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**Policy issues: emerging policy issues**

**Follow-up to and implementation of the outcomes  
of United Nations summits and major intergovernmental  
meetings, including the decisions of the Governing  
Council**

**An inclusive and equitable green economy in the context of  
sustainable development and poverty eradication**

**Background note**

*Summary*

Without rapid economic and ecological restructuring, the world economy is likely to approach critical environmental thresholds and tipping points, which could further increase poverty, inequality and class tensions. By redirecting investments to safeguard and build “productive assets of the poor” (such as soil, forests, fish, water and other forms of environmental assets on which the prosperity of the poor depends) and to generate sources of economic growth and employment from activities that address environmental challenges, the inclusive green economy approach offers a viable option which simultaneously addresses these multiple challenges, including in low-income countries.

The present note is being submitted in support of the Executive Director’s lunchtime dialogue on an inclusive and equitable green economy in the context of sustainable development and poverty eradication. Participants in that event will discuss how a managed transition to an inclusive green economy can offer new pathways to economic development and prosperity for all, especially for the poor, in a world of increasing environmental scarcities, growing economic uncertainty and the continued existence of widespread poverty. It will examine the needs for capacity development, knowledge-sharing and alternatives for catalysing finance to support those countries wishing to adopt green economy policies to achieve sustainable development and poverty eradication.

\* UNEP/GC.27/1.

## I. Green economy in the context of sustainable development and poverty eradication

1. In the Rio+20 outcome document, “The future we want”,<sup>1</sup> the concept of a green economy in the context of sustainable development and poverty eradication was underlined as one of the important tools available for achieving sustainable development. Countries called on the United Nations system to support countries interested in the green economy by finding appropriate partners and providing tools, methodologies and platforms.

2. Moving forward from Rio, this paper provides some elements and questions to help frame and support a ministerial discussion on advancing the implementation of the Rio+20 outcome document, especially in the area of green economy as a tool for poverty reduction. It covers vital issues for a transition to an inclusive green economy, including financing, investment, poverty reduction and the promotion of social equity.

3. The prosperity, businesses and wealth-creation opportunities of the poor are integrally linked with the productive capacity of nature. While global gross domestic product (GDP) surpassed \$58 trillion late in the previous decade, the poorest 40 per cent of the world’s population produced less than 4 per cent of that global income. An overwhelming majority of that 40 per cent (approximately 3 billion people) live on small farms, in coastal areas and close to forests, and depend on nature (soil, forests, fish, water, biodiversity, and so forth) for their livelihoods, nutrition, health, employment, income and wealth-creation opportunities. Natural capital constitutes a major portion of the productive capacity of the poor and the total wealth of low-income countries. The Economics of Ecosystems and Biodiversity (TEEB) estimates that ecosystem services and other non-marketed goods account for 47 to 89 per cent of the “GDP of the poor”. The degradation of the productive assets of the poor, exacerbated by lack of access to modern infrastructure (for example, energy, roads and markets), creates a poverty trap, which leads to a reinforcing loop of further degradation and worsening poverty.

4. Environmental degradation, economic challenges and poverty can be simultaneously addressed by applying an inclusive green economy approach. The findings of the United Nations Environment Programme (UNEP) Green Economy Report of 2011, *Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication*, and the results of national green economy studies suggest that targeting investments in building natural capital and ecosystems services and supporting them through policy reforms contribute to generating income streams, livelihoods and well-being for the poor. Those reforms also result in overall economic growth, stimulate increased trade in sustainably produced goods and generate employment. For example, an extensive review of data from Africa and Asia demonstrated that investments and policy reforms supporting green farming methods have resulted in productivity increases of 59 to 179 per cent.<sup>2</sup> Modelled scenarios for the Green Economy Report suggest that investments aimed at greening agriculture could create 47 million additional jobs in the next 40 years, compared with a business-as-usual scenario. Uganda, despite being a landlocked least-developed country dependent on smallholder agriculture, is now the major exporter of organic products in Africa. Studies have estimated that every 10 per cent increase in farm yields can lead to a reduction in poverty of 7 per cent in Africa and more than 5 per cent in Asia.<sup>3</sup>

5. One of the major challenges that many countries face in the transition to an inclusive green economy is linked to financing and investments, by both the public and the private sectors. Finances are needed to (a) build the productive assets of the poor and create new jobs in natural-resource-based sectors of the economy, including small and medium-sized enterprises; (b) increase access for low-income groups to development infrastructure, such as green and reliable energy sources, clean drinking water, sanitation and market infrastructure; and (c) protect the poor against environmental and climate-related risks, including risks to health, life and assets. Fundamentally, investment is a major driver of economic growth and job creation. And the investment of today will shape the ecological footprint, human capacity and social fabrics of our economies for the next 20 to 30 years.

6. The UNEP Green Economy Report explores the impact of an allocation of up to 2 per cent of global GDP (approximately \$65 trillion in 2011) over the next 40 years to jump-start the green transformation of the global economy. The Republic of Korea is one of the countries that have made that allocation at the national level in its five-year plan through 2013. In China, \$1.29 trillion is expected to be invested in green development during the five-year plan period of 2011–2015. In 2010,

<sup>1</sup> General Assembly resolution 66/288, annex.

<sup>2</sup> *Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication*, United Nations Environment Programme, 2011.

<sup>3</sup> Ibid.

the percentage increase in investment in renewable energy in Africa of \$3.6 billion was the largest among developing countries, aside from Brazil, China and India.

7. The investments aimed at greening the economy are rapidly increasing and efforts are needed to expand the coverage of their benefits to the poor. Globally, between 2004 and 2008 annual green investment grew at a compound rate of 37 per cent. Although the growth in this type of investment was reduced to 4 per cent in 2009 owing to the financial crisis, it rebounded again to 30 per cent in 2010. Many policies can be employed to support directing these investments to improve social equity. For example, the phasing-out of fossil fuel subsidies could result in the attainment of half of the global carbon target, as projected by the International Energy Agency, while the savings from subsidy reform could be redirected to investment in social services, as is currently under discussion in Indonesia. Shifting the tax burden off labour and onto resource use and carbon emissions can also induce investment in resource efficiency and low-carbon technologies, with the additional benefit of promoting employment. Such a policy was recently implemented in Australia.

8. Many countries, companies and communities around the world have created replicable models that have catalysed investment and resulted in growth in economic sectors, new green and decent jobs and increased GDP of the poor. The growth of the renewable energy sector in China, increasing production of and trade in organic agricultural products in Uganda, the successful integrated urban and industrial planning in Curitiba, Brazil, the Orangi Pilot Project in Karachi, community forestry in Nepal and the protection of ecosystems to ensure the supply of clean water to the city of Quito are examples that have contributed to greening of economy, improving the well-being of the poor and creating new jobs.

9. The path to success, however, has not been without challenges and barriers, including financing and issues related to governance, limited resource endowments, capacity constraints and the dissemination and uptake of technology. In relation to the green economy, as part of the response to the Rio outcome document UNEP has proposed creating a Partnership for Action on Green Economy (PAGE) to help interested countries overcome those barriers and open new pathways to sustainable development. The round table will provide a platform for discussion on challenges and barriers in using a green economy approach for poverty reduction and the successful experiences of overcoming them.

## II. Questions for discussion

10. Building on the Rio+20 outcomes, and in particular the agreements outlined in paragraph 66, what are the main constraints for countries to move towards a green economy as a tool for poverty reduction, and how could PAGE contribute to overcoming them?

11. What are the concrete experiences of countries in using a green economy approach for poverty reduction and improving natural resources while generating economic growth? What role has investment and finance played in this, and how has it been mobilized?

12. What are the models that can be shared to create new employment and income opportunities for the poor through the greening of economies, in particular in least developed and low-income countries?

13. What are the major challenges faced by Governments in shifting public and private investment at the necessary scale towards green activities, including laying down low carbon infrastructure and enhancing ecosystem resilience? What are the country lessons, experiences and policies that can be shared, and how can UNEP and the United Nations system best respond to those challenges?