

The Green Economy and Linkages with the Institutional Framework for Sustainable Development

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Sustainable Development“**

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Questions to be Addressed

[From the Agenda]

- Where are the links between a green economy and sustainable development?
- What role does international environmental governance play in the transition towards a green economy?
- What governance framework is most conducive to maintaining a green economy?
- What options can ensure a balanced approach to the governance of sustainable development?



[In addition]

- Discussion of existing institutions

Outline

- Definitions, relation between Sustainable Development (SD) and Green Economy (GE), concept of Green Economy, and some confusions.
- Some obstacles to GE
- Role of Institutions
- Existing economic institutions and relationship to SD
- Institutional Framework for Sustainable Development (IFSD) institutions and GE
- Improving governance – importance of multilevel governance and multistakeholder participation
- Ideas for Rio+20

Definitions

Green Economy

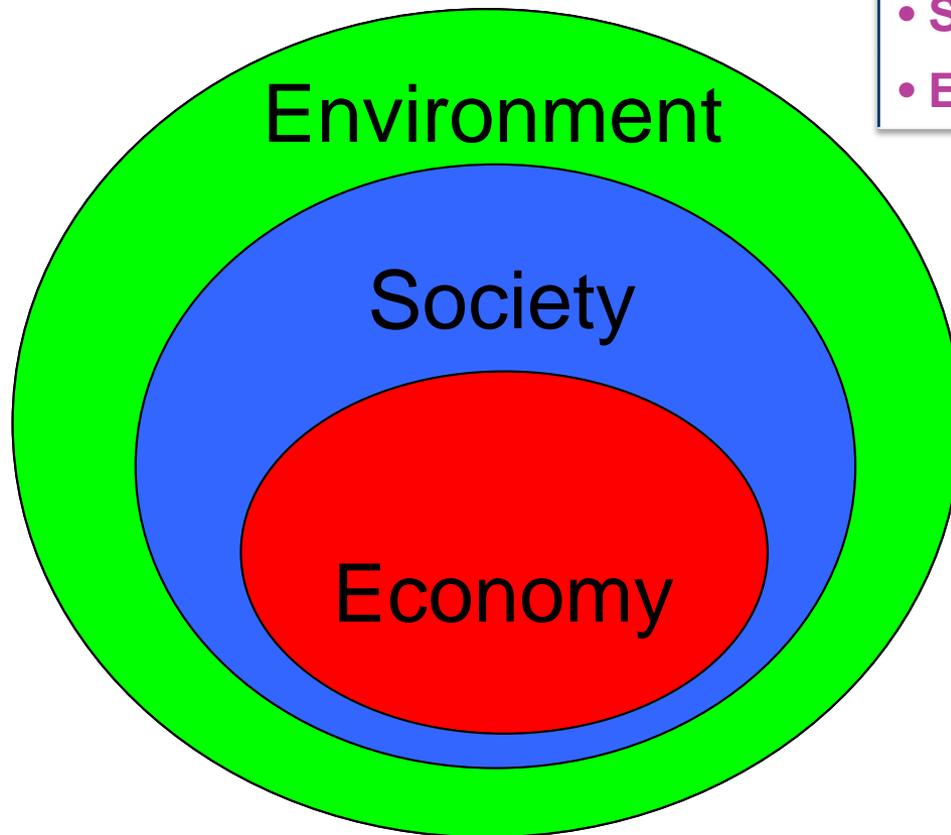
- UNEP’s Definition: *"A Green Economy is one that results in improved human well-being and social equity, while significantly reducing environmental and ecological scarcities."*
- Note: not everyone agrees on what is “green”
- “Green economy” or “Greener economy”

Institutional Framework(for Sustainable Development (IFSD))

- Mainly my discussion will focus on institutions as organisations
- Multiple levels (international, regional, national, subnational)
- IEG is one part of IFSD

How is “green economy” related to “sustainable development?”

Three Dimensions of Sustainable Development

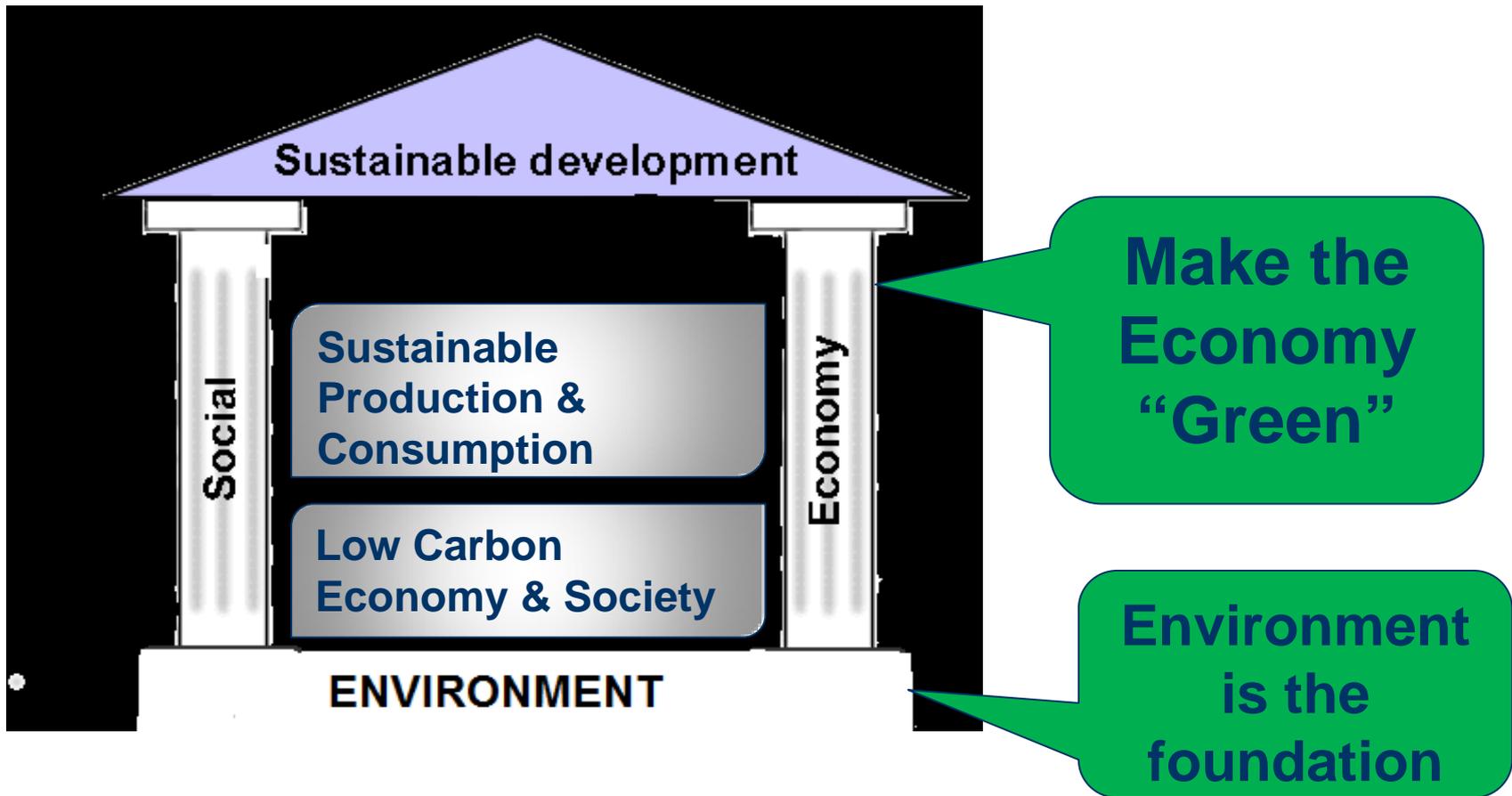


- Society exists in the environment
- Economy is one aspect of society

Nested Dependencies Model.

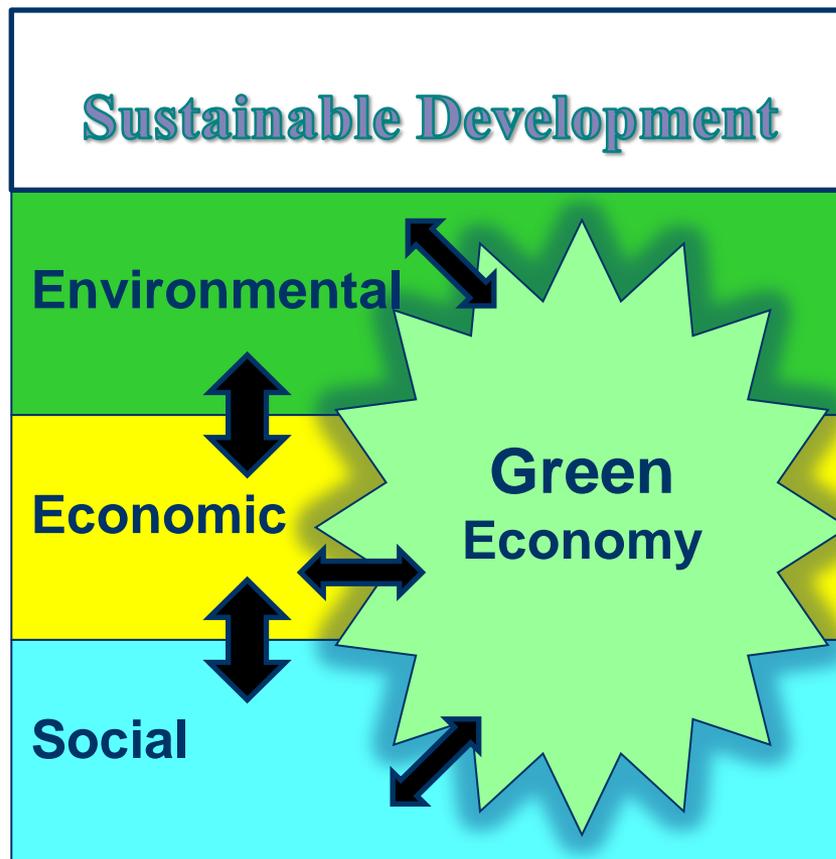
Senge , Peter 2008. *The Necessary Revolution: How People and Organizations are Working Together to create a Sustainable World*. New York: Doubleday.

Green Economy's Relation to Sustainable Development



Some key points on relation between GE & SD

- Sustainable development is much broader than green economy
 - Environmental & social dimensions
- Green economy should be included and contribute to SD
 - SD has economy; should be ‘green’ (or at least become ‘greener’)
 - Green economy should contribute to the social dimension of SD
- Green economy should not be thought of as a replacement of SD
- Some describe green economy as a stepping stone or means to achieve sustainable development.



Substantial confusion on relation between green economy & sustainable development

Key obstacle to progress at Rio+20

- Already wasted considerable time; still unresolved

Concerns of developing countries

- Sustainable development is the already agreed main objective.
- Why a new concept? What was wrong with SD?
- Green economy may be a distraction (especially distracts attention from previous commitments of developed countries)
- Social dimension of SD seems missing
- Concerns about marketization of ecological resources, potential for exploitation by developed countries
- Concerns about green protectionism
- Concern about prioritizing environment at the expense of development

Unclear environmental dimension : “green” or “greener” economy?

Some concerns about some discussions of green economy

- Need to avoid “greenwashing”
 - E.g. relabeling existing activities
- Too much focus on technological solutions
 - Technology is not enough
- Confusion with “green growth”
 - Concern that “growth” is more important than “green”

Green economy has the potential to make significant contributions to SD

ECONOMY: A SYSTEM FOR SOCIETY TO ALLOCATE RESOURCES

- Need to rethink development and business models: transformation of economy & society
 - New ways to measure social value (not just GDP)
 - Internalize costs of externalities
- Address resource scarcity and constraints, planetary boundaries
- Sustainable production and consumption
- Green jobs, investment, technology
- Reduce pollution and waste
- Corporate social responsibility (CSR)
- Capacity development for developing countries

How can institutions (IEG/IFSD) facilitate these contributions?

Main obstacles to making the economy greener, and green economic transformation

- **Priorities**
 - Unwillingness to give up high consumption lifestyle
 - Prioritization of economic growth
- **Beliefs**
 - Tradeoff between environment and economy
 - Belief that “green” is costly, will reduce jobs
 - Inadequate understanding of environmental costs & benefits
- **Institutions’ current orientation and circumstances**
 - Prioritize economic growth
 - Weak environment and SD institutions
 - Inadequate integration of science into decision making
 - Inadequate consideration of a broad stakeholder views
- **Inadequate capacity (all kinds) in developing countries**
- **Technical**
 - Tradeoffs: addressing one environmental problem can create others
 - (e.g. many renewable energy technologies need rare earth metals, much water)
 - Technical solutions not likely to be sufficient

IFSD can try to address but difficult

IFSD can address

Institutions can help address some obstacles.

- Generally: facilitate collective action
 - Venue for discussion
 - Provide information
 - Reduce transaction costs (compared to bilateral)
- Specifically
 - Facilitate agreement on norms
 - Facilitate agreement and coordination actions
 - Provide research and information – especially benefits of SD & GE, costs of inaction
 - Scientific basis for decision making
 - Help with capacity building

Specifically: Promote green economy, economic transformation, green jobs, capacity development, etc.

What are the Current *Economic Institutions*?

Level	Institutions (selected, not comprehensive)
Global: Bretton Woods	World Bank, IMF, WTO
Global: Other	G20, G8, including ministers meetings (finance ministers & central bank governors)
Global: UN related	GEF, UNDP, UNCTAD, UNIDO, ILO, etc.
Regional: Asia	APEC, APP, ADB, ASEAN, ministers meetings
National	Executives, Ministries of Economy, Finance, Trade, sector ministries (energy, transport, etc.), central banks
Subnational	Various subnational governments
Standard setting	ISO, Global Bioenergy Partnership, accounting
Non-governmental	Especially business related, ISO, cartels, etc.
Sector: Energy	IEA, IRENA, OPEC

Limitations on effectiveness of international economic institutions

- IFSD/IEG institutions not the only ones with problems!
- Problems are similar: governments won't agree to things they perceive as not in their interests; little "accountability"

Institutions	Ongoing problems
WTO	<ul style="list-style-type: none"> • New trade liberalization round is stalled • Enforcement and compliance gaps • Dispute settlement mechanism relies on voluntary compliance, difficult to use, results unclear
IMF/Central banks	<ul style="list-style-type: none"> • Cannot prevent financial crises • Difficult to coordinate exchange rates
Finance ministers	<ul style="list-style-type: none"> • Difficult to coordinate macroeconomic policies • Difficult to coordinate financial regulation
Energy	<ul style="list-style-type: none"> • No comprehensive global institution (IRENA focuses on RE) (note environment & SD have several) • Regional ones like OPEC, APP have limited effectiveness

Current economic institutions' orientation towards sustainable development

INSTITUTIONS	ORIENTATION TOWARDS SUSTAINABLE DEVELOPMENT
G20 Finance Ministers & Central Banks	<ul style="list-style-type: none"> • Sustainable growth • Goal: “ensure the global economic recovery and the transition to a strong, sustainable and balanced growth” (April 23, 2010, Washington)
IMF	<ul style="list-style-type: none"> • International monetary cooperation, exchange rate stability, balanced growth of international trade, help with balance of payments difficulties, assist poverty reduction” (website) • Some relation to SD (poverty reduction)
World Bank	<ul style="list-style-type: none"> • Financial & technical assistance to developing countries • Fighting poverty (but SD not explicitly mentioned) • Activities cover 3 dimensions of SD
WTO	<ul style="list-style-type: none"> • Focus on trade; negotiating forum, dispute settlement • SD not in mission • But emphasizes that environment & trade not incompatible; Doha Round emphasizes trade’s contribution to development
ADB	<ul style="list-style-type: none"> • Many activities oriented towards aspects of SD • However, overall description of context emphasizes economic development, poverty reduction, development finance, not SD

Observations on current economic institutions and sustainable development

- Some still emphasize “sustainable growth” (finance ministers & central bankers)
- Others are already working on parts of SD, but do not emphasize that their work takes part in the overall context of SD
- Top political leaders still tend to emphasize “sustainable growth” instead of SD

➤ **Institutions (and political leaders) should be asked to emphasize their commitment to SD, explain their plan to contribute**

Economic policy areas relating to green economy under economic institutions

Policy areas	Examples
Macroeconomic	Monetary & fiscal policy (overall, borrowing, etc.)
International economic	Trade, trade promotion, exchange rates
Budget	Allocation between purposes, sectors, green purchasing
Sectors	Energy, transport, agriculture, construction, financial services, telecommunications, etc.
Other regulatory	Accounting standards, commercial code, competition regulations, health & safety, etc.

- **These have important effects on greening the economy.**
- **Existing institutions at all levels will need to be involved.**

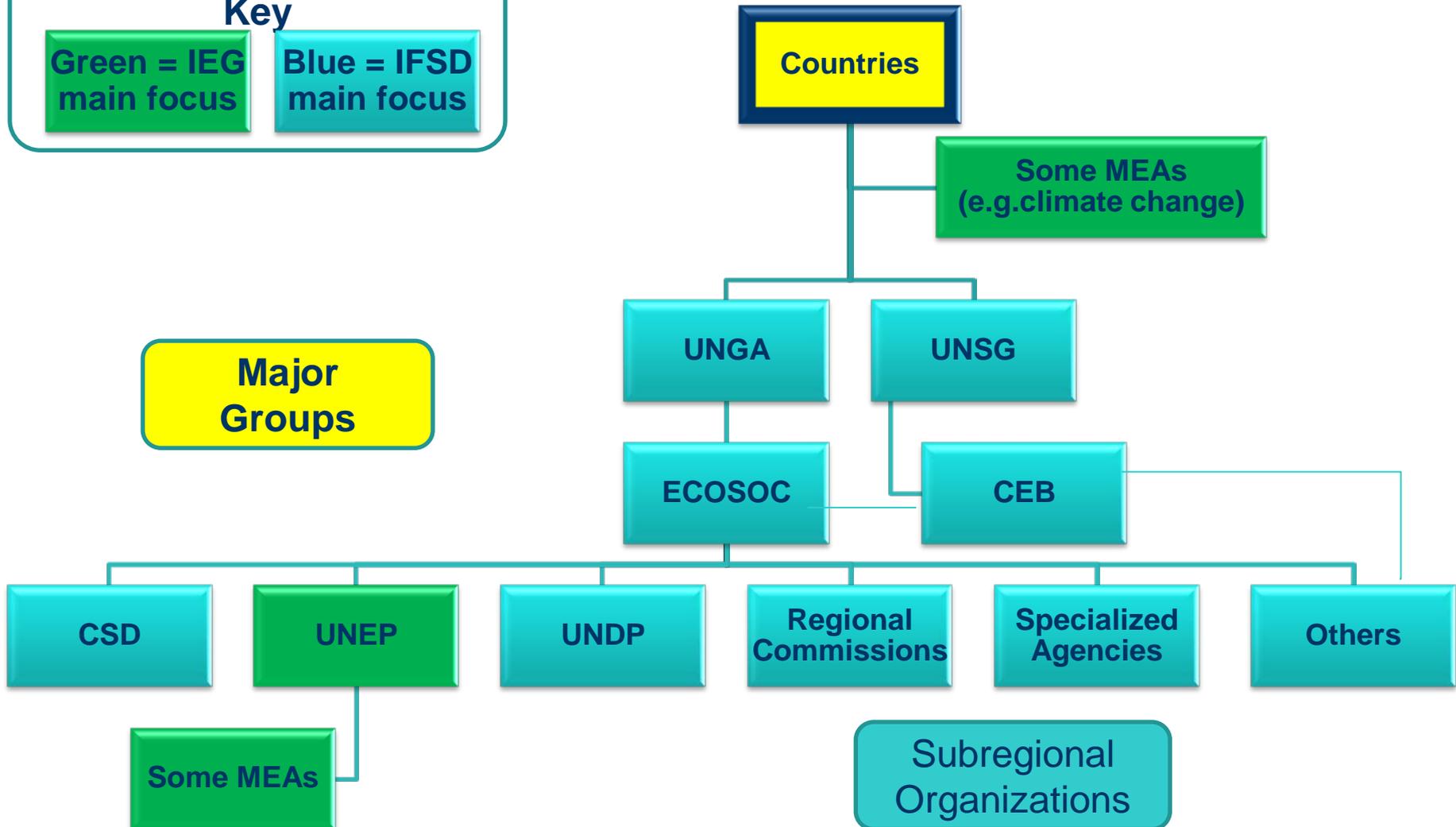
IFSD STRUCTURE

Key

Green = IEG
main focus

Blue = IFSD
main focus

Major Groups



Observations on IFSD structure

- Many institutions, organizations, stakeholders: highly complex
- Fragmentation & overlap
- Difficult to coordinate – nobody is in charge of coordinating
- National governments have authority
 - They created this institutional framework, which is a political equilibrium
 - But national governments are divided, do not speak with one voice

Role of existing IEG/IFSD Institutions

- Already are playing a role in developing and promoting the concept of green economy
- Play some role in various operational aspects
- But need to work with existing institutions directly related to the economy
- Desirable roles for IEG/IFSD institutions
 - ❑ Promote & develop the concept
 - ❑ Coordination
 - ❑ Capacity building
 - ❑ Fill gaps not covered by others
 - ❑ Check progress

Solutions need to be addressed at all levels: Multilevel Governance

- Problems cannot be solved only on one level
- Cooperation & coordination between and within levels (horizontal & vertical) is necessary

Levels of Governance

Global

Regional / Subregional

National

Subnational

Non-governmental

-- Business groups, NGOs, etc.

Importance of Multistakeholder Participation

- Can improve coordination
- Can improve information input into decisions
- Can improve implementation
- Can improve legitimacy
- Can improve accountability

Rio+20 Ideas: Strengthen IFSD/IEG Institutions

- Coordinating role for SD/GE needs to be strengthened
 - Probably ECOSOC, Regional Commissions, CSD, Secretary General
 - Needs high profile leadership, better organizational capacity
- IEG also needs to be strengthened
 - At least universal membership, consider WEO
 - Needs additional resources
 - Particularly, focus on capacity building in developing countries
- However
 - IEG/IFSD institutions alone cannot achieve SD/GE
 - Therefore, economic institutions need to work on SD/GE. They are already doing to some extent, but more is needed.
 - Most resources will remain with economic institutions

Rio+20 Ideas: Enhance the Role of Economic Institutions

(IMF, WB, ADB, etc.)

- Call upon them to change mission statements to focus on SD, or how their mission fits with SD
- Call them to explain how they understand SD, current & future actions to promote SD
- Call on G20, other ministers meetings to do the same
- Ask everyone to stop talking about “sustainable growth”

Actions outside of Rio+20 & UN are important

- We cannot rely on the UN to solve problems
- Strengthen regional & subregional institutions (Asian Environment Organization?)
- National governments retain sovereignty, including regulatory & taxing authority.
 - Transformation will require action by national governments
- Subnational governments
- Businesses (CSR)
- Individuals
 - Avoid high consumption lifestyles
 - Support governments efforts to promote SD/GE

- **Actions outside Rio+20 & UN can be discussed at Rio+20**
- **But Rio+20 is the only place to decide UN related reforms**
- **So need to be careful about the time allocation**

Capacity Development for Developing Countries is Key

- Not just technical aspects, but also normative and policy related (hardware and software)
- Needs more resources
- Different institutions have different comparative advantages in conducting capacity development

Example of Green Economy & IFSD: “Cool Biz” in Japan

- Originally part of economy & environment campaign
- Light clothing – no suit, no tie
- Temperature set at 28C
- Promote cool biz clothing (and save energy)
- Warm Biz in winter (20C)
- Now “Super Cool Biz”
- Because of power shortage from nuclear crisis
- More casual shirts, etc.



SUPER COOLBIZ

