The Green Economy and Linkages with the Institutional Framework for 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

Environment

Society

Economy

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

Nested Dependencies Model.
Green Economy’s Relation to Sustainable Development

- Make the Economy “Green”
- Environment is the foundation

- Sustainable Production & Consumption
- Low Carbon Economy & Society

Sustainable development

Environment
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*?

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

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Ongoing problems</th>
</tr>
</thead>
<tbody>
<tr>
<td>WTO</td>
<td>• New trade liberalization round is stalled</td>
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<tr>
<td></td>
<td>• Enforcement and compliance gaps</td>
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<tr>
<td></td>
<td>• Dispute settlement mechanism relies on voluntary compliance, difficult to use, results unclear</td>
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<tr>
<td>IMF/Central banks</td>
<td>• Cannot prevent financial crises</td>
</tr>
<tr>
<td></td>
<td>• Difficult to coordinate exchange rates</td>
</tr>
<tr>
<td>Finance ministers</td>
<td>• Difficult to coordinate macroeconomic policies</td>
</tr>
<tr>
<td></td>
<td>• Difficult to coordinate financial regulation</td>
</tr>
<tr>
<td>Energy</td>
<td>• No comprehensive global institution (IRENA focuses on RE)</td>
</tr>
<tr>
<td></td>
<td>(note environment &amp; SD have several)</td>
</tr>
<tr>
<td></td>
<td>• Regional ones like OPEC, APP have limited effectiveness</td>
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</tbody>
</table>
## Current economic institutions’ orientation towards sustainable development

<table>
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<tr>
<th>INSTITUTIONS</th>
<th>ORIENTATION TOWARDS SUSTAINABLE DEVELOPMENT</th>
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</table>
| G20 Finance Ministers & Central Banks | • Sustainable growth  
• Goal: “ensure the global economic recovery and the transition to a strong, sustainable and balanced growth” (April 23, 2010, Washington)                                                                 |
| IMF                           | • 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                    | • Financial & technical assistance to developing countries  
• Fighting poverty (but SD not explicitly mentioned)  
• Activities cover 3 dimensions of SD                                                                                                                                            |
| WTO                           | • 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                           | • 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

<table>
<thead>
<tr>
<th>Policy areas</th>
<th>Examples</th>
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<tbody>
<tr>
<td>Macroeconomic</td>
<td>Monetary &amp; fiscal policy (overall, borrowing, etc.)</td>
</tr>
<tr>
<td>International economic</td>
<td>Trade, trade promotion, exchange rates</td>
</tr>
<tr>
<td>Budget</td>
<td>Allocation between purposes, sectors, green purchasing</td>
</tr>
<tr>
<td>Sectors</td>
<td>Energy, transport, agriculture, construction, financial services,</td>
</tr>
<tr>
<td></td>
<td>telecommunications, etc.</td>
</tr>
<tr>
<td>Other regulatory</td>
<td>Accounting standards, commercial code, competition regulations, health</td>
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<td></td>
<td>&amp; safety, etc.</td>
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- These have important effects on greening the economy.
- Existing institutions at all levels will need to be involved.
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

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<th>Levels of Governance</th>
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<tbody>
<tr>
<td>Global</td>
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<tr>
<td>Regional / Subregional</td>
</tr>
<tr>
<td>National</td>
</tr>
<tr>
<td>Subnational</td>
</tr>
<tr>
<td>Non-governmental</td>
</tr>
</tbody>
</table>

- 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

COMING SOON!