrete successful case studies of different ways of making business in a way that emphasises solutions being determined by their local environment and physical end

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<sup>4</sup> Ellen MacArthur Foundation (2015) Delivering the Circular Economy: A toolkit for policymakers. V1.1

<sup>5</sup> Ellen MacArthur Foundation (2015) Delivering the Circular Economy: A toolkit for policymakers. V1.1

ecological characteristics. As the official manifesto of this movement states, ‘using the resources available in cascading systems, (...) the waste of one product becomes the input to create a new cash flow’<sup>6</sup>.

While we are starting to see more and more innovations and emerging ecosystems based on the Circular and Blue Economy premises, these systemic approaches to a sustainable economy are still very far away from the mainstream, and rather hard to find in today’s world. The “business as usual” seems to be the rule as far as systemic economic regulation and analysis goes.

However, at the same time, we are witnessing another interesting trend: incremental innovations to traditional business in the form of new kinds of businesses, which provide substantial improvements towards sustainable economies. These new actors are transforming the economy and proving there are more sustainable ways of making business.

The following chart presents some of these alternatives as an evolution (from left to right) from traditional businesses to new models that incrementally prioritize social and environmental impact at the core of its model. The second row presents some very practical examples of how we are currently seeing these concepts in our day-to-day life.

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<sup>6</sup>The Blue Economy Principles. Link: <https://www.theblueeconomy.org/>

**Inclusive businesses:** provide goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the economic pyramid (BOP), making them part of the value chain of companies' core business as suppliers, distributors, retailers, or customers. In addition to these commercially inclusive activities, businesses may also pursue broader socially inclusive goals. Inclusive business should promote sustainable development in all its dimensions – economic, social and environmental (G20 Inclusive Business Framework, 2015). Inclusive businesses are found both as new entities and (increasingly and more often) as new business units in existing companies, which identify new opportunities in the form of inclusive businesses. Such is the case of most multinational corporations, which have incorporated inclusive business units in the last years.

According to the G20, who has been putting inclusive businesses at the center of the stage for some time, their potential is proven: multilateral development banks have invested over \$15 billion in inclusive business approaches in the last years. However, the opportunities of inclusive business are yet to be fully captured in the world, and there is immense potential for growth.

**Triple Impact businesses:** are business entirely created with the explicit purpose of generating social and/or environmental impact. These are a new type of businesses, which give the same status to profit, social and environmental impact.

Benefit Corporations (and its parent global movement, B-Corps) are a clear living example of this new trend.<sup>7</sup>

**Social business:** as defined by the creator of this now very popular concept, Prof. Muhammad Yunus, a social business is a business especially created and designed to address a social problem, which is non-loss, non-dividend company. This means that it is financially self-sustainable and that possible profits realized by the business are reinvested in the business itself, with the aim of increasing social impact. (Yunus, 2009 and 2011).

In the case of social businesses, profit is secondary in its importance in relation to social or environmental impact, to which it is subrogated. Many social businesses have grown and expanded since Prof. Yunus' introduction of the term, some of them co-funded by Grameen movement itself.

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<sup>7</sup> See <https://www.bcorporation.net/> and <https://sistemab.org/> for Latin America

## 2.2 Regulation, policy and crisis management

In this wide ecosystem, institutional opportunities and transparency of course play a major role on sustainable development almost across all approaches. Governments at local, regional and global level have major roles in the regulation and redistribution, enabling and blocking different opportunities. Taxes and transfers are critical to growth and prosperity.

Structural changes associated with the new sustainable economy are fundamentally dependent on government policy. Delegates will have to consider, ideate and suggest policy that could open the way for scaling all the innovations that we have, and those to come in the next years.

"Broader changes to the existing fiscal system and the measurement of economic performance could help enable a systemic transition towards the circular economy. While many circular economy opportunities already have a sound underlying profitability, a number of international organisations, such as the European Commission, the OECD, the International Monetary Fund (IMF), and the International Labour Organization, have suggested further opportunities could be unlocked by shifting fiscal incentives towards labour from resources. However, any such shift is a sensitive matter and needs to be seen in the light of international competitiveness, administrative issues, tax revenue stability and distributional effects. Complementing today's flow-based metrics such as GDP as a measure of economic success with measures of a country's stock of assets could be an instrument for policymakers to account for the restoration and regeneration of natural capital." (The Ellen Mac Arthur Foundation, 201 p.14)

The Fourth Sector Coalition is an emergent global movement that highlights the fundamental dissonance between existing organizational models (and consequent regulation systems) and new sustainable initiatives such as the ones we have explored. As boundaries between traditional sectors are fading, there is a new **fourth sector** composed of a variety of hybrid models, which demands for a new supportive ecosystem that promotes its efficacy and growth.

Key elements of an effective supportive ecosystem for the fourth sector include access to financial markets, legal structures and regulations, tax policy, education and training, conflict management, new marketing and communications channels, technical assistance, information technology, assessment and reporting standards, ratings and certification, among others. All of these element have an important public policy component (Sabeti et al, 2009).

Although the creation of a thriving supportive ecosystem for the Fourth Sector exceeds the government's responsibility, governments have the key to unlocking these urgent changes. The delegates will have a unique opportunity to discuss these aspects and recommend the most important policy changes.

World nations also face other challenges regarding institutions that need to be considered. Corruption, bribery, theft and tax evasion cost some US \$1.26 trillion for developing countries per year; this amount of money could be used to lift those who are living on less than \$1.25 a day above \$1.25 for at least six years according to the UN. Some innovations like **Blockchain technology** could complement the circular economy reinforcing transparency on transactions and minimising corruption, apart from tracking and visualising and sharing data<sup>8</sup>. "Invisibility is at the root of many problems: slave labour, food loss, chemical hazards, fraud. The list goes on. Supply chains recorded on blockchain can reduce loss, ensure safety standards, affirm nutritional value, ensure people get paid, and prevent double-counting in the system"<sup>9</sup> Recording and visualising data can help decision-makers to make better choices.

Another aspect is the pressing environmental challenge, which cost societies an increasing number of resources, on top of invaluable losses in lives and health. As an example, the United States federal government's National Oceanographic and Atmospheric Administration reported recently that the three powerful Atlantic hurricanes of 2017 — Harvey, Irma and Maria — cost the US population \$265 billion, and massive Western forest fires another \$18 billion.

In its annual Climate Change Vulnerability Index, the U.K.-based risk analysis firm Maplecroft lists the top 32 countries at "extreme risk" from climate change. The top 10 are all tropical countries: Bangladesh, Sierra Leone, South Sudan, Nigeria, Chad, Haiti, Ethiopia, the Philippines, the Central African Republic, and Eritrea. Of these, all but Nigeria and the Philippines are on the UN's list of the world's 48 poorest countries.

The UN Intergovernmental Panel on Climate Change has forecasted crop-yield declines of up to 50 percent for developing-world staples such as rice, wheat, and corn over the next 35 years in some areas—most of them in the tropics.

Finally, policy makers, business, institutions and communities need to develop plans for dealing with the undesirable outcomes of the schumpeterian "creative destruction". Many jobs are going to disappear, whilst many others are going to be created and we may not be prepared with the skills needed to face the challenge. Climate change effects are harder with vulnerable population. Migration, violence and conflict are more and more related to climate change outcomes, with implications on democracy and traditional western values.

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<sup>8</sup> Simpson, A. (2016) Signal of change: Retail and Tech giants track China's Pork on blockchain <https://thefuturescentre.org/signals-of-change/9208/retail-and-tech-giants-track-china-s-pork-blockchain>

<sup>9</sup> Simpson, A. (2016) Sensemaking/Blockchain for sustainability: insights from the pioneers. <https://thefuturescentre.org/articles/9562/blockchain-sustainability-insights-pioneers>



Considering these challenges, the role of policymakers is extremely important, but also complex. Taxes, regulations and the role of the welfare state in the 21st century needs to address the changes and the decisions towards more sustainable options.

We need to build new institution systems that account for all these needs, and are resilient to new and recurring crisis. How can we make the most of the opportunities created by the transformation of the system? How can we, collectively, minimise the negative impact especially in the most vulnerable population? What are the best policy suggestions to promote an economy that works for all?

### 2.3 Financing the new economy: Impact Investing

A brief focus needs to be made on the role of the private sector to finance and grow the future sustainable economy as we foresee it. The role of private investors in financing sustainable economies through impact investing has been gaining momentum increasingly in the last years.

The definition provided by the Global Impact Investing Network (GIIN) states that **Impact Investments** are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending on investors' strategic goals.

Being a relatively new term used to describe investments made across many asset classes, sectors, and regions, the market size of impact investment has not yet been fully quantified. However, the GIIN runs an annual impact investors' survey, which is a solid attempt to quantify the market. In its 2017 edition (latest available to the date) respondents reported managing a total of USD 114 billion in impact assets.<sup>10</sup>

According to the G20 Inclusive Business Framework of 2015, “a variety of new players are emerging in impact investing, complementing longstanding activities of development finance institutions. New players range from quasi-philanthropic to fully for-profit entities, which are opening new financing opportunities, combined in some cases with other non-financial services. All of them seek, beyond a financial return, a positive – and measurable – social or environmental impact. They provide debt, equity, and other financial products, such as guarantees, whereby return expectations are usually longer-term, thus allowing businesses to grow without the pressure to deliver short-term returns.”

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<sup>10</sup> Website of The Global Impact Investing Network <https://thegiin.org>

Around the world, impact investing is growing fast and engaging new kinds of actors. Alongside with this growth, major conversations such as how important is obtaining market returns for investors, more effective ways of measuring impact, and the role of SDGs as ways to organize and report impact are emerging and gaining headlines as well.

Delegates will have the opportunity to discuss which is the role that impact investing should play in a sustainable economy, how it should be regulated and promoted by public policy, and which are the strategic moves that governments will need to make in the next years to help this growing trend go mainstream.

## 2.4 The role of citizens: we the people

As we have mentioned repeatedly, societies have a key role in fostering inclusive, sustainable ecosystems based on sustainable economic development. Public officials and private companies will not be able to accomplish their task unless population around the world both demands for change, and enables innovative solutions to thrive. In the era of communications and disruptive change, citizen activism and responsibility in the form of changemaking is more important than ever.

This is not easy, as people around the world are living challenging times, in very unequal conditions. In a global survey conducted by UN Development Programme, policy makers from around the world acknowledged that inequality in their countries is generally high and potentially a threat to long-term social and economic development<sup>11</sup>. Income inequality has increased substantially in many OECD countries in recent decades (Oxford Martin). The UN reports that a significant majority of households in developing countries—more than 75 percent of the population—are living today in societies where income is more unequally distributed than it was in the 1990s.

On the other hand, middle class is expected to grow globally, increasing pressure on production but also showing the inefficiency of the system. According to the UN, each year, an estimated one third of all food produced – equivalent to 1.3 billion tonnes worth around \$1 trillion – ends up rotting in the bins of consumers and retailers, or spoiling due to poor transportation and harvesting practices.

Citizens are increasingly reacting to unfair economic development conditions, not only by demanding their rights to be recognized by governments in a new era

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<sup>11</sup> Goal 10: Reduce Inequality within and among countries. UN Sustainable Development Goals <http://www.un.org/sustainabledevelopment/inequality/>

(movements as the Arab Spring, Occupy New York, and many others, are beautiful samples of this), but also creating local citizen-driven solutions to pressing global development issues.

At the same time, world populations hold immense power in their role as consumers. Conscious lifestyles and “conscious consumerism” are growing as trends, especially among youth, who represent half the world’s population (Euromonitor International, 2012) and the portion whose share as buyers grows more rapidly. Debate is soaring online regarding if conscious consumerism is an effective way to change the world ([this article](#) by Alden Wicker and the debate it started is a great example of that), but evidence shows that the market for sustainable goods is growing, and experts predict positive results for the environment and societies in which these new businesses grow. Many purpose-driven scalable, replicable local projects driven by youth are increasingly depending on consumers’ awareness to achieve their proposed impact, so that is another reason to state that consumers hold a high amount of power in shifting towards a sustainable economy.

Education also plays a key role here, as present and future generations need to understand the big systemic changes we have ahead, and the role each person plays in building the new economy.

Delegates will have the opportunity to discuss how can public policy inform the role of citizens as drivers of small and large scale changes towards a sustainable economy.

### 3. Call to action

These are certainly interesting times to live. We see problems around us, but if we know where to look, we start to see innovations everywhere, often times created by young changemakers from different parts of the world, who use technology and communications to scale their vision for a more sustainable world.

We need to work together across sectors, regions and generations to make a new, sustainable economy a reality. Which will be the role you choose to play?

[#Economy](#) [#Sustainability](#) [#ChangemakerEconomy](#) [#Development](#)

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