

# **Sustainable Development in the Developing World**

## **A Holistic Approach to Decode the Complexity of a Multi-Dimensional Topic**

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# Sustainable Development in the Developing World

## The Holistic Approach:

Accessing the intertwinement of the environmental, economic, and social and institutional components of human well being;  
addressing intergenerational, transnational, trans-gender and (trans)social equity;  
calling for interrelated contributions of private businesses, governments and international agencies.

## The Multi-Dimensionality:

Connecting systemic, ethical, growth and measurement issues;  
combining market-orientation, regulation, investment, ODA.

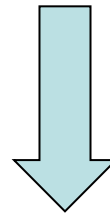
## The Complexity:

Widely different interpretations;  
harmonized and un-harmonized interactions between society, economic endeavors, technology and nature.

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“ Sustainable use of resources promotes national efficiency. This is nowhere more apparent than in *developing countries*, where natural and human resources have both been over- and underused, with uncontrolled exploitation on one hand, and reckless negligence on the other hand, coupled with a lack of and/or misuse of technology. Reversing this situation has become a priority for many national governments and transnational organizations.”

(pg.1)



**Millennium Development Goals**

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## Millennium Development Goals ... for 2015

- To eradicate [extreme poverty and hunger](#)
- To achieve [universal primary education](#)
- To promote [gender equality](#) and [empowering](#) women
- To reduce [child mortality](#) rates
- To improve [maternal health](#)
- To combat [HIV/AIDS](#), [malaria](#), and other diseases
- To ensure environmental [sustainability](#)
- To develop a [global partnership](#) for development

**What are the achievements? Can we measure progress? Can we measure causes and effects? Can we measure which activities produce which outcome?**

**And beyond 2015?**

**► UN System Task Team; UN Open Working Group (OWG)**

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- ▶ The UN System Task Team
- ▶ The UN Open Working Group (OWG) established 01/22/13.

***Will there be „new“ Sustainable Development Goals (SDGs)?***

## The Task Team

Five big transformative shifts:

1. Leave No One Behind.
2. Put Sustainable Development at the Core.
3. Transform Economies for Jobs and Inclusive Growth.
4. Build Peace and Effective, Open and Accountable Institutions for All.
5. Forge a New Global Partnership.

## The Open Working Group

SDGs must be:

- Action-oriented
- Concise
- Easy to communicate
- Limited in number
- Aspirational
- Global in nature
- Universally applicable, but must allow for different realities and respect national policies

**Any new measurement or accounting frameworks?**

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## Reviewing some of the existing frameworks (I)

### *Analytical frameworks*

- The OECD's "Pressure – State – Response model" for environmental policies reporting
- The OECD's "Resource – Outcome Indicators" approach which measures how we are preserving our assets (resource indicators) and how we are satisfying current needs (outcome indicators)
- The "Driving Force – Pressure – State – Impact – Response model" used by the European Environment Agency (EEA) and UNCSD
- The EU List of 42 Structural Indicators, covering the general economic background, employment, innovation and research, economic reform, social cohesion and the environment
- The UN/World Bank/OECD Set of 31 Indicators measuring each of the MDGs

**Do (all of) the above systems consider the interaction between the various components of SD ?**

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## Reviewing some of the existing frameworks (II)

### *Accounting frameworks*

- System of Environmental-Economic Accounting (European Commission, FAO, IMF, OECD, UN and World Bank), extending the representation of production and consumption activities in the System of National Accounts by including environmental interactions (inputs and outputs)
- National Accounting Matrix including Environmental Accounts (NAMEA) developed by Statistics Netherlands, which has been adopted by the European Commission
- The EU's Social Accounting Matrices (SAMs) incorporating detailed information on labor and households

**Assets over which ownership rights cannot be established or that are not bringing economic benefits to the owners are excluded. Capital measures for the social dimension are completely absent.**

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## The underserved social perspective

Two approaches to define and measure the social perspective of sustainable development:

- The ‘capabilities approach’ (Amartya Sen);
- the concept of social capital.

Both approaches must cope with the multiple bipolarity of “social”:  
it refers both to individual and collective levels;  
it is reflexive – our interpretations of it change behavior,  
hence influencing the conditions themselves; and it  
is both material and immaterial.

Both approaches can deal with the analysis of the environmental-social interface. But neither of them is commonly accepted in academia or practice.

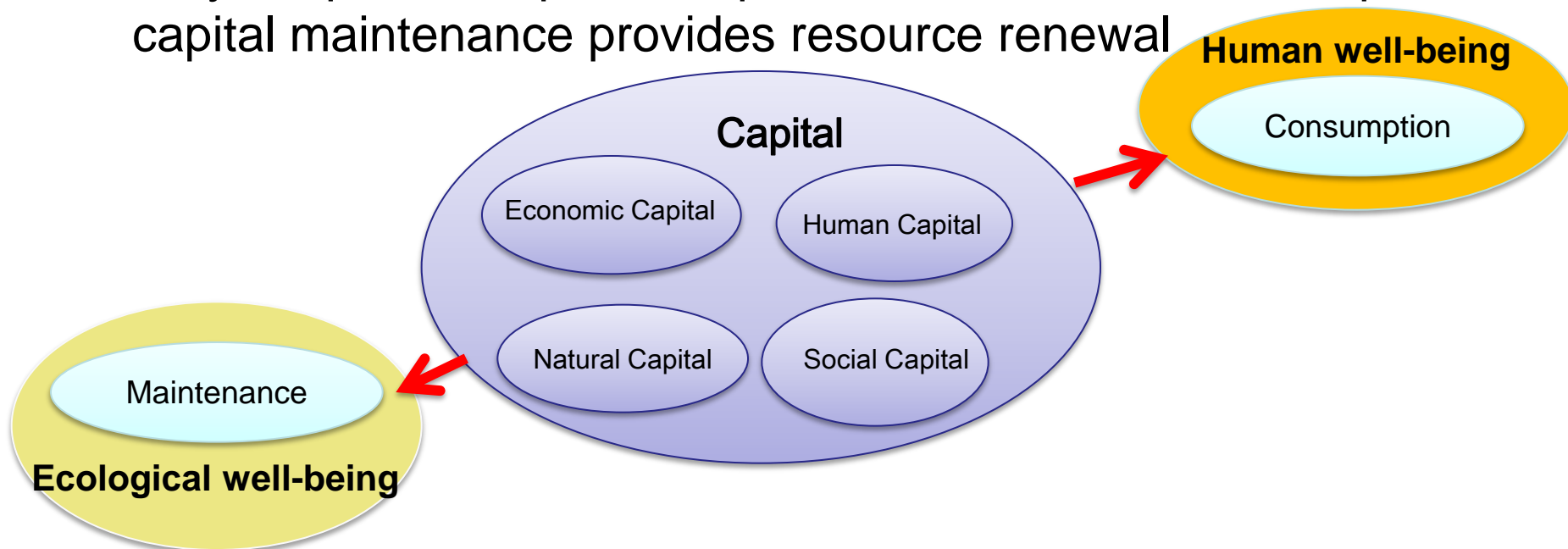
**A clear perception of / a definite measuring concept for the social perspective of SD is a prerequisite for examining the social pre-conditions for institutional change to create economically, socially and environmentally sustainable development..**



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## Towards a clear perception of the social perspective of SD

- The World Bank definition: “social capital is the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions.”
- Why “Capital”? Capital use provides income for consumption; capital maintenance provides resource renewal

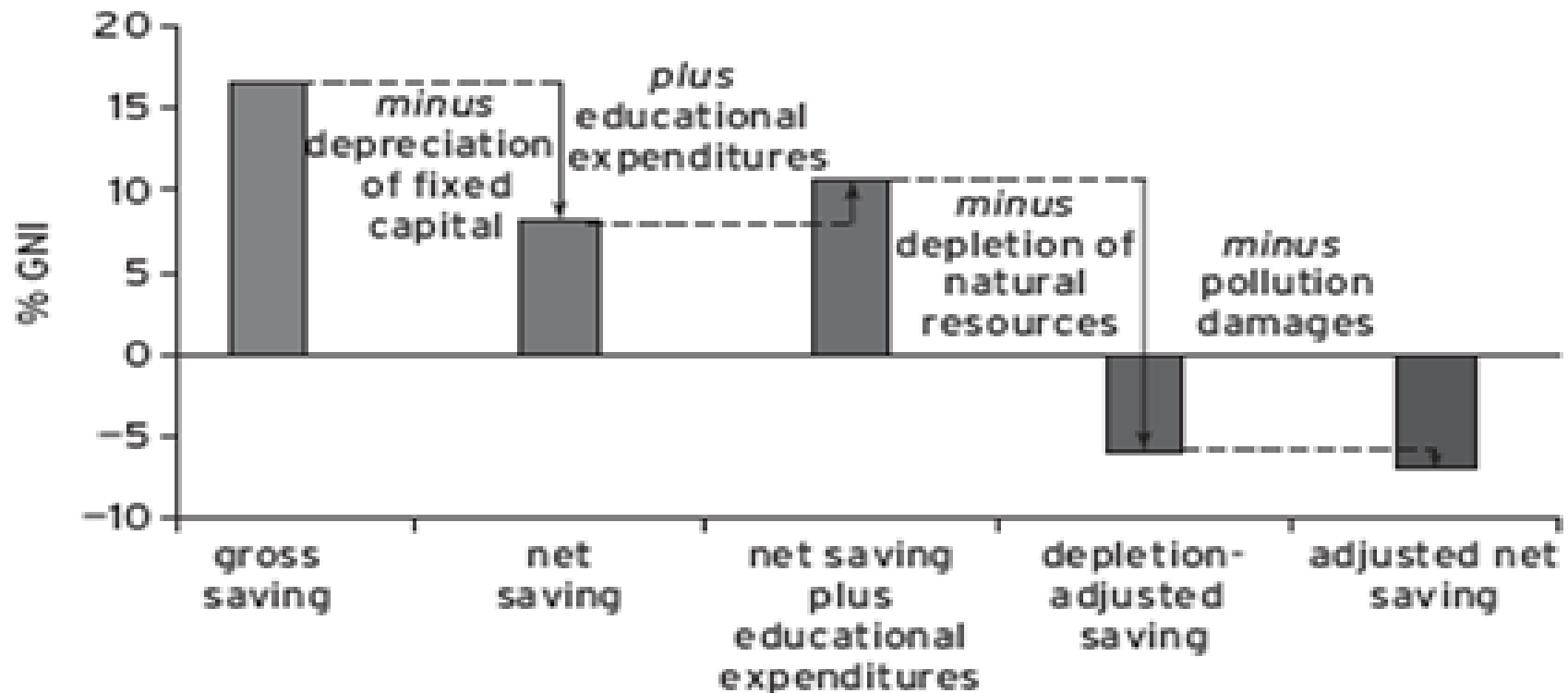


- Hence social capital, like economic, human and natural, produces well-being

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The eco-social perspective is embedded in the measurement of well-being over time (“Genuine Savings”; “Adjusted Net Savings”)

Calculating Adjusted Net Saving for Sub-Saharan Africa, 2008



.. a clear-cut concept of capital building, use and maintenance

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## Towards a perception of measuring social capital

If “social capital is the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions” (World Bank), the following questions come up:

Should we consider the institutions as an *enabler* of relationships?

Is the performance of community networks and of civil society the *product* of the political, legal and institutional environment (D. C. North, 1990; T. Claridge, 2004)?

If so, in order to measure social capital, an *output* of (formal) institutions, should we not first determine the value of those institutions? Even its monetary value (“Public Goods”)?

**So far, what is “measured”, e.g. in the World Bank concept, are output indicators, like “trust and solidarity”, “social cohesion”, etc. (=> *Tanzania Social Capital and Poverty Survey; Machakos studies*). This is only loosely connected to the many “inventories” of institutional structures in sovereign states. More efforts should be made to value public goods and to link this to valuing social capital.**

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## Measuring the impact of transnational engagement

Does the relation between GDP and sustainable development (SD) improve if a host country receives foreign aid or FDI?

A simple two-stage regression could answer this question: The first regression equation only considers GDP and selected SD variables, while the second regression considers FDI and ODA (Official Development Assistance). The database is World Bank Dataset 2012.

When performing this analysis for the poorer countries, the main obstacle is that several variables which could be indicators for well-being have limited data only, e.g. children condition and energy use, let alone more powerful ones like fuel-wood availability or sanitation. Still, even with a minimum set of data, such an analysis is plausible.

**More emphasis must be laid on integrating statistics that portray the development situation in poorer countries, e.g. in rural Africa, like soil erosion, access to water, social mobility, youth employment, etc.**

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## From “impact measuring” to impact assessment

### UNCTAD Investing in Sustainable Development Indicators List

Areas	Indicators	Details and examples
Economic value added	1. Total value added	<ul style="list-style-type: none"> <li>Gross output (GDP contribution) of the new/additional economic activity resulting from the investment (direct and induced)</li> </ul>
	2. Value of capital formation	<ul style="list-style-type: none"> <li>Contribution to gross fixed capital formation</li> </ul>
	3. Total and net export generation	<ul style="list-style-type: none"> <li>Total export generation; to some extent, net export generation (net of imports) is also captured by the local value added indicator</li> </ul>
	4. Number of formal business entities	<ul style="list-style-type: none"> <li>Number of businesses in the value chain supported by the investment; this is a proxy for entrepreneurial development and expansion of the formal (tax-paying) economy</li> </ul>
	5. Total fiscal revenues	<ul style="list-style-type: none"> <li>Total fiscal take from the economic activity resulting from the investment, through all forms of taxation</li> </ul>
Job creation	6. Employment (number)	<ul style="list-style-type: none"> <li>Total number of jobs generated by the investment, both direct and induced (value chain view), dependent and self-employed</li> </ul>
	7. Wages	<ul style="list-style-type: none"> <li>Total household income generated, direct and induced</li> </ul>
	8. Typologies of employee skill levels	<ul style="list-style-type: none"> <li>Number of jobs generated, by ILO job type, as a proxy for job quality and technology levels (including technology dissemination)</li> </ul>
Sustainable development	9. Labour impact indicators	<ul style="list-style-type: none"> <li>Employment of women (and comparable pay) and of disadvantaged groups</li> <li>Skills upgrading, training provided</li> <li>Health and safety effects, occupational injuries</li> </ul>
	10. Social impact indicators	<ul style="list-style-type: none"> <li>Number of families lifted out of poverty, wages above subsistence level</li> <li>Expansion of goods and services offered, access to and affordability of basic goods and services</li> </ul>
	11. Environmental impact indicators	<ul style="list-style-type: none"> <li>Greenhouse gas emissions, carbon offset/credits, carbon credit revenues</li> <li>Energy and water consumption/efficiency hazardous materials</li> <li>Enterprise development in eco-sectors</li> </ul>
	12. Development impact indicators	<ul style="list-style-type: none"> <li>Development of local resources</li> <li>Technology dissemination</li> </ul>

Source: "Indicators for measuring and maximizing economic value added and job creation arising from private sector investment in value chains", Report to the G-20 Cannes Summit, November 2011; produced by an inter-agency working group coordinated by UNCTAD.

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## Ensuring a proper impact of development efforts through multi-stakeholder dialogues (“multi-logues”)

Managing stakeholder relations must commence early on and must be rooted in ethical foundations: The *objective of multi-stakeholder dialogues* is to early arrive at a communal understanding of the “rules of the game“, the risks and opportunities and the impact of (business) decisions on all constituencies that are involved. Ethical fundamentals are:\*

- Ethical leadership and governance; trust building; social responsibility; the synthesis of ethics and economics.
- Morality, self-interest, inclusive entrepreneurship; “moral” markets.
- Social interaction: acts and rules of cooperation and a rule-finding discourse through reflection, inquiry and advocacy.
- “Standardized” ethics initiatives, like predefined norms and procedures; organizational approaches to social and/or environmental issues.
- Communication in conflictive environments.

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\* The Wittenberg Center for Global Ethics; [www.wcge.org](http://www.wcge.org)

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## Summary of the key messages

- The four perspectives of SD must be examined as a whole
- Measurement frameworks must comprise all four perspective and their interrelations
- The nexus between the social and the ecological perspectives requires more attention and measurement, especially in developing countries
- Social capital definitions need to be “operational”, referring to institutions
- SD can be rewardingly enhanced by conducting ethically-based multi-stakeholder dialogues

