

SUSTAINABLE DEVELOPMENT AND TRUST: FROM DEVELOPMENT INSTITUTIONS TO INSTITUTIONS OF TRUST

May 2023



Sustainable development and trust in the face of global challenges



Dramatic geopolitical situation
Worldwide crisis of confidence



Sustainable development creates the necessary prerequisites for building a social contract between society and business, business and government



How is the sustainable development agenda connected with the remaking of the world order?
Is sustainable development for real?



It is necessary to focus the activities of development institutions and government support on sustainable development and improving the quality of social capital



Is sustainable and inclusive economic growth focused on social well-being and human capital development?



Trust and sustainable development are interdependent. Trust is a factor in the effectiveness of policies, institutions, values



What are the factors of sustainability and economic growth? Way to build and grow trust



Development institutions set standards for the quality of life. Development institutions become institutions of trust

Toward a sustainable or unstable world

- **Even before the pandemic** the world was behind the timeline of achieving the SDGs
- The pandemic has exposed and intensified inequalities within and among countries. This global crisis demands a shared global response to achieve the SDGs.



SDGs progress until 2019

- **Nearly 26 per cent** of the global population were affected by moderate or severe food insecurity in 2019, an increase from 22,4 per cent in 2014
- stunting affected **144 million children** under 5 globally and wasting continued to threaten the lives of **47 million children** under 5 globally
- every day in 2017, approximately 810 women died from preventable causes related to pregnancy and childbirth
- **2,2 billions** of people still lack access to safe drinking water, sanitation and hygiene
- between 2014 and 2018, the proportion of the urban population living in slums worldwide increased from 23 per cent **to 24 per cent**
- the annual rate of deforestation was estimated at **10 million** hectares



COVID-19 have reversed much of the progress

- the crisis demonstrates the interdependency and interlinkages among the various dimensions of sustainability – from health, well-being, and social and economic prosperity to climate and ecosystems
- the pandemic is intensifying children`s risk of exploitation. Child labor rose **to 160 million** in 2020 from 151,6 million in 2016
- an additional **119-124 million people** were pushed back into poverty in 2020
- COVID-19 could reverse years of progress in reducing maternal and child deaths
- **the number of deaths related to natural disasters increased 6 times**
- although distance learning solutions are provided in four out of five countries with school closures, at least **500 million children** and youth are currently excluded from these options
- income inequality rose in 25 countries
- the resulting 6 percent drop in emissions projected for 2020 falls short of this target, and emissions are expected to rise as restrictions are lifted

Measuring progress towards the Sustainable Development Goals

SDG	Indicators	2000	2005	2010	2015	2019	2020	2021
1	Proportion of the population living below the international poverty line (%)	29,1	21,7	16,3	10,8	8,4		
1	Proportion of the working population below the international poverty line (%)	26,1	18,9	14,0	7,8	6,7	7,2	6,9
1	Proportion of population living in households with access to basic services (%)	56	61	67	73	77	78	
2	Prevalence of malnutrition (%)	13,0	12,3	8,6	8,0	8,0	9,3	9,8
2	Proportion of the population facing acute food shortages (%)				7,5	9,3	10,9	11,7
2	Proportion of children with moderate or severe growth retardation (%)	33,1	30,7	27,7	24,4	22,4	22,0	
2	Share of countries with abnormally high food prices (%)				12,0	9,4	26,2	
3	Infant mortality rate (deaths per 1,000 live births)	52,8	44,2	36,9	31,4	28,1	27,4	
3	Incidence of malaria per 1000 people of the population at risk	81,1	76,0	69,3	58,9	56,3	59,0	
3	Percentage of the population with access to 3 doses of diphtheria, tetanus, pertussis vaccine (%)	72,0	77,0	84,0	84,0	86,0	83,0	
4	Percentage of the population who completed senior secondary education (%)	38,7	42,1	47,9	54,3	57,6	58,2	
4	Percentage of schools with access to drinking water (%)				73,7	76,2	75,7	
8	Unemployment rate (%)	5,8	5,9	5,9	5,6	5,4	6,6	6,2
9	Carbon dioxide emissions per unit of added value of industrial production (kg of CO2 in 2015 US dollars)	0,53	0,55	0,58	0,50	0,43		
9	Share of value added of medium- and high-tech production in GVA (%)	46,7	45,8	45,3	45,7	45,1		
11	Proportion of urban population living in slums (%)	31,2		27,3			24,2	
12	Generation of electronic waste per capita (kg)	3,0	3,9	5,3	6,6	7,3		
14	Proportion of fish stocks within biologically sustainable levels (%)	72,8	76,4 (2004)	69,5 (2009)	66,7	65,8 (2017)		
15	Forest area as a proportion of total land area (%)	31,9		31,5	31,3	31,2	31,2	

Sustainable development and inclusive economic growth

- The role of human capital and the scientific and technological sector is growing: The contribution to potential GDP growth should increase from 18% on average for 2018-2022 to 50% on average for 2030-2035
- Low level of accumulation and the need for massive investments for economic modernization and development
- Relative reduction of natural rent and increase of environmental requirements and costs

Achieving the SDGs and other strategic goals

SDG: 1-8,10,11	SDG: 12 – 15	SDG: 9 и 11	SDG: 9
<ul style="list-style-type: none"> • Equality of opportunity and access to economic benefits • Personal growth of each person and employee • Honest relations with stakeholders 	<ul style="list-style-type: none"> • Environmental protection • Environmental safety • Rational use of natural resources • Meeting the needs of future generations 	<ul style="list-style-type: none"> • Creation of high-quality infrastructure • Openness • Availability • Security 	<ul style="list-style-type: none"> • Technological progress

Correlation of SDGs with economic growth factors

Human capital	Natural capital	Physical capital	Technologies
<ul style="list-style-type: none"> • Labor supply • Education • Discipline • Motivation 	<ul style="list-style-type: none"> • Earth • Natural resources • Favorable state of the environment 	<ul style="list-style-type: none"> • Equipment • Factories and plants • Roads 	<ul style="list-style-type: none"> • Science • Engineering • Management • Entrepreneurship

Increasing the level of trust as a result of the SDGs achieved

Trust and social capital as new factors of sustainability and economic growth

Trust matters for social capital increase: interaction between people begins to be effective and purposeful



Trust is an important element of social capital

Trust is the acceptance of vulnerability based on a belief that the other concerning actor will uphold expected standards of conduct or uphold an agreed contract

Types of trust:

- interpersonal
- social
- political
- economic
- institutional
- cross-national

Trust and sustainable development are interdependent. Maintaining high levels of trust reduces transaction costs



Social capital

Social capital is a set of shared values or resources that allows individuals to work together in a group to effectively achieve a common purpose

Components

- interpersonal relationships
- trust
- cooperation and support
- ability to work in a group
- solidarity
- participation in associations

The development of social capital sharply reduces deviant behavior, cases of violation of labor discipline, makes control unnecessary and leads to economic growth



Sustainable development

Sustainable development is an organizing principle that aims to meet human development goals while also enabling natural systems to provide necessary natural resources and ecosystem services to humans

SDG:

- economic growth
- fair social development
- environmental issues
- safety world

ESG:

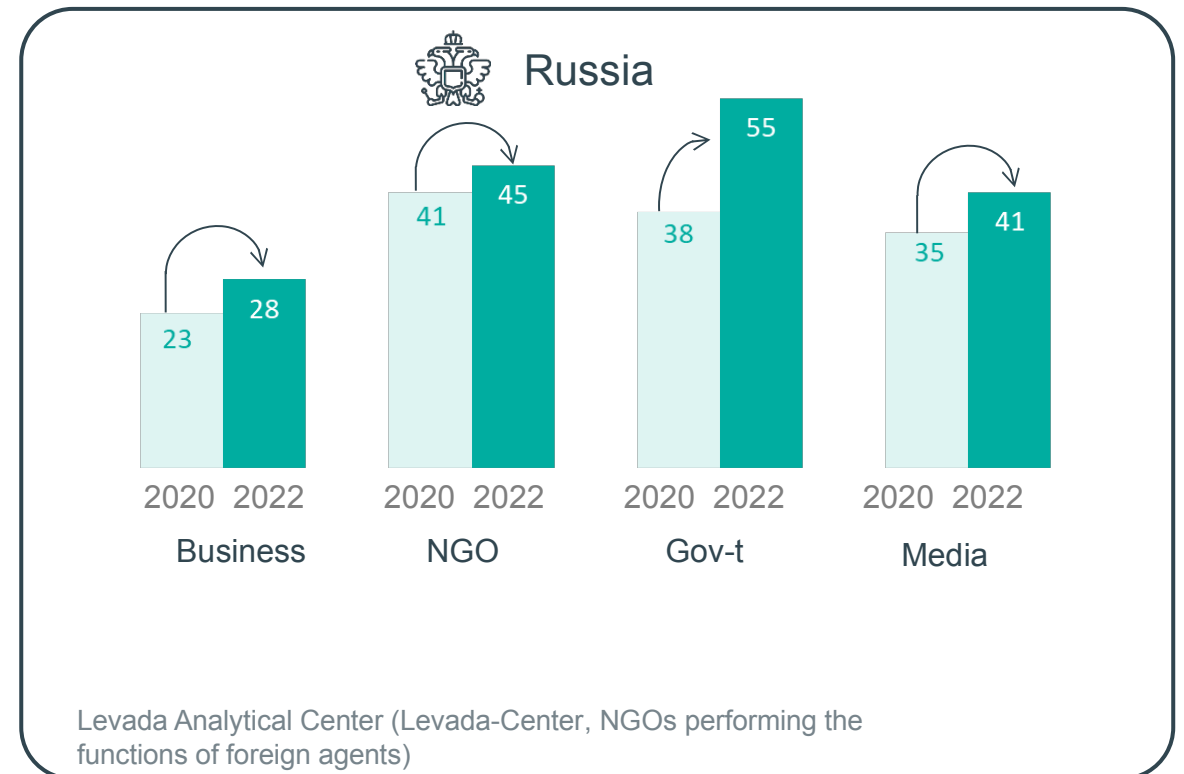
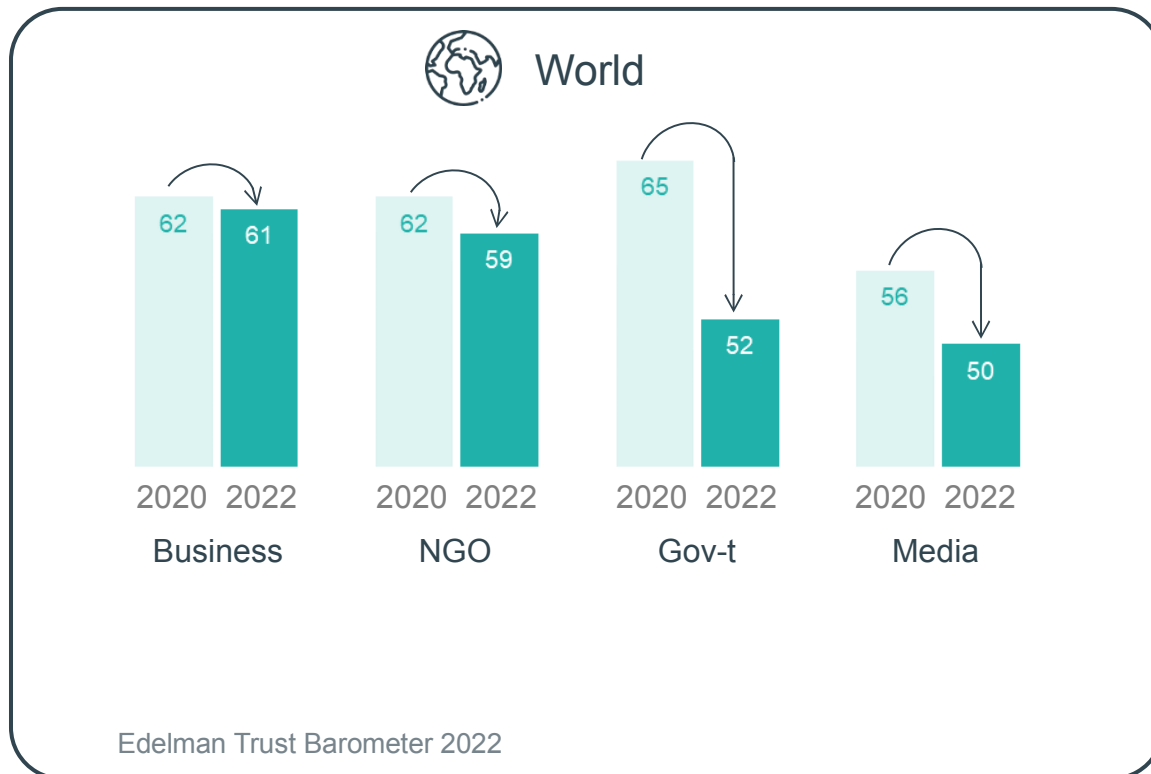
- environmental issues («E»)
- relationships with internal and external stakeholders («S»)
- governance standards («G»)

Corporate social responsibility (CSR) is a self-regulating business model that helps a company be socially accountable to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental.

The incidents of the past three years have led to a crisis of confidence in many countries. This has already become an obstacle to the implementation of the SDGs and the growth of human well-being

We find a world ensnared in a vicious cycle of distrust, fueled by a growing lack of faith in media (50% vs 56%) and government (52% vs 65%). We see an even greater expectation of business to lead as trust in government continues to spiral. In Russia there is an increase in confidence in the main political and public institutions

Trust in state and public institutions (%)

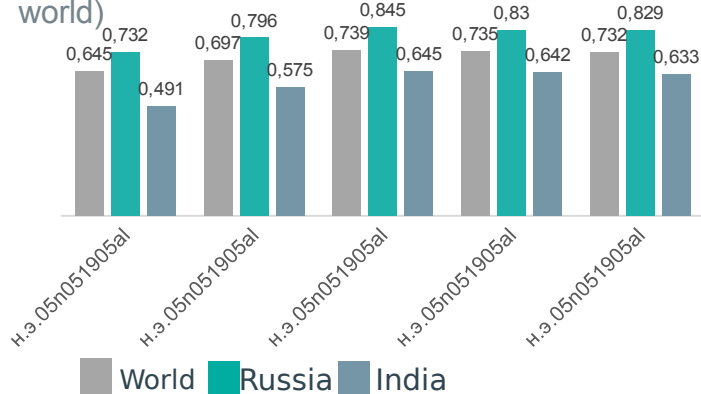


Human and social capital in modern conditions of high uncertainty and stress

Modern global uncertainty and stress create risks for human and social capital and negatively affect their quality

Human capital

UN human development index (Russia and the world)



Source: HDI UN

Social capital

There is a process of loss of trust in the world: worldwide, less than 30% of people believe that most people can be trusted (the lowest figure in the entire history of observations)

Ignoring new stresses and uncertainties increases the crisis of trust in society and entails risks for the sustainable development of individual countries, such as Russia, and the world community as a whole.

Sources of stress and uncertainty

1. Threats from environmental security: climate change, an increase in the number of natural disasters and catastrophes, a decrease in food security
2. Threats from economic security: increasing inequality, growing instability in employment, persistence of high unemployment
3. Threats from new technologies and digitalization: job cuts, deterioration of social ties, decreased cognitive skills, excess information and misinformation
4. Threats from epidemiological security: the emergence of new epidemics
5. Threats of political polarization: an increase in the number of conflicts between countries, an increase in violence (riots, protests) within states

What to do to relieve stress and uncertainty:

1. Environmental safety: achieving carbon neutrality identification and assessment of environmental risks
2. Economic security: guaranteed equal access to quality education job creation
3. New technologies: ensuring compliance of personnel training with new market needs achieving technological sovereignty
4. Epidemiological safety: the growth of R&D expenditures in the field of medicine
5. Political security: timely achievement of national goals

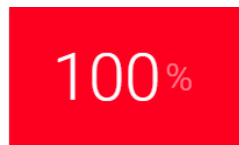
One of the most priority tasks at the present time of high stress and uncertainty is the development of human capital and improving the quality of life

The volume of financing of industries that form human capital, as experience shows, partly determines the quality of human capital. In particular, among the factors affecting the health of the population, behavioral factors and lifestyle are distinguished (determine the state of health by 30%), socio-economic factors and the level of education (40%), ecology (10%) and the resource provision of the health sector (20%).

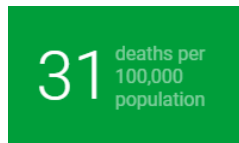
In the current conditions, increasing the financing of the education and health sectors seems to be a necessary condition for ensuring sustainable development.

Indicator, on average for 5 years	Countries	2006-2010	2011-2015	2016-2020	
Expenses, % GDP	Education	 Sweden		7,1	7,3
		 France		6,0	5,9
		 Germany		5,3	5,3
		 Russia	5,1	4,5	4,5
		 Germany	10,6	11,0	11,7
	Healthcare	 France	10,7	11,4	11,5
		 Sweden	8,3	10,8	11,0
		 Russia	5,7	5,1	5,7
		 India	3,6	3,5	3,1
				2010	2017
Human Capital Index (World Bank)	 Sweden	0,762	0,800	0,795 / 8	
	 France	0,757	0,765	0,763 / 18	
	 Germany	0,761	0,795	0,751 / 25	
	 Russia	0,601	0,729	0,681 / 41	
	 India	-	0,440	0,494 / 113	

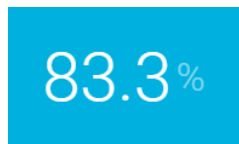
Russian Federation SDG Country Profile



In 2020, the proportion of children/households receiving child/family cash benefit was **100.0%**.



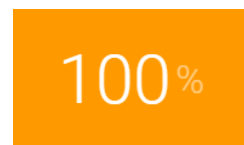
In 2019, the age-standardized mortality rate attributed to household air pollution was **31.0** deaths per 100,000 population.



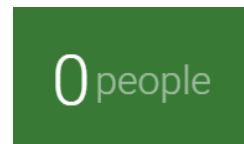
In 2020, the proportion of open water bodies with good ambient water quality was **83.3%**.



In 2020, the annual growth rate of household expenditure or income per capita was **-0.5%**.



In 2021, the proportion of local governments that adopt and implement local disaster risk reduction strategies in line with national disaster risk reduction strategies was **100.0%**.



In 2021, the number of missing persons due to disaster was **0** people.



As of 2019, Russian Federation has national statistical plans that are fully funded.

Source: SUSTAINABLE DEVELOPMENT GOALS

National Register of Corporate Non-Financial Reports Russian Union of Industrialists and Entrepreneurs

239 PARTICIPANTS

1395 PUBLIC REPORTS

84% of companies tell employees about their activities in the field of ESG and sustainable development*

*Source: 17 009 respondents ГК «Михайлов и партнеры»

ESG strategy



Yes - 47%
No – 29%
Planned in 2023 – 9%
Planned later – 14%

**Source:Expert RA

What is one of the most effective ways to build trust?



An effective social contract



A dialogue between an employer and employee, between business and government



Responsible for achievement of stated goals



Search for areas with a lack of trust



Digital accessibility



Raise peoples' awareness



Set business goals for process improvement and optimization. Corporate social responsibility. Decision making and performance improvement.



Transparency in a business or governance context refers to being open and honest. The importance of feedback



Loss of trust. A lack of trust and values may lead to suspicion of other people's motives and behavior