



INSTITUTIONAL CHALLENGES FOR A GREEN ECONOMY

What if the world could actualize its finest visions of a “green economy”? What sorts of institutions would we need to manage it? What sorts of institutional innovations will lead us to such a destination? Those are some of the questions that should be at the forefront of our thinking as we think about what Rio+20 can, and should, achieve.

By Prof. Dr. Adil Najam and Prof. Dr. Henrik Selin

Sometimes referred to as Rio+20 — as it is being held 20 years after the 1992 Rio Earth Summit — the United Nations Conference on Sustainable Development (UNCSD) will build on a wide range of past political and organizational achievements, but also, more importantly, seek to accelerate progress where a long line of earlier efforts have come up well short. When the United Nations General Assembly adopted Resolution A/RES/64/236 to organize Rio+20, governments identified two main themes for this landmark event: First, “a green economy within the context of sustainable development and poverty eradication”; and second, “an institutional framework for sustainable development.” Both themes are, of course, extremely important. But even more important is what lies at the conjunction of the two themes.

In late 2010, the Boston University Frederick S. Pardee Center for the Study of the Longer-Range Future convened a Task Force of experts from academia, government, and civil society to explore exactly what lies at the intellectual and practical intersection of Rio+20’s two themes.¹ As the co-conveners of this Task Force, we present some of the main insights derived from this Task Force; in particular, we present five+1 suggestions for thinking constructively about some key issues for the realization of a green economy.

Five+1 suggestions

One. Think boldly and move incrementally. Discussions of institutional reform have sometimes been reduced to the equivalent of rearranging the deck chairs on the Titanic. Any institutional reform process must begin with recognition of the urgency for action. It must also include a commitment to the proposition that fundamental shifts in political and economic practices are needed to avoid significantly accelerated ecological damage, with disastrous consequences for societies all over the world. The enormity of the challenge calls for ambitious thinking, but it should not paralyze action just because large changes are difficult to achieve quickly.

There is a need for “radical incrementalism” — recognizing and strengthening those elements within the existing institutional architecture that do work, identifying the strategic

direction of change, and implementing measured and pragmatic shifts that can begin moving the system in a desired direction. Evaluating the progress of such measures and carefully adding to them to bring about the necessary shifts is an important component of this process. One example of this would be to break the deadlock that often arises when we search for a single “perfect” solution by the adoption of a “portfolio approach” that uses a combination of initiatives to raise a variety of resources, including monetary resources, knowledge resources, capacity development, public support, and awareness-raising for global action on forests.

Another example of the benefits of radical incrementalism concerns the much-stalled debates on creating a new international environmental organization modeled at least in part on the World Trade Organization. The debate has not only remained inconclusive but takes attention away from discussions concerning reform of the United Nations Environment Programme (UNEP) — including strengthening its funding arrangements and consolidating various treaty secretariats — for which there is a great need and much international agreement. The idea that Rio+20 should lead to a stronger UNEP is broadly accepted and should not be held hostage to the debate about the designs of a super-organization for the environment. The advantages of a radical incrementalism approach should not be lost in the debate on institutional reform.

Two. Take economic policy seriously. The proposition that the world needs to move toward a green economy implies that the current economic system is not working adequately, at least not for the environment and future generations. Change is required in economic policy institutions as much as in environmental ones. A transition to a green economy needs to involve fundamental changes to both macroeconomic and microeconomic conditions and institutions. Business as usual with respect to economic policy is not a viable alternative to meet sustainable development challenges.

The most obvious case for a green economy shift is in macroeconomic policy instruments relating to structures and principles for international trade and finance. For example, the role of trade in resources — especially in energy-related resources, includ-

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ing its security implications — is central to a green economy. Any shift in this area will require carefully crafted incentives to align international markets toward environmental and resource goals. At the microeconomic level, the institutional challenge is to create individual incentives (including negative ones) to realign consumption and production decisions that have significant environmental and economic ramifications.

A central challenge is not only to think creatively about economic policy, but to engage international economic institutions. While the necessity of such engagement is now understood by environmental as well as economic decision-makers, the incentives for such engagement do not yet exist. Rio+20 creates an opportunity to bring environmental and economic institutions together on a common platform where world leaders — to whom both sets of institutions are ultimately responsible — can lay out a program for collaboration. Rio+20 should at least begin the realignment of institutional incentives to facilitate the achievement of a goal already agreed on but not yet achieved: making environmental considerations central to global economic decision-making.

Three. Recognize what is working and what is not working. There is no need to reinvent the wheel. There are already a number of public and private sector initiatives and partnerships that seek to promote a transition to a green economy world. At the same time, current organizations, policies, and practices must be subject to critical evaluation and changed if they stand in the way of the realization of a green economy. Furthermore, activities and regulations across organizations, states, and issue areas must be coordinated. Policy goals should be formulated clearly and followed by monitoring and reporting (related to discussions about targets and timetables). There should also be actual consequences for failing to meet agreed-upon goals and targets.

The desire to create new institutions without first thinking about what will happen to old ones — and to simply assume that the problems that have plagued institutions in the past will somehow disappear in the future — remains as prevalent as

it is misguided. Rio+20 delegates are well-advised to resist this temptation. For example, the period right before and right after the 1992 Rio Earth Summit was extremely productive in the negotiation of new structures. There are a variety of instruments available for a range of pressing issues, including a variety of financial mechanisms (although many have few or no resources). The challenge is no longer of creating new instruments, but of making the existing ones effective and functional.

A fruitful discourse for Rio+20 would be to meaningfully enhance the efficacy of the main elements of the system of international environmental governance as it now exists. For example, there is a need to (a) focus on strengthening the UNEP — especially in terms of giving it financial stability, authority, and dependability — so that it can effectively deal with its growing responsibilities; (b) return to the original design mandate of the Commission on Sustainable Development and make it a review mechanism for progress toward sustainable development; and (c) accelerate the process of rationalization of multilateral environmental agreements through consolidation and better linkages.

Four. Make implementation the focus. The time around the 1972 Stockholm Conference and the 1992 Rio Earth Summit saw a frenzy of international institution-building that produced a rich edifice of instruments central to creating and managing a green economy. The system remains focused on negotiation, but a functional green economy will require that societies shift their attention much more toward implementation. Rio+20 provides an opportunity to accelerate this transition. There has been growing restlessness among industrialized and developing countries alike — although for different reasons — to make implementation a more central focus, and the UNCSD can become the marker that signifies this shift in attention.

Enhanced implementation involves better incorporating public, private, and civil society actors who are closer to implementation, including at the domestic levels. This will require multilevel governance from major intergovernmental

forums down to town halls and households. The subsidiarity principle should guide policy and management efforts; each issue should be dealt with at the most appropriate level. At each level, accountability issues are crucial to ensure change and implementation. This includes thinking carefully about what kind of monitoring and evaluation mechanisms are needed and how they may be established. To this end, a host of scientific, economic, and political information needs to be generated and shared in an open and transparent manner.

Five. The state remains central but non-state actors have to be better accommodated. A focus on green economic issues highlights the importance of markets and consumers, but governments will remain central. There is a tendency (often by those outside of governments) to downplay the importance of the state. There is also a tendency (often among those within governments) to push responsibility for action and change onto non-state institutions. Both tendencies should be rejected. It is not so much a question of state responsibility being “replaced” or “taken over” by other actors, but rather state responsibility evolving to (a) enable more and better action by non-state actors and (b) work in concert with non-state institutions. Rio+20 should develop new and expanded ways of making the engagement with citizen and market groups deeper and more directly related to implementation.

However, just as the state has to learn how to create a space where markets and citizens can spur institutional innovation, it also has to retain and assert its role as rule-setter and enforcer. This is already evident in the area of climate change and the creation of carbon markets — markets that can neither operate nor be created independent of state action — and will become increasingly important in the management and greening of natural resource supply chains. As these market instruments may become defined more and more by national security concerns, the importance of the state will increase — not diminish — in the evolving institutional needs of the planet.

At the same time, the state itself has changed over time, and certainly the structure of states that make up the international system has. No single bloc of countries or region holds all the answers. But certainly compared to 1972 and 2002, the North today is a little less “North” and the South a little less “South” than they used to be. As global power balances shift, as corporations as well as citizens and their consumption become more global and more central to the global enterprise, international politics and policy is forced to confront new realities about “North-South” differences. Neither is ready to wither away, but both have evolved — as have the relations of both to the many non-state actors critical to the realization of a green economy.

Five+1. Put equity at the center. Finally — overarching and incorporating all of the first five ideas — equity has to be a central goal. A green economy and its institutions must have

as their core focus the well-being of people — of all people, everywhere — across present and future generations. That essential idea puts the notion of equity — intra- as well as inter-generational equity — at the center of the green economy enterprise. It also brings to the fore the centrality of consumption questions, not only between nations but within societies. It would be folly to forget that a green economy demands not just “green consumers” but “green citizens.”

The proximate goal in the creation of a green economy is the notion of making the economy more ecologically efficient — meeting economic needs without compromising ecological integrity. But the ultimate goal is to do so in a way that the needs of all people — today and in the future — can be met. That, after all, is the central premise of sustainable development. Therefore, a deep commitment to issues of fairness and social justice is central to the green economy transformation. It is not just fitting, but necessary, that Rio+20 be a forum that helps ensure that the desire for ecological efficiency complements, and does not displace, the commitment to intra- and inter-generational equity.

Time for action

Both the number of people who still live in abject poverty and the rapid increase in the number of people who engage in high-consumption lifestyles raise crucial challenges for change. Rio+20 delegates should seek to craft a global new deal for sustainable development; a deal that could finally help bridge the North-South divide by tackling poverty, over-consumption, environmental degradation, social justice, and greenness of the economy as well as sustainable livelihoods. Versions of many green economy ideas have been debated for decades, and will continue to be debated, as they should be. It has been said many times before, but it will hopefully inspire action this time: More aggressive policy change for sustainable development and implementation are needed. ■



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