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Emerging policy issues: environment and development

Background paper for the ministerial consultations

Addendum

Green economy

Discussion paper presented by the Executive Director

Summary

The present document has been prepared to provide a briefing for the ministerial consultations on the theme “Environmental agenda in the changing world: From Stockholm (1972) to Rio (2012)” that will take place at the twelfth special session of the Governing Council/Global Ministerial Environment Forum. It is intended to stimulate discussion during the ministerial consultations by outlining recent developments on green economy at the international and national levels, examining the relationship between the green economy and key national priorities, such as trade, employment and poverty eradication, and exploring potential outcomes under the green economy agenda item at the United Nations Conference on Sustainable Development in June 2012, based on the official input of Member States for the compilation text.

* UNEP/GCSS.XII/1.

Introduction

1. By its resolution 64/236 of 24 December 2009, the General Assembly decided to convene a three-day United Nations Conference on Sustainable Development in June 2012, also known as “Rio +20” in reference to the twentieth anniversary of the 1992 United Nations Conference on Environment and Development. Pursuant to that resolution, the General Assembly adopted “green economy in the context of sustainable development and poverty eradication” as one of the two themes of the Conference.
2. Given that the ministerial consultations at the twelfth special session of the United Nations Environment Programme (UNEP) Governing Council/Global Ministerial Environment Forum are an important milestone along the road to the Conference, they will have “Environmental agenda in the changing world: From Stockholm (1972) to Rio (2012)” as one of their themes.
3. The consultations will, among other things, afford the world’s environment ministers the opportunity:
 - (a) Openly and informally to discuss the concept of green economy and its emerging characteristics, the expectations in terms of what it can deliver and how it can be financed and how it relates to key priorities, such as promoting trade opportunities, creating employment and contributing to poverty eradication;
 - (b) To consider the potential outcomes of the United Nations Conference on Sustainable Development in 2012 with regard to a green economy in the context of sustainable development and poverty eradication, taking into account proposals made during the preparatory process for the Conference.

I. Green economy: background and evolution of the concept

4. The emergence of protracted and interrelated global crises over the past four years has prompted deep analysis of current economic models, their ability to enhance human well-being and social equity and the inherent non-sustainability of business-as-usual thinking. Conventional metrics of economic performance, largely focused on gross domestic product, fail to reflect increasing social disparities and the environmental risks and liabilities associated with current consumption and production patterns. Economic activity currently consumes more biomass than the Earth can sustainably produce, eroding ecosystem services that are a key part of the well-being of the poor and thus perpetuating and exacerbating poverty and economic disparities. It has also created significant externalities in the form of pollution, climate change and natural resource scarcity that threaten the Earth’s productive capacity to generate wealth and ensure human well-being.
5. The concept of “green economy” emerged as a response to these multiple crises. It seeks to transform the engines of economic growth and advocates shifting investment focus – public and private, domestic and international – to the emerging green sectors, greening existing sectors and changing unsustainable consumption patterns. This transformation is expected to generate the continued economic growth necessary for job creation and poverty reduction, while reducing the intensity of energy and resource consumption and production.
6. An open and dynamic dialogue has developed around these issues over the past 12 months as decision makers in both public and private spheres have sought new pathways to sustainable development and poverty eradication.
7. These discussions will continue at the United Nations Conference on Sustainable Development in June 2012, where green economy in the context of sustainable development and poverty eradication will be one of two main themes.

II. Key conclusions of the green economy report

8. One of the major contributions of UNEP to the United Nations Conference on Sustainable Development is *Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication*,¹ a report launched in Beijing in November 2011. In total, 195 authors, 800 contributors and more than 500 reviewers participated in the work, not including 80 UNEP staff who supported the preparation of the report.

¹ United Nations Environment Programme, *Towards a green economy: Pathways to sustainable development and poverty eradication* (Nairobi, 16 November 2011). Available from www.unep.org/greeneconomy/GreenEconomyReport/tabid/29846/Default.aspx.

9. The report covers 10 sectors and uses a modelling framework to outline some of the consequences of a global shift towards a green economy compared to continuing to do business as usual. It demonstrates that investing 2 per cent of global gross domestic product annually over the period 2010–2050 can outcompete an optimistic business-as-usual case in generating economic growth, employment and social benefits, while reducing energy and resource consumption, enhancing the stock of renewable resources and reducing pollution and greenhouse-gas emissions.

10. Suitable policy actions are required, however, to enable a fair and successful transition to a green economy. These policy actions could include:

(a) *Establishing sound regulatory frameworks*: A well-designed and effectively enforced regulatory framework could create incentives that would drive green economic activities and remove barriers to green investment;

(b) *Prioritizing government investment and spending in support of a green economy*: Green subsidies, tax incentives for green investment and price-support measures could, for example, promote renewable energy technologies in the public sphere and transform markets over time;

(c) *Limiting government spending in areas that deplete natural capital*: Artificially lowering the price of goods encourages overconsumption and overproduction, causing a premature scarcity of finite resources or the degradation of renewable resources and ecosystems;

(d) *Using taxes and market-based instruments to promote green investment and innovation*: Significant price distortions currently exist that discourage green investment or contribute to the failure in increasing such investment. One solution to this is to incorporate environmental and social costs into the price of a good or service via a tax, charge or levy or, in some cases, tradable permit schemes;

(e) *Investing in capacity-building, training and education*: Training and skills enhancement programmes are needed to prepare the workforce for a green economy transition;

(f) *Strengthening international governance*: International environmental agreements can facilitate and stimulate the transition to a green economy by establishing the legal and institutional frameworks for addressing global environmental challenges.

11. The report acknowledges that there are multiple pathways towards sustainable development and that countries, depending on their priorities, should pick and choose from the instruments and options to determine the most appropriate policy mix to green their economies based on their situation.

III. Global and national green economy initiatives

A. Strengthening partnerships for a green economy at the international level

12. Since the inception of the UNEP Green Economy Initiative in October 2008, the level of interest and activity in the green economy has greatly increased. Several economic and financial organizations, such as the International Monetary Fund, the World Bank, regional development banks and the Organization for Economic Cooperation and Development (OECD) have launched new programmes to examine the potential for a green economy at the macro and sectoral levels. New organizations and alliances, such as the Green Economy Coalition, have sprung up and global business associations, such as the International Chamber of Commerce and the World Business Council for Sustainable Development, have created green economy task forces and are promoting a green economy approach among their members.

13. Meanwhile, traditional partnerships, such as the partnership between the International Labour Organization (ILO) and UNEP that produced a report on green jobs in 2008, have been strengthened and have led to increased cooperation and knowledge-sharing. Another example is the forthcoming update of the green jobs report and advisory services offered to countries involved in skills training and developing policies for greening their economies.

14. New initiatives, such as the Green Growth Knowledge Platform, are developing the next generation of alliances to promote knowledge-sharing. The Platform is a collaborative effort between UNEP, the OECD, the Global Green Growth Institute and the World Bank to develop research programmes to fill knowledge gaps on green growth in both developed and developing countries, bringing together researchers, practitioners and policymakers.

B. Inter-agency collaboration on green economy

1. Partnering on green economy research products

15. Several countries, in their official submissions as part of the preparatory process for the United Nations Conference on Sustainable Development, have said that there is a need for a more detailed assessment of the opportunities and challenges of a green economy transition. UNEP is assessing these through research activities with key partners, focusing on major questions raised by Governments throughout the preparatory process. The products of these activities, which will be launched in the lead-up to the Conference as key input into the informal negotiations on the outcome document, include:

- (a) Updated and expanded report on green jobs prepared by UNEP and ILO;
- (b) Report on green economy and health examining the health impacts of green economy strategies and measures, prepared in collaboration with the World Health Organization;
- (c) Report on oceans entitled “Green economy in a blue world”;
- (d) Study that examines the links between the green economy and poverty alleviation;
- (e) Study of indicators and metrics for measuring the progress of green economy transitions;
- (f) Analysis of trade opportunities related to the green economy in collaboration with the International Trade Centre and the International Centre for Trade and Sustainable Development;
- (g) Study examining the drivers of innovation and growth in a green economy transition;
- (h) Series of short publications on best practices and lessons learned from green economy initiatives being undertaken around the world.

2. Environment Management Group: developing a common United Nations vision of a green economy

16. The Environment Management Group is a United Nations coordination body consisting of specialized agencies, programmes and organs of the United Nations, the Bretton Woods institutions and the secretariats of the multilateral environmental agreements and is chaired by the Executive Director of UNEP. It enhances inter-agency cooperation in support of the implementation of the international environmental and human settlement agenda.

17. At their fifteenth meeting, in September 2009, the senior officials of the Environment Management Group established a new issue management group on the green economy to assess how the United Nations system could more coherently support countries in making the transition to a green economy and work on the development of joint and consistent measures needed to support that transition.

18. In December 2011, the Group released a report entitled “Working towards a balanced and inclusive green economy: A United Nations system-wide perspective”.² The report contains a shared understanding of the green economy concept among 40 participating United Nations entities, presents common messages on the policies necessary to support a green economy transformation and identifies ways forward for the United Nations system to support Member States in their efforts to embark on green economic pathways. According to the report, a green economy is a vehicle for delivering sustainable development and poverty eradication. Central to this concept is targeted investment across the environmental, economic and social pillars of sustainable development in an integrated and synergistic manner.

19. Major emphasis is placed in the report on making the green economy people-centred and on providing work for those living in poverty, for the unemployed and for young people. Increased investment in education, health care, social protection and other human and social development sectors are considered important in their own right and because of their potential contribution to the growth of a green economy.

² Environment Management Group, “Working towards a balanced and inclusive green economy: A United Nations system-wide perspective” (New York, December 2011). Available from www.unemg.org/MeetingsDocuments/IssueManagementGroups/GreenEconomy/GreenEconomyreport/tabid/7917/5/Default.aspx.

20. The report also highlights the need better to organize expertise in the United Nations system to deliver coordinated and coherent policy advice and technical assistance to Member States in relation to the design and implementation of green economy policies and strategies. Areas that require particular attention include financing for a green economy transformation, technological cooperation and capacity-building, particularly in developing and applying indicator systems to monitor the progress towards a green economy.

C. Examples of national green economy initiatives

21. Around the world initiatives are taking place at the national level, demonstrating that countries are moving towards a green economy at their own pace and in the context of their own national development objectives and priorities. UNEP has actively supported this transition by providing advisory services on demand for more than 20 countries.³

22. In 2010 and 2011, UNEP undertook 32 green economy scoping missions in 25 countries, which enabled it and other partners within the United Nations system to engage in a dialogue with Governments, the private sector and civil society at the national level, and to initiate consultations on priority actions that could be initiated to support countries, building on existing initiatives in the fields of resource efficiency, climate change and low-carbon development and sustainable development. UNEP co-hosted 20 national green economy workshops and dialogues in various countries. At the request of Governments, UNEP is conducting green economy scoping studies in over 15 countries, with a view to informing policy choices and undertaking a critical assessment of the potential of a green economy to foster sustainable growth, create jobs, and contribute to poverty reduction, social equity and improved human well-being.

23. Many developed countries such as Australia, Japan and the member States of the European Union are providing incentives for clean technology innovation and improving green infrastructure. Among developing countries, in the Caribbean region, for example, the Government of Barbados has adopted a medium-term strategic framework for the period 2010–2014 and a national strategic plan for the period 2006–2025 in which achieving a green economy is one of the six priority goals. Barbados has set specific measurable targets for energy efficiency, renewable energy, water, waste management and ecosystem management with an emphasis on coastal ecosystem protection. UNEP is currently supporting a green economy scoping study that will assess the challenges for green policy transitions in six of its development sectors with a view to promoting sustainable development.

24. The Government of Brazil has also taken specific measures to reduce deforestation of the Amazon rainforest by establishing an Amazon fund and authorizing the Brazilian Development Bank to raise private funds from voluntary domestic and foreign donations to invest in actions to prevent, monitor and combat deforestation and to promote conservation and sustainable use of the forests in the Amazon biome, while various states such as Sao Paulo are launching their own green economy initiatives. UNEP is also working with the Government on an initiative to take stock of green policies promoted by Brazilian states and to produce an inventory of the frameworks and indices used to measure progress in greening economies.

25. Elsewhere in the Latin American region, the Government of Mexico has recently launched a national green economy scoping study with assistance from UNEP, aimed at identifying those fiscal policies that can generate employment, enhance resource efficiency, and drive investment into key sectors of their economy.

26. In Africa, high-level initiatives are under way, including in Ghana, Kenya, Rwanda and South Africa. For example, in November 2011, as part of its new growth path, the Government of South Africa launched a green economy accord, which is a social pact that commits the Government, labour unions, the private sector and civil society to creating at least 300,000 green jobs by 2020 and expanding green investment significantly over the coming 20 years.

27. In Asia, the Government of China has set ambitious goals in its twelfth five-year development plan to accelerate its transition to a green economy. It has committed itself to spending \$468 billion over the coming five years, more than double its expenditure during the previous five years, on key industries such as renewable energy, clean technologies and waste management.

28. In the Arab region, the 2010 executive programme of the Government of Jordan is striving to achieve a green economy through the launch of a programme that aims to turn the country into a regional centre for green services and industries. In July 2011, UNEP completed a green economy scoping study for Jordan to advance its policy objectives. The Government of Egypt has approved a

³ For more information about countries receiving advisory services, see www.unep.org/greeneconomy/AdvisoryServices/tabid/4603/Default.aspx.

long-term plan for wind energy and has fixed a target to meet 20 per cent of electricity needs with renewable energy by 2020, with 12 per cent generated from wind energy. In 2010, Egypt received \$1.3 billion in investment for clean energy development through solar, thermal and wind energy projects.⁴ The Government of the United Arab Emirates also recently launched its own high-profile initiative in relation to green economy.

IV. Green economy within the context of the United Nations Conference on Sustainable Development

A. Emerging common characteristics of the green economy concept

29. While the aim of the initial debates on green economy at the international level was to develop an internationally agreed definition of a green economy, it has become apparent that approaches to greening economies can take diverse forms and offer varying opportunities to different countries. Consequently, and with the Conference looming, discussions have begun to shift to what a green economy should deliver and the challenges that it might present for countries wishing to make this transition. From recent meetings, statements and the written submissions from Member States to the compilation text of the Conference, some common characteristics of a green economy have emerged that could indeed form the basis of an agreement on a common understanding at the Conference in June 2012.

30. These characteristics include:

- (a) The green economy is a means of achieving sustainable development, not a substitute for it;
- (b) The green economy facilitates the integration of the three pillars of sustainable development;
- (c) No universal approach is possible; a green economy should be adapted to national circumstances and priorities on a voluntary basis;
- (d) While putting in place measures for a voluntary transition towards a green economy, the principle of common but differentiated responsibilities (as endorsed at the United Nations Conference on Environmental and Development in Rio de Janeiro, Brazil, in 1992), should be applied;
- (e) A green economy should not be used as a means to impose trade restrictions or conditions on aid or debt relief. A green economy should address trade distortions, such as environmentally harmful subsidies;
- (f) A green economy must recognize national sovereignty over national resources;
- (g) A green economy must be underpinned by resource efficiency and sustainable consumption and production patterns.

31. As highlighted in the official submission of UNEP as part of the preparatory process for the United Nations Conference on Sustainable Development, green economies should focus on people and the planet, promote inclusive growth, conserve livelihoods, create decent jobs, lead to greater equity in the distribution of benefits and enhance social protection while sustaining environmental resources and services.

32. UNEP recognizes that a country's approach to greening its economy will need to be tailored to its own situation, reflecting its own world view, especially in relation to the environment and its principles of political economy (with particular focus on its governance arrangements, natural resource endowments, investible resources, human capacities and its current social and economic status). Implementation of a green economy must be voluntary and achieved at a country's own pace, according to its own plan of action and in a step-by-step process. Uniform progress among countries cannot be expected. A number of building blocks can, however, be envisioned to assist countries in making the transition, including as a first step, the sharing of green economy knowledge, data, and information. As noted earlier, the Green Growth Knowledge Platform was recently launched jointly by UNEP, the World Bank, OECD and the Global Green Growth Institute and could contribute to this.

⁴ United Nations Environment Programme and Bloomberg New Energy Finance, *Global Trends in Renewable Energy Investments 2011: Analysis of Trends and Issues in the Financing of Renewable Energy* (2011). Available from www.unep.org/pdf/BNEF_global_trends_in_renewable_energy_investment_2011_report.pdf.

B. Green economy: sizing up the opportunities

33. From recent discussions and the official government submissions as part of the preparatory process for the United Nations Conference on Sustainable Development, it is clear that countries recognize that a green economy can bring diverse opportunities, such as fostering innovation, establishing new markets, creating employment and contributing to poverty eradication. This can be done while respecting planetary boundaries and promoting the sound management of the natural resource base on which humankind depends.

34. The opportunities that a green economy brings may vary by country. For developed countries, a green economy may mean an opportunity to open up new venues for jobs while reducing dependency on fossil fuels and increasing resource efficiency. For emerging economies, a green economy can offer opportunities to put their economies on a low-carbon and energy and resource-efficient development pathway and create a comparative edge in the global marketplace, while sustaining rapid growth to meet development aspirations. In many developing countries, especially low-income countries, a green economy can mean an opportunity to leapfrog development stages and apply advanced, yet locally appropriate, technologies in the delivery of food security, rural energy access, clean water supply, housing, sanitation and public transport, which would create employment opportunities and contribute to poverty eradication.

1. Opportunities for the creation of decent green jobs

35. The creation of green employment is at the heart of a green economy and offers a valuable opportunity for all countries. Research by UNEP and ILO shows that if a business-as-usual approach continues the result could be a rise in job insecurity and net losses that could be avoided in a green economy scenario.⁵ On the other hand, diversifying the economy and focusing on the most vulnerable persons, such as women, young people, informal workers and the unemployed can lead to more jobs, inclusive economic growth and sustainable development.⁶

36. Research from the green economy report indicates that the transport and building sectors are the most promising areas for new jobs, but substantial investment in them will be required in a number of countries to respond to rapid urbanization and growing populations. Green economy investment can create around 10 per cent more decent jobs in transport than the business-as-usual approach through improved energy efficiency across all transport modes combined with a modal shift. In the recycling sector, it could create some 10 per cent more jobs by 2050, which means from 25 million to 26 million new jobs compared to between 23 million and 24 million in the business-as-usual scenario. In agriculture, it could provide 4 per cent more jobs over the coming decade, 20 per cent in forestry in formal employment by 2050 through conservation and reforestation and 20 per cent in energy by 2050, which is higher than in the business-as-usual scenario, while delivering robust economic growth and reduced emissions.

37. Sustainable green jobs need to be accompanied by social policies that invest in new skills and measures to adjust employment in key sectors such as energy and transport so as to ensure a smooth transition to a green economy. For instance, while recycling jobs are often low-wage positions, union representation and corporate and municipal policies can make a critical difference with regard to pay levels and other matters of concern to workers in the formal sector. Social protection and social dialogue are important elements in improving the situation of workers in this industry and thus in making nominally green jobs more decent.

2. Contribution to poverty eradication and gender considerations

38. A green economy offers ways to maximize potential to reduce poverty and inequality within and across countries. Green investment in specific sectors would provide employment, production and entrepreneurship opportunities. These include sectors in which the poor are more likely to make a living, such as agriculture, fishing, forestry and other natural resources, in addition to construction, transport infrastructure and other primarily urban sectors and sectors where unskilled and manual labour is important.

39. There is a clear link between poverty alleviation and efficient management of natural resources and ecosystems. Ecosystem services, for example, provide between 47 and 90 per cent of what is

⁵ UNEP, *Towards a Green Economy* (see footnote 1) and International Labour Organization, *Skills for Green Jobs: A Global View* (Geneva, 2011). Available from www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_159585.pdf.

⁶ United Nations Environment Management Group, "Working towards a balanced and inclusive green economy" (see footnote 2).

known as the “gross domestic product of the poor”. In Brazil, India and Indonesia, sectors dependent on natural resources such as agriculture, fisheries and forestry were estimated to account respectively for 6 per cent, 17 per cent and 11 per cent of gross domestic product in 2005. When the full share of ecosystem services in the total income of the poor is measured, however, they are found to represent 90 per cent, 75 per cent and 47 per cent respectively of the total amount of the poor’s economic activity, which includes monetized and non-monetized activities in these countries.⁷ The importance of moving towards a green economy for those most dependent on natural resources cannot be overstated. Investing in natural capital as a source of economic growth and well-being can tackle poverty in its various forms, not just income poverty, by providing nutrition and health care.

40. Securing access to clean and reliable energy is another important contribution that a green economy can offer the poor. A growing body of evidence suggests that ensuring that the poor enjoy access to energy can lead to benefits of multiple dimensions, ranging from income, education and health outcomes to women’s well-being.⁸ Increasingly, off-grid energy generation systems using renewable sources of energy are proving to be a viable solution for electrifying rural regions of developing countries. Moreover, extending rural electrification in this way can help to enhance linkages between rural farming and non-farming activities, which stimulates growth and reduces poverty.

41. Similarly, modest investment in greening agriculture and improving agricultural productivity can have significant welfare impacts. Approximately 2.6 billion people depend on agriculture as a source of income, the vast majority of whom live on small farms and in rural areas on less than \$1 per day. Increasing farm yields, while improving ecosystem services (on which the poor depend most directly for food and income), can play an important role in poverty reduction. For example, estimates suggest that for every 10 per cent increase in farm yields, there has been a 7 per cent reduction in poverty in Africa and more than 5 per cent in Asia. Evidence shows that the application of green farming practices has increased yields to between 54 and 179 per cent, especially on small farms.⁹

42. On a global scale, redistribution of the benefits of growth through the provision of equitable, high-quality public services, such as health care, education, water, sanitation and social protection, improves the skills and productivity of the poor, who in turn can contribute to growth when equipped with assets and resources that allow them actively to take part in the development process.¹⁰ A pro-active focus on women, socially excluded persons and hard-to-reach population groups who may need special help to gain access to employment and quality services may have important multiplier effects, positively affecting several dimensions of well-being. Educated mothers, for example, tend to have better nourished and more educated children. Investing in human capital is therefore an important component of investing in an inclusive green economy.

43. Social protection systems are also powerful social and economic stabilizers because they tackle financial needs, social problems and social and economic adjustments and alleviate the impact of disasters. Social protection therefore needs to be at the core of an equitable transition to an environmentally friendly and climate resilient economy.¹¹ Investing in a national social protection system has positive economic effects, as it enables societies to move towards developing their full productive potential. These systems are fundamental in creating a population that is sufficiently healthy, well-nourished, educated and more employable in the formal economy. They also contribute to effective recovery from economic, social and natural disasters that affect people’s health, income, food security and housing. In addition, social protection as a safety network boosts risk-taking and entrepreneurial activity that are necessary for achieving a paradigm shift to a green economy.¹²

3. Public expenditure opportunities through fiscal reform

44. Environmental fiscal reforms offer the potential for internalizing the social costs of ecosystem degradation and intensive resource use through green taxes and user fees and removing environmentally harmful subsidies in agriculture and energy, for example. These reforms have been applied in some developing countries and have achieved triple wins in terms of revenue generation,

7 United Nations Environment Programme, “The economics of ecosystems and biodiversity”. Available from <http://teebweb.org/>.

8 United Nations Environment Management Group, “Working towards a balanced an inclusive green economy” (see footnote 2).

9 United Nations Environment Programme, *Towards a Green Economy* (see footnote 1).

10 United Nations Environment Management Group, “Working towards a balanced an inclusive green economy” (see footnote 2).

11 Ibid.

12 Ibid.

environmental improvement and poverty reduction. The public resources generated have been used to invest in the provision of high-quality services for the poor. They can also be used as social protection expenditure to cushion job loss, provide training in new green job areas and for investment in renewable energy, energy infrastructure, energy efficiency and related energy services.

45. For example, in 2005, the Government of Ghana initiated reforms to reduce petroleum subsidies after realizing that they were mainly benefiting higher-income groups. At the same time, it eliminated primary and junior-secondary school fees, and made extra funds available for primary health care and rural electrification programmes benefiting poor communities.¹³ The Government of Indonesia has also introduced subsidy reforms for fossil fuels, using the savings to finance targeted spending for social safety nets.¹⁴ The United Nations Conference on Sustainable Development could provide an opportunity for Governments to reconsider their current expenditure and make commitments in this regard.

4. Green economy and trade

46. During the preparatory process for the Conference some countries voiced concern that policies supporting a transition to a green economy could be used in a protectionist manner. For example, environmental standards, although effective in stimulating sustainable goods and services markets, can also act as a barrier to developing-country exporters, particularly small and medium-sized enterprises that may lack the necessary resources to meet the standards.

47. A central objective of a green economy is growth in economic sectors that contribute to environmental sustainability. Trade expansion of environmental goods and services is a natural outcome of this growth. There are some domestically focused policy measures that countries can employ to stimulate a green economy, such as institutional and information-based measures, which would not significantly affect imports or exports. Other measures could impact trade in a positive manner, such as increasing market access for environmental goods and services, which is one of the items being discussed as part of the Doha Round trade negotiations under the World Trade Organization.

48. Trade plays an important role in the transition to a green economy by facilitating the opening of new markets for green goods and services, among other things. Spurring demand for more sustainable products can create new markets for businesses that implement sustainable production practices, which would result in increased revenue streams and create new jobs while reducing resource use and depletion and creating less pollution. For example, major markets for organic food and beverages expanded on average by 10 to 20 per cent between 1999 and 2007 and global trade in these products now stands at approximately \$50 billion.¹⁵ The global market for environmental products and services is projected to double from the present \$1.37 trillion per year to \$2.74 trillion by 2020.¹⁶

49. While trade can help steer an economy towards greener growth, growth should be inclusive by building developing countries' human and productive capacities to enable them to participate effectively in the global economy by generating employment for the jobless and increasing the poor's access to basic services such as energy, water, communications and transport. Improving pro-poor outcomes of trade depends on countries' ability to implement complementary national policies and measures to facilitate and enhance their participation in the trade of green goods and services.

50. Removal of trade distortions, particularly harmful subsidies, can constitute a successful outcome for trade, environment and development. Ensuring fair and equitable trade through the elimination of such subsidies and other inequitable domestic supports can discourage environmentally damaging production methods by reducing incentives to overconsume scarce resources. Reform of subsidies that have adverse economic and environmental outcomes, such as fuel, agriculture, fisheries and forestry subsidies, can free up fiscal space for social protection programmes, contributing to poverty alleviation while spurring the transition to a green economy.

13 International Monetary Fund, *Fuel and Food Price Subsidies: Issues and Reform Options* (Washington, D.C., 8 September 2008). Available from www.imf.org/external/np/pp/eng/2008/090808a.pdf.

14 Bruvoll, A., Skjelvik, J.M., and Vennemo, H. "Reforming environmentally harmful subsidies. How to counteract distributional impacts" (2008). Available from www.norden.org/en/publications/publications/2011-551.

15 A. Sahota, "The global market for organic food and drink", in *The World of Organic Agriculture: Statistics and Emerging Trends 2009*, H. Willer and L. Kilcher, eds. (IFOAM, Bonn; FiBL, Frick; ITC, Geneva, 2009).

16 United Nations Environment Programme, *Towards a Green Economy* (see footnote 2), p. 13.

51. Some countries have voiced concern over subsidies that are used as an incentive to drive growth in key sectors in a green economy, for example, in the renewable energy sector. Any form of subsidy can distort international trade by giving a competitive advantage to domestic companies at a cost to foreign competitors. Ensuring that subsidies are time-bound and comply with internationally agreed trade principles and rules as advocated by the World Trade Organization is therefore of paramount importance.

V. Potential outcomes of the United Nations Conference on Sustainable Development in relation to the green economy

52. All stakeholders were invited to provide written input by 1 November 2011 for the draft outcome text of the Conference. From the submissions of Member States and regional and political groups and from the input of the regional Preparatory Committee meetings, several potential outcomes for the Conference that are of relevance to the green economy are beginning to emerge. These generally fit into two complementary categories: potential commitments that countries can jointly make to put in place measures for a green economy transition at the national level, and international measures and processes that Governments can agree upon to contribute to a green economy transition. It is possible to imagine an outcome that reflects a mixture of both categories.

53. Set out below is a selection of potential outcomes of the Conference, based on proposals that appear in the submissions of several Member States or that have been proposed jointly by several Member States through the common input of their political groupings. The list of proposals presented by Member States is not exhaustive and is not a formal compilation of submissions, as this process is carried out by the Conference secretariat. The aim of this list is to provide an illustration of some issues that could be raised as potential pathways for countries to reflect upon and discuss as part of the Conference under the theme “green economy in the context of sustainable development and poverty eradication”.

A. Potential common commitments: national measures for a green economy transition

1. Mainstreaming green economy or national green economy plans

54. In their submissions to the Conference, several countries have recognized the importance of either developing national green economy plans or mainstreaming the green economy into existing plans during the preparatory process. These submissions reflect growing awareness that the environmental portfolio is an integral part of both the economic development and strategic planning agendas, and it is treated as such. The elaboration and implementation of national green economy plans can ensure coherence between fiscal policy and environmental measures, clarify the role of different institutions in leveraging and managing environmental assets and provide a focus for investing resources in key sectors. Mainstreaming green economy considerations into existing national plans or strategies, such as development, climate change and sustainable consumption and production can ensure coherence with other initiatives and policy measures at the national level. A commitment by countries to underline the strategic importance of the positive nexus between the environment, economy and society in development decision-making could therefore be one outcome of the Conference.

2. Fiscal reform

55. Fiscal reform was also mentioned in half of the submissions to the Conference and is widely seen as a central instrument for improving the efficiency of public expenditure, social protection and environmental outcomes.

56. In many countries, subsidies artificially reduce the prices of environmentally harmful goods and services, promote excessive consumption levels and hamper the investment and development of alternative cleaner solutions. Studies show that, at the global level, environmentally harmful and outdated subsidies are equivalent to between 1 and 2 per cent of global gross domestic product.¹⁷ Consequently, these subsidies reduce the fiscal space available to Governments for direct investment in strategic sectors and diminish potential support for other actors.

57. With environmental externalities typically not reflected in prices, there is an inherent bias against investment in green sectors and it is hard for sustainable alternatives of products and services

¹⁷ United Nations Environment Programme. *Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication. A Synthesis for Policymakers* (Nairobi, 2011). Available from www.unep.org/greeneconomy/Portals/88/documents/ger/GER_synthesis_en.pdf.

to compete. Fiscal reform, specifically tax reform, provides the possibility of internalizing the cost of the externality in the price of a good or service via a corrective tax, or other fiscal measures, redirecting funding towards green investment and stimulating innovation. National commitments to a time-bound phase-out of environmentally harmful subsidies and well-planned tax and pricing reform can correct these distortions in the long-term and assist in the transition to a green economy.

3. Engaging the private sector and regulating the financial sector

58. The role of the private sector was stressed by several Member States in their official input, often with reference to the important role of private investment and public-private partnerships. Some countries noted the importance of non-financial disclosure in influencing the decisions of companies and thus either called for the need to scale up voluntary corporate social responsibility approaches such as the Global Compact or the Global Reporting Initiative or render disclosure on social and environmental aspects obligatory. The latter has been successfully applied in countries such as Denmark, France and South Africa, with promising results. The often neglected role of small and medium-sized enterprises was also noted by some Member States, which either called for the provision of an enabling environment for them or for the expansion of global corporate social responsibility initiatives so as to involve them.

59. In this context, the key role of the financial sector was also noted by some Member States, with particular reference to the financial and economic crisis. Some Governments therefore proposed tighter regulation of the financial sector. Similarly, incorporating standardized environmental, social and governance criteria in financial decision-making could be an effective means of ensuring that environmental, social and economic risks are given adequate consideration in steering investment towards a green economy.

60. Voluntary corporate social responsibility, a well-regulated but increased space for small and medium-sized enterprises and discipline in the finance sector can help to speed up the transition towards a socially inclusive green economy. At the Conference, Governments may commit themselves to introducing measures that require the application of standardized environmental, social and governance criteria in financial decision-making, encouraging financiers, investors and insurers to incorporate environmental, social and economic risk considerations as expressed and promoted by international frameworks such as the UNEP statement by financial institutions on the environment and sustainable development, the Equator Principles and the Principles for Responsible Investment initiative and request progress reports on the use of such criteria.

4. Sustainable public procurement

61. Several Member States noted the importance of sustainable public procurement as an important attribute of a green economy transition. Public procurement is estimated at over \$4 trillion annually and represents as much as 30 per cent of some countries' gross domestic product. Public procurement has the potential to stimulate resource-efficient and environmental friendly product markets through its size and its rule-setting function. A key outcome of the Conference can therefore be a commitment to establishing sustainable public procurement programmes and applying sustainability criteria to an increasing number of contracts.

B. International measures or processes to contribute to a green economy transition

1. Alternative measures of progress to complement gross domestic product

62. A number of Member States said that there was a need to propose new measures of wealth for "beyond gross domestic product" accounting. Some suggested the development of indicators to measure sustainability and progress in greening economies.

63. An unbalanced focus on economic activity has enshrined gross domestic product as a key indicator of development. This exclusive reliance on market activity fails to account for important dimensions of social development and the environment. Given the lack of progress in integrating the pillars of sustainable development, there is increasing awareness that there is a need for improved data and indicators to complement gross domestic product by measuring economic performance in terms of inclusive wealth creation and human well-being and to assess resource efficiency and environmental sustainability, incorporating these in national accounting frameworks.

64. The Conference participants could put in place a process to implement internationally agreed accounting frameworks and metrics to complement gross domestic product for better measurement of progress towards sustainable development. Building blocks for such measures already exist. A first step could be for countries to apply the United Nations System of Integrated Environmental-Economic

Accounting, which is scheduled for adoption by the United Nations Statistical Commission in February 2012. This could then be built upon to develop a comprehensive accounting framework based on the three pillars of sustainable development.

65. Some countries also suggested the development of indicators to track sustainable development goals and measure progress in greening economies. The Conference participants could establish an international process to develop such indicators that agree on the importance of new metrics to redefine economic performance and to track sustainability over time.

2. Sustainable consumption and production and resource efficiency

66. The importance of a green economy underpinned by resource efficiency and sustainable consumption and production practices was stressed by many Member States throughout the preparatory process. Key regional and political groups and several countries called for the adoption of the 10-year framework of programmes on sustainable consumption and production patterns elaborated at the nineteenth session of the Commission on Sustainable Development.¹⁸ Through thematic and cross-cutting programmes, the 10-year framework will support regional and national initiatives to accelerate the shift towards sustainable consumption and production so as to promote social and economic development within the carrying capacity of ecosystems by addressing and, where appropriate, de-linking economic growth and environmental degradation by improving efficiency and sustainability in the use of resources and production processes (based on the life-cycle approach) and reducing resource degradation, pollution and waste.

3. Skills training or employment schemes

67. Many Member States said that creating decent employment was a priority and that a green economy should contribute to that. Research by UNEP and ILO¹⁹ indicates that, in the transition to greening economies, jobs in high-emission brown industries or in currently unsustainable sectors such as many of the world's fisheries, will need to be redefined and some of them could be lost. In the transition to a green economy, millions of new green jobs could be catalysed, nevertheless, to support sustainable agriculture, construction, energy, forestry, tourism, transport and the waste management and recycling sectors. There will be a need, however, to retrain segments of the workforce who lose their jobs, in addition to providing training and apprenticeships and developing entrepreneurial skills for green jobs. Several submissions to the compilation text propose programmes along these lines. The Conference participants could therefore adopt a global programme for skills development that would support countries in providing such training to their workforce.

4. Sharing of tools and best practices

68. Recognizing that they can learn valuable lessons from others' experiences, many Member States suggested the establishment of a platform or clearing house to share tools and best practices in developing and implementing green economy policies. One outcome of the Conference may therefore be agreement to build upon existing networks or to create new networks to foment knowledge and sharing of best practices across countries and regions and to foster South-South and triangular cooperation.

5. Strengthening decision-making based on sound scientific knowledge

69. Several Member States recognized that policymaking should be based on sound scientific knowledge, requiring the strengthening of the science-policy interface. It is increasingly recognized that, while scientific knowledge of the Earth, its boundaries, resource scarcities and the impacts of economic activities on all of these is considerable, there is a disconnect between the scientific and research world and policymaking.

70. A suggestion was made for the establishment of a world resources outlook report that would consider the links between natural resources and climate change and help to assess global, national and subnational needs for a green economy in the context of sustainable development and poverty eradication, building and extending the work of the International Resource Panel.

6. Closing implementation gaps to facilitate the transition

71. While recognizing opportunities, such as those mentioned above, several Member States raised valid concerns that a green economy could result in winners and losers. Most developing countries

18 E/2011/29-E/CN.17/2011/20.

19 International Labour Organization, *Green Jobs: towards decent work in a sustainable, low-carbon world* (Geneva, 2008). Available from www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_158727.pdf.

also recognized that, to make the most of the opportunities that a green economy might offer, some hurdles must first be overcome. Those included initial costs, inadequate technologies and lack of institutional and human capacity. There is therefore a need to increase support from the international community in terms of funding, technology transfer, technical support and capacity-building. Suggestions included international mechanisms for providing technical support and capacity-building and for facilitating technology transfer and the promotion of innovative financial mechanisms. Some Member States suggested the creation of a green economy fund or a sustainable development fund to support developing countries.

72. The lack of adequate technologies was seen by many developing countries as an obstacle to achieving sustainable development. Adequate transfer of affordable technologies and a focus on education policies, technical training, investment and the enhancement of local skills would allow developing countries to create endogenous capacity and develop a competitive new economic sector and this must therefore be central to a green economy. Regional and international cooperation also has a major role to play. Several Member States called for a stronger implementation of the Bali Strategic Plan for Technology Support and Capacity-building in that respect. Specific proposals also included the establishment of regional centres of excellence for technological research, development and transfer and action plans to provide technical and financial assistance to developing countries.

7. Reform of the multilateral trading system

73. Several Governments consider the Conference to be an opportunity to reform the global trade system and architecture. This involves, for example, reforming representation requirements on the governing bodies of some organizations. Others refer to the need to re-examine intellectual property rights and their possible role in technology transfer.

8. Green economy pact, road map, framework or programme for action

74. While recognizing that there can be no universal approach and that Governments must define their own pathways for greening their economies, the Conference is an opportunity for Governments to establish the necessary mechanisms for effective coordination and support at the global level. Several Member States proposed international mechanisms that could bring together actors to work towards any agreed commitments or common objectives. For example, written submissions to the Conference include:

(a) Inclusive green economy pact that would promote corporate social responsibility and the introduction of sustainability indexes to the stock exchange;

(b) Green economy road map with a common vision, timelines, goals, objectives, actions and support for national implementation, in the form of toolboxes of instruments and measures that can be shared and used by countries, including clearing-house services and technical support for national implementation.

75. Other Member States called for similar international cooperation on the broader theme of sustainable development, such as a framework of action for implementation and commitments for sustainable development, or a plan of action that recalls sustainable development commitments and allows their implementation through adequate support for developing countries, which will enable them to promote sustainable economic growth, through financial resources, technology transfer and capacity-building.

76. Based on the conclusions of the UNEP green economy report and the demonstrated need for international cooperation and support in terms of implementation and technical assistance, UNEP, in its official submission as part of the preparatory process of the Conference, proposed a similar mechanism at the international level that covers some recurring suggestions in government submissions – a programme of action for a green economy. This could include:

(a) A funding mechanism comprising sovereign funds, reoriented public expenditure, multilateral and bilateral contributions, international and regional financial institutions and private financing to reach the expected level of investment required;

(b) A global clearing-house function for technology to be discharged by existing organizations to provide information on and facilitate acquisition of conducive technologies;

(c) An ambitious programme of technical support and capacity-building for developing countries in their efforts to develop and implement national green economy initiatives and programmes, comprising enhanced human and institutional capacity (for research, implementation, resource mobilization, public understanding and stakeholders engagement, education and training, monitoring and evaluation of progress and for acquiring, deploying and servicing the related

technologies), engaging research institutes, the business sector, non-governmental organizations and international agencies to share examples of best practices in the design, implementation and evaluation of green economy initiatives at all levels and develop an information platform for sharing this knowledge based on these examples. Such a platform could pool together tools, methodologies, studies and policy recommendations developed by various international actors to form a toolbox for a green economy, available to all stakeholders;

(d) A global programme for skills development aimed particularly at young people, who need to be equipped with skills that enable them to participate more equitably in the development process. It is also a way of renovating the skills base in relation to sustainable economies, through a global programme for skill development, retraining, development of entrepreneurial skills and apprenticeships for green jobs.

VI. President's summary: possible messages

77. The Governing Council/Global Ministerial Environment Forum is the high-level environmental policy forum of the United Nations and brings the world's environment ministers together to review important and emerging policy issues in the environment field. The Council/Forum provides broad policy advice and guidance with the aim of promoting international cooperation in the environment field, among others. In so doing, it invites officials of United Nations agencies and heads of multilateral environmental agreement secretariats to participate and interact with ministers at meetings and seeks to promote the meaningful participation of representatives of major groups and non-governmental organizations, including the private sector.

78. It has become common practice for the President of the Council/Forum to prepare a summary of the ministerial consultations that take place at each session. The summary provides an opportunity for environment ministers to collectively send a message to the United Nations system, Governments, civil society and the private sector regarding their opinions on the topics under discussion.

79. The President may wish to convey the summary to the secretariat of the United Nations Conference on Sustainable Development.

80. While it is entirely a matter for ministers to decide, a number of questions are suggested to help to stimulate the round-table discussions:

(a) How can a green economy help address current and future global economic challenges in a world of resource scarcity?

(b) What issues should Governments focus on at the United Nations Conference on Sustainable Development to support a green economy transition?

(c) What building blocks are required to support a global transition to a green economy (metrics, sharing knowledge, fiscal reform)?

(d) What should be done to ensure a smooth and socially just transition to a green economy?

(e) What opportunities and challenges do you see for your country in pursuing a green economy transition and what are your expectations for the United Nations Conference on Sustainable Development in this regard?

(f) How can a green economy be mainstreamed in multilateral economic, financial, and trade discussions and negotiations?

(g) What kind of support from the United Nations system, including UNEP, would be desirable to support your initiatives to achieve a green economy in the context of sustainable development and poverty eradication?

(h) What could be a common objective for green economy relevant to all Governments?
