



International Chamber of Commerce

*The world business organization*

## Rio+20 UN Conference on Sustainable Development: DRAFT ICC Contribution for the Compilation Document

*Present in over 120 countries through its global network, ICC – the world business organization - is a representative body that speaks on behalf of enterprises from all sectors in every part of the world. ICC would like to underscore the private sector's vital role in efforts to promote sustainable development as recognized in Chapter 30 of Agenda 21. In particular, it notes that "increasing prosperity, a major goal of the development process, is contributed primarily by the activities of business and industry"<sup>1</sup>.*

*As a convener of the Business Action for Sustainable Development (BASD) 2012, ICC welcomes this opportunity to submit input to the compilation document for the outcome document for the United Nations Conference on Sustainable Development (Rio+20). Our submission complements and supports the BASD 2012 submission.*



*In this regard, ICC's input focuses particularly on the two Rio+20 themes a) green economy in the context of sustainable development and poverty eradication and b) institutional framework for sustainable development. It should be read in conjunction with various ICC policy statements and papers<sup>2</sup> produced over the past several years.*

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

#### **Global Policy Context on Green Economy**

The "green economy" concept has emerged prominently in various intergovernmental forums such as the United Nations Environment Programme's (UNEP) Green Economy Initiative, the Organisation for Economic Co-operation and Development (OECD) Green Growth Strategy and in discussions among G20 leaders. In addition, "green economy in the context of sustainable development and poverty eradication" has been declared a priority theme for the United Nations Conference on Sustainable Development in 2012 (Rio+20). Clearly governments around the globe are seeking ways to define and shape this concept into meaningful policy frameworks that advance economic growth while enhancing environmental protection.

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<sup>1</sup> Agenda 21, Chapter 30.1 available at: [http://www.un.org/esa/dsd/agenda21/res\\_agenda21\\_30.shtml](http://www.un.org/esa/dsd/agenda21/res_agenda21_30.shtml)

<sup>2</sup> [www.iccwbo.org/policy](http://www.iccwbo.org/policy) and [www.iccwbo.org/g20](http://www.iccwbo.org/g20)

## Definition and Terminology

“Green Economy” is a term principally utilised by policy makers. There is neither yet a single agreed definition nor a set of indicators or financial measurements on what exactly consists the “Green Economy” Global business would therefore rather focus on “greener economies” which acknowledges the many challenges and opportunities present across sectors and value chains. However, for the purpose of the upcoming United Nations Rio+20 Conference on Sustainable Development, we acknowledge the term “Green Economy” as a policy term and view it as a unifying theme to articulate “sustainable development<sup>1</sup>” as the “direction” in which all economies need to strive towards while acknowledging existing tensions and current global economic turmoil. Whilst the concept is global in scope, the priorities and actions needed to transition towards a “Green Economy” may vary from sector to sector, value chain to value chain, and specific national circumstances.

### Definition

The ICC Green Economy Task Force has thus defined the term “Green Economy” as follows: **“The business community believes that the term “Green Economy” is embedded in the broader sustainable development concept<sup>3</sup>. The “Green Economy” is described as an economy in which economic growth and environmental responsibility work together in a mutually reinforcing fashion while supporting progress on social development. Business and industry has a crucial role in delivering the economically viable products, processes, services, and solutions required for the transition to a Green Economy.”**

### Terminology (often used interchangeably)

- *Green Growth (Bottom Up) – Operational, Process Level*  
What enterprises do every day: Companies “green” products, processes, services, technologies, implement sustainable consumption and production (SCP) practices, “green” their supply chains, drive research and development (R&D) for “green” innovations and solutions, as well as integrate sustainability into business strategies.
- *Green Economy (Top Down) – Strategic, System Level*  
The term “economy” applies to the macro-economic policy level and addresses systemic challenges beyond Gross Domestic Product (GDP), including incorporating environmental externalities in economic terms. In this way sustainability is mainstreamed into macro-economic policy.

Business acknowledges the shared need for action and the need to work on both, “bottom up” and “top down” approaches simultaneously. A one size fits all approach does not exist.

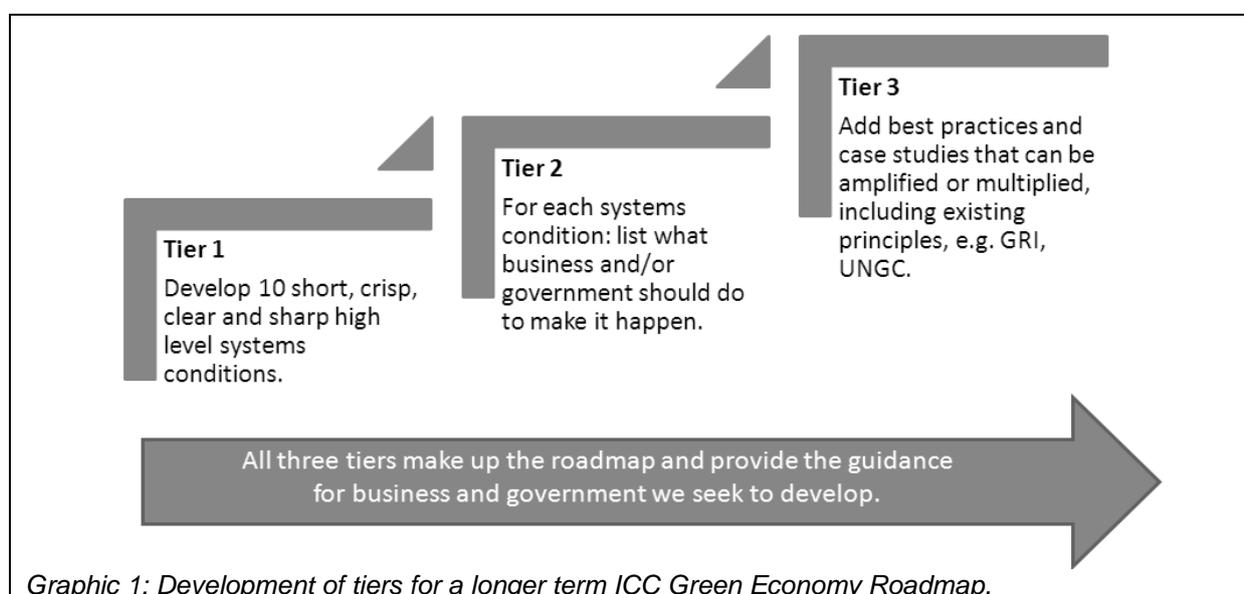
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<sup>3</sup> ‘Our Common Future’ (1987) or the Brundtland report defines sustainable development as: “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

## The Ten Systems Conditions for a Transition towards a “Green Economy”

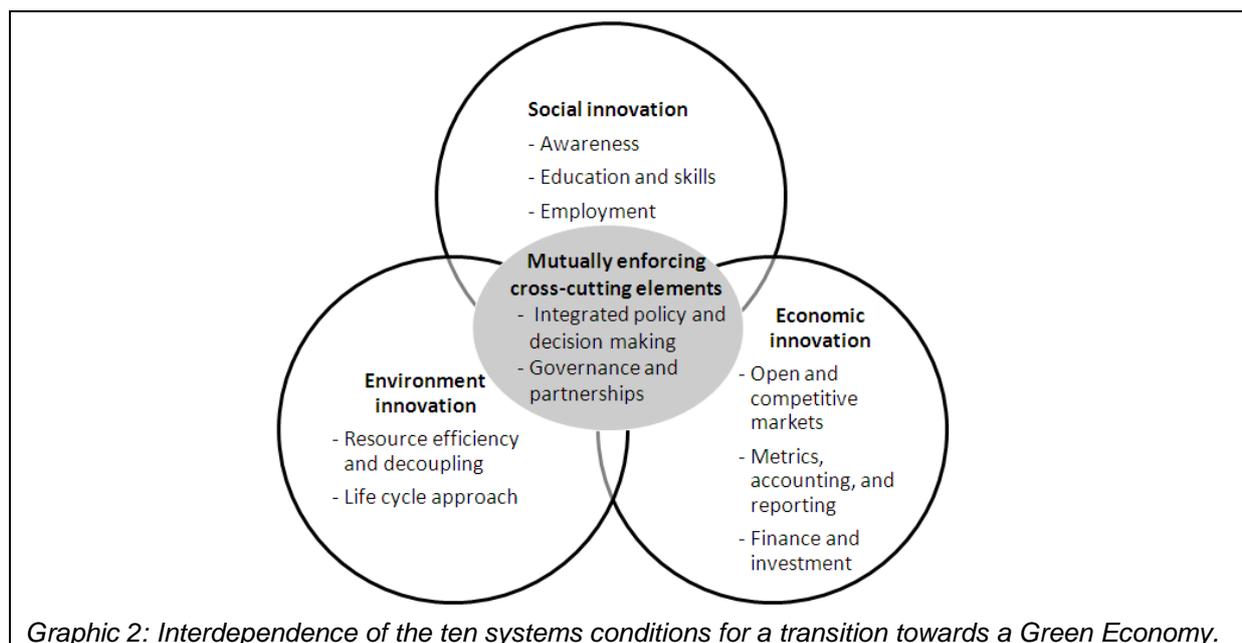
A Green Economy requires the three pillars (economic, social, and environmental) of sustainable development to work in a mutually reinforcing fashion while supporting progress on social development. Efforts by all actors should reconcile the need for short and medium term profit with longer term systemic change. Economic growth is and will be essential to provide the resources and social equity necessary to build capacity and finance actions in a transition towards a Green Economy.

The private sector has already taken concrete actions towards building a Green Economy, including by reducing environmental impacts across value chains to increasing energy and resource efficiency, investing in low-carbon and renewable energy and reducing waste. To provide guidance for governments on key lessons learned, the ICC Task Force on Green Economy undertook extensive analysis and consultation to determine what is required to further a transition towards a Green Economy, including the development of the following ten high level systems conditions that will form Tier I of a longer term ICC Green Economy Roadmap as outlined below.



Graphic 1: Development of tiers for a longer term ICC Green Economy Roadmap.

## Tier I: The Ten Green Economy Systems Conditions



### Social innovation

#### 1. Awareness

The shift towards a Green Economy requires awareness about the depth of global economic, environmental and social challenges as well as new opportunities. Awareness and understanding are pre-requisites for setting priorities and action and require a shift in the global debate. It is a shared priority and challenge for all actors, whether government<sup>4</sup>, inter-governmental bodies, business or civil society and consumers.

#### 2. Education and Skills

Education is paramount for the operationalization of the Green Economy. Education must be enhanced by policy makers, academia and business in order to build the skills and entrepreneurship needed for implementation. All skill requirements will be affected from continuously evolving environmental and scientific understandings. A Green Economy should seek to develop the necessary skills in STEM<sup>5</sup> and inter-disciplinary disciplines, in human and natural capital, sustainable livelihoods, capacity building.

#### 3. Employment

Employment is a critical element to the economy, the environment and social development. A Green Economy provides decent and meaningful employment and promotes employment throughout the world, especially as a means to overcome poverty. Policies aimed to create so called “green jobs” should not come at the cost of a net reduction of jobs across the overall economy. A distinction between “green” and “brown” jobs must be avoided as all jobs contribute to green all aspects of the economy.

<sup>4</sup> “Government” is used as an umbrella term for governments at national, regional, and local level.

<sup>5</sup> STEM: science, technology, engineering, and mathematics

## **Environmental innovation**

### 4. Resource Efficiency and Decoupling

A Green Economy recognizes that the world's resources are finite and must be managed with scarcity in mind. It enhances the resource efficiency of materials flows through the principle of "more from less". It also seeks to take into account the economic value of natural capital and ecosystem services. Over the long term, Green Economy strives to increase economic, social, and environmental benefits to achieve sustainability while decoupling economic activities and societal developments from negative environmental impacts.

### 5. Life Cycle Approach

A Green Economy adopts a life cycle approach which involves further minimizing the environmental footprint of all economic activity through applying science and acknowledging emerging knowledge. The life cycle of a product starts at raw material extraction, research on conceptual design and development of products and services, manufacturing, distribution, use and end of life treatment options such as recycling, recovery and re-use or re-manufacturing. At every stage of the life cycle of a product, process, technology or service, critical questions about costs, benefits, environmental responsibility and social impact are being addressed. A life cycle approach also helps identify hidden opportunities and accounts for unintended consequences, spillover implications, and competition for resources.

## **Economic innovation**

### 6. Open and Competitive Markets

A Green Economy emphasizes the importance of sustainable growth and access to open, well-functioning, and efficient markets. It recognizes that relying on markets is indispensable to the evolution of both societies and companies toward greener economic activity and prosperity. In order to become a functional economic system, Green Economy needs to become ingrained in international and global markets and operationalized in the market and business balance sheets. Economy-wide approaches should be adopted that include receptive markets for delivering business value and commercially viable products and services along the value chain.

### 7. Metrics, Accounting, and Reporting

For a Green Economy to become operational, indicators, metrics, accounting measures and better disclosure and reporting must be developed that make sense in economic terms while ultimately including the cost for externalities. This entails the simultaneous pursuit of developing operational green growth measures at company level (bottom up) and strategic macro-political accounting standards and economic indicators at the system level beyond Gross Domestic Product (GDP; top down). A flexible approach which balances the cost-benefits remains critical for success; flexibility will also be essential to incorporate new knowledge and scientific understanding in coming decades.

### 8. Finance and Investment

A Green Economy actively drives innovation in private and public finance and investment into the direction of sustainable development. To succeed, it should set supporting policy and regulatory frameworks that promote informed investment decisions for both public and private investors. It stimulates new demand for innovative and responsible businesses and government services through transparency. It also provides appropriate public-private engagement mechanisms that look beyond short-term pressures and focus on the development of long term shared value.

## Mutually enforcing cross-cutting elements

### 9. Integrated environmental, social and economic policy and decision making

A Green Economy has a holistic approach to decision making. It integrates and balances policies with respect to environmental, social and economic priorities by considering the intended and unintended consequences of interlinked policies that may result in synergies or barriers and promote or hinder economy-wide, greener growth. Consequently, it will be essential to enhance scientific input and consider perspectives from a variety of stakeholders to assess policy pathways and to improve processes moving forward.

### 10. Governance and Partnerships

A Green Economy is based on governance structures that allow all actors to meet their shared responsibilities. Governance structures at local, regional, national and global level need to be aligned and mutually reinforce each other for innovation to occur. Elements include but are not limited to multilateral rules-based trade and investment, a stable economic environment governed by the rule of law, including effective intellectual property rights protection, strong contractual arrangements, and safe and stable communities. A key modus operandi of a Green Economy is working through new approaches that facilitate innovative collaborations and partnerships between business, government and civil society. Such collaborations can take many forms including public private partnerships, business value chain engagements and alliances with academia and consumers. No one can do this alone.

## II. Institutional framework for sustainable development

### **Key messages**

- For business, this important area can be divided into two parts:
  - a) improving the institutional framework for sustainable development from the perspective of business;
  - b) enhancing the role of business therein;
- Moreover, we regard it as inextricably linked with other key matters in Rio+20, notably green economy in the context of sustainable development and poverty eradication and emerging issues.
- Achieving improved conditions for transparency and integrity in doing business in all countries is of paramount importance for private and public sector actions in support of implementation of Rio+20 recommendations. The fight against bribery and other corruptive practices should be a shared priority.

Institutions and governance are critical elements of enabling frameworks for sustainable development, and improving their effectiveness will be an important outcome of Rio+20. Challenges of globalization require active collaboration between governments and stakeholders, particularly business. While companies doing business in globalized markets and across supply and value chains welcome and often prefer globalized approaches and integrated frameworks, they also understand the importance of tailored approaches and institutions reflecting national circumstances and priorities. Such approaches will create a mosaic of solutions and approaches across global, national and local levels – however they will pose challenges for coordination, jurisdiction, and efficiency. Finding the right balance is critical. ICC believes that the following three points should be considered in the Rio+20 outcome document:

- **Development of a system-wide strategy for sustainability across the United Nations system.** The long-term goal of integration will require global economic and social institutions to become more responsive to environmental concerns, but will also require more integration of social and economic dimensions by “environmental” institutions. We support the option of “enhancing institutional reforms and streamlining existing structures,” as the primary vehicle for advancing larger sustainability goals – thus, preserving and strengthening what has worked well; understanding and responding to challenges and strains; continuing progress to increase value and effectiveness for government delegations and observer groups. A system wide strategy for sustainable development across the United Nations would ensure greater coordination.
- **Identification of priorities by United Nations institutions and concentration on their specific expertise:** In the past two decades, a number of new challenges to sustainable development have surfaced which have required the international community to produce joint efforts. Climate change, the loss of biodiversity, the spread of desertification and land degradation, damages to marine life, governance, corruption, poverty eradication, education, amongst others, all these issues have been taken up at the UN level in an effort to offer concerted solutions. A clear process leading to a thorough assessment of emerging issues would assist in the allocation of tasks and responsibilities amongst a variety of actors within and outside the United Nations.

Below please find two concrete steps that can assist in flagging priorities, and ensuring that resources are well deployed:

- *strengthening the science-policy interface* within international institutions, with the full and meaningful participation of developing countries. This must also include channels for credible and robust science from stakeholders, particularly from business.
- *strengthening links between policy making and financing*, to widen and deepen the funding base. Governments must approach the challenge of the overall framework of intergovernmental institutions with more deliberate and strategically guided resourcing, as well as more vigilant oversight.

We encourage the development of synergies between compatible multilateral environmental agreements while preserving and complementing the independence and tailored nature of multilateral agreements should be a priority.

Enabling frameworks and incentives in policies, markets and institutions are critical to effective and successful implementation of sustainability policies. In addition to sound, science- and risk-based national environmental regulations, important elements include rule of law, strong local and national institutions, and open trade and markets.

- **Enhancement of the engagement of business and business organizations:** Sustainability and globalization challenges cannot be addressed by governments alone, and require active collaboration between governments and stakeholders, particularly business. Since the 1992 United Nations Conference on Environment and Development in Rio, discussions in numerous forums have increasingly – whether implicitly or explicitly - acknowledged the need for engagement by business on multiple fronts: technology, investment, implementation, job creation, competitiveness, capacity building, among others. While each of the nine major groups brings varied capabilities, networks and structures to the process, we believe that business is a central actor for the achievement of the sustainable development goals.

Enhancing the engagement of business and business organizations – along with other major groups – is an indispensable attribute of a substantive outcome of Rio+20 discussions on institutional framework for sustainable development. Enhancing the role that business plays is one way to strengthen synergies across the various bodies involved in the economic, social and environmental pillars of sustainable development, and thus accelerate its implementation.

From a business perspective, the starting point of strengthening its contribution is in national sustainable development efforts, that builds on compliance with national laws, in associated business planning and management systems and in implementation wherever a company operates. These can include and be reinforced by a number of additional voluntary approaches, including:

- Partnerships with governments, inter-governmental organizations, and NGOs
- Voluntary codes like ICC Business Charter for Sustainable Development or the Global Compact
- Voluntary sectoral approaches such as the chemical's sector's "Responsible Care"
- "Soft law" approaches, like the OECD Guidelines for Multinational Enterprises
- Reporting initiatives, such as the Global Reporting Initiative (GRI)
- Standards and guidance, such as ISO 14000 and ISO 26000

## **Policy Recommendations**

1. *affirm* that the two themes of Rio+20 (a) green economy in the context of sustainable development and poverty eradication; and (b) the institutional framework for sustainable development are mutually reinforcing as there is a need for structural change in the institutions that govern the global economy.
2. *affirm* that a transition to a green economy will depend on structural change in the institutions that govern the global economy. Improving these institutions and their ability to enable the right frameworks are critical prerequisites for all actors to deliver on their shared responsibilities and ensure better coordination in policy implementation. Governments should support this by undertaking, inter alia, the following:
  - (a) *affirming* that the long-term goal of integration will require global economic and social institutions to become more responsive to environmental concerns, but will also require more integration of social and economic dimensions by "environmental" institutions.
  - (b) *encouraging* synergies between compatible multilateral environmental agreements, whilst preserving and complementing the independence and tailored nature of multilateral agreements as a priority.

- (c) *developing* a system-wide strategy for sustainability in the United Nations system to better accommodate all three pillars of sustainability, and foster a more integrated approach with economic international institutions.
  - (d) *creating* a stronger link between global environmental policy making and financing, to widen and deepen the funding base for environment.
  - (e) *developing* a system-wide capacity-building framework for the environment.
3. *approach* the challenge of the overall framework of intergovernmental institutions with more deliberate and strategically guided resourcing, as well as more vigilant oversight.
  4. *build* consensus on strengthening the synergistic roles of governments, business, civil society for a transition towards a green economy, and in particular seek to enhance business engagement.

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# The International Chamber of Commerce (ICC)

ICC is the world business organization, a representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world.

The fundamental mission of ICC is to promote trade and investment across frontiers and help business corporations meet the challenges and opportunities of globalization. Its conviction that trade is a powerful force for peace and prosperity dates from the organization's origins early in the last century. The small group of far-sighted business leaders who founded ICC called themselves "the merchants of peace".

ICC has three main activities: rules-setting, dispute resolution and policy. Because its member companies and associations are themselves engaged in international business, ICC has unrivalled authority in making rules that govern the conduct of business across borders. Although these rules are voluntary, they are observed in countless thousands of transactions every day and have become part of the fabric of international trade.

ICC also provides essential services, foremost among them the ICC International Court of Arbitration, the world's leading arbitral institution. Another service is the World Chambers Federation, ICC's worldwide network of chambers of commerce, fostering interaction and exchange of chamber best practice.

Business leaders and experts drawn from the ICC membership establish the business stance on broad issues of trade and investment policy as well as on vital technical and sectoral subjects. These include financial services, information technologies, telecommunications, marketing ethics, the environment, transportation, competition law and intellectual property, among others.

ICC enjoys a close working relationship with the United Nations and other intergovernmental organizations, including the World Trade Organization, the G20 and the G8.

ICC was founded in 1919. Today it groups hundreds of thousands of member companies and associations from over 120 countries. National committees work with their members to address the concerns of business in their countries and convey to their governments the business views formulated by ICC.

## *About the ICC Task Force on Green Economy*

The Green Economy Task Force working under the auspices of the ICC Commission on Environment and Energy was launched in October 2010 to prepare, amongst others, ICC business and industry input into the United Nations Conference on Sustainable Development in 2012 and to develop a business response to the UNEP Green Economy Initiative. The task force currently consists of approximately 90 members from a variety of sectors worldwide seeking to advance the Green Economy concept with their respective stakeholder constituencies and national contexts, and works in consultation with the ICC global network. For further information, please visit:

[www.iccwbo.org/policy/environment](http://www.iccwbo.org/policy/environment)

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**Policy and Business Practices**

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