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STATE OF THE WORLD

Transforming Cultures

From Consumerism to Sustainability

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STATE OF THE WORLD

Transforming Cultures

From Consumerism to Sustainability

Advance Praise for *State of the World 2010*:

“If we continue to think of ourselves mostly as consumers, it’s going to be very hard to bring our environmental troubles under control. But it’s also going to be very hard to live the rounded and joyful lives that could be ours. This is a subversive volume in all the best ways!”

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—**Muhammad Yunus, founder of the Grameen Bank**

“This year’s *State of the World* report is a cultural mindbomb exploding with devastating force. I hope it wakes a few people up.”

—**Kalle Lasn, Editor of *Adbusters* magazine**

Like a tsunami, consumerism has engulfed human cultures and Earth’s ecosystems. Left unaddressed, we risk global disaster. But if we channel this wave, intentionally transforming our cultures to center on sustainability, we will not only prevent catastrophe but may usher in an era of sustainability—one that allows all people to thrive while protecting, even restoring, Earth.

In this year’s *State of the World* report, 50+ renowned researchers and practitioners describe how we can harness the world’s leading institutions—education, the media, business, governments, traditions, and social movements—to reorient cultures toward sustainability.



full image



extreme close-up

Several million pounds of plastic enter the world’s oceans every hour, portrayed on the cover by the 2.4 million bits of plastic that make up *Gyre*, Chris Jordan’s 8- by 11-foot reincarnation of the famous 1820s woodblock print, *The Great Wave Off Kanagawa*, by the Japanese artist Katsushika Hokusai.

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Social Entrepreneurs: Innovating Toward Sustainability

Johanna Mair and Kate Ganly

In May 2009, U.S. President Barack Obama announced the creation of a \$50-million Social Innovation Fund and a new White House Office that will coordinate the fund's efforts "to identify the most promising, results-oriented non-profit programs and expand their reach throughout the country." This commitment to supporting and nurturing a diverse range of decentralized alternative solutions to intractable social problems taps a wave of global popularity and public awareness that has been building around the phenomenon of "social entrepreneurship" for several years. Social entrepreneurs use a variety of organizational forms—from social businesses and cooperatives to leveraged nonprofits, hybrids, and pure charities. But they all have one thing in common: the innovative use and combination of resources to pursue opportunities to catalyze social change.¹

Social entrepreneurial initiatives (SEIs) are influenced by local conditions both in the opportunities they have to address a social or environmental need and in the regulatory architecture that affects their form. In Europe, a dominant form of social entrepreneurship deals with work integration for marginalized groups

such as migrants, youth, and the disabled. This has been encouraged by government support in France, Spain, and Portugal, where such initiatives are addressing the persistence of structural unemployment among particular groups. La Fageda, to cite just one example, is a dairy in Catalunya that has a cooperative of 250 employees, 140 of whom suffer from mental illness. In both Italy and the United Kingdom, specific legislation was introduced in 2005 to recognize and foster "social purpose ventures." For instance, the U.K. "community interest company" is a limited liability company designed to operate for community benefit: it has a cap on dividends and individual profits, which ensures that revenues and assets are retained for community purposes.²

A Growing Movement

Social entrepreneurs existed long before they were labeled as such. Since the Grameen Bank and its founder Muhammad Yunus were jointly awarded the Nobel Peace Prize in 2006, however, media coverage of this growing phenomenon and accompanying accolades have made social entrepreneurs highly visible.

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Grameen provided an early model of an SEI when in the late 1970s it started offering credit to the poorest of the poor in rural Bangladesh without the borrowers needing to provide collateral for their loans. The Bank's micro-credit program expanded rapidly, and by mid-2009 nearly 8 million people were receiving loans, 97 percent of whom were women.³

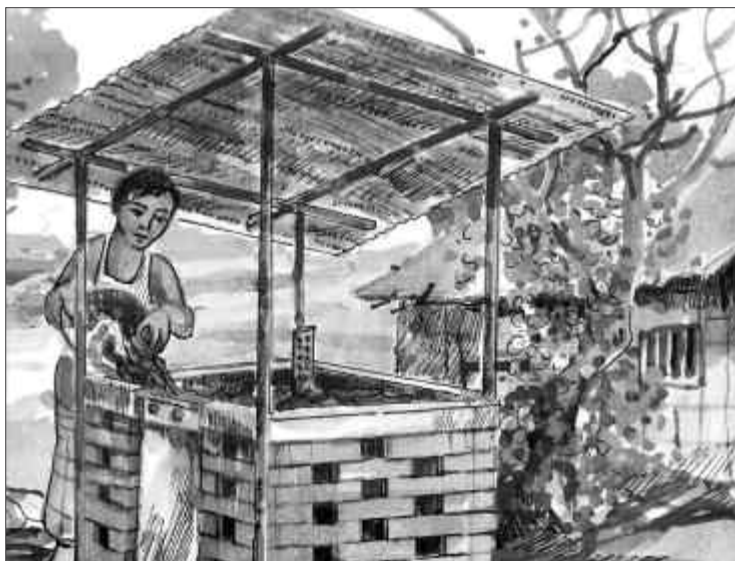
While definitions vary, social entrepreneurship can generally be seen as a label for initiatives that proactively address social or environmental issues through delivery of a product or service that directly or indirectly catalyzes social change. To ensure that change is sustainable, a large part of what social entrepreneurs do is challenge or disrupt existing institutions. As used here, the term institutions includes taken-for-granted collective behaviors such as consumption that dominate daily routines. Excessive consumption, environmentally unsustainable practices, and a culture of individual private gain over shared community or public benefit are just some of the institutionalized behaviors that social entre-

preneurs seek to change. Often these goals are tied up with other, more specific aims.

Reliable comparative data on SEIs are hard to come by, primarily because countries define and recognize social entrepreneurship differently. Italy first created a legal form for "social cooperatives" in 1991; by 2001 there were approximately 7,000 such organizations employing 200,000 workers and benefiting 1.5 million people. As mentioned, the United Kingdom has also championed SEIs: its 2005 Annual Survey of Small Businesses found that 55,000 social enterprises existed with a combined turnover of £27 billion, contributing £8.4 billion per year to the U.K. economy. The United Kingdom is also one of the few countries to measure social entrepreneurial activity as part of the annual Global Entrepreneurship Monitor. Data from 2006 indicate that 3.3 percent of the U.K. population was involved in creating or running an early-stage SEI, while another 1.5 percent ran an established SEI. This represents a significant chunk of the population compared with the figure

for mainstream early-stage entrepreneurship at 5.8 percent. In Japan, where a legal form for nonprofits was introduced in 1999, the number of SEIs grew from 1,176 in that year to over 30,000 in 2008. This sector contributed approximately 10 trillion yen to the economy in 2005, accounting for 1.5 percent of Japan's gross domestic product.⁴

The origin of the phrase "social entrepreneur" can be traced to Bill Drayton, a former business management consultant who in 1980 set up Ashoka, the first foundation to support and fund such individuals. Today Ashoka has over 2,000 "fellows" in more than



Courtesy of Waste Concern

An illustration from a Waste Concern poster promoting rural waste composting technology.

60 countries and continues to expand. Other important global support organizations include the Schwab Foundation, which invites fellows to attend the World Economic Forum in Davos, and the Skoll Foundation, which also holds an annual world forum. The latter was set up by eBay founder Jeff Skoll, one of a group of high-profile “new philanthropists” funding SEIs—a group that includes Bill Gates and George Soros.⁵

Indeed, the number of venture philanthropy organizations and investment vehicles is rapidly increasing. They include everything from the Acumen Fund (launched in 2001 with seed capital from the Rockefeller Foundation and Cisco Systems), which now has hundreds of investor partners—from companies to individuals—to online platforms such as Global Giving, which lets individuals invest in small projects of selected social change organizations located anywhere in the world.⁶

The popularity of social entrepreneurship is also apparent in academia, as evidenced by the growing number of research centers, publications, international conferences, dedicated faculty appointments, and student demand for courses. But perhaps the biggest boost for social entrepreneurship has been endorsement from celebrities, business leaders, and political leaders such as President Obama. This kind of support has stimulated popular interest and generated broad exposure for social entrepreneurship, setting it well on the path to become a defining trend of the twenty-first century.

Challenging What Is Taken for Granted

One of the most powerful ways that social entrepreneurs are able to bring about change is by challenging accepted ways of doing things and demonstrating alternatives. (See Box 14 on recent challenges to design principles.) In Egypt, for example, the SEI Sekem challenged

the automatic acceptance that desert land far from the Nile could not be made fertile, and it overturned conventional thinking about the necessity of chemical pesticides. Founded by Ibrahim Abouleish in 1977 with the intention to “heal the land and its people,” today Sekem is a multi-business company with more than 2,000 employees; it encompasses seven for-profit companies producing organic food products, cotton, textiles, and medicinal herbs and includes a range of nonprofit entities—from education and health facilities for its staff and their families to a research and development institute and a university.⁷

Similarly, Waste Concern in Bangladesh proved that Dhaka’s waste problem could be turned into a resource by taking a radical new approach to waste processing and collection. The founders set up small-scale composting plants that employed waste-pickers to collect and process the compost. Instead of burning or flaring solid waste, they created fertilizer from organic and enriched compost, which reduced pollution while creating jobs.⁸

In Thailand, the Population and Community Development Association (PDA) challenged traditional attitudes to sex and contraception. In addition to training rural women to sell birth control pills and condoms, PDA used humor—such as through the creation of a restaurant chain called “Cabbages and Condoms” and “Miss Condom” competitions in Bangkok’s notorious red-light district—to create a proactive awareness to help limit an exploding population and, later, to halt the spread of HIV.⁹

An important contribution of social entrepreneurs that is related to challenging what is taken for granted involves demonstrating “proof of concept”—that is, showing how new approaches and ideas can actually work. SEIs often create new markets, opening up a space for customers and competitors and fostering supply and demand. In this respect, social entrepreneurs are path breakers, paving

Box 14. Cradle to Cradle: Adapting Production to Nature's Model

Many of today's business strategies fall short of a model that truly sustains planetary systems. Instead, most responses to these challenges seek to limit the impact of human activity by minimizing pollution and waste—focusing on being more “eco-efficient” instead of being “eco-effective.”

But there is another way. We often say that design is the first signal of human intention, which raises the question: what are our intentions? Do we intend to create things that have only positive effects? Or just fewer negative ones?

Imagine buildings, neighborhoods, transportation systems, factories, and parks all designed to enhance economic, environmental, and social health—that reach beyond sustainability to enrich lives. To help realize this vision, production can be based on three key operating principles of the natural world that allow business to apply the intelligence of natural systems to human artifice.

Waste equals food. In nature, the processes of every organism contribute to the health of the whole. One organism's waste becomes food for another, and nutrients flow perpetually in regenerative, cradle-to-cradle cycles of birth, death, decay, and rebirth. Design modeled on these virtuous cycles eliminates the very concept of waste: products and materials can be designed of components that return either to soil as a nutrient or to industry for remanufacture at the same or even a higher level of quality.

Use current solar income. Nature's cradle-to-cradle cycles are powered by the energy of the sun. Trees and plants manufacture food from sunlight—an elegant, effective system that uses Earth's only perpetual source of energy income. The wind, a thermal flow fueled by sunlight, can be tapped and along with direct solar collection can generate

enough power to meet the energy needs of entire cities, regions, and nations. Developing wind and solar power transforms the energy infrastructure, reconnects rural areas to cities through the cooperative exchange of energy and technology, and can one day end the reliance on fossil fuels.

Celebrate diversity. Healthy ecosystems are complex communities of living things, each of which has developed a unique response to its surroundings that works in concert with other organisms to sustain the system. Each organism fits in its place, and in each system the most fitting survive. Abundant diversity is the source of an ecosystem's strength and resilience. Businesses can celebrate the diversity of regional landscapes and cultures and grow ever more effective as they do so.

With these three principles in mind, businesses participate ever more creatively with nature. They harvest the energy of the sun and capture rain. Food and materials grown in the countryside, using implements and technology created in the city, are absorbed by the urban body and returned to their source as a form of waste that can replenish the system. Thus, human settlements and the natural world flourish side by side.

The goal of cradle-to-cradle design is a delightfully diverse, safe, healthy, and just world, with clean air, water, soil, and power—economically, equitably, ecologically, and elegantly enjoyed. In the end, the success of our efforts will be measured against how we have answered what we have found to be the fundamental question: how do we love all the children, of all species, for all time?

—William McDonough and
Michael Braungart

McDonough Braungart Design Chemistry
Source: See endnote 7.

the way toward a more sustainable and humane future.

Sekem, for example, pioneered organic agriculture in Egypt and demonstrated that cotton, a major crop, could be successfully grown without pesticides—an innovation later instituted by the Egyptian government, thereby eliminating the spraying of 30,000 tons of chemicals annually. In Bangladesh, Waste Concern developed a method of organic composting that produced a rich fertilizer and applied it to the vast problem of Dhaka's solid waste buildup. Yet in developing a solution to one problem the founders managed to address another: the issue of Bangladesh's soil degradation due to the overuse of chemical fertilizers. Not only did Waste Concern's actions create a market for organic fertilizer, they led the company to become a leader in carbon trading through the Clean Development Mechanism set up under the Kyoto Protocol and a role model for U.N. projects. (See Box 15 for another innovation on carbon regulation.)¹⁰

While innovations in technology, energy, and industry are important, it is the more difficult and elusive collective changes in behavior and thinking that may have the biggest impact in the transition to sustainability. It is important to understand that this is an interconnected and globalized world, but that real and sustainable behavioral change often happens locally and painstakingly slowly. Social entrepreneurs have an important role to play in initiating such changes by challenging the taken-for-granted assumptions and the institutionalized behaviors that contribute to maintaining the status quo.

SEIs that specifically address the issue of conscious consumption are being seen more often. One example is the fair trade movement. Small handicraft fair trade outfits have existed in the United States and the United Kingdom for more than 50 years, but it has been SEIs such as Transfair USA, founded in 1998, that helped establish fair trade labels

for a much wider range of products. And Rugmark, founded in 1994, combines a campaign to end child labor with certification for ethically produced rugs. These groups and the many SEIs promoting and supporting organic coffee producers, poor country artisans, and the like have made social entrepreneurship a global commercial phenomenon. These organizations are helping people question what, why, and how they consume and consider the repercussions of their collective actions.¹¹

These and other initiatives that recognize a global need to source products in ways that sustain communities and the environment have often been initiated and driven forward by SEIs in the West, but they are now spreading to the East and global South. While the governments and indeed large companies in many affluent countries have begun to respond to this need, it has remained a gap in the system to be exploited by social entrepreneurs in many other places. In Latin America there is a new wave of initiatives mobilizing consumers to use their purchasing power to influence business practices for more responsible consumption. El Poder de Consumidor in Mexico, Interrupcion in Argentina, and the Akatu Institute for Conscious Consumption in Brazil are just some of these. Poland experienced the consequences of rapidly advancing consumerism after the fall of socialism: massive amounts of waste and terrible pollution were problems that people had no models for dealing with as they were used to such issues being addressed by a central authority. Several Polish social entrepreneurs sprang up to deal with this and other specific problems caused by the transition.¹²

Local Efforts Have Global Impacts

Although most SEIs initially develop in response to quite local issues, today the repercussions of their actions cannot be isolated because they are linked globally. One of the

Box 15. A Carbon Index for the Financial Market

The World Federation of Exchanges reports that in 2008, more than \$113 trillion in stocks, futures, and options was traded on its 51 publicly regulated exchanges. The 46,000 or so listed companies had a total market capitalization of more than \$33 trillion. Meanwhile, the world derivatives market—including both over-the-counter and exchange-traded derivatives—has been estimated at some \$791 trillion, 11 times the size of the world economy.

Most of the world's financial capital is traded with no carbon regulation, causing a "free flow" of carbon dioxide into the global economy. Shares, or units of ownership in a corporation, can propel or mitigate greenhouse gas emissions. Adoption of a Carbon Index for the stock market—and for financial markets as a whole—would broaden the transparency of the global finance system, disclose the carbon footprints of corporations and investors, and create a new platform for decarbonization in financial markets, aligning the financial industry with the low-carbon economy. A complementary DCarb Index could measure the level of decarbonization, shaping standards for low-carbon financial flows.

Positive signs of change are emerging in the exchange markets. The Dow Jones Sustainability Indexes, launched in 1999, track the financial performance of leading sustainability-driven companies worldwide, providing objective benchmarks for managing sustainability portfolios. And in June 2009, NASDAQ OMX Group, Inc. and CRD Analytics introduced a Global Sustainability 50 Index that enables investors to track the top 50 companies in sustainability reporting—disclosing information such as their carbon footprints and workforce diversity.

In March 2009, Standard & Poor's introduced the S&P U.S. Carbon Efficient Index, a subset of companies listed on the S&P 500 that have a relatively low carbon foot-

print (calculated as annual emissions divided by revenue). According to Standard & Poor's, the average annual carbon footprint of companies listed on the index through 2008 was 48 percent lower than that of the S&P 500.

To provide guidance for low-carbon policy decisions, the U.S. Environmental Protection Agency (EPA) has proposed mandatory reporting of greenhouse gas emissions from large sources in the United States. Suppliers of fossil fuels or of industrial greenhouse gases, manufacturers of vehicles and engines, and facilities that release 25,000 tons or more per year of emissions would need to submit annual reports to the EPA. Compiled, this information would inform investors of both "high" and "low" carbon tendencies by company or sector, orienting large quantities of capital toward sustainability.

Expanded more widely, the use of Carbon Indexes could lead to greater protection of the economy's natural support systems. For example, development of an Amazon STOXX Index, based on the Dow Jones STOXX Index, could help build investment knowledge for profitable eco-oriented businesses to conserve the world's largest tropical forest. Brazil's BM&FBOVESPA, the second largest exchange operator in the Americas by market value, has the opportunity to support these low-carbon businesses—attracting investors and promoting economically, socially, and environmentally integrated profits.

With such initiatives, the "low-carb" market, a symbol of the new eco-economy, can compete with high-carbon initiatives, stimulating greener investments. Because of its clout, the global financial market is one of the strongest and most flexible tools to build a low-carbon, sustainable economy.

—Eduardo Athayde
Worldwatch Institute publisher, Brazil
Source: See endnote 10.

strongest links is financial: the amount of venture philanthropy money available in North America, Europe, and Japan to be invested in poorer parts of the world is large and growing. The World Bank Institute, for example, estimated that private net capital flows to developing countries in 2007 totaled \$590 billion.¹³

Social entrepreneurs are setting trends and sparking movements that are spreading across the world. These could have far-reaching effects in different locations and future scenarios. Efforts of SEIs in industrial countries to help people consume less, use energy more efficiently, and limit environmental damage could provide valuable lessons for developing countries with burgeoning consumer classes, massive urbanization, and potentially huge environmental problems. At the same time, innovative and low-cost responses to the lack of resources at the grassroots in developing countries are providing appropriate technology solutions (such as solar lighting for villages that have never been electrified or biogas plants using cow or pig manure) that may be valuable in industrial countries still battling consumption-related problems.

What is most important about social entrepreneurs, wherever they operate, is that they challenge existing rules and institutions and create innovative vehicles to achieve their social goals. These may end up directly provoking markets through competition or providing alternatives, or they may indirectly put pressure on industries by creating awareness and stimulating behavioral and attitude change. Achieving this kind of change is a long and bumpy road, but one of the most distinctive characteristics of social entrepreneurs is persistence. The challenge remains extending the adoption of these ideas across both the public and the private sector and throughout society so that they do not become isolated



Courtesy of Dawn Stairn

Art created with out-of-date condoms and birth control pills raises awareness at the Bangkok restaurant Cabbages and Condoms.

efforts but penetrate all economic, social, and political domains.

Recent events have highlighted the need to create a balance between economic growth—which is irrevocably tied to enrichment and consumption but also to a better quality of life and human development—and an approach to markets and governance that is based on ethical needs and that recognizes global interlinkages and inequalities. The good news is that the momentum for social entrepreneurship has never been greater and the timing never better to shock the world into collective cultural change.

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