A Tripartite Analysis of Sustainable Development:
Environmental, Social, and Political Forms of Sustainability

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These papers are part of the research project, Research to Practice – Strengthening Contributions to Evidence-based Policymaking, generously funded by the Canadian International Development Agency (CIDA).
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A Policy Paper Prepared for the Canadian International Development Agency (CIDA)

21 October 2013
Executive Summary

This policy paper examines the question of sustainable development from three distinct angles: environmental, social, and political. Its ambit is broad in order to provide a wide-angle lens on the question of sustainability. The three forms of sustainability are linked through three common themes. These include: the importance of equality, the necessity of institutionalization, and the relationship between states and markets. All three forms of sustainability stress equality as a crucial outcome, pinpoint the need for institutionalization as a structure through which policies can become more effective, and address the relationship between states and markets in engaging with sustainable development.

Environmental sustainability is extremely difficult given the incentives of markets and states. Private investors seek to maintain profits and offset costs, thereby focusing their interests on gaining resources at low cost. Politicians are concerned with staying in power, thereby seeking to use resources for their own political gain, often leading to a race to the bottom in “rent-seizure”, where land is allocated for the purposes of patronage. Asymmetries in power and wealth threaten environmental sustainability. Possibilities for ensuring environmental sustainability require more equitable relations between citizens, states, and enterprises, which can be promoted through an emphasis on corporate responsibility, consumer advocacy, and citizen mobilization.

Socially sustainable development (SSD) is a combination of social development and sustainable livelihoods. We define it as a highly coordinated process involving state, private sector, and civil society actors that leads to increased equality, interrelated social and economic benefits for all, economic inclusion, and reduced vulnerability. The primary feature of socially sustainable development is reduced inequality. SSD efforts must advocate economic inclusion by removing barriers experienced by some marginalized segments of society. We contrast SSD with a maintenance approach to social welfare in order to show the distinctiveness of the SSD model. Among other features, the SSD model emphasizes the need to remove structural barriers that impede development, the importance of building capacity, the role of investments and stocks, the need for agency along with social intervention, and need for long-term solutions. One significant aspect of SSD that links states and markets is its emphasis on access to formal financial institutions as a basis for social protection. The example of Juntos in Peru is used to demonstrate this point.

Political sustainability is often not given much weight as a criterion for sustainable development. Yet politics underlies much of development and therefore should be included as an aspect of sustainable development. Political sustainability is defined as the ability to sustain political stability in the context of massive economic reforms. In line with the discussion of social sustainability with its emphasis on redressing inequality, reforms that promote political sustainability emphasize growth with equity, where states and markets are both involved in the process of development. This combination of markets and states ensures that pragmatism
stands as the major axis of development policy. Political sustainability requires strong institutions, particularly institutionalized parties and cohesive states, and pragmatic policies. It is the combination of these two factors – institutions and pragmatism – that ensures that governments will maintain political sustainability in the context of massive reforms. The example of Malaysia is used to show how political institutions and policy pragmatism ensured political sustainability and the successful implementation of an agenda of growth with equity.
Recommendations

1. In terms of environmental sustainability, we do not believe that states and markets have adequate incentives to exploit resources in a sustainable manner. A combination of corporate responsibility, consumer advocacy, and citizen mobilization can contribute to environmental sustainability. Our recommendation is that systems of monitoring and information dissemination be institutionalized to enable citizen action and encourage corporate responsibility.

2. The goal of socially sustainable development is to create social interventions and policies that are investment-oriented and contribute to long-term positive economic development. Therefore, a SSD orientation to social welfare policy pursues an interventionist program that harmonizes economic development with social policy. In particular, our recommendations following the SSD program are that:
   a. development policy moves toward removing structural barriers that impede social development,
   b. emphasis be placed on stocks and investments rather than simply on resource transfers,
   c. support be premised on active agency of the individual as well as capacity-building, and
   d. programs be driven by long-term goals.
   e. Furthermore, a crucial recommendation stemming from SSD is that the poor be granted access to formal financial institutions as a basis for social protection. In this manner, socially sustainable developments become institutionalized in formal structures.

3. In terms of political sustainability, we recommend that policy-makers give due attention to the role of political institutions, especially states and political parties, in providing a stable foundation for the pursuit of economic and social reforms. In particular, cohesive bureaucratic structures and institutionalized and programmatic parties are crucial to ensure political sustainability as well as the effective implementation of socio-economic reforms.

4. Pragmatic policy-making as a balance among potentially competing goals, such as growth versus equity, is critical for development. In practice, this means that policies should be geared toward positive-sum, rather than zero-sum, results. Policies that tend to be more positive-sum include advancing access to universal health care and primary and secondary education. At a more general level, cooperation between state bureaucracies and the free market can lead to pragmatic policy-making, as was done by the developmental states of Japan, South Korea, and Taiwan.
1. Introduction

This policy paper examines the question of sustainable development from three distinct angles: environmental, social, and political. These distinct perspectives reflect an effort to examine sustainable development comprehensively. Although social and environmental sustainability are often included in discussions of sustainable development, political sustainability is usually given short shrift. Yet, as our paper shows, political sustainability is often crucial if politicians are to grant development policy long-term support. We therefore seek to contribute an added dimension to the literature: that of political sustainability.

The paper emphasizes three key themes in each of its three sections on sustainability: the importance of equality, the role of institutionalization, and the relationship between states and markets. It is these three themes that link the different forms of sustainable development. First, all three sections place an emphasis on equality as a key source and outcome of sustainability. Where there is greater sustainability, whether environmental, social, or political, some form of socioeconomic equality is more likely. At the same time, greater equality enables greater environmental, social, and political sustainability. On the other hand, where environmental, social, or political sustainability are threatened, the likelihood of achieving equitable development is severely diminished, while inequality also hampers sustainability.

Second, all three sections on sustainable development emphasize institutionalization – the process through which organizations, procedures, and norms gain value – as a critical variable for achieving developmental outcomes.
Institutionalized systems of monitoring and information dissemination are important in advancing environmental sustainability. Socially sustainable development is premised on a number of institutionalized mechanisms, including linking recipients of aid to financial systems and ensuring that these programs have long-term horizons. Political sustainability pivots on the importance of party institutionalization in order to create a long-term channel for policy reform.

Third, the sections on each type of sustainability all address the relationship between states and markets. The section on environmental sustainability emphasizes the difficult challenges that states and private investors face in contributing to sustainable development. However, the next two sections on social and political sustainability show how states and markets can work together to improve socially sustainable development through increasing access to financial instruments to the poor, and how governments can choose policies that are both interventionist and market-oriented in order to ensure growth with equity and political sustainability. The paper thus provides a mixed message regarding the role of states and markets in sustainable development. Although constraints on states and markets make sustainable development challenging, there are ways in which these two actors can work together in advancing some aspects of sustainable development.

The paper proceeds in the following way. It first looks at the concept of environmental sustainability and then turns to examine social sustainability and political sustainability. Each section concludes with specific recommendations for
CIDA. The conclusion recapitulates the cross-cutting themes and main recommendations.
2. **Environmental Sustainability**

The principle of sustainable development represents an effort to strike a balance between environmental conservation and socio-economic development. Proponents of sustainable development acknowledge that socio-economic development inevitably entails transformations in natural environments (e.g., extraction of natural resources and changes in land use), but assert that these types of changes need not pose long-term environmental problems. Rather than halt environmental damage altogether, the principle of sustainable development calls for the regulation of environmental change, so that future generations will be as well off as the current generation. For renewable resources, sustainable development hinges on limiting rates of extraction to allow regeneration of the resource. For non-renewable resources or changes to resource systems that are not subject to regeneration, sustainable development requires investment of the proceeds from the utilization of natural resources in a manner that compensates for the resources that have been consumed or destroyed, as well as regulation of extraction. The literature on the resource curse suggests that valuable natural resource endowments are associated with lower average rates of economic growth (Auty 2001; Sachs and Warner 1999), enduring authoritarian rule (Ross 2001a), and the prevalence of civil war (Collier and Hoeffler 2005). Not all resource-rich countries, however, suffer from the resource curse. Much hinges on how revenues are managed, which in turn depends on institutional development (Karl 1997), systems of property rights (Jones Luong and Weinthal 2010), and the dynamics of political coalition-building (Poteete 2009). Mining revenues, for example, might be invested
in above-the-ground social and economic infrastructure. Such investments may contribute to social and political sustainability when they are distributed widely in an effort to build or maintain broad socio-political coalitions (e.g., Poteete 2009). In recognizing the desirability of socio-economic development, sustainable development welcomes private investment, but requires regulation of private sector activities to ensure sustainability. Responsibility for regulation falls primarily, if not solely, to the state.

While sustainable development may be in the self-interest of private sector and state actors in the long-run, these actors face many contradictory incentives, particularly in the short term. The need to cover costs and generate profits drives private sector decisions about extraction and production techniques as well as investments. Even socially or environmentally conscious entrepreneurs must watch their bottom-line. Their decisions respond not only to patterns of economic organization and market conditions, but also to the domestic and international policy environment. Policy, whether generated by a domestic government or international organizations (e.g., the World Bank, World Trade Organization), plays an important role in shaping the incentives that structure private sector decision-making. In principle, policy can regulate private sector activity to ensure sustainable development. Governments and international organizations, however, also have to watch their bottom-line. Political survival represents the ultimate bottom-line, with adequate revenue generation and financial management as critical secondary considerations. Although states usually persist for decades if not centuries, the lifespan of a government is shorter and more uncertain. In various types of domestic
regimes and in international organizations, policy decisions are conditioned by the need to build or maintain coalitions of support. Politicians in electoral democracies operate with a two- to five-year time horizon, depending on electoral cycles. In authoritarian regimes, a superficial stability often obscures on-going behind-the-scenes political manoeuvring to build and maintain political support, and threats to political survival may be less predictable than those posed by elections. The ability of international organizations to take any action at all hinges on the mobilization of active support from a coalition of member states. These sorts of political and economic considerations shorten the time horizons of both state and private sector actors, encouraging the mining of resources rather than their management for sustainable development. Left to their own devices, neither private investors nor states can be expected to foster sustainable development. While social mobilization around environmental issues creates electoral and market incentives for politicians and investors to signal a commitment to sustainability, inconsistent mobilization, combined with the difficulty of monitoring political and private sector actions and evaluating their sustainability, makes these incentives relatively weak.

**Market Organization and Concessionary Politics**

Interactions between the state and private sector in the management of natural resources depend on the property regime. Whereas most resources are controlled by private actors, the role of the state is limited to regulation, such as measures to limit negative externalities, set minimum levels of domestic processing or employment, or to protect endangered species or ecosystems. Many valuable
natural resources, however, particularly in developing countries, are considered national resources and are held in trust by the national government. Common examples of state-owned or controlled natural resources include sub-soil resources, forests and wildlife in forest reserves and protected areas, and fisheries and other marine resources in a country’s exclusive economic zone. The state also owns or has a prior right to much of the land in many developing countries. Access to state-controlled resources depends upon the negotiation of government concessions to private actors, giving rise to “concessionary politics” marked by speculative competition among investors and patronage politics (Hardin 2011).

Consider the example of timber and forest concessions. In many countries states control large swaths of forested land, either formally or effectively. Over the past century, the locus of timber harvesting, the techniques used, and the organization of timber markets have changed dramatically (Dauvergne and Lister 2011). Through the first half of the 20th century, most timber was consumed in the region where it was produced. Government policies often encouraged forest destruction, in part because the exploitation of forests generated revenues for government, created jobs, and made previously forested land available for cultivation and settlement (e.g., for Quebec, see Frechette 2012). By the 1950s, depletion of timber resources and rising labor costs in northern countries prompted a shift in harvesting to the global south. Until the 1990s, northern timber companies mostly exported unprocessed logs to northern countries. Government policies to promote domestic timber processing resulted in the proliferation of mills across the global south by the 1990s. In China, processing facilities quickly outstripped
domestic timber production; its mills now devour timber from Russia, Indonesia, Africa, and Latin America for consumption in Europe and North America (Dauvergne and Lister 2011).

Tropical hardwoods represent a valuable source of revenue for governments with few alternatives. Indeed, forest-rich countries across the global south experienced timber booms between the 1950s and 1990s (Ross 2001b). Rather than promote sustainable development, however, government policies across the global south have encouraged forest destruction. After being granted forest concessions of as little as five years duration, timber companies raced to extract the largest, highest valued trees as quickly as possible; such arrangements created little incentive to limit destruction of surrounding trees or foster forest regeneration (Gillis and Repetto 1988). To some extent, short-sighted policies that encourage unsustainable rates of forest destruction reflect the organization of the international forestry market, in which forest-rich countries across Africa, Asia, Eastern Europe, and Latin America compete to attract investments from a handful of large multinational timber harvesting and processing firms. Producer countries are at a disadvantage in negotiating forest concessions. They may be tempted to offer concessions at lower prices or wish to avoid locking themselves into long-term commitments. Although timber processing has become more decentralized and competitive in recent decades, the bargaining position of timber producers has not improved because only a few major retail firms dominate the market for processed timber (Dauvergne and Lister 2011). The most important consumers are large retail chains like Ikea and Walmart, which compete primarily on price. Their dominance of the market
creates incredible competition among processors to keep prices low. The powerful drive for low prices directs timber harvesting to countries with rich forests, low labor costs, and lax regulations.

Economic organization alone, however, cannot explain the prevalence of government policies that, rather than fostering sustainable development, promote resource mining. After all, some countries initially charged well-trained forest services with implementation of relatively conservative policies for forest management; in many cases, however, these policies and practices soon gave way to a headlong race to allocate and consume forest resources. Ross (2001b) attributes this race to the bottom to “rent-seizing,” in which officials seek to control the allocation of rents to others. In the context of intense and often unstructured political competition, political leaders see control over natural resource rents as critical to political survival because the allocation of concessions can be used to generate informal sources of revenue and cultivate patronage networks. Furthermore, control over the allocation of natural resource rents represents a source of power. Especially during a resource boom, political leaders may find that controlling access to natural resource rents is a more easily mastered source of power than alternatives such as building a strong political party or building broad political support by extending state services. At the extreme, political leaders have undermined state institutions to facilitate the seizing and provision of natural resource rents, possibly enhancing their short-term power at the expense of long-term political instability (Reno 1999; Ross 2001a, 2001b). These processes contributed to state collapse in countries like Liberia and Sierra Leone (Reno 1999).
and to political instability in Indonesia (Ross 2001b) and Kenya (Klopp 2000). The dynamics of rent-seizing and -seeking are not limited to the forestry sector. They can be seen in mineral concessions, allocations of fishing rights to industrial trawlers, and the recent wave of allocations of agricultural land for the production of biofuels. Intensively competitive rent-seizing and -seeking creates a race to control the allocation of natural resources, a race to allocate access to those natural resources and the associated rents, and a race to extract natural resources and collect the associated rents before power shifts and rents are reallocated. The result is the opposite of sustainable development: unsustainable patterns of resource extraction that harm the interests of many for the benefit of a few individuals or firms.

**Corporate Contributions to Development?**

Despite its role in the production of failed and fragile states and the promotion of unsustainable natural resource use, concessionary politics takes diverse forms, reflecting the varied set of non-state actors seeking concessions, as well as differences in the factors affecting political stability. Indeed, concessionary politics can contribute to positive social, economic and political development in some cases. For example, land concessions to religious leaders contributed to political stability in Senegal (e.g., Cruise O’Brien 1975). Both the colonial and post-colonial state allocated large blocks of agricultural land to religious leaders, who allocated parcels to their adherents. Until the 1990s, when generational changes began to fragment the religious leadership, religious leaders could guarantee the
polical support of their followers (Villalón 1999). This practice did not, however, promote sustainable resource use. As intensive mono-cropping degraded the soils, religious leaders and their followers abandoned older farms for new lands. Regular land grants by the state facilitated the expansion of peanut production from west-central Senegal toward the south and east, thereby discouraging investments in soil reclamation in the original peanut basin.

Foreign investors sometimes promise local employment, investments in social infrastructure, or contributions to domestic security in exchange for concessions of diverse resources – fish, forests, agricultural land, mines, wilderness areas, etc. These sorts of social investments may be the product of negotiations with host governments, required by domestic policy, or a manifestation of corporate social responsibility (see below). While concessions to foreign enterprises are viewed primarily as sources of government revenues and personal enrichment for local partners, governments sometimes encourage social investments. In Botswana, for example, Community-Based Natural Resource Management (CBNRM) grants rights over the management of wildlife and habitat to Community-Based Organizations (CBOs), but encourages CBOs to form Joint Venture Partnerships with private safari operators. The terms of Joint Venture Partnerships generally commit the safari operator to hire local residents, invest in local infrastructure such as water sources or clinics, and to support social programs such as sports teams and small-scale local enterprises. In other cases, even in the absence of any policy, foreign investors may agree to social investments when negotiating the terms of their investment with the government. Investments in local development can reduce
local opposition to foreign concessions that might otherwise be viewed as net losses for local communities. By reducing social pressures associated with unemployment and uneven economic development, these investments also appeal to governments. In other words, such investments seek to build local and political support for the activities of foreign investors. Given the costs of operating in a hostile environment, firms may find that their investments more than pay for themselves. Note, however, that foreign concessionaires more often make socio-economic investments – such as jobs, training, and infrastructure development – rather than commit to measures to promote sustainable environmental development. In fact, because private sector investments continue only so long as they are profitable, social investment by private investors may be less sustainable than investment by the state. Communities that depend on the private sector for social infrastructure and employment may be left in the lurch if their benefactor should decide to relocate or see its competitive position deteriorate.

Despite these limitations, private investments by concessionaires do ensure that at least some of the benefits of natural resource exploitation are shared with nearby communities. Further, to the extent that they foster more cooperative relations with nearby communities and national governments, these sorts of investments may encourage firms to adopt a longer time horizon. Rather than depleting local resources and running off to the next location, concessionaires with a long time horizon may be willing to harvest renewable resources at a sustainable rate and extract non-renewable resources at a moderate pace that limits boom-bust
dynamics. Likewise, they may be more likely to invest in regeneration and take measures to limit negative externalities.

Corporate Responsibility and Consumer Activism

If normal economic and political incentives do not foster sustainable development on their own, perhaps these incentives could be changed by encouraging corporate social responsibility and consumer activism. Corporate social responsibility entails voluntary action by firms that exceeds regulatory requirements related to the social, economic, and environmental consequences of the firm’s activities (Bannerjee 2008); some observers only count actions as instances of corporate social responsibility if they reduce a firm’s profits (Reinhardt and Stavins 2010). In addition to investments in local socio-economic development, such as hiring locally and investing in local infrastructure development, corporate social responsibility often involves commitments to transparency and measures to limit the negative social and environmental consequences of a firm’s activities. Examples include efforts to support alternative economic activities for local residents who have lost grazing or agricultural land to a biofuel project or plantation, a commitment to make annual reports public, and giving preference to sustainably managed sources of natural inputs.

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1 While the literature on this topic draws bright lines between voluntary and coerced action, and between action at a loss and actions in response to market incentives, these distinction are often blurred in practice. Firms may claim to be engaging in corporate social responsibility when in fact they are responding to creditor requirements or attempting to increase profits by appealing to “green” consumers.
Environmentalists and social activists encourage private citizens to reward socially responsible corporate behavior by favoring products from socially and environmentally responsible sources and avoiding those known to rely on sweatshops, environmentally destructive harvesting techniques, or other forms of socially irresponsible behavior. The notion of corporate social responsibility, however, runs directly counter to economic forces that threaten the survival of any firm that fails to maximize profits. It hinges on either the ability of executives to pursue idiosyncratic preferences – that is, some degree of slack in the relationship between executives and boards of directors - or a belief that corporate social responsibility can actually enhance profits. A review of the literature suggests that corporate social responsibility occurs, but is marginal; larger firms operating in imperfect markets are the most likely to make these sorts of commitments (Reinhardt and Stavins 2010). The relationship between market imperfections and a willingness to engage in corporate social responsibility raises critical questions, for it suggests that firms are more likely to commit to social welfare and environmental sustainability when competitive pressures are weak, whether because of asymmetric information, barriers to transportation, or government interventions. In essence, they can afford to be generous because rents arising from market imperfections exceed the costs of social responsibility. Should governments create natural resource or other types of rents because the beneficiaries are more likely to engage in socially responsible behavior? This conclusion is logically flawed for several reasons. First, nothing guarantees that private investors will use their rents to benefit society at large. Second, weak competitive pressures make communities –
national and local – more dependent on one or a few firms. Corporate social responsibility may actually exacerbate problems of dependency rather than compensating for them.\(^2\)

There are serious challenges in realizing corporate commitments to social and environmental responsibility. The belief that consumers will reward socially or environmentally responsible behavior creates an incentive to appear to be engaging in such activity. Firms that have introduced measures to favor sustainably managed sources of inputs find, however, that they cannot guarantee adherence to their own rules because of the difficulties of monitoring commodity chains. Timber processors, for example, often combine timber from multiple sources and it is difficult to impossible to trace the origins of all of the timber (Dauvergne and Lister 2011). The challenges are even greater for consumers. Effective consumer action requires the ability to recognize whether goods have been produced in a sustainable manner. There are three parts to this challenge: defining a threshold for sustainable production, distinguishing between sustainable and non-sustainable production techniques, and evaluating whether particular goods have been produced using

\(^2\) Dependency in this context refers to the reliance of a community on one or a few organizations for a variety of social and economic services and resources. Relations of dependency vary with economic organization and local economic diversification. Thus, although corporate social responsibility need not generate dependency, it will do so in situations where only one or a few firms invest in a town or region. In company towns, where the bulk of the population works for a single firm, the dominant company often provides a variety of social services and amenities, such as schools, health facilities, recreational areas, and cultural activities. Housing or access to health care may be tied to employment as well. In providing these sorts of amenities and services, the firm may pre-empt or discourage investments in social infrastructure by government, non-governmental organizations, or other private initiatives. Under these circumstances, the well-being of the town and most of its residents hinges on both the well-being and generosity of the dominant firm. Should it experience economic difficulties or decide to reduce its social investments or relocate, the local community can expect its social infrastructure to deteriorate while employment opportunities vanish. Both local and national governments may be willing to offer tax incentives, subsidies, privileged access to resources, or market protection to retain and sustain companies that dominate the local economy.
sustainable techniques. These challenges concern science, access to information, and monitoring capacity. Labelling offers limited assistance. For many products, labels are absent or offer limited information (e.g., agricultural products). A lack of shared standards for what counts as sustainable behavior creates ambiguity as to what counts as fair trade, sustainable management, or organic agriculture, to list just a few examples. Furthermore, mislabelling is prevalent (e.g., for fish, see Lacquet and Pauly 2008), as are misleading claims to environmentally sound production, known as green-washing. The difficulty of verifying claims related to production techniques or supply chains lowers confidence that commitments are met and reduces consumer willingness to pay a premium for products marketed as “green” or “socially responsible”.

Citizen mobilization to put pressure on politicians presents another mechanism for promoting sustainable development. Sometimes, citizens mobilize in an effort to block environmentally destructive investments or projects such as large-scale dams (e.g., McCully 2001; Xie and Van Der Heijden 2010) or timber production (e.g., Guha 1990). Even if elections are never won on the basis of environmental issues (Bannerjee 2008), politicians sometimes take up environmental issues during their campaigns. The New Democratic Party, for example, campaigned on environmental issues in the 1991 elections in British Colombia, Canada (Pralle 2003), and the winning Senegalese presidential candidate in 2012 promised to annul fishing authorizations to foreign trawlers (Greenpeace 2012). Popular mobilization, however, tends to be punctual; it swells up in response to particularly egregious problems, such as the displacement of entire communities or threats to
widely used resources (including natural recreational areas), but is difficult to sustain. Aware that popular pressure tends to be inconsistent and transitory, politicians – and private sector investors – often make symbolic gestures signalling their concern for the environment, but less often follow-up with concrete measures. The problems with implementation and monitoring, discussed above in the context of market-based measures to support sustainable development, also limit the prospects for successful political measures. Organization partially overcomes these problems. Environmental organizations can develop detailed proposals, maintain pressure on politicians and investors, monitor implementation, and inform activists and the broader public of important developments. The maturation of the environmental movement has yielded several well-organized groups that play exactly this sort of role. These organizations lack the resources to monitor lengthy commodity chains or recognize all instances of green-washing. Nonetheless, their activities increase the likelihood that the public will learn about particularly destructive activities or projects. Likewise, their ability to monitor high profile dossiers makes it more costly for politicians to reverse themselves.

**Challenges to Sustained Action**

Left to their own devices, neither private sector investors nor state actors can be expected to promote sustainable development. Expressed commitments to sustainability rarely translate into sustained and meaningful actions. Marginal actions and empty promises are more common, in part because more effective actions threaten economic viability or political stability, and in part because a
display of environmental and social consciousness is often sufficient to calm social mobilization around these issues. Long and complex commodity chains and asymmetric information complicate the implementation, monitoring, and enforcement of measures to promote sustainable development. Citizen mobilization and organization can force political and market actors to take environmental issues more seriously, but are vulnerable to cycles of attention and have not been able to completely overcome information problems. To promote sustainable environmental development, we recommend supporting the development and institutionalization by states and non-governmental organizations of systems of monitoring and information dissemination to enable citizen action and encourage corporate responsibility.

Systems of monitoring and information dissemination can reduce problems related to mislabelling and green-washing, raising consumer confidence in the possibility of rewarding sustainable production techniques. Improved monitoring would help firms meet their own standards for social responsibility by, for example, tracing commodity chains. To be effective in promoting environmental sustainability, these sorts of mechanisms must themselves be sustainable. Institutionalization enables social action to endure after waves of mobilization in response to particular short-term events have faded. Institutionalized systems of monitoring and information dissemination improve the likelihood that problematic situations will be recognized. While these organizations or networks are unlikely to produce a social consensus on environmental sustainability, by connecting
disparate actors on an ongoing basis, they can contribute to the development of common understandings of shared problems and facilitate coordination.
3. **Social Sustainability**

On September 25, 2013, governments met at the United Nations to create, among other things, a plan to formulate a set of Sustainable Development Goals (SDGs) to be launched in 2015. The SDGs will replace the Millennium Development Goals. The discourse on sustainable development has been dominated by a focus on the economic and environmental, while the social dimension remains underdeveloped and unclear. In this section, we present the idea of socially sustainable development (SSD). To achieve sustainability, we assume that development efforts must explicitly and purposefully connect the social pillar with the environment and the economy. We begin by positioning SSD within the broader discussions of sustainability.

**Toward an Understanding of Social Sustainability**

The most commonly cited definition of sustainable development emerged from the Brundtland Report (WCED 1987).

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts:

- the concept of 'needs', in particular the essential needs of the world’s poor, to which overriding priority should be given; and

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3 David Rothwell would like to acknowledge Stephanie Austin for her contributions on sustainable livelihoods.

4 In the interest of space, we do not discuss the relationship between social issues and the environment. To meet our definition of SSD, we assume that development will not threaten or place additional stressors on the ecosystem. See the previous section on environmentally sustainable development.
 Meeting current and future needs depends on social and political aspects of how resources are distributed. The Brundtland Report acknowledged that sustainable development can only be achieved when demographic realities align with the productive nature of the ecosystem (WCED 1987). Since Brundtland, sustainable development has been commonly said to involve three pillars: environment, economic, and social. Lehtonen (2004: 200) explained the relationship of the three pillars: “the essence of sustainable development lies precisely at the interface and trade-offs between the often conflicting objectives of economic and social development, and environmental protection.”

There is no commonly accepted definition of SSD. Defining social sustainability is challenging because of the various theoretical positions, desired outcomes, and complex multi-level forces. Social needs, similar to economic and environmental needs, are often addressed by short-term development in ways that ignore processes that facilitate long-term intergenerational development. Some have argued that understanding SSD cannot be approached by the same analytical methods as the other pillars of sustainability (Lehtonen 2004). As we highlight below, the primary feature of SSD is a focus on reducing social inequalities.

A single interpretation of socially sustainable development is probably not feasible. We discuss SSD in the context of theoretical frameworks that can complement development discourse: social development and sustainable
livelihoods. The influence of other frameworks – e.g., social capital and capabilities – has been covered elsewhere (Lehtonen, 2004). Below we describe social development and sustainable livelihoods and provide preliminary thoughts on their relationship to SSD. The discussion culminates with a definition of SSD informed by these two frameworks. Next, we examine what states and the private sector can do to promote this interpretation of SSD. We highlight global efforts to promote financial inclusion and cite the Juntos program linking cash-transfers to savings in Peru as an example of SSD.

**Social Development**

With roots in social welfare literature, the theory of social development has been advanced most notably by James Midgley. In the seminal work on the subject, Midgley proposed a model for understanding social problems and the interrelated roles of the state, market, and community for addressing those social problems (Midgley 1995). The social development model suggests a proactive and developmental role for social services, going beyond the remedial services that were the historic base of social work intervention. Social development is considered a “process of planned social change designed to promote the well-being of the population as a whole in conjunction with a dynamic process of economic development”. The approach can be seen as a response to global economic development initiatives that have not been accompanied by proportionate social improvements. For example, China has experienced rapid economic growth since the turn of the century that some could argue has not resulted in corresponding
improvements in social indicators (e.g., Human Development Index). In other words, social development addresses concerns that economic changes have outstripped improvements in social welfare (this is sometimes referred to as \textit{distorted development}). This phenomenon is closely linked with rising inequality.

Social development thinking is defined by three normative principles (Midgley & Sherraden 2009). First, social developmental policy should harmonize social and economic policies. This likely requires deliberate and formal arrangements between government agencies and economic development initiatives that are often operating exclusively, particularly in developing contexts. As explained in Section 1, left unplanned it is unlikely that state and market forces will independently reduce inequality. For example, community-based economic development programs (administered by the state or civil society) can explicitly overlap and interact with social protection schemes to be integrated and mutually beneficial. Second, economic development must be inclusive, people-centered, and improve the well-being of the population. This principle assumes that distorted development occurs when the benefits of development are only enjoyed by the elites (similar to the concept of extractive institutions proposed by Acemoglu and Robinson (2012)) or targeted toward certain segments of the society. Furthermore, economic development is considered meaningless unless it improves standards of living as a whole. Social development philosophy rejects the idea that free markets alone will create wealth and prosperity for all. The approach requires high coordination between state, market, and civil society. Third, social welfare programs are investment-oriented and contribute to positive economic development. In this
principle, welfare systems should not be based entirely on the provision of services, remedial interventions, and income transfers. Rather, programs should be actively structured to promote economic integration.

A unique feature of social development is the focus on the interdependence between the state and the private market. There is often concern that meeting current social needs via social protection schemes (redistribution and government transfers) will in effect stall economic development and growth. Social development outlines the mechanisms for how social investment promotes economic growth and development. The well known argument is that human capital investment will lead to higher productivity. In addition, investments remove barriers to participation in the economic marketplace and open opportunities for market growth. It shows that social realities are not simply externalities of economic development; instead, they are considered direct consequences of it.

Social development theory is not without critics. Some might argue there is little room for social development in a society characterized by fragmented small-scale social systems, decentralized authority, more participatory forms of social organization, and renewed ethnic/national identity. Alternatively, social development theory has been critiqued for being too incrementalist and too synonymous with the status quo that has generated many of the most pressing social and environmental problems.
Sustainable Livelihoods

The sustainable livelihoods framework for development thinking, initially developed by Chambers and Conway (1992) is comprised of the concepts of capability, equity, and sustainability. Capability is the ability to cope with stresses and shocks and to make use of livelihood opportunities, related to Sen’s (1999) capability approach. Equity refers to fair distribution of assets, capabilities, and opportunities, as well as an end to discrimination. Finally, sustainability is considered from both an environmental and social perspective. Chambers and Conway (1992) argue:

“a livelihood is sustainable which can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels in the short and long term (p.6).”
In the sustainable livelihoods framework (Figure 1), a household’s asset portfolio, shown as a pentagon, is comprised of five assets: human capital, such as knowledge, education and skills; natural capital, including resource stocks of land, water or trees; financial capital, for example savings or credit; physical capital, such as infrastructure and material objects that contribute to productivity; and social capital, for instance networks and relationships of trust (Brocklesby & Fisher, 2003; Ellis, 2000). Policies, institutions and processes affect households’ vulnerability as well as how they are able to access assets and livelihood activities (Brocklesby & Fisher, 2003). Meanwhile, livelihood strategies are the livelihood activities a household chooses to partake in, and could be diversified to reduce vulnerability. Finally, a household’s vulnerability can be external or internal. Externally induced vulnerability refers to shocks, such as civil war, droughts or famine, and stresses, for instance, seasonal yield fluctuations or increasing labour shortages (Chambers &
Conway, 1992). Internally induced vulnerability is based on a household’s capacity to cope with shocks and stresses. A socially sustainable livelihood is thus one that is resistant to shocks and stresses, and/or is resilient, meaning households are able to recover from the shocks and stresses (Chambers & Conway, 1992).

Household vulnerability can be reduced both externally and internally to improve livelihood sustainability. Through external public action, such as disaster preparedness or off-season employment, governments or other organizations can help households mitigate loss from shocks and stresses or help them recover (Chambers & Conway, 1992). Internally, households can respond more effectively to vulnerabilities by “enhancing and exercising capabilities in adapting to, exploiting and creating change, and in assuring continuity” (Chambers & Conway, 1992, p. 10). Households’ capabilities can, however, also be enhanced through public social welfare programs.

The sustainable livelihoods approach is criticized for its normative framing of knowledge, as well as its positioning of politics, scale, and dynamism. The approach cannot account for who says what is ‘good’ or ‘bad’ in development or livelihoods, but rather takes a normative stance (Scoones, 2009). The framework places political institutions into a category of context instead of as a central feature. Livelihoods are influenced by political structure, private capital, and history, yet the livelihoods approach does not look at such sources of inequality. Finally, Scoones (2009) argues the sustainable livelihoods approach is unable to successfully link micro- and macro-level processes, and focuses on short-term coping strategies without sufficiently emphasizing long-term sustainability. Despite these criticisms,
the sustainable livelihoods approach helps fill the need to understand rural complexities, creating a well-rounded approach to rural development (Brocklesby & Fisher, 2003; Chambers & Conway, 1992). As such, sustainable livelihoods can be seen as holistic, dynamic, people-centred, and attempting to examine all dimensions of sustainability. In this regard, the sustainable livelihoods approach contrasts markedly with development efforts that prioritize economic outcomes. Further, the sustainable livelihoods can be seen as an alternative to interventions that focus on more easily quantifiable outcomes, such as income (Scoones, 2009).

Currently there is no consensus on the best methods to study sustainable livelihoods (Carney, 2003). Researchers and policy makers use existing methodologies for analysis, such as the participatory rural appraisal approach (Davis, 2001; Farrington, Carney, Ashley, & Turton, 1999) and case study research methodologies (Bakewell-Stone, Lieblein, & Francis, 2008). Sustainable livelihoods thinking has been successfully incorporated into a large variety of development projects, including national-level planning, large-scale poverty eradication strategies, emergency response, and monitoring and evaluation (Carney, 2003).

**Defining Socially Sustainable Development**

We summarize a definition of socially sustainable development (SSD) that draws upon the social development and sustainable livelihood traditions to inform CIDA development planning. SSD is thus a highly coordinated process between state, private sector, and civil society actors that leads to increased equality, interrelated social and economic benefits for all, economic inclusion and reduced vulnerability.
SSD can operate at individual or collective levels. The primary feature of SSD is reduced inequality. Further, state development initiatives should explicitly observe the economic benefits of social interventions and vice-versa. SSD efforts must advocate economic inclusion by removing barriers experienced by some marginalized segments of society. With a focus on enhancing assets and capabilities, SSD will reduce vulnerability to future stresses. Development efforts that violate any of these outcomes fail to be considered sustainable.

**What Can Be Done to Promote Socially Sustainable Development?**

Below the discussion turns to private sector and government roles in promoting socially sustainable development. A framework for state intervention is provided that integrates many of the key conceptual aspects reviewed in the previous section.

There are at least four ways that states and markets proactively reduce inequality (Reamer 1993). First, economic development can raise the minimum standards of the poor. Second, the ratio of inequality can be reduced. Such reduction in inequality happens when the economic benefits of the worse off grow faster than the economic benefits of the more privileged. Third, governments can implement “least difference” policies that aim to reduce the range of inequality at both ends of the spectrum. Lastly, it is possible to implement “mini-max” strategies that aim to reduce the advantages of the most privileged. One study demonstrated that certain policies can achieve the double dividend of boosting economic growth while reducing inequality (OECD 2012). Examples of policies include increasing secondary
and tertiary graduation rates, fostering the integration of immigrants, and promoting female labor market participation. Such policy interventions may not however be immediately transferrable to developing economies.

Development efforts must emphasize organizational structures and institutions that promote integration. North (1994: 10) described institutions as “[h]umanly devised constraints that structure human interaction and they exist to reduce the ubiquitous uncertainty arising from that interaction.” To understand how socially sustainable development may unfold, consider the following axioms. First, distorted development occurs when the benefits of development are only enjoyed by the elites. This model of development has been employed by the majority of societies throughout history. Many of the colonization processes relied on what Acemolu and Robinson (2012: 254) call extractive institutions, which are “designed to extract incomes and wealth from one subset of society to benefit a different subset.” Economic growth is meaningless unless it improves standards of living as a whole. In this regard, inclusive institutions must be favored over extractive institutions. State organizations as well as civil society and the private sector must be aware of inherent barriers that prevent certain segments of the population from benefitting.5

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5 We acknowledge that politics play a role in implementation. Kuhonta (2011), comparing Thailand and Malaysia, outlined the mechanisms for how institutionalized parties can reduce inequality through adaptability, coherence, complexity and autonomy.
Emphasize SSD in the Social Protection System

To guide state intervention, we provide a framework for SSD below. The exercise is geared toward an analysis of government welfare policies. We find it most helpful to contrast SSD with what is referred to as a maintenance approach. The maintenance approach is the predominant guiding philosophy of most social welfare policies. Its purpose is to ensure a minimum level of well-being for all and usually includes targeted resources for the most disadvantaged. Complementing the maintenance approach, the goal of SSD is to create interventions and policies that are investment-oriented and contribute to long-term positive economic development. The SSD model suggests that welfare systems expand beyond the provision of services, remedial interventions, and income transfers. This contrast between maintenance and SSD is presented in Table 1. Importantly, the tension between maintenance and development should not be perceived as “either or”. Rather, there is a need to promote development initiatives in addition to effective maintenance policies.

The first dimension of the framework is the target. The target is a recipient of state intervention. Maintenance approaches tend to focus on ensuring that basic needs of the population are met. At a basic level this can mean food, shelter, and housing or other socially defined basic needs. These basic needs are usually met under the principle of less eligibility, whereby the level of state assistance must be lower than the lowest paying job. This notion, rooted in the Elizabethan Poor Laws, is designed to provide incentives to work. A SSD orientation, by contrast, targets the removal of barriers that impede social development. When barriers are removed,
people are free to access the range of institutions available to society. Further, building human resources and capabilities are the target of intervention. In this model state, intervention is designed to build capacity, skills, knowledge and other forms of capital that can be leveraged toward additional human, social, and economic advancement. Additionally, a focus on capability development deliberately enhances the ability to adapt to external and internal stressors. Resources are the second dimension presented in the framework. Under a maintenance program, the resources transferred are often flows. In other words, income and cash is redistributed from the state to the recipient. In a SSD paradigm, the emphasis is on stocks and investments. In comparison to flows, stocks and investments are more permanent. See Sherraden (1991) for a discussion of the tradeoffs between stocks and flows in the context of social welfare policy. Importantly, stocks can be managed and leveraged in ways that flows cannot. This management has been shown to translate into a number of important individual and social benefits.

The method of resource distribution is the third dimension. In maintenance social welfare interventions, recipients receive the resources (flows) by ways of entitlement. Recipients meet eligibility criteria and are entitled to receive the predetermined amount of resources. In contrast, social welfare transfer mechanisms can be conditional on the agency of the recipient. In this regard, potential recipients of state intervention must take action toward a certain developmental goal and meet other requirements. Conditional cash transfers are one example of
development initiatives that require agency by the recipient to receive government resources.

The *temporal* dimension is the fourth. In this regard, the maintenance approach to intervention focuses on short-term relief. The intervention is exclusively focused on meeting immediate basic needs. Alternatively, SSD takes a long-term approach to intervention with a focus on intergenerational effects.

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<th>Table 1. Towards a framework for state intervention for socially sustainable development</th>
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<td><strong>Policy Paradigm</strong></td>
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**Financial Inclusion: An Example of Socially Sustainable Development**

In addition to state intervention on social protection, states and markets can coordinate to make markets more inclusive for the poor (Cooney & Shanks, 2010; Mendoza & Thelen, 2008). The problem of access to formal financial institutions is one example where state and markets can coordinate for SSD. Estimates suggest that about half of the world’s adult population (15 and over) do not have formal banking access (World Bank 2011). This means that they lack safe and secure mechanisms to manage, save, and accumulate economic resources. To address this problem, a number of initiatives have begun to ensure that all people have access to formal banking structures. As a whole, these are generally referred to as Financial Inclusion initiatives. According to the Alliance for Financial Inclusion, the strategy
“aims at drawing the "unbanked" population into the formal financial systems so that they have the opportunity to access financial services ranging from savings, payments, and transfers to credit and insurance” (Alliance for Financial Inclusion 2013). Several countries signed the Maya Declaration for financial inclusion.\footnote{The Maya Declaration called for four actions: a. Putting in place a financial inclusion policy that creates an enabling environment for cost-effective access to financial services that makes full use of appropriate innovative technology and substantially lowers the unit cost of financial services. b. Implementing a sound and proportional regulatory framework that achieves the complementary goals of financial inclusion, financial stability, and financial integrity. c. Recognizing consumer protection and empowerment as key pillars of financial inclusion efforts to ensure that all people are included in their country’s financial sector; d. Making evidence-based financial inclusion policy a priority by collecting and analyzing comprehensive data, tracking the changing profile of financial inclusion, and producing comparable indicators in the network.}

Increasing access to formal banking structures is linked to economic empowerment, economic resiliency (ability to smooth consumption shocks), and helping the poor achieve self-sufficiency. The establishment of formal banking mechanisms allows development to be possible. Accessible and secure accounts for saving may allow individuals to invest in the future of their family and community.

Across the globe, a massive shift is taking place in the distribution of social protection resources. Governments are beginning to transfer these resources electronically. For example, in 2009 an estimated 25 percent of government to person (G2P) transfers were electronic; by 2012, this rate had risen to 61 percent (Zimmerman, Ravi, & Tosh 2012). In the spirit of SSD, the shift represents an opportunity for the state and private sector to collaborate to promote financial inclusion. A recent review of social protection systems across the developing world showed that 23 programs (representing just 3 percent of all eligible individuals) were linked electronically and encouraged savings via random lottery incentives,
mandatory guidelines, financial literacy, matched savings, and seed accounts (Zimmerman et al., 2012).

Efforts to link social protection resources to private banking can be seen as SSD. These efforts aim to remove barriers to formal banking. Typical barriers include access, information, and institutional policies. Pairing electronic transfers with savings institutions often builds resources and capabilities via financial education and literacy. These programs enhance human capital around financial topics such as budgeting, saving, and debt strategies. Further, by promoting savings, these initiatives create stocks and investments for both the near-term and future generations. As families manage finances and make plans for the short- and long-term, they are likely to experience a host of individual and collective benefits. Interventions can be seen as promoting agency in that beneficiaries are usually required to take action. This activity can be in stark contrast to a passive receipt of government transfers. Lastly, when previously unbanked families manage income transfers in formal banking systems, they are more likely to plan for the long-term. Financial inclusion in this way is expected to promote intergenerational development.

The New America Foundation has mapped countries across the globe based on their ability to provide savings linked social protection. The project analyzes and compares countries based on the following criteria to achieve a score on scale of 1 to 5: payment infrastructure, payment infrastructure utilization, enabling political environment (political will), governance, number of individuals in currently active
social protection programs, and the average monthly payments distributed by social protection programs (Global Assets Program, 2013).

**Linking Conditional Cash Transfers to Savings: Juntos**

There are many examples of linking savings mechanisms to social protection. In 2009, Peru's conditional cash transfer (CCT) program, Juntos, expanded to include a savings component. The pilot project has involved 3,700 families. Targeting women, the Juntos savings-linked CCT project involves (a) training and financial sensitization, (b) financial support, and (c) incentives to complement the savings component. A preliminary evaluation after one year shows that women are using their savings and that these savings have increased modestly. The findings are important considering a baseline study showed that less than 1 percent of the targeted recipients knew the meaning of "account balance" or "interest rate".

Notably, many social protection-savings initiatives target certain segments of the population. For example, increasing participation and building human capital of women are seen as priority themes of CIDA (Foreign Affairs, Trade and Development Canada, 2013). Further, targeting these interventions toward traditionally social excluded minority groups may have benefits. For example, Rothwell (2011) makes a case for asset-based interventions with indigenous minority groups. Following the definition of socially sustainable development, it is important that ultimate outcomes of targeted development enhance the entire society.
Challenges for Social Sustainability

Promoting socially sustainable development will inevitably confront global social-economic realities. In a globalized world, location of birth and migration are major driving factors in global inequality (Milanovic 2012). In addition to migration, continued violence and conflict threaten efforts for SSD. For example, UNICEF reported that in 2010, there were one billion children living in countries affected by war (United Nations 2010). SSD may not be possible, or will at least be challenged in contexts experiencing emigration and violence.

Policy Recommendations

Based on the discussion of SSD, we provide three policy recommendations. These recommendations inform the ways that economic and social policy might overlap to promote SSD. We emphasize that SSD must be highly coordinated and planned. The goal of reducing social inequality is consistent across these recommendations. First, wherever possible, harmonize social and economic policies. This can be accomplished by supporting the economic aspects of traditional social services. Further, social insurance schemes can shift towards long-term investment rather than short-term maintenance.

Second, ensure that marginalized groups have access, not just to traditional social services, but to the marketplace. Promote a sense of agency by removing barriers and building capabilities. The Juntos program that links savings to cash transfers exemplifies one possibility for how traditional social protection can be leveraged to reduce financial exclusion.
Third, invest gains from economic development into initiatives that will deliver social returns. The recent infrastructure to electronically transfer social assistance from state to recipient (G2P) is a massive shift. States and private sector stakeholders ought to recognize this opportunity to promote SSD.
4. Political Sustainability in the Context of Growth with Equity

One dimension of sustainability that is not generally addressed in the literature on sustainable development is political sustainability. The absence of political sustainability as a concept in the broader literature is problematic given the important role that politics plays in the process of economic and sustainable development. Failing to address the question of political sustainability within the general framework of sustainable development leaves unanswered the question of how states can strengthen sustainability. States are, after all, crucial actors in ensuring that development can be achieved within a relatively stable structure. More specifically, political sustainability must play a crucial role in ensuring that the policies that states seek to advance, whether focused on a balance between growth and sustainable resources or more generally on economic reforms, actually get implemented.

We define political sustainability as the ability to sustain political stability in the context of massive economic reforms. In line with the above discussion on social sustainability with its emphasis on redressing inequality, the reform we are particularly interested in is an agenda of growth with equity, where states and markets are involved in the development process. By this definition then, political sustainability involves a political framework that seeks to pursue structural reforms that redistribute assets while at the same time improving incomes overall.\(^7\)

\(^7\) Note, by contrast, how another big concept in development – “human development” – deals explicitly with political questions such as human freedom and democracy. See Fukuda-Parr and Kumar 2003.

\(^8\) In addressing political sustainability and economic policies, one could have chosen to focus on reforms other than growth with equity. However, given the importance and difficulties of pursuing
The importance of growth with equity on the one hand and political sustainability on the other hand cannot be underestimated. As Terry Karl (2000: 156) puts it: “Where income inequality is greatest, people are more willing to accept authoritarian rule, less likely to be satisfied with the way democracy works, less trusting of their political institutions, and more willing to violate human rights.” States that fail to address problems of inequality therefore face threats to democracy and institutional viability, and ultimately to political sustainability. Thus, the difficulty of eradicating inequality and at the same time satisfying the need for growth makes political sustainability a particularly arduous and important enterprise.

This section looks at the question of political sustainability in the context of markets and states by addressing the broader theoretical literature on social reform and political stability, and then focuses in particular on Malaysia – a case of successful redistributive reforms in the context of growth and political stability. The argument advanced here is that social reforms have the greatest likelihood of success when they are pursued in a pragmatic manner and through institutional structures, rather than in a radical or populist vein. The real issue in terms of economic development and political sustainability is less the willingness to pursue reform, than identifying the means for such reform. What the literature shows is that structural reform necessitates pragmatism and strong institutions in order to succeed (Kohli 1987; Sandbrook et al. 2007; Kuhonta 2011).
The key idea of a policy agenda focused on redistribution with growth is that government policies should seek to influence the pattern of development so that low-income producers increasingly gain wider opportunities and concurrently receive the resources necessary to take advantage of them (Perkins et al. 2001). At the same time, redistribution should not be seen as threatening capital investment, such that it would lead to capital flight. Rather, some balance needs to be struck between the need for capital and income growth with equity.

Compared to a policy agenda focused heavily on redistribution but not on growth, the prospects for political sustainability are higher in this case in large part because, in the growth with equity model, there is an effort to balance the interests of the lower classes with those of those holding capital. This agenda is not zero-sum and there are no obvious losers. But there may also be no obvious winners, depending on the social structure of the polity. Redistribution with growth is therefore a middle-of-the-road approach for addressing the interests of the poor. Above all, it is an approach that seeks to avoid radical revolution in favor of progressive, incremental, and sustained social reform.

**Institutions and Policy**

There are two broad issues that are crucial for political sustainability to be achieved in the context of a policy agenda of growth with equity. These include effective political institutions, especially state bureaucracies and political parties, and pragmatic policy-making. State capacity and party institutionalization are critical variables because they provide the effective structure within which social
reforms can be actualized. Precisely because these institutions have staying power, reforms are more likely to succeed, and therefore will be able to contribute to political sustainability or political stability. At the same time, the very content of policy is critical. Some policies are more likely to enhance political sustainability than others.

The concept of party institutionalization stems from the work of Samuel Huntington (1968). Huntington was interested in the institutional basis for political order. His concept therefore has clear implications for a model of growth with equity that ultimately seeks to ensure political sustainability. Four variables lie at the core of institutionalization: adaptability, coherence, complexity, and autonomy. Adaptability refers to the party's continuity through time. A party that is adaptable allows for new leaders to emerge, and it survives in different functions, such as in government or in opposition. Coherence is defined in terms of discipline and organization in the party. A coherent party has clear, routinized procedures through which to elect members of the executive board. Complexity refers to a party’s institutional depth. A complex party has a number of component units that make up the organization, both at the center and at the periphery. Finally, autonomy means that a party is relatively independent of the interests of social forces. It acts as an organization rather than being moved by forces external to the organization (see also Mainwaring and Scully 1995; Hicken and Kuhonta 2011).

Institutionalization affects social reform in at least three ways. First, it provides a cohesive structural apparatus within which pro-poor ideologies and social movements can be channeled, aggregated, and articulated in the policy realm.
Institutionalization in effect provides discipline and cohesiveness for the articulation of interests. Central to this idea is that an institutionalized party serves, in the words of Philip Selznick, as a “political weapon” to push forward, strengthen, and protect one’s policy agenda (Selznick 1952; Kuhonta 2011).

Second, an institutionalized party provides a long-term, patterned structure within which policy can be implemented effectively and can have staying power. An institutionalized party is more likely to advance programmatic policies rather than clientelistic ones, given its focus on a long-term vision. Furthermore, an institutionalized party is more likely to be able to make policies actually stick, given that it has greater depth in society. It is crucial for pro-poor policies to be rooted in strong institutions because such policies are likely to encounter significant opposition, which may be overcome through organizational resoluteness (Kuhonta 2011).

Third, institutionalization subdues the narrow-focused and short-term goals of charismatic, populist leaders and traditional patron-client relations in favor of long-term, collectively driven, programmatic policies. Institutionalization has powerful implications for social reform because it implies the rationalization and systematization of policy above and beyond charismatic, personalistic, or traditional values. The emphasis on long-term, collective agendas ensures not just the success of social reform but the success of political sustainability (Mainwaring 1999; Kuhonta 2011).

Besides party institutionalization, state capacity is also necessary for pursuing social reforms and ultimately, political sustainability. By state capacity we
refer especially to the effectiveness of the civil service. The civil service must have systematic control over production resources, rationalized long-term planning, and consistency in policy formulation. It must also be defined by corporate coherence, extensive technical and analytic skills, and relative autonomy in terms of broad macroeconomic policy (Johnson 1982; Amsden 1989; Wade 1990; World Bank 1993; Evans 1995; Tendler 1997; Woo-Cumings 1999; Kohli 2004; Kuhonta 2011).

One cross-national study of social development concluded that: “whether it is a rich country or a poor one, a slow or rapidly growing one, the lead has to be taken by the State, especially in regard to the provision of basic education and primary health services. Public action for human development was a common factor underlying the success in every country [in the study]” (Mehrotra: 1997: 56-57).

One final central aspect of the growth-equity model has to do with the specific content of policy. Policy content matters because it can generate a specific kind of political response (Lowi 1964). Especially crucial in the context of growth and equity is that policy be positive-sum, or pragmatic, rather than zero-sum. This lies at the very heart of a growth with equity approach because of its intent to redistribute while allowing the pie to grow larger for all economic classes. In this model, the upper classes do not lose in absolute terms. Rather, resources are distributed more to the lower classes, but the upper classes are not prevented from advancing their incomes.

What kinds of policies are more likely to be positive-sum rather than zero-sum? Policies that tend to threaten the upper classes, such as land reform and other forms of asset redistribution, are more likely to be perceived to be zero-sum. Given
the instability that often characterizes land reform, it is not surprising that such reform has not been assayed much in recent decades. Across Latin America, South Asia, and Southeast Asia, there are few examples of successful land reforms. Where land reform has been successful, it has often been generated by a socialist revolution that has upturned social and political structures. More recently, land reform in Zimbabwe under Mugabe’s authoritarian regime has been more a political tool than a genuine effort to reduce inequality. Its effects have been destabilizing to the broader polity.

Merilee Grindle observes that

“a distinction can also be made between programs providing collective benefits, which encourage categorical demand making, and those providing benefits that are divisible, which may mobilize more particularistic kinds of demands at the implementation stage. Thus, programs delivering collective goods such as the provision of light and water in urban slum neighborhoods may be readily implemented in the Third World because the compliance of groups or localities affected will tend to be forthcoming with a minimal amount of conflict or dissent. Programs with divisible benefits such as housing, in contrast, may exacerbate conflict and competition among those seeking to benefit from them and may be more difficult to execute as intended” (1980: 8-9).

Along these lines, one may add that preventive primary health care policies are often seen as positive-sum because they cover a wide swath of the population at an early point of intervention.
It bears emphasizing that one of the central lessons of the East Asian development model has been the synergy between states and markets in producing growth with equity – in effect, an argument for policy pragmatism. In contrast to a neo-liberal position that has seen East Asia’s developmental success as a result of free markets (Balassa 1981), numerous authors have shown that the combination of state guidance in terms of industrial policy, such as providing cheap credit and identifying corporate winners and corporate strategy, and on the other hand, emphasizing export-oriented markets, was what led to the rapid growth of the region (Johnson 1982; Amsden 1989; Wade 1990; Evans 1995; Woo-Cumings 1999). At the same time, the early emphasis on mass education and land reform ensured that growth would begin with a modicum of equity. Land reform, it should be noted, occurred during moments of crisis, such as the American occupation of Japan and the Korean War.

Given the different effects that policy content can produce, policy-makers should therefore be especially cognizant of the type of policy being advocated and the likely winners and losers. While building institutions, such as effective parties and cohesive bureaucratic states, are difficult tasks and usually require long-term efforts that may often run against the weight of history, the choice of policy content is more malleable, and is therefore one area where policy-makers have some autonomy independent of broad historical and structural forces.
Malaysia as a Case Study of Political Sustainability

It will be useful now to turn briefly to a case study of Malaysia to examine the mechanisms through which political sustainability has been maintained in the context of a framework of growth with equity, where markets and states have been both involved in the process of development. Malaysia's social structure is split among the Malays and bumiputeras (indigenous) who make up about 67.4% of the population, the Chinese who comprise 24.6%, and the Indians who constitute 7.3% (Malaysia Census 2010). These ethnic groups historically have correlated with economic function, meaning that each ethnic group tends to predominate in a particular economic sector. The Malays have traditionally been based in small-holder agriculture; the Chinese in urban commerce and tin mining; and the Indians in rubber plantation estates. The implication of this division of ethnicity into economic categories is that the Malays have been the poorest since their livelihood has come primarily from the rural sector.

Since the Malays are the poorest ethnic group in a highly multi-ethnic society, the dominant political party representing the Malays – the United Malays National Organization, or UMNO – has championed social reforms in order to bring the Malays on par with the more economically dominant ethnic group, the Chinese. While pervasive inequality across ethnic categories was a key factor in pushing the state to advance social reforms, the real catalyst for a wholesale reform program was the ethnic riots in Kuala Lumpur on 13 May 1969. These riots, in which over 200 Chinese people were killed, pointed to the unequivocal need to address structural inequalities.
The central program to advance social reform on ethnic lines has been the New Economic Policy (NEP). The NEP was a comprehensive endeavor to transform the relationship among the state, society, and economy. Its two key goals were to (1) eradicate poverty irrespective of race, and (2) to end the association of race with economic function. Its fundamental political assumption was that the state had to intervene more forcefully to redirect the trajectory of economic development and redistribute resources toward the Malays.

Key aspects of the NEP were its economic and political moderation and its effort to pursue equitable development with national unity in mind. The NEP was to be achieved through a “strategy of economic balance...founded on the philosophy of active participation, not on disruptive redistribution.” (Malaysia 1971: 43) The NEP would foster growth with equity through an “expanding pie” in which all groups would see their incomes rise. The distinct aspect of this redistributive program was the decision to pursue growth concomitant with equity. The government understood very well that without private investment, there would not be enough resources generated to steer toward the Malays. Furthermore, any program that veered toward radical redistribution could lead to capital flight among the Chinese. Therefore, the government maintained free-market incentives so as not to stifle capitalist investment, but with new regulations concerning employment quotas and corporate equity imposed on the private sector.

The importance of economic growth for equitable development and political stability was also evident in the fact that in the late 1960s unemployment in Malaysia was rising steadily, particularly among the youth. This therefore
necessitated a program that could create job opportunities. Economic growth through a free market was therefore crucial to the whole reform program. But economic growth had to take place in the context of redistribution and the uplifting of the Malays. The private sector was thus pushed to maintain a hiring policy that would eventually lead to an employment structure that would reflect the ethnic makeup of the nation. This meant that firms had to hire more Malays than non-Malays, so that Malays would eventually constitute about 60% of the modern labor force.

The crucial aspect of Malaysia’s NEP that bears emphasizing is its pragmatic character. The NEP poured immense resources into uplifting the Malays through a battery of socio-economic policies that were largely collective in nature. While geared toward the Malays, these policies also gave space for other ethnic groups to further their incomes. In agriculture, the state did not pursue land reform, but sought to improve the conditions of the peasants through land settlements on public forests. This program, known as the Federal Land Development Authority (FELDA), eventually resettled more than half a million people. The average income of a FELDA settler was sixteen to nineteen times the income level prior to entering a FELDA settlement, and was consistently above the poverty threshold. One World Bank survey noted that, among land resettlement programs in the developing world, FELDA was one of the more successful (Kuhonta 2011: 105; Kinsey and Binswanger 1993). In the health sector, Malaysia also delivered quite effectively in both absolute and relative terms. Mortality rates decreased sharply, life expectancy increased, and communicable diseases were largely controlled. Malaysia’s overall health record
puts it closer to East Asia than its neighbors in Southeast Asia (Kuhonta 2011: 109). Finally, in terms of building a capitalist class, the Malaysian state has sought to redistribute capital equity (corporate shares) toward Malays and has been able to increase this from 2% in the late 1960s to about 20% in the late 1990s (Gomez and Jomo 1997).

The success of the NEP was clearly facilitated by its pragmatic nature, but it was also a result of the state’s institutional apparatus. UMNO was born out of a desire to advance the cause of Malay rights and it therefore had a clear collective agenda that gave it organizational sustainability. But it was especially after the 1969 riots that UMNO became a more institutionalized apparatus. In line with Huntington’s conceptualization of party institutionalization, UMNO became significantly more cohesive, complex, and penetrative in the periphery. It made great efforts to follow through on policy, particularly in the countryside. UMNO state assemblymen and MPs intensified their contact with villagers and poured a greater amount of funds for all types of development work into the local level. Furthermore, UMNO politicians often checked government agencies in the periphery when such agencies went against villagers’ concerns or when they did not fully advance the party’s agenda (Shamsul 1986). Without an institutionalized party perennially in touch with the grass roots, development policy would be unlikely to be sustained, monitored, and adjusted when necessary.

To conclude, political sustainability in the context of economic reform, specifically growth with redistribution, is achievable where policies are pragmatic in orientation and where institutions tend to be cohesive and penetrative. The specific
recommendations from this section are therefore the following. First, policy reform should be geared toward pragmatism. In practice this means that policy should seek as much as possible to advance positive-sum gains rather than zero-sum gains. At a general level, bringing together states and markets in the pursuit of growth with equity, as was done by developmental states such as Japan, South Korea, and Taiwan, ensures some level of pragmatic policy-making. Specific policies such as expanding universal access to health care and to education at the primary and secondary level are also more likely to ensure political sustainability rather than policies that involve asset seizure such as land reform.

Second, building institutions, particularly strong coherent bureaucracies and programmatic political parties, can ensure the necessary capacity for political sustainability and in turn for equitable development. The building of institutions is a long-term goal and in practice is difficult to address given the historical baggage that comes with entrenched institutions. However, the importance of “getting institutions right” cannot be underestimated. At the very least, it must be given serious consideration in any developmental initiative. Political sustainability is extremely dependent on institutions that have autonomous value and that provide a cohesive structure for implementing development policies.⁹

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⁹It is worth noting that political sustainability buttressed by strong institutions can be a recipe for effective authoritarian regimes, as is the case in Malaysia (although it bears emphasizing that Malaysia is a semi-authoritarian, or competitive-authoritarian, regime). There is therefore a potential tension between political sustainability/strong institutions on the one hand and democracy on the other hand. This does not mean that strong institutions cannot go hand-in-hand with democracy, but the historical record does show that a number of countries (particularly in East Asia) that have sustained development on the basis of strong institutions have also been linked with some form of authoritarian politics.
Ultimately, political sustainability is a difficult goal to achieve, but it is eminently possible where cohesive states seek a balanced approach in the pursuit of economic reform. Development agencies, such as CIDA, should thus consider the value of political sustainability as one crucial, and heretofore undocumented, leg of sustainable development.
Conclusion

This paper has examined three aspects of sustainable development. It has shown that equality is a desired and potential source and outcome of all three forms of sustainable development, and that institutionalized structures – whether of states, political parties, NGOs, or financial systems – are necessary to advance development. The paper has also addressed the role of states and markets and has come to a mixed conclusion on this matter. Our discussion of environmental sustainability shows that states and markets have few incentives to pursue sustainable development. As the sections on social and political sustainability show, however, states and markets can come together to advance sustainable development. They can do this by investing in interventions that promote and remove barriers to economic participation or by advancing growth with equity through positive-sum policies.

In terms of recommendations, a common theme that should be highlighted from the three sections is the need for institutionalization. Institutionalization has been shown to matter for addressing development and political stability in Malaysia and it is considered crucial in order to allow poor people to build their capacities and savings through linkages with financial systems. Furthermore, institutionalization of state and NGO mechanisms of monitoring and information can potentially be crucial for development and can help overcome weak incentives for environmental sustainability among states and private investors.
REFERENCES


