

Sustainable Finances for Society: The consideration of a Certification Program

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In the current economic system, based on a globalized market oriented economy, it is becoming clear that structural changes are a fundamental need if economic crises, such as the present one, are to be avoided. There already exist multiple approaches in the literature regarding how to carry out this transition towards a more sustainable and resilient system. However, few of them are implemented at the end. Additionally, politicians show high levels of scepticism and even distrust those alternatives recommended by academics. As for the society, although it generates changes, these are generally discouraged by a set of institutional challenges. There is always an on-going discussion about the creation of an international or supranational reform of the current financial system. Another alternative is based on strengthen certain regulations that have to do with the fractional reserve system. A large number of economist and even politicians have flirted with principles based on the understanding of money as a public good. So far, nothing has changed, at least not in this direction.

The suggestion of a certification system is built upon the idea of sustainable finances as a concept both feasible and widespread. These were the two main issues addressed with this research. On a very first step, the first section uses the literature already available to come up with a conceptual framework on which the research is based. Although those subjects related to sustainable development cannot have a fixed definition, and sustainable finances are not an exception, certain principles were found to ensure both the preservation and the strengthening of the concept from a theoretical approach. A following step was to check the feasibility of the concept even considering the current market requirements. Sustainable finances have opportunities based on their present strengths, but also difficult threats to overcome if they want to be considered as a realistic option without losing their credibility.

Additionally, their viability strongly depends on individual and social adoption of sustainable behaviours. Although the conclusions cannot be applied worldwide, certain tendencies are visible when looking at the survey results together with the previous literature. Social and environmental awareness are continuously rising based on two facts: the increasing availability of information and the fulfilment of the basic needs of certain societies. Additionally, as a consequence to the current financial crisis, the public mistrust towards the public and private sector has increased, especially toward financial entities and those governments involved in the rescue of certain Banks. These privileged conditions for a change to happen should be maximised through market education based on ensuring better transparency.

Taking all into consideration, and always from a realistic perspective, it is reasonable to conclude that although a large percentage of the society has a positive perception of sustainable finances, the lack of

information and the mistrust in businesses and their false claims as a marketing tool makes them stay sceptical. If this is compared with the beguiling of fair trade products, there are certain similarities. The same story happened with the production of wood and fisheries activities. At first there were certain minor initiatives worldwide distributed that wanted to implement sustainable principles in their business model. Meanwhile, the public divided itself between the groups: believers and sceptic. After a period, those minor initiatives came to a common conclusion: if they want to become more competitive, increase their positive impact and decrease the negative one from mainstream or traditional producers, they should have common standards. This would encourage and help the responsible percentage of the market demand to purchase their true market choice based on their beliefs.

Many issues should be analysed when suggesting a certification program for sustainable finances: the need of a third party certification body, an inspection body for further monitoring and control and the possibility to have a funding body that partially supports sustainable financial entities to cover the costs of the certification (see figure 4 below). It could also be seen as a bottom-up approach, where society may be the main stakeholder and a gradual process of change could even take place. The selection of an accreditation body, a 3rd party certification body, an inspection body and the funding body is critical for the viability of the idea considering the potential illicit relations and other secondary influences and interests that this system might face. However, here only the reasons to include these bodies are given. The scope of this research does not cover a deep analysis of the organizational structure, institutions involved and overall management of the idea suggested. There is already a wide variety of case studies about certification systems, and so far the experience shows that the inclusion of a third party certification body besides the accreditation institution has many advantages. Transparency and credibility are only some of them. The scheme below also includes an inspection body, a separate institution in charge of the periodic monitoring and control of the entity after receiving the certification. The Certification Criteria should be based on those applied to this research: transparency, participation, and well-defined criteria of what is to be understood when fostering sustainability prior to profit maximization.

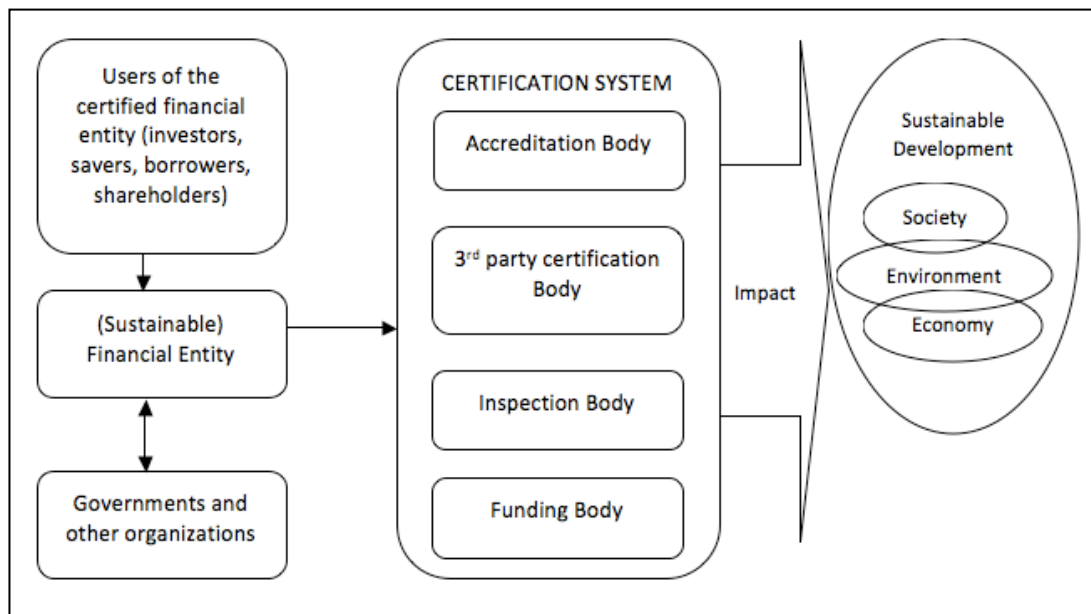


Figure 1 Stakeholder identification in the creation of a Third Party Certification Program for Sustainable Finances

As it is illustrated in the above figure, there are numerous win-win situations to consider within a certification system scheme. On the one hand, sustainable entities would gain credibility and popularity. They would have defined standards that could also be guidelines for those who start their activity. Furthermore, society would benefit for various reasons: a direct impact from sustainable finances funding schemes and from transparency standards in the financial system and an indirect impact from the increase of the standards from the financial sector. Governments and public administrations would not have to regulate the financial system with unpopular measures. The market itself may do it gradually. They would also benefit from the enhancement of local economies. The national financial system would be perceived healthier and more investors would be attracted. Additionally, natural ecosystems would be finally taken into consideration by one of the most influential sectors worldwide. Finally, societies from undeveloped countries would also face some consequences, although these should have further research to be better understood. Although it might seem that they would benefit from those ethical standards inherent in sustainable finances, the outcome might be different considering previous case studies. Sustainable finances prioritise local economies and projects. This might suppose a decrease in international funding followed by unpredictable effects, thus here more research is required.

Sustainable finances can be considered and understood in many ways. For instance, some academicians decry sustainable finances on the basis of their utopian features and further criticise the weakness of the concept when applied. However, the unfortunate focus on fickle and somewhat trivial terminology matters should not undermine the actual positive societal impacts of these initiatives. This paper concentrates on the concept of sustainable finances taken as an integral part of the current and increasingly influential weight of sustainable development principles on the international stage. It is

here noteworthy to mention that sustainable finances have donned various appellations, e.g. “well-fare” finances. Nevertheless, no matter how they are called, these innovative and looking-forward initiatives do represent a concrete and viable competitive alternative to the old and weakened financial paradigm. They should definitely become the mainstream of finance.

Firstly, achieving this vision will require of clear definition of the differentiating characteristics and the positive impacts peculiar to these new approaches as well as the potential shortcomings that would need to be tackled. Secondly, a crucial aspect is to provide the actors genuinely applying and believing in the system with the tools enabling them to prove the transparency, accountability, credibility and reliability of the scheme. Sustainable behaviours are deemed as very unstable and easily when it comes to disappointments for instance. The civil society, or at least hopefully a large part of it, wants transformations to take place, thus giving them the opportunity to become real change-makers. Nonetheless, sadly enough, one of the reasons why they do not purchase sustainable products and services lie in their mistrust towards brands and their marketing tools. Global change towards sustainability has to happen, and those who are already aware of it are not encouraged to take action, the consequences may be severe and dreadful. Citizens should be given the tools to size their own destiny and secure a better future for the next generations. Luckily, solutions at hand can simultaneously generate prosperity and, meanwhile, foster sustainability. New alternatives should be considered also for the financial sector, and they have to be both technologically and politically feasible. A third party certification system for sustainable finances should be one of the alternatives to analyse.