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Sustainability in CEE

Notes View excerpts

My presentation is going to look at Sustainability in Central and Eastern Europe (CEE) and raise different questions

1. What is sustainability? And why do we measure "it"?

2. Which indicators are used to measure sustainability in the "West"?

3. CEE is adopting "Western" perspectives and methods: what are the issues involved? Is the transport policies of CEE governments sustainable? How about the Common agricultural policy in CEE? These are some of the interesting questions we should answer.

4. Some indicators are easily measured quantitatively by using scientific methods ("number crunching") but most of the contested ones can only be measured by qualitative methods. This raises a question about how to do that and who does it. The answer lies in management of multi-stakeholder dialogue processes.

The concept of Sustainability is actually a term which has come into use only recently and was seemingly first raised by the Brundtland Commission as a rather broad concept of philosophical nature (diplomacy rules!). In recent years many governments, NGOs and corporate businesses seem to have developed the Brundtland concept to the so-called Triple Bottom Line (TBL), "Bottom Line" of course referring to the traditional economical view of a "sustainable" business entity (ie. Capable of survival or a "going concern"). The two new dimensions added are an environmental and a social scoreboard or bottom line, measured by certain indicators. You can read some of the criteria in the three dimensions on the slide.

The Sustainability Concept is, however, not a value-free concept. It is a concept which makes sense only in a Christian/Jewish philosophical setting after the advent of industrial capitalism, where the "poor and dirty" nations (according to Amory Lovins and Ernst Ulrich v. Weizsäcker "Factor 4") go through a phase of being "rich and dirty", now wishing to become "rich and clean". In a basic sense, the term is central to eastern thinking e.g. in the concept of Tao or yin-yan.

The recent governmental efforts stem from preparation of participation in the "Rio+10" Johannesburg World Summit on Sustainable Development (WSSD). Many NGOs, both from civil society and from the corporate world have tried to interpret the Triple Bottom Line (WBCSD, WE Forum, IISD, REC, GRI to mention a few). And finally, some 120 multinational corporations have adopted a Triple Bottom Line approach to reporting.

It is also worth mentioning that many institutional investors have adopted a TBL approach. Even Dow Jones, the Index for corporate shares, has developed a Sustainability Index. And Portfolio Companies, such as the Swiss SAM Group develop an own Index and portfolio for clients.



Why Sustainability?

Many governments from the "rich and clean" countries have political reasons - stakeholder management!?!- to show they are supporting development of the "dirty and poor", so there is a North-South dimension to the rise of the sustainability concern.

From the corporate side, it seems now clear that sustainability adds not only stakeholders' value but certainly shareholders' value. If you look on the chart, you'll see the added value of the Dow Jones Sustainability Index compared with the General Index. This means: the yellow line shows the development of the SI, whereas the blue line shows the development of the GI. Investors clearly trust more in businesses, which have a declared policy of sustainable development. Think of some of the examples, you know:

Philip Morris and the US cigarette industry

Shell and Brent Spar

Nike and child labour

The Mining Industry and Tisza River on the border between Romania and Hungary

I'll talk in some more depth about the SI.

This graph was made by M. Porter for the World Economic Forum (Davos) in 2000. On the x-axis it shows the ranking of countries with regard to the overall competitiveness of their industry. On the Y-axis, an indicator for Environmental regime has been made, i.e. indicating how severe environmental regulations prevail in a country and how severely these regulations are enforced. The graph clearly shows a correlation (trend), i.e. that the most competitive industries are to be found in countries with the toughest environmental regime. If the anti-environmentalist lobby were right, this relationship would not be possible, as more regulations would supposedly cause mainly more expenses and less competitiveness. Furthermore, we can see that selected CEECs are placed relatively low on the scale.

This drawing explains quite well the expanded criteria of the Triple Bottom Line, namely

- 1 we don't only look at the individual legal entity, the incorporation, but also at the supply chain and stakeholders (Nike eg.)
- 2 the traditional economical view is annual; now the perspective is multi-annual
- 3 and the information used is not only financial, but also very qualitative, such as the perception of the business in the public or by certain NGOs (Shell and Greenpeace)



I wish here to especially attract attention to the "stakeholder" concept and clarify: we often talk of multistakeholder dialogue and the methods to manage these processes are unscientific at best or clearly political.

Example: Bellagio Forum for Sustainable Development (www.bfsd.org) and "the fighting in the streets"

What I wish to emphasize is this: we can collect and evaluate as many "hard" data indicators as we wish from a scientific point of view; their value will be interpreted according to agendas set in the political sphere. Even the hardest data are contested (Sustainable Mobility as example).

Example: EU's Common Agricultural Policy and the ESTO Enlargement project, www.jrc.org

Here is another chart showing how SAM (in cooperation with Dow Jones) evaluates their portfolio companies using the TBL approach. The evaluation is made according to a (web) questionnaire which is based on self-reporting. www.sam-group.ch)

The trend of SAM is to actually independently monitor and check the validity of the information given.

SAM tried to establish a CEE portfolio, but the liquidity of the businesses in CEE traded on CEE stock exchanges, is too low, it seems. The attempt was given up.

Now, let us look at some governmental initiatives, like the UK Sustainability Strategy. The Scandinavian, Dutch, German and other governments have published similar strategies.

They often contain "pretty talk" about goals and then for each goal an indicator has been selected.

The examples I have chosen are clear:

GDP is an objective measure, it seems

But level of crime is certainly not. It was the German author, Hans Magnus Enzensberger, who showed us that the dividing line between crime and legal activity is defined by politics. Take the very different levels of crime in CEE and e.g. Denmark: Denmark is numerically much higher than e.g. Hungary but the Hungarians feel that crime is a serious issue because the crime rate rises. We also have examples of certain policing efforts which can raise the level in one crime domain and not in another.

Road traffic seems an objective measure, but is it? The "modal split" in CEE still gives a 50% preference for collective urban traffic, whereas EU can show a meagre 18%. In the near future, CEE citizens are going to buy more cars, but still stay well below the Danish level.

And finally, "satisfaction with life" is normally measured by respondents answering a questionnaire, often given via the telephone. I haven't seen any questions capable of getting to the core of what people (I) really think.



How is the situation in CEE? First of all, let me play down the homogeneity of the region. CEE consists of 15 different countries plus more Balkan candidates. There are at least three different sub-regions with specifically different histories, present trends, cultures etc: The Baltic Region, South East Europe (Balkan), and the Central Region.

In the Communist Era, Sustainability was not an issue or it was demeaned as a "Western trick" to show that the rich imperialist nations and governments are doing something to counter the economic effects of exploitation. Now the agenda is clearly post-communist, by which I mean that many efforts are taken to reverse that former period. This gives a certain preference for such policies as sustainability to become popular among politicians.

But in most ways, Accession to EU has effectively set the agenda and yardstick for most of the indicators. In the field of environment, for instance, this is a real pity, as CEE has a potential to use the "forwardness of being backward", i.e. Jump across the levels of development which are present in EU today, so as to set an example for the EU, but NO, the environmental acquis is the measure of everything in these years: "just reach the level of allowed pollution in EU and you'll be sustainable", seems to be the message. A pity!

A frequent concern has been that FDI in CEE would be a move of the most polluting industry from EU and USA to CEE, but this has not (always) been the case, so FDI becomes a driver of change in the right direction. We can thank several Cleaner Production initiatives for that

On the governmental and NGO level, many initiatives are taken:

Here are some examples of initiatives which have also been developed in CEE:

UNEP has supported governmental and NGO input to the Rio+10 process, www.unep.org

The ABEI (Aarhus Business and Environment Initiative) has identified and worked with stakeholders in CEE about support to cleaner production and environmental management initiatives. This included the social agenda. www.rec.org

The IISD (International Institute for Sustainable Development www.iisd.org, headed by former REC director Petr Hardi) and the World Economic Forum (www.weforum.org) have developed their Indicator projects: Dashboard and Global Competitiveness (by the way, this was originally performed by Harvard University and Prof. Porter, but has now been taken over by Yale, after a row over the validity of indicators).

The Austrian NGO, ÖGUT, has developed an initiative with Henkel to support sustainable businesses. REC (with the support of Procter&Gamble!) made a similar initiative and also manages a "CEE sustainable cities" programme (the name was changed, prudently, to become the Award for Cities towards Compliance" (ie. to EU Accession criteria): actually, there is an unsettled dispute in EU who "owns" the sustainability agenda.

REC has participated in several national initiatives, eg. Slovakia, Slovenia and Hungary

The biggest issues for evaluation of sustainability in CEE concern the reliability of the indicators, not only quantitative but certainly the qualitative:

To me it is clear that the effective strategy is to copy the "Western" strategy even though the "West" and CEE have clearly different points of departure. From experience we know that the statistical offices of CEE governments are not always reliable sources of updated information.



I also don't feel convinced about the universality of the indicators. 1 meter is 1 meter wherever we measure; but as I have shown many other indicators are not unambiguous.

As for the qualitative indicators, they need to be evaluated and reported by multi-stakeholders, among them governments and independent NGOs and institutions, but such organisations hardly exist, nor have they fully developed their institutional capacity to "deliver the goods" - yet.

One can say that the single most important contribution in support of sustainable development in CEE is the development of such a capacity; which is exactly the remit and action program of REC.

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How about the importance of the difference of cultures measured by the same indicators? For instance, the existence of social networks such as families that stay together and support each other is much higher in CEE than in EU. Or the use of cars is measured against two totally different physical/urban/regional infrastructures.

Denmark is often seen as the most un-corrupt nation in the world, whereas many CEE countries are seen as being corrupt. But the concept of corruption is not unambiguous. In CEE, say in the Balkans, there is a tradition of "master-slave" and nepotistic relationships, which stem - among other sources- from Ottoman traditions (Turkey is extremely "corrupt"), but is this not a cultural phenomenon?

Environmental inspection as example: as fees and fines are given by environmental inspectors based on reported levels of pollution, there is an incentive to omit reports, in order to save local jobs.

Example of life cycle analysis (ISO 14040) difficulties of measuring the environmental impact of different substances (who decides what is worst: 0.5 mg/kg copper from the circuit print board of a scrape television set or the number of kg of CO₂ emitted from a power station to power its "standby" button for the remote control system?).

Example of debate between WBCSD and traffic NGOs in CEE (Sustainable Mobility project):
www.wbcd.org