green economy coalition

Green, fair and productive:

How the 2012 Rio Conference can move the world towards a sustainable economy

1 Our shared concern – 20 years after Rio, yet poor progress towards wellbeing

The first Rio Summit in 1992 showed the world that economic security and human wellbeing are fundamentally dependent on environmental goods and services – every person on earth depends upon healthy ecosystems to sustain their lives and livelihoods.

But 20 years on, much economic activity has failed people and the planet. International terms of trade that encourage negative impacts on the environment and people ('externalities'), perverse incentives, weak legal frameworks and poor labour standards have neutralised many potential development benefits of globalisation. Under the current global economic framework, increased competition – as well as the sheer scale of economic activity – have hurt the environment, workers, consumers and economic stability. On the one hand, poverty has become entrenched, while on the other new problems of unsustainable consumption have escalated. While almost a third of the world's population struggles to survive on less than US$2 per day, the lifestyles of citizens in wealthy industrialised countries result in an ecological footprint 3 to 5 times greater than the earth's capacity. Consequently there is inadequate progress towards the wellbeing of all humanity.

Yet there is evidence of an increased sensitivity by governments and businesses since Rio on the need to protect environmental and social assets. Civil society organisations have become savvy proponents of sustainable development and have made compelling cases for new approaches, highlighting successful examples of decentralised planning, small-business innovation and social enterprise. The use of green technologies and processes is rapidly growing. While the majority of companies remain silent, some are starting to disclose information on their ecological footprint and sustainability performance. The public, too, is concerned: a 2009 Globescan survey of 1000 people in each of 23 countries revealed that people were most concerned about the unsustainable state of the economy, and ranked poverty and environmental damage as the top two constituent problems. Both the threat of climate change and the search for answers to the current economic crisis have created an important moment for increased reflection, which the 2012 Rio Conference can capitalise on.

The Green Economy Coalition has come together in an effort to promote progress towards a resilient economy that provides a better quality of life for all within the ecological limits of one planet. There are strong practical reasons for this transition, but it also taps into fundamental human values of fairness, environmental stewardship and careful use of limited resources.

2 Shaping Rio 2012 to focus attention on this urgent opportunity

Rio 2012 can chart a new course, but only if it is conceived 2010 in inclusive, forward-looking and innovative ways. We urge the convenors of the 2012 Conference to turn away from the normal template for international summits and shape a new one along the following lines:

First, focus on accountability: Rio 2012 will be a failure if its main output is a "consensus text" that merely recalls past agreements, or creates further weak and unenforceable ones, reflecting the lowest common denominator of willingness to change among participating government officials. It is much more important to focus on implementation of existing targets and accountability for action. The 1992 Rio Summit resulted in a set of international agreements that provide a basis for global sustainability, but that with a few exceptions have proven difficult, especially for small and poorer countries, to implement or enforce. If we are to have any chance of success, Rio 2012 must produce strong and enforceable yet implementable commitments that do not mire countries in endless administration but instead result in real change. It must challenge countries to make unilateral or shared political commitments to change, and to show how they will be accountable. It should also offer an attractive stage for them to showcase those commitments.

Second, be transformational. Rio 2012 must engage directly with the transformation of those governance and economic systems that underlie unsustainability, rather than cherry-picking isolated issues or only tackling symptoms. There is growing consensus that we need to focus on the fundamental factors that lock us into unfair, inefficient and unsustainable behaviour – and which condemn much of the world's population to poverty. This paper outlines where these transformations are required and what is needed to achieve them.

Third, show that change is both necessary and possible. The Summit must find effective ways to demonstrate that (as the examples later in this paper show) fundamental improvements are possible and have begun, while also clearly confronting the obstacles to replicating these successes. Establishing means for ensuring accountability of economic actors and maximising the likelihood of major changes in economic practice must be uppermost. It may be helped by establishing strong new international standards.

Fourth, be inclusive: Rio 2012 must open up its decision-making processes to other actors besides governments, and create opportunities for direct contributions from all participants, including industry, unions, NGOs, academia, and local governments. Unlike the 'Type 2 Partnerships' of the 2002 Johannesburg Summit, this time implementers and practitioners must be central to the business of the Summit as a whole – framed as a collective effort to learn from what works, and find ways to support and amplify effective action and accountability.

3 Creating a new paradigm: Economic policy must be transformed to finally achieve the promise of Rio 1992

The vision that we have carried since UNCED is of an economy that produces a range of social and environmental, as well as economic, benefits for individuals, communities and society. It is a vision of environmental governance that restores and protects the resilience of ecosystems, and the biodiversity within them, and thus secures the many services they provide. And it is a vision of development that uses natural resources sustainably, allocating environmental benefits and costs fairly to achieve a more just and equitable society. This vision was an ambitious one, but the actions that have been taken to achieve it have been limited and halting.

Instead we find ourselves twenty years after Rio facing converging environmental, social and economic crises, with the structure of our economy being part of the problem rather than the solution.

Prevailing incentives and stock-market practices prioritise profit-taking over the protection of nature and livelihoods. Fiscal policies and investment contracts include measures that hurt the environment, such as subsidies for extraction, refining and consumption of fossil fuels and incentives to over-consume finite resources like water and land. Tax regimes tax 'goods' such as jobs rather than 'bads' such as environmental damage.

Our mainstream system for banking and financial flows does not currently make a net positive contribution to sustainable development, because it is driven by a set of principles which do not take social and environmental factors sufficiently into account. However, there are examples of companies and sectors which demonstrate more fundamental incorporation of SD principles in their operations. Steps to learn from and extend this experience should be taken by governments, companies, and investors.

Financial deregulation has led to the allocation of much of the world's capital to short-term speculation, with consequent wild price fluctuations in natural resources. The speculation that creates property bubbles artificially inflates global demand for materials, putting further pressure to extract some resources such as timber.

A disinclination to regulate industry over the past three decades has eroded labour standards, undermined workers' and consumer rights, weakened social welfare policies, and, despite widespread adoption of the Conventions agreed at Rio, damaged the environment.

This prevailing economic paradigm – debt-fuelled, fossil-fueled, consumption-based growth with insecure jobs – is entrenched globally, but we still rely on it to solve the very problems it is creating. Neo-liberal economics put too much faith in the free market to deliver wellbeing, and too much store in economic growth alone. Politicians have shown little stomach for reform that goes beyond grandstanding. Just when we need to be thinking and planning for the long-term, our economic model incentivises a short-term perspective at every turn.

Much of the rhetoric we have heard since the 1992 Rio Summit has emphasized the need for more efficient use of natural resources, to mitigate the environmental impacts of economic growth. Given ecological limits, using environmental resources more efficiently will not enough, especially if we continue to use ever more of them. If we are serious about 'delinking' environmental impact from growth, deeper structural changes in how we produce, trade and consume will also be needed.

We will need to invest in a green economy. From public expenditure reviews to corporate investment plans, we must start getting clearer information about the costs and benefits of investing in green jobs, green infrastructure, and green enterprises – as well as the costs of sticking to the old model.

Small fixes to the entrenched economic model are a start, but have been hugely constrained. Achieving a green

economy ultimately means nothing less than transforming the economic paradigm. Economic policy must recognise the reality that the economy must serve society and operate within ecological limits. This level of change is possible and is desired by much of the world's population. But time is running out: if action is not taken soon, the opportunity that the current economic and environmental crises offer to reshape the paradigm will be lost.

4 Critical steps: What changes governments and businesses can make and are making

Changes in policies and politics. The shift to a green economy is fundamentally a governance process. Already, many decision-makers in government agencies and businesses have been making some economic decisions that are 'nested' within society and environment. They see the sense in it – but will need wider governance change to tilt the balance in favour of a green economy. Politically, moving to a green economy will require:

- *Bold political leadership:* The lack of progress in Copenhagen was largely a result of the disappointing level of commitment from many of the world leaders who assemble there. In contrast, government leaders of Sri Lanka, Costa Rica, the Maldives, and Palau have demonstrated vision and leadership by committing to a carbon-neutral development pathway. Political leaders in other countries need to show comparable political courage.
- *Regulating industry:* In recent decades, pressure to reduce costs of production in developed countries has focused on labour costs. Studies by the EU have shown that in Europe, wages have been cut and labour productivity has increased 300%. However energy efficiency has improved by only 50% - which consequently should be a new area for regulation.
- *Regulating trade*. National trade policies need to take account of the environmental and social impacts

that such policies can have on both producer and consumer countries. Trade liberalisation without strong environmental safeguards can lead to environmental crises. For poor countries, liberalisation without the capacity to benefit from market access, and without the capacity to cushion the blow of adjustment, may be economically and socially damaging.

- *Redefining progress in development and the way we measure it:* GDP has proven to be a grossly inadequate tool for measuring national development, and GDP- driven economic, monetary and fiscal policies and targets have led to many of the problems we are now confronting. The need for new methods and indicators has been increasingly acknowledged. Bhutan has done away with GDP to measure progress and replaced it with an index of Gross National Happiness,which includes indicators of a range of factors including human and ecological health, education, wellbeing, and standard of living. While the index developed by Bhutan is deeply rooted in its Buddhist culture, other initiatives are seeking to develop new measures that could be applied widely. Most notably, the Commission on the Measurement of Economic Performance and Social Progress, established by the President of France, has developed recommendations for a global measurements system that emphasises people's well-being rather than economic production.
- *Bringing environment into national budgets and policy frameworks:* Industrial, economic, fiscal, agricultural, health, land use, transport and many other policies can have impacts, both positive and negative, on ecosystems and the goods and services they contribute to human well-being. Achieving a green economy requires that environmental concerns and priorities are mainstreamed into all levels of national policy making and spending, and also integrated into the countless tributaries of development – sectoral government ministries and departments, local government institutions, businesses, the media, academia and civil society in its many facets. Some of the ways in which national policies can contribute to a green economy are these:
- *Green development strategies:* Recurring oil crises, environmental disasters and climate change have spurred some countries to start emphasising sustainable development in their national plans and strategies. Guyana has recently become the first country to release a low carbon development strategy, built largely around climate change mitigation through management of its vast forests, and investing the expected revenues from international funds. Environment has been mainstreamed into the 2010 budget for Mauritius through one of its three pillars, "sustaining green Mauritius". The budget includes the *'Maurice Ile Durable'* Fund to transform Mauritius into a model sustainable island state, promoting efficiency and renewability in energy, water, solid waste management, industrial processes and agricultural practices.
- *Green fiscal stimulus packages:* The economic crisis offers an opportunity to reorient national economies in a green direction. Some countries have seized that opportunity; for example 81% of South Korea's massive fiscal stimulus package has been earmarked for green investment, in research on low carbon technologies, cleaner public transportation, and energy efficient housing.
- *Promotion of green jobs.* This is an area in which real progress is occurring, but much more is possible. Through the National Rural Employment Guarantee Scheme in India, the poor and marginalised are guaranteed 100 days of work each year with minimum wages. If further fine-tuned to restore natural assets and implemented effectively, this could lead to large environmental, social and economic gains, besides political capital. Germany's 250,000 jobs in the renewable energy sector are expected to triple by 2020 and hit 900,000 by 2030. China, the world's largest manufacturer of wind turbines and solar panels, had 1.12 million renewable energy related jobs in 2008, a figure increasing by 100,000 a year.
- *A "just transition" to a new green economy.* Investment, education and training, social protection and dialogue are needed to drive changes in the traditional economy and accompany workers and communities towards a fair and green economy. Some countries are showing the way: in Argentina unions are training workers from the building sector on renewable energy technology installation; in the

US, a "workers' transition" chapter has been included in the climate and energy bill approved in the House of Representatives. However, there are also resilient and supportive aspects of informal economies (see below), which should be identified and supported in such a transition – and some may save on government social protection budgets.

Changes in decision-making structures. One barrier to change is that those who are setting economic and market policies believe they are well served by the status quo. Invalid assumptions are therefore made about others' demand, preferences and willingness to change. The language and tools of public participation, while widely accepted in many areas of development, have barely made an impact on economic and financial planning. There is much that participatory approaches can do to bring economic policies and decisions more into line with the widely shared desire for a sustainable future. Decentralising decision-making processes can also help to assure that those affected by economic decisions have a say in them. In Brazil and several other countries, participatory budgeting, in which citizens are directly involved in setting budget priorities, is used by many municipalities. Resulting decisions have seen greater allocation of government resources to expenditures with widespread impacts on well-being, such as health care.

Changes in economies and markets. Markets do many things well, but they do not guarantee sustainable or equitable outcomes. And, as the global financial crisis has made very clear, they can also go spectacularly wrong. We have forgotten what even Adam Smith knew - that the 'invisible hand' needs to be constrained and guided towards societies' desired outcomes. Part of this is a matter of getting the prices right, but there is also a balance to be struck between where sustainable markets are the best approach and where social and environmental goals are better achieved through other means. Key is to open up the economic playing field to unrecognised actors that are already making substantial contributions to a green economy, and then "tilting" the playing field to create the space for them to flourish.

- *Empowering unrecognised actors:* Much of what is now contributing to the emergence of a green economy is coming not from governments or the mainstream business sector but from economic actors that are often overlooked, including the informal sector, local communities and socialenterprises that have characteristics of both NGOs and businesses. The Self-Employed Women's Association in India has put in place a system in which poor women in the informal sector get organised, receive training and earn better wages by providing communities with electricity through renewable energy sources. The NGO IDE has created a flourishing business in treadle pumps in India and Bangladesh, which has allowed millions of poor farmers to greatly increase their incomes. Waste recycling employs millions of poor people, particularly women, in cities throughout the world. A 2008 study of informal waste recycling in five cities estimated the combined value of environmental benefits from these activities at up to €30 million per year. Not only are the contributions of these actors rarely considered in economic planning, but in many countries some of them are systematically excluded, particularly the informal sector. The economy needs to identify, scale up and strengthen these innovative initiatives, which have positive environmental and social as well as economic outcomes, and assure these actors a voice, rights, legal and social protection.
- *"Tilting the playing field" to encourage sustainable practices by businesses, governments and consumers.* Tilting the playing field means making 'good' behaviour cheaper and 'bad' behaviour more expensive. For consumers the sustainable choice and lifestyle should be the easy and right choice. Often the reverse is true at the moment, so we need to level and then tip the rules in favour of positive behaviour and business practice. One good example is the German "feed-in" tariff that has provided 200,000 green jobs in Germany and significantly increased the amount of renewable energy used. By providing an incentive for people and companies to generate their own renewable energy and input the surplus to the national grid at a guaranteed premium, the playing field was tilted effectively in favour of both small and larger scale renewable energy production.

Changes in corporate governance. Businesses need to transform the prevailing shareholder model of governance, which focuses on optimising profits. Corporate governance could contribute to a green economy through:

- *integrating social and environmental externalities into corporate accounting.* The World Business Council for Sustainable Development, in its Vision 2050, has identified full-value pricing and long-term value creation as essential for rebuilding a stronger and more sustainable economy. One tool that can encourage improved corporate governance through greater transparency regarding business practices and their impacts is Environmental, Social and Governance (ESG) Disclosure.
- *horizontal decision-making processes.* Businesses in which employees and their representatives have a say in decision-making are more likely to support long- term sustainability than those driven by shareholders seeking short-term returns. In Spain, for example, implementation of the Kyoto Protocol in industrial sectors is being organised through Sectoral Round Tables involving the Government, trade unions and business organizations.
- *investing in pro-development product and market innovation.* Businesses large and small are setting out to achieve both social and financial objectives through developing innovative products serving the 'base of the pyramid'. UNDP's 'Growing Sustainable Business for Poverty Reduction" initiative is highlighting many of them.

Changes in energy production and consumption.
Energy production and consumption continue to be the largest contributors to greenhouse gases; yet energy is the sector where new green approaches are most prevalent, driven by legislation and increasing scarcity:

- Filling the gaps in electricity networks and promotion of conservation are two separate objectives that are converging in the recognition of small-scale providers, for example, rural cooperatives in Bangladesh serve 2.5 million households, increasing by 500,000 new customers per year, with lower transmission losses and 95% collection rates.
- Bogotá has implemented a rapid transit bus system using high-speed buses that produce considerably less CO2 than traditional bus systems. In 2006 it became the first mass transport project to be approved under the CDM.
- The town of Woking in the UK, with a population of 100,000, has decentralised energy production by building a network of local generators to deliver heating, cooling, lighting and power to public and private buildings from a range of sources, including solar, wind, hydrogen, biomass and natural gas.
- In the Niger Delta, NGOs, communities, government and industry are addressing Nigeria's chronic energy crisis and structural inequality by promoting utilisation of gas associated with the oil industry, which is currently flared, to power micro-grids for local communities.

Substituting current energy requirements with renewables is, however, only half of the equation. To be effective, the drivers of climate change must also be tackled from the demand side; this is because the continued growth of energy demand is impossible to reconcile with the lower hanging fruits of potential renewables. A demand-side approach would entail energy efficiency measures on the one hand (as are already been pioneered by industry) and the discouragement of profligate consumerism on the other.

Changes in environmental management and accounting.
With ecological limits approached or already exceeded, scarcities in natural resources reflected in wild price fluctuations, and environmental deprivations making up a significant part of poverty, it makes real sense to be more organised in accounting for, and managing, environmental assets. The last decade has seen some innovations that need now to be reflected in – or integrated into – key mainstream procedures, such as public expenditure review and development monitoring. They include:

- *Integrated assessment of human and ecosystem wellbeing.* The UN Millennium Ecosystem Assessment developed a framework linking human and ecosystem well-being for its 2000 global assessment. This framework might also inform better ways to integrate factors such as national accounts, development monitoring, household census, and environmental assessment.
- *Environmental cost accounting:* One approach being widely used is EcoBudgeting, an environmental management system designed with and for local governments to

help them plan, monitor and report on natural resource consumption within a municipal boundary. It has three main components, which mimic the phases of the financial budgeting cycle: budget planning, spending and balancing. Citizen and stakeholder participation is considered critical to success. EcoBudgeting was pioneered in the Philippines and is now being used by a number of other countries including India, Sweden and Italy.

- *Environmental certification:* Certification programmes can protect natural resources from overuse by steering consumers towards products that are exploited sustainably. For example, the Marine Stewardship Council has developed standards for sustainable fishing and seafood traceability to ensure that the products it certifies come from, and can be traced back to, a sustainable fishery. The programme currently covers 69 certified fisheries, which are reviewed on an annual basis.
- *Co-benefits:* The costs of environmental management can be converted to social and economic benefits when management also contributes to other national objectives. For example, the Working for Water Programme in South Africa has cleared more than one million hectares of invasive alien plants, providing jobs and training for about 30,000 poor rural people each year, more than half of whom are women. The scheme, which has been in operation for 15 years, also helps develop entrepreneurial skills and alternative jobs for women in ecologically sensitive areas, such as the production of charcoal from the vegetation cleared.

5 Achieving a global green economy: where international commitments are needed

The measures illustrated above have made important steps towards the vision of a green economy that we outlined at the start of this paper. But they alone are not enough to achieve the transformation that we believe is needed. That transformation will depend on fundamental global shifts in how development is understood and pursued. The very language that the world uses to discuss the economy will need to change in order to break away from and move beyond the neo-liberal paradigm that has served a few well, but has served our planet and too much of society so poorly. The big shifts that Rio 2012 can help the world to understand, to commit to, and to be accountable for, include these:

- *A new way of understanding and supporting innovation.* In order to break out of current systems and infrastructures that the world is "locked in to" – such as fossil fuel based mobility, fragmented decision-making processes, and national or local regulations to global challenges–more radical innovation processes and pathways need to be set out. In many cases, innovation will need to involve many more stakeholders and industries – bottom- up, community or workplace innovations revealing pathways for reorganising society. It may be rooted less firmly in market contexts.
- *An end to financial practices that fuel environmental degradation and economic insecurity.* The unconstrained expansion of the global financial sector has produced too many negative social and environmental returns. Strong international accords must be agreed to rein in dangerous speculation and to instead encourage positive externalities from economic activity. One piece of the solution should be a global commitment to sustainable employment through decent and green job creation.
- *Recapitalisation of our natural resource base.* Leaving environmental protection in the hands of the market or governments alone has failed. What is needed now is a sustained global commitment, matched by robust financial mechanisms, to recapitalise eroded soils, depleted water bodies, degraded forests and fisheries and other parts of the natural resource base, and to incentivise investment in such 'green infrastructure' that provides countless goods and services to society, from flood protection to timber, recreation and clean drinking water.
- *An international challenge "race to the top".* The more profitability can be aligned with the creation of positive sustainable development outcomes, the more likely it is that business will strive to deliver these. This will require getting not just the prices right but also getting the incentives right. The WTO and other international trade and financial institutions can be important partners in achieving this outcome.

our vision

Towards a green economy

The Green Economy Coalition

The Green Economy Coalition (GEC) brings together environment, development, trade union, consumer and business sectors, North and South. The GEC is committed to a common cause: accelerating a transition to a new green inclusive economy.

The Coalition fosters a common understanding of green economy themes, and promotes learning, creativity and innovation across sectors. With its global and local reach and credibility in environmental, social, business and economic spheres, the Coalition is placed to:

- improve communication between stakeholders and among green economy initiatives
- forge a coherent new development vision that works for all
- encourage that best practice is scaled up
- promote ways of halting bad practice
- encourage innovation that explores prosperity within planetary boundaries
- influence key decision makers.

Vision of the Coalition

A resilient economy that provides a better quality of life for all within the ecological limits of one planet.

Aims of the Coalition

- to mobilise and build a global coalition of organisations from different sectors for a green and inclusive economy
- to provide a platform for debate on green economy issues ensuring that multi-sector perspectives and voices from the South are integrated into discussions
- to organise and share knowledge on the green economy
- to identify priority issues and strategic opportunities to influence the transition to a green economy
- to help build consensus on priority issues, and to jointly communicate policy messages to key audiences and in strategic forums.

Activities of the Coalition

In 2009-10 the Green Economy Coalition has developed its work to define and promote an ambitious agenda. A shared analysis was produced of what the transition to a green and fair economy means from the perspectives of the wide range of organisations which are part of the Coalition. A wide range of 'glimpses' of GE in practice were collated, to show what's already happening and how this can be further supported and expanded. And a series of national dialogues was organised in India, Brazil, the Caribbean and Mali to explore priorities for action and evidence of change (documents are online here: www.greeneconomycoalition.org/downloads). Over the coming year we will focus on inputs to the Rio +20 process and other key policy tracks, bringing constructive but independent analysis and ideas and aiming to achieve stronger action and practical improvements where they are most needed.

Coalition collaborators

IUCN, IIED, WWF International and UNEP cofounded the GEC in 2009. So far, a number of organisations have participated in GEC activities: the Bellagio Forum for Sustainable Development; The Biomimicry Institute; Caribbean Natural Resources Institute (CANARI); Centro de Investigación y Planificación del Medio Ambiente (Cipma); The Centre for Human Ecology; UN Economic Commission for Latin America and the Caribbean (ECLAC/CEPAL); Consumers International (CI); Development Alternatives; the UK Department for International Development (DFID); Ecologic; Global Reporting Initiative (GRI); GlobeScan; International Institute for Environment and Development (IIED); International Institute for Sustainable Development (IISD); International Labour Organization (ILO); Inspire Foundation for Business and Society; International Trade Union Confederation (ITUC); International Union for Conservation of Nature (IUCN); Malifolke Center; Royal Philips Electronics; Television Trust for the Environment (TVE); World Business Council for Sustainable Development (WBCSD); WWF International; WWF UK; Trade Union Advisory Committee (TUAC); United Nations Environment Programme (UNEP); Vitae Civilis. The GEC is supported by a Secretariat hosted by IIED in London.

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The GEC is supported by a secretariat hosted by IIED in London.
For further information on the GEC please contact:
oliver.greenfield@greeneconomycoalition.org
tom.bigg@iied.org or
steve.bass@iied.org
IIED, 4 Endsleigh Street, London WC1H 0DD, UK
www.greeneconomycoalition.org