

Workshop Report

5th ESDN Workshop

“From Green Growth towards a Sustainable Economy?”

Hosted by the [ESDN](#) in cooperation with the [Spanish EU Presidency](#)

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Introduction

The 5th ESDN workshop, entitled “From Green Growth towards a Sustainable Economy?”, took place in Madrid on 25-26 March 2010 and was hosted by the ESDN in cooperation with the Spanish EU Presidency. In total, 67 participants from 18 European countries attended the workshop, including ESDN members, representatives of the Spanish EU Presidency, representatives of UNEP and the OECD, members of the European Environment and Sustainable Development Advisory Councils (EEAC) and the Sustainable Development Observatory of the European Economic and Social Committee (EESC) as well as other invited experts. The list of participants can be found in Annex I of this report.

Thematic outline

For the past two centuries, economic growth has been the engine of modern societies, markets have become their central organizing principle and GDP has been used as the main measuring instrument of economic activities. The ‘limits to growth’ approach in the early 1970s and the sustainable development (SD) discourse over the last two decades, have put an exclusive orientation towards traditional growth into question. The recent financial and economic crisis has mainstreamed this discussion and fostered a very intensive debate among policy-makers, researchers and the media about the future of our economic systems and which kind of growth should be promoted. Due to the fact that SD has become a guiding policy objective on the different political levels and that the challenges to tackle climate change receive broad attention, much of the current debate centres around how to link SD and growth as well as how growth can be reoriented to better address environmental and social issues. Linking SD and growth has been addressed by the UN (Green Economy Initiative) and the OECD (Green Growth Declaration) as well as by the EU (“Europe 2020” strategy) and on the national level (e.g. “Growth in Transition” initiative in Austria, Smart Economy Strategy in Ireland, “Prosperity without Growth” in the UK). The debate has also been taken up by the ESDN in its recent [Quarterly Report of December 2009](#). The workshop deepened the current debate by focussing on questions such as: What kind of growth should be promoted to achieve SD? Is ‘green growth’ sufficient to move into the right direction from an SD perspective? What can be learned from existing strategies, initiatives and activities that link SD and growth? Which criteria, governance mechanisms and policy tools should be applied to achieve a sustainable economy?

Topics and format

After an introduction to the workshop and an overview of how Spain is linking economic growth and SD and which efforts are undertaken by the country to promote green jobs, the workshop consisted of three sessions: Session 1 provided some general reflections on linking economic growth and SD. In Session 2, strategies, initiatives and activities on the different political levels that link SD and economic growth were presented and discussed in panels and in the plenary. In Session 3, the workshop participants were invited to collect, in three parallel working groups, inputs for a “tool box” on how to move from green strategies towards an economy compatible with SD principles that will be further elaborated at the ESDN Conference 2010. The working groups focussed on (a) criteria of an economy based on SD principles, (b) governance mechanisms necessary for the transition process and (c) policy tools to achieve the transition. After the presentation of the working group results to the plenary, the ESDN co-chairs informed the participants about the forthcoming ESDN Conference 2010 (4-6 July 2010 in Ghent/Belgium).

Welcome addresses

Teresa Ribera (Secretary of State for Climate Change, Spain) welcomed the workshop participants on behalf of the Spanish EU Presidency. She pointed out that the workshop topic of linking economic growth and sustainable development is very topical and is currently addressed at all political levels. Discussions are mainly fostered by two aspects: on the one hand, environmental issues are increasingly seen as having positive potentials for the future (e.g. job creation, welfare, quality of life in society, competitive advantage of businesses, etc.); on the other hand, there is a need to help the economy after the financial and economic crisis (e.g. restructuring the economy, fostering innovation and technology, efficient use of resources, etc.). Ms Ribera went on to identify three challenges in linking growth and sustainable development: (a) a wave of delusion should be avoided, therefore, real costs of resource use need to be translated into policies (e.g. carbon market, fiscal incentives), (b) the definition of a roadmap and concrete actions – practical steps should be formulated, and (c) formulation of ‘smart policies’ to tackle pertinent issues in this time of transition by involving stakeholders. She argued that the winners in times of transition will be the ones who take up the current challenges and create opportunities for the future.

The ESDN co-chairs, **Elisabeth Freytag and Wolfram Tertschnig** (both Federal Ministry of Agriculture, Forestry, Environment and Water Management, Austria) welcomed the workshop participants on behalf of the ESDN Steering Group. They pointed out that the timing of the workshop falls together with the decision on the “Europe 2020” strategy at the European Council. The workshop, however, was not only about the discussion within the EU, but also about international initiatives and strategies to link economic growth and sustainable development. Both argued that the move towards a sustainable economy requires clear definitions and conceptual clarifications. One of the most important issues in this context is to ensure integration of the different policy sectors. Finally, they introduced the workshop programme and the work on a ‘tool box’ to move towards a sustainable economy which will be based on the experiences of the ESDN members: the workshop participants will develop first inputs of the tool box which will be further elaborated at the ESDN Conference 2010 in Ghent/Belgium on 4-6 July 2010.

Experiences with linking economic growth and sustainable development in Spain¹

At the beginning of the workshop, experiences with linking economic growth and sustainable development in the host country of Spain were presented.

In his presentation, **Luis Jimenez Herrero** (Executive Director, Spanish Observatory for Sustainability) first provided a diagnosis of sustainable development in Spain and the country’s vulnerability to global changes with regards to climate change, biodiversity, desertification, land use, economic globalisation, etc. He argued that sustainable development is the best concept to address climate change challenges and challenges posed by the global economic change. Mr. Jimenez Herrero said that the growth concept of the past was characterised by economic expansion and intensive use of materials, energy, carbon and territory: this resulted in an economic, environmental and social crisis. In order to fight the

¹ The slides of individual presentations can be downloaded from the [workshop section](#) on the ESDN homepage.

current crisis, he suggested changing the old model of production and consumption, to create an innovative and effective economy, and to link employment with environmental issues (“green jobs”). Regarding “green growth”, Mr. Jimenez Herrero mentioned the importance of renewable energy sources, efficient resources use and a change in the “metabolism” of the economy (e.g. ecosystems and new ethical values). Finally, he pointed out that growth and development often mean something different; development should be sustainable and comprise well-being and happiness.

Sonia Castañeda (Biodiversity Foundation of Spain) gave a presentation on the efforts in Spain to promote green jobs and what experiences have been made with the Green Jobs programme of the Biodiversity Foundation. At the beginning, she defined “green jobs” as activities that “all contribute substantially to preserving or restoring environmental quality” in, e.g. agriculture, manufacturing, research and development, administrative and service activities. She pointed out that some of these jobs would be new, others however, rather traditional; the decisive factor is that modified competencies are required to undertake “green jobs”. Ms. Castañeda then gave an overview of the potential of green jobs and mentioned that, based on estimates of UNEP and ILO (International Labour Organization), the global market volume for environmental products and services is currently up to € 1,000 billion (= 1 trillion), with a projected potential of € 2,200 billion by 2020. As currently about 1 in 6 jobs is already related to environmental issues, the potential for creating green jobs in the future seems to be very high. She then went on to describe the experiences made in the Biodiversity Foundation with linking employment and environmental issues. Since 2007, they manage a Green Jobs Programme (co-funded by the European Social Fund) with the main goal to support more than 5,000 SMEs and foster the creation of 1,000 new green SMEs and job. Currently, they run 80 projects within which they provide training to approx. for 28,000 people and support 800 new SMEs or economic activities. Finally, Ms. Castañeda gave two examples of projects and their activities, one focusing on organic farming, the other one on renewable energies.

Session 1: Sustainable development and growth – Reflections and linkages

In this session, which was chaired by **Rafael Marquez** (Ministry of Environment, Spain), the workshop provided a reflection on and identified linkages between sustainable development and growth. The session was introduced by a keynote presentation which was followed by parallel working groups. After the discussions in the working groups, the results were presented in the plenary.

Keynote presentation: Green Sustainable Economic Growth or Socially Sustainable Economic Degrowth?

Prof. Joan Martinez-Alier (Autonomous University of Barcelona, Spain) presented the concept of socially sustainable economic degrowth which, he suggested, is a more useful concept than the concepts of green growth, sustainable development or sustainable growth. The latter concepts have apparently not succeeded in achieving environmental sustainability so that our societies are still on a wrong trajectory. He provided several examples, including that instead of the needed decrease of 50 - 70% in global greenhouse emissions, since 1990 in most developed countries emissions have doubled, or that the EU is a net importer of energy and materials. He also argued that the hopes having been placed into technology solutions (in combination with markets and economic growth) seem to have

been too high; e.g. until now no sustainable solution on how to replace the 85 million barrels of oil extracted daily exists.

Economic degrowth refers to a decrease of economic activities in order to achieve lower consumption of natural resources and lower emissions; however, as Prof. Martinez-Alier stressed, it also requires to be socially sustainable. Generally, economic degrowth is not a new idea – it has been first formulated in the late 1960/early 1970s. In the last 3 years, however, the concept has received much attention and has successfully been introduced into the English-speaking academic community. Furthermore, it has been adopted by social movements (as e.g. Southern environmental justice movements centered around issues of resource extraction), and has become a focus of several high-level events. Nevertheless, as Prof. Martinez-Alier pointed out, whether the concept will be adopted by the policy-makers who are mostly influenced by the Keynesian perspective that more growth is needed to pay off the public debt, remains to be seen.

Due to the recent economic crisis and decrease in GDP, European societies actually already experience economic degrowth and the crisis has even had positive effects on some economic indicators. Degrowth is, however, not a permanent recipe. According to Prof. Martinez-Alier, degrowth should serve as a transition phase towards an economy of steady-state in terms of energy and material use. Also, it does not necessarily require a decrease of economic activities in all sectors but in the economy as a whole – some sectors with positive environmental impacts (such as the refurbishment of buildings) should still grow.

Working Group results

The workshop participants identified, in three parallel working groups, the opportunities and challenges of an economy based on sustainable development principles. Below, please find a summary of the issues raised in the working groups²:

Opportunities

- The current economic crisis should be seen as an opportunity for change and transition of traditional economic systems
- Using the momentum of general societal and academic consensus to create a more sustainable economy and to restructure the financial sector (commitment to reflect and learn)
- Developing integrated policy strategies and ‘toolkits’ with instruments and tools for implementation
- Greening of traditional economic sectors and using innovation potentials
- Proper measurement tools and indicators that have policy relevance
- Enhancing regulatory environment and creating more incentives (e.g. shift taxation from labour towards resource consumption)

Challenges

- Sustainable development is redefined or downgraded to “green jobs” and “eco-innovation” – quick fixes instead of strategic orientation

² A summary of the results of each individual working group can be found in the [workshop section](#) on the ESDN homepage.

- Difference between crisis recovery and transition – clarifying the difference between green growth and sustainable development at the political level
- Finding a concrete definition of sustainable economy and developing clear criteria and binding targets
- Commitment of the private sector and stakeholder involvement
- Formulating concrete alternatives and visions: the EU SDS could be translated into the “EU roadmap for 2050”
- Definition of the social pillar of sustainable development: is it only about jobs?

Session 2: Linking sustainable development and growth – Strategies, initiatives and activities on different political levels

The main aim of the first part of Session 2, chaired by **Jörg Mayer-Ries** (Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, Germany), was to create an overview the strategic efforts to link economic growth and sustainable development at the international level: one keynote provided an overview of the OECD’s Green Growth Strategy and a second keynote offered insights into the work of UNEP in their Green Economy Initiative and related Green New Deal. At the end of the first part of Session 2, a plenary discussion provided the opportunity to reflect on how these international strategies address opportunities and challenges of a sustainable economy.

Strategies, initiatives and activities at the international level

Alan de Serres (Economics Department, OECD) provided an overview of the OECD’s Green Growth Strategy. In 2009, at the OECD Ministerial Council Meeting, 34 national ministers adopted the Green Growth Declaration and mandated the OECD to develop a Green Growth Strategy. The development process of the Green Growth Strategy (GGS) is a horizontal project which involves several OECD directorates and their committees. An interim report on the strategy is foreseen for June 2010 and the final report for June 2011.

The key objectives of the GGS are: (a) “greening” the mainstream growth model by providing specific tools and recommendations to identify policies for a shift towards a greener economy; (b) ensuring to regard the economic crisis as an opportunity – no excuse for delaying environmental action and identifying job opportunities; and (c) promoting international coordination and dialogue on green growth. Mr. de Serres then went on to identify the GGS framework: firstly, to identify policies that promote both economic efficiency and environment integrity, while ensuring social equity; secondly, to achieve coherence from a national and international perspective; and thirdly, to cover certain environmental areas (i.e. climate, biodiversity, natural resources, material management). In order to achieve the objectives of the GGS, several policy tools are planned to be applied, e.g. price-based instruments (e.g. taxes, fees, tradeable permits), regulatory instruments (e.g. laws and regulations, performance standards), green technology and innovation support instruments (e.g. directed R&D funding, public procurement, green certificates, feed-in tariffs), and voluntary and information-based instruments (e.g. rating, labelling, voluntary agreements). The criteria for assessing the policy

instruments will be cost-effectiveness, creating compliance incentives, ability to cope with uncertainties, and effectiveness in stimulating innovation.

Mr. de Serres argued that for the OECD, a policy mix is desirable which is guided by a policy framework but takes account of national circumstances and institutional capacities. He also pointed out that a yardstick for assessing growth performance will be to move beyond GDP and to foster transition by supporting the move towards green technologies. Mr. de Serres concluded by giving an overview of how GGS implementation should be organised: (i) strengthening performance through peer reviews of green growth policies; (ii) examining environmental side-effects of sectoral policies by OECD committees; (iii) improving the measurement of green growth; and (iv) promoting co-operation between OECD and non-OECD countries on issues relating to green growth.

The UNEP's Green Economy Initiative and Global Green New Deal were presented by **Christoph Bouvier** (Regional Office for Europe, UNEP). He started by defining what a "green economy" is, namely decoupling unsustainable resource use and environmental impacts from growth. Issues which have a positive effect for a green economy are green investments, quantity and quality of jobs as well as global/local environmental benefits; negative effects stem from energy-resource-material use, greenhouse gas emissions as well as all forms of wastes and pollutions. Mr. Bouvier argued that a shift towards a green economy is timely because the global economic and financial crises provide an opportunity to reconsider traditional growth models. Moreover, there is momentum on the policy level, e.g. preparation for the UNCSD 2010 (Rio +20 conference), the UN Committee on Sustainable Development that examines the shift towards sustainable production and consumption, and a recent G20 meeting in September 2009 reaffirmed the commitment "to move towards greener, more sustainable growth".

Against this background, UNEP launched its Green Economy Initiative (GEI) in October 2008, with the involvement of stakeholders, in order to motivate and enable governments to invest in green economies. The focus of the GEI is on the process of transition towards a green economy because countries will take different routes to achieve it. The GEI comprises three main components: advisory services, research work, and partnerships. Mr. Bouvier then gave an update on the work of the GEI: the global Green Economy Report (GER) is progressing and draft chapters on various policies have been prepared; the GEI is included as one of the nine UN-wide Joint Crisis Initiatives (JCI); and the work towards a green economy has been strengthened with the support of a Green Economy Coalition, consisting of a range of stakeholders.

As part of the GEI, the Global Green New Deal (GGND) has been developed with three main objectives: (a) to contribute to reviving the world economy, saving and creating jobs, and protecting vulnerable groups, (b) to reduce carbon dependency and ecosystem degradation, putting economies on a path to clean and stable development, and (c) to ensure sustainable and inclusive growth and to achieve the Millennium Development Goals. The GGND is built on three elements: sectorally targeted fiscal stimulus, domestic policy reforms, and international policy architecture and coordination.

Plenary discussion

In the plenary discussion, Alain de Serres stressed the importance of international coordination. He suggested that without the support of an international framework or agreements, even if countries show goodwill to tackle climate change, their attempts may fall short. He mentioned several reasons for this: firstly, individual countries might achieve lower positive impact than is needed; secondly,

without a proper international framework, active countries may face a 'first-mover problem' and the situation may also offer free-rider incentives. The political economy dimension and domestic constraints in the political debate should also be taken into account – persuasion of national stakeholders might become easier with an international framework.

Christophe Bouvier agreed that when international initiatives turn to a 'game of chicken', what one gets is a 'lose-lose situation'. He also discounted the argument typically used by trade unions that lowering GHG emissions will cost jobs – he mentioned that jobs are going to be created in China where massive investment in the new economy occurs. Mr. Bouvier suggested that to overcome impasse, a common political understanding could be built on the concerns for the marginalized (human rights debate), especially the unborn, which can be seen as most marginalized. It seems, however, that there are a number of institutional barriers as well as obstacles to coordination in the form of vested national interests to overcome also at the international level. Christophe Bouvier suggested that the process, from Beograd and Bali, of moving towards a more integrated, effective and, perhaps, forceful system is on track. The Copenhagen Climate Summit made people realise that 'real politics' cannot be underestimated during preparation. However, UNEP cannot 'replace' public and private decision-makers, its role lies in enabling others to make progress.

The discussion also addressed the way how the two international organisations cooperate for the Rio +20 conference in 2012 (UNCSD 2010). Mr. de Serres said that the OECD will mostly work on the policy mix part in order to provide their target groups in the national ministries of environment with a toolkit that should be useful for negotiating with their counterparts in the ministries of finance and economy. As Mr. Bouvier outlined, UNEP will put more emphasis on work in developing and transition countries (rather than OECD members). In order to reach a good outcome, the 2012 conference needs to be prepared under coordination of the UN agencies (i.e. coordination within the UN system). To reach stakeholders, UNEP's work is closely associated with UN ECE and ILO in Europe.

Some participants asked about the difference between the concepts of green growth/green economy and sustainable economy (or an economy built on the principles of sustainable development). Alain de Serres suggested that a sustainable economy performs well under several criteria (rather than just economic or environmental performance) and relies on more than one type of policy instrument (e.g. taxation). It should strive for full internalization of economic and social costs and cost-effective policy solutions which are tailored to fit the characteristics of individual problems. For Christophe Bouvier, the debate about definitions has practical and institutional implications – for example, do we ascribe to the three-pillar model or to the concentric-circles model of sustainable development? Wolfram Tertschig also suggested that there are certain risks in operationalising sustainable development in terms of green growth only.

Other participants raised doubts that the OECD strategy will offer a novel approach as the recommendations from interim reports seem to have been addressed by numerous machineries already in the 1990s: it would perhaps be a useful question to ask why these older measures and objectives have not succeeded then. Alain de Serres explained that individual recommendations (such as the removal of environmentally harmful subsidies) are now part of a bigger strategic vision and also aim to go beyond the mere publication of a report. Previously, recommendations were formulated in isolation as can be seen in the work of the Environmental Directorate. Nonetheless, OECD aims to continue using an approach which has proved to work well: conducting an analysis, showing what can work, and presenting recommendations at every international forum. However, it would be a challenge to reach a common vision that reflects the works or various parts of the OECD organization.

Strategies, initiatives and activities at the national level

The second part of Session 2, chaired by **Wolfram Tertschnig** (Federal Ministry of Agriculture, Forestry, Environment and Water Management, Austria), provided an overview of the strategic efforts to link economic growth and sustainable development at the national level: representatives of three EU Member States which are particularly active in this context (Austria, Ireland and UK) talked about general objectives and experiences. The second part of Session 2 was closed by a panel discussion to reflect on the similarities and differences between the national strategies, followed by a plenary discussion on what can be learned from current strategies to move towards a sustainable economy.

Elisabeth Freytag (Federal Ministry of Agriculture, Forestry, Environment and Water Management, Austria) presented the Austrian initiative “Growth in Transition”. The initiative has been started in 2008 by the Austrian Ministry of Environment and is designed as a stakeholder dialogue with the core question, “what kind of growth is sustainable?”. Therefore, the initiative is not about the question if we should have growth or not, but about defining the right kind of growth that is compatible with sustainable development principle. The initiative has now more than 15 partner organisations (ranging from national ministries, to regions and cities, to banks and NGOs) and has organised so far 5 workshops and one international conference. Moreover, one book on “which growth is sustainable” has been published in German (an English version will be available soon, please check the [“Growth in Transition” website](#) for updates).

Ms. Freytag then presented some findings of the international conference that was held in Vienna at the end of January 2010. The conference brought together about 550 participants from 15 countries, comprising of representatives of academia, public administration, civil society and businesses. There was high recognition and positive feedback from the different stakeholder groups that the initiative is a common effort of six national government ministries (i.e. Ministry of Environment, Chancellery, Ministry of Labour, Ministry of Finance, Ministry of Science and Research, and Ministry of Economy). The conference focused on 10 topics: money and the financial system, growth and resource use, social justice and poverty, sustainable production and consumption, regional aspects, macro-economic for sustainable development, quality of life and measurement of prosperity, work, governance, and sustainable management.

Several conclusions were drawn from the international conference for the further work in “Growth in Transition”: (a) the questions of “what kind of growth” and “beyond GDP” are topical issues that are addressed by many stakeholders and thus are ‘presentable’ topics; (b) the debates and outcomes of “beyond GDP” should be followed very closely; (c) the topic should be kept on the political agenda and several issues should be operationalised, e.g. what does “qualitative growth” mean?; (d) for the time when growth as the “great narrative” is over, a positive post-growth vision is needed; (e) the initiative will be continued (follow-up activities like events, book, studies...); and (f) a link to the “Europe 2020” strategy will be sought, e.g. new target on resource use, concretion of “flagship initiative” on resource efficiency.

The Smart Economy Framework of Ireland was presented by **Sharon Finegan** (Department of the Taoiseach, Prime Minister’s Office, Ireland). She started by pointing out that the background for the Framework was the international economic and financial crisis which has resulted in Ireland in an economic contraction of more than 10% and increased unemployment. Therefore, the Irish Government aimed to develop a strategy that helps guiding the way through the crisis and start of process of restructuring the economy. Ms Finegan said that Ireland was particularly hit by the economic crisis because of the country’s export-led growth in the 1990s which gave way to an over-

dependence on house building. In order to address the economic crisis, an overall framework for economic renewable has been developed, “Building Ireland’s Smart Economy”, which was produced in December 2008.

The Smart Economy aims to combine elements of the enterprise economy and the innovation or ‘ideas’ economy, while promoting a high-quality environment, improving energy security and promoting social cohesion. Generally, the Smart Economy is understood as a ‘Green Economy’ in that it recognises the inter-related challenges of climate change and energy security. It aims to foster a transition to a low carbon economy (move away from fossil fuel dependency) and development of jobs in clean industry. The main objectives and targets of the Smart Economy are: (1) Securing the Enterprise economy and restoring competitiveness (e.g. achieving fiscal stability, stabilising the banking sector); (2) Building the Ideas Economy – creating ‘The Innovation Island’ (e.g. fostering ingenuity entrepreneurship, simulating innovation); (3) Enhancing the environment and securing energy supplies (e.g. mobilising the market to protect the environment, developing a green enterprise sector); (4) Investing in critical infrastructure (e.g. commitment to environmental and energy infrastructure, investing in education and R&D); and (5) Efficient and effective public services and smart regulation (e.g. reducing costs and enhancing services, improving focus on citizens). The Smart Economy identified four forms of capital accumulation that drive society and the economy: human or knowledge capital, physical capital, natural or environmental capital, and social capital. An interdependence between these capitals is recognised and key in the understanding of the relationship between economic growth and sustainable development.

Ms. Finegan then outlined processes put in place at the macro- and micro-level to ensure that the Smart Economy objectives are implemented. Macro-level processes: (a) the implementation of the Smart Economy is overseen by the central government department (Prime Minister’s Office); (b) government sub-committee structures have been put in place to bring ministerial focus in key strategy issues; and (c) the importance of involving stakeholder groups is acknowledged. At the micro-level, it is aimed to include the price of carbon in cost benefit analyses. Ms. Finegan concluded by arguing that a time of great challenge, like the current economic crisis, is also a time for great opportunities. She highlighted the importance of clear pathways to sustainable economic renewal, a coherence delivery of strategies, and clear implementation pathways for policies.

The presentation of **Prof. Tim Jackson** (UK Sustainable Development Commission) focused on his report “Prosperity without Growth” that was written for the UK Sustainable Development Commission, an independent advisory body for the UK Government. The presentation consisted of three parts: the dilemma of growth, the dynamics of the socioeconomic system and possibility for change, and a sketch of some of the avenues for social and institutional innovation. According to Prof. Jackson, the growth dilemma rests on several cornerstones: Firstly, there are the biophysical limits to human activity, recently reconceptualised as ‘planetary boundaries’, or ‘safe operating space for the humanity’. Secondly, there is the very strong argument based on human development indicators that growth matters for the poor, but not necessarily for the rich. The question is then why actually pursuing growth for our societies? The answer would seem to lie in the suggestion that degrowth is unstable and provides no answer to the dilemma of decreasing amount of jobs (under condition of growing labour productivity) with simultaneously decreasing GDP. However, Prof. Jackson stressed that until now, industrial societies have not been able to reach absolute decoupling of resource and material consumption from economic growth, only a relative decoupling. Under the current scenario, by 2100, we would need an economy which instead of emitting CO₂ would actually remove CO₂ from the atmosphere (negative carbon intensity).

What is the dynamics of the socioeconomic system which makes us pursue economic growth? In the circular flow of the economy (i.e. when households purchase goods and services from firms which in turn purchase production factors, like labour, land and capital, from the households) investment is absolutely critical. It enables increases in efficiency and, therefore, brings down the price of the goods: herein lies the engine of economic growth. On the side of the social system, innovation is also linked to consumer psychology as it leads to status consumption. Consumption offers a symbolic language to express social meaning. Another driving force is the fear of decreasing shareholder value and of loss of social status (of personal/household debt). These two coupled systems (i.e. the economic structure and the social structure) would seem to work together very well. However, there are certain shortcomings: Firstly, the economic system draws ever increasing amounts of natural resources through it. Secondly, it would seem that the role of the governments today in protecting economic stability is reduced to promoting growth. Thirdly, these systems rest on the assumption that being an individualistic materialist rational novelty-seeker is actually a significant part of human nature.

In the last part of his presentation, Prof. Jackson sketched some of the possible avenues for social and institutional innovation. He started with redefining prosperity: he suggested that instead of material consumption or amount of actual material produce (i.e. GDP), prosperity should refer to the ability to flourish (drawing upon the conception of human development and capabilities and functioning by Amartya Sen). In order to satisfy the material, social and psychological dimensions of flourishing as well as the social goods and public spaces (a second-class safety net for those not successful in the material exchange enabling them to still feel as worthy citizens), we would need to let go of the fetishes of economic growth and productivity. The circular flow model of the economy incentivizes the self and novelty-seeking, and penalizes concern for others and tradition. A new economy should be based on establishing its ecological limits, fixing the economics if it is not fit for purpose and changing the social logic. For each of these three he suggested several measures. Among others, he stressed the role of ecological investment and service-oriented economy. Having lower labour productivity and profitability, they might be the keystones of another, new economy which is not based on economic growth.

Panel discussion

The first questions the panellists were asked was: How can stakeholders be involved in the strategies and take part in the debates?

Sharon Finegan (Ireland) said that although negotiations with the social partners took place when developing the Smart Economy Strategy, no agreement could be achieved. Therefore, the strategy is not fully agreed with the social partners, but is generally consistent with the framework of social partnership. As Elisabeth Freytag (Austria) pointed out, awareness raising and stakeholder inclusion was an important element for "Growth in Transition", as the initiative is based on social dialogue. It was started by public administrators of the national government who have some freedom in initiating discussions. She argued that if one raises awareness, positions can be ultimately altered. There is currently no intention to implement results from the initiative as no common recommendations could be achieved among the different partner institutions. However, there will be recommendations put forward to the Minister of Environment.

The second question posed was how to address or overcome the dilemma between the growing awareness for change and the political ability to decide and act?

Tim Jackson (UK) argued that it has been a legitimate function for governments to support growth since a long time. However, they are increasingly caught in a trap when trying to change their course. The Austrian “Growth in Transition” initiative seems a good way forward as there is some government ownership and it opens up space to face the challenges that lie ahead. He furthermore pointed out that governments would have two roles in facing current challenges and ultimately foster a move towards a sustainable economy: firstly, governments need to understand their role in social evolution (e.g. create the basis for grassroots movements, like self-supporting communities or local level actions) and, secondly, to develop the right incentives (not perverse incentives that lead to increasing consumption).

The last question posed was related to the cross-sectoral character of strategies?

Sharon Finegan (Ireland) said that a parallel track between the Smart Economy Strategy and the National Sustainable Development Strategy is envisioned in Ireland and it must be ensured that both strategies are consistent with each other. The Smart Economy Strategy covers many cross-sectoral issues, e.g. to develop jobs with a different focus (green jobs) or to promote innovation at universities and bringing them together with businesses to create new opportunities that have an added-value for society and the environment.

Plenary discussion

Some workshop participants referred to the importance of the work of international organisations (UNEP, OECD) to develop strategies and activities that aim to link economic growth and sustainable development. This would increase awareness raising and foster discussion among stakeholders about the topic. The participants questioned the general orientation towards ‘growth’ in our societies where it seems synonymous with development and social progress.

One participant argued that going from green growth towards a sustainable economy has entered the public debate. This means that it would be important not only to address issues like green jobs or green technology, but to focus on more strategic and comprehensive approaches towards a sustainable economy which take into account economic, environmental and social considerations. It also seems that the concept of ‘prosperity’ is becoming increasingly crucial in future debates. Another participant reacted by highlighting that the private sector is increasingly led by shareholder interests and asked how its role regarding prosperity should be defined.

As a reaction, Prof. Tim Jackson argued that a move towards a sustainable economy would challenge the way private capital is currently organised. This means for our discussion that much depends on how companies are structured. In a sustainable economy, social and ecological returns matter and it would thus be important to take them into account. Another participant argued that companies are not such much interested in growth but in profit. This would point to the fact that macro- and micro-economic definitions and orientations are different. Generally, profit is key in defining a structure for change in companies. Again another participant raised the issue that different business perspectives exist in the market, e.g. expansion market view, SMEs view or sustainable business view. The latter is the most comprehensive but the questions is which one of those views wins in the current framework in which businesses operate.

Some participants remarked that there are huge challenges the EU faces, e.g. demographic changes, health care, etc. It seems that, although the economic crisis has been identified as a potential driver for change, most challenges are approached with a traditional response to guarantee further growth. This means that short-term consumption and market orientation prevail over future orientation and

sustainable development. Another participant argued that broad participation is key to societal change: only a broad participation process could create the necessary commitment for acceptance of decisions and their implementation.

Session 3: How to achieve a sustainable economy?

Session 3, chaired by **Elisabeth Freytag** (Federal Ministry of Agriculture, Forestry, Environment and Water Management, Austria), focused on how to move from green growth towards a sustainable economy. The workshop participants split into three parallel working groups to discuss this topic. Each working group discussed different issues for a “toolbox” that should inform the move from green growth towards an economy based on sustainable development principles. This was followed by a presentation of the working group results and plenary discussion.

Working group results

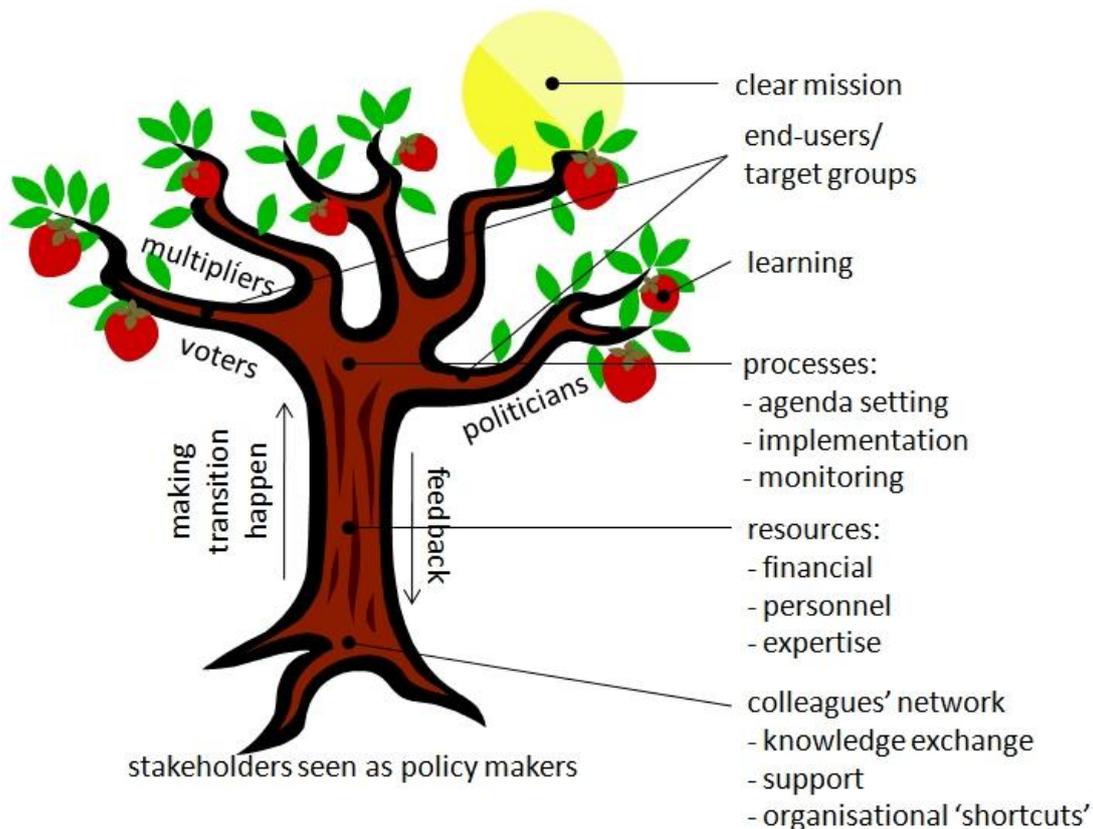
Working Group 1 – Criteria for a sustainable economy

- A sustainable economy stays in the long-term ‘within the limits’. Due to the uncertainties inherent in coupled natural and socio-economic systems, it needs to continuously identify its biophysical limits, monitor its performance, and translate these observations into policy-relevant targets and objectives in a participatory manner. Such an economy also achieves coherence between a long-term vision, mid-term targets and short-term actions, as well as between objectives and actions at various political-administrative levels.
- The overarching objective of a sustainable economy is to give everybody in the society the opportunity to flourish. (Quantitative economic growth cannot be a universally desired objective.)
- Severe inequalities in the opportunity to flourish – i.e. not only in income or material welfare, but also in access to social goods such as justice or healthcare (among others) – are irreconcilable with a sustainable economy. These are directly linked to the ‘social limits’ of an economy.
- The transition towards a sustainable economy has to have societal acceptance, which also represents one of the social limits to a sustainable economy. The transition should strive for a generally accepted understanding of the principles and criteria of a sustainable economy based on which framework conditions can clearly be defined.
- A sustainable economy should take into account human nature and that social and economic conditions and institutions shape peoples’ values and behaviors. A sustainable economy should cultivate those aspects of human nature which lead to socially and environmentally benign values and behaviors.
- Most of the group members seemed to hold the opinion that staying within biophysical limits is the most necessary condition in the long-term and, therefore, should represent the primary criterion of a sustainable economy, with social criteria and objectives being by necessity subordinated to the biophysical/environmental ones. As such, the group favoured the

'concentric-circles approach' to SD where the economic system is to be seen as a subsystem of the ecological system (as well as the social system) and has to acknowledge its biophysical laws.

Working Group 2 – Governance mechanisms necessary for the transition process

- There is a need for an integrated strategy which can integrate the objectives of social and environmental policies with those of economic policies, both at the macro-economic as well as sectoral levels effectively. There is also a need to find common positions within the EU Member States as well as the EU level on EU SDS, EU 2020, OECD Green Growth strategy and UNEP Green New Deal initiative.
- Joint and coherent action at all levels is needed. This includes better coordination within national governments (coherence between sectoral strategies – i.e. growth strategies, SD strategies, knowledge society/innovation strategies, natural resource strategies – achieved through intergovernmental groups, coordination units and usage of ways of communication that enable to reach a common understanding), at the international level (with UNEP, OECD and UNCSD 2012 – Rio+20), between the European Commission and the EU Member States (through working groups on e.g. international development assistance, economic competitiveness or trade, and follow-up on Council conclusions in member states and within the Commission), within the EU (e.g. with the EU 2020 community; also a supporting body in the form of a Council for Sustainable Development at the EU level is seen as necessary), as well as between national and regional levels (through establishment of a permanent and structured dialogue). Whenever possible, one should not reinvent the wheel – use most successful strategy processes and utilize also existing multi-stakeholder SD councils and European networks.
- Cultural change can only be achieved with full stakeholder participation (i.e. when broad and balanced range of stakeholders is involved).
- Theme-specific partnerships between experts and policy-makers are needed.
- Political support from Prime Minister's Office is vital for success.
- We should focus on obstacles to a sustainable economy and formulation of actions how to overcome them.
- See also the apple tree metaphor:



Working Group 3 – Policy tools to achieve the transition

- There is a need for a mix of policy instruments, based on a variety of criteria (not only cost effectiveness). Moreover, different policy instruments should be designed for government, the private sector and society/consumers.
- It is important to price externalities, i.e. 'getting the prices right'. The following reform suggestions were made in the working groups: (a) subsidy reform, e.g. abolishing harmful subsidies and developing green subsidies; (b) tax reform, e.g. shift from labour to resource, green taxation by taking into account social consequences.
- Setting standards and regulations, e.g. standards for production and products, including social and environmental issues.
- Increased awareness raising and education for all stakeholder groups, i.e. policy-makers, companies, citizens/consumers.
- Integrated impact assessment (ex-ante), like regulatory impact assessments or ex-ante assessment of strategies, and monitoring and evaluation schemes (ex-post).
- Strategies that link economic growth and sustainable development. These strategies should address the following issues: horizontal and vertical integration, relation to state budget, implementation or action plan, address 'beyond GDP' approach.
- Development of framework conditions for sustainable investments, e.g. consistent policies, infrastructures, transparency (in rating), financial market regulations.

Plenary discussion

In the closing plenary discussion, immediate future challenges for the ESDN community have been discussed. One of the most crucial ones is to help develop the green economy initiatives into 'sustainable economy initiatives', i.e. effectively extend the 'green' concepts into 'sustainable' concepts. The need to clarify how sustainable development, in particular how the social and the environmental issues can be related has been stressed by several workshop participants. Another challenge (and a possible input for the ESDN Conference 2010) is to develop a new framework for institutionalisation of sustainable development (either in "Europe 2020" or EU SDS) and clarify a position on the EU SDS and its continuation. It seems to be highly important for the ESDN to get involved in the "Europe 2020" process and push for the interests of sustainable development (including issues such as social capital or international responsibility), but of relevance are also the processes associated with the preparation of the 7th Environmental Action Plan and the Rio +20 conference. Further relevant themes for ESDN involvement suggested by the audience were: taxation; capital markets and criteria for socially responsible investment; and energy (decarbonization, de-energisation).

Annex 1: List of participants

5th ESDN Workshop, "From Green Growth towards a Sustainable Economy?", Madrid, 25-26 March 2010

No.	Name	Institution	Country
1	Adamczyk, Beata	Ministry of Economy	Poland
2	Aladro Vico, Jorge	Ministry of Industry, Tourism and Trade	Spain
3	Alfaya, Valentín	Ferrovial Group	Spain
4	Alvarez-Uría, M ^a Pilar	Spanish Observatory for Sustainability	Spain
5	Allué, Ricardo	Ministry of the Environment, and Rural and Marine Affairs	Spain
6	Berger, Gerald	ESDN Office	Austria
7	Bernaudeau, Stephan	Ministry of Ecology, Energy and Sustainable Development	France
8	Bogaert, Tim	Federal Public Planning Service Sustainable Development	Belgium
9	Bouvier, Christophe	Regional Office for Europe, UNEP	Switzerland
10	Castañeda, Sonia	Biodiversity Foundation of Spain	Spain
11	Castizo, Rosa	Ministry of Foreign Affairs and Cooperation	Spain
12	Checa, Almudena	Spanish Observatory for Sustainability	Spain
13	Crespo, Eduardo	Ministry of the Environment, and Rural and Marine Affairs	Spain
14	De Carvalho, Carolina	Spanish Observatory for Sustainability	Spain
15	De la Fuente, M ^a Jesús	Ministry of the Environment, and Rural and Marine Affairs	Spain
16	De Serres, Alain	Economics Department, OECD	France
17	De Smet, Jan	Federal Council for Sustainable Development	Belgium
18	Doering, Christian	Federal Foreign Office	Germany
19	Douard, Pascal	Ministry of Ecology, Energy and Sustainable Development	France
20	Finegan, Sharon	Department of the Taoiseach (Prime Minister's Office)	Ireland
21	Fiteni, Inmaculada	Economic Office of the President of the Government	Spain
22	Freytag, Elisabeth	ESDN Co-chair, Federal Ministry of Agriculture, Forestry, Environment and Water Management	Austria
23	García, María	Environmental Management Public Company	Spain
24	Gergely, Erzsébet	Ministry of Environment and Water	Hungary
25	Ghita, Luminita	Ministry of Environment and Forests	Romania
26	Glaubitz, Hans	Ministry of Foreign Affairs	Netherlands
27	Gómez, M ^a José	Ministry of the Environment, and Rural and Marine Affairs	Spain
28	Guaita, Noelia	Spanish Observatory for Sustainability	Spain
29	Gurtowski, Sławomir	Ministry of the Environment	Poland
30	Henemaaijer, Aldert	Netherlands Environmental Assessment Agency	Netherlands
31	Hren, Marko	Government Office for Development and European Affairs	Slovenia
32	Jackson, Tim	UK Sustainable Development Commission	United Kingdom
33	Jakil, Anna	Austrian Federal Chancellery	Austria
34	Jiménez, Domingo	Spanish Observatory for Sustainability	Spain
35	Jimenez, Luis	Spanish Observatory for Sustainability	Spain
36	Kaukewitsch, Robert	Sustainable Development Observatory,	Belgium

		European Economic and Social Committee	
37	Kavrán, Viktoria	National Council for Sustainable Development	Hungary
38	Kraemer, Andreas	Ecologic Institute	Germany
39	López Hernández, Isidro	Spanish Observatory for Sustainability	Spain
40	Manziona, Pierluigi	Ministry of the Environment, Land and Sea	Italy
41	Marquez, Rafael	Ministry of the Environment, and Rural and Marine Affairs	Spain
42	Martinez Alier, Joan	Autonomous University of Barcelona	Spain
43	Más García, Luis Carlos	Ministry of Industry, Tourism and Trade	Spain
44	Massink, Henk	Ministry of Agriculture, Nature and Food Quality	Netherlands
45	Mayer-Ries, Jörg	Federal Ministry for the Environment, Nature Conservation and Nuclear Safety	Germany
46	Mulas-Granados, Carlos	Ideas Foundation	Spain
47	Nasman, Gunilla	Prime Minister's Office	Sweden
48	Niestroy, Ingeborg	European Environment and Sustainable Development Advisory Councils (EEAC)	Belgium
49	Nilsson, Anne-Cerise	Ministry of Environment	Sweden
50	Origer, Claude	Ministry of Environment	Luxembourg
51	Overmann, Mark	Ministry of Environment	Netherlands
52	Parts, Keit	Estonian State Chancellery Strategy Bureau	Estonia
53	Pirgmaier, Elke	Sustainable Europe Research Institute	Austria
54	Rahunen, Mia	Nordic Council of Ministers	Denmark
55	Rawska-Olejniczak, Jolanta	Ministry of the Environment	Poland
56	Ribera, Teresa	Ministry of the Environment, and Rural and Marine Affairs	Spain
57	Rojas, Fátima	Electric Network of Spain	Spain
58	Romero, Anunciación	Ministry of Housing	Spain
59	Rouhinen, Sauli	Ministry of Environment	Finland
60	Schmuck, Erzsébet	National Council for Sustainable Development	Hungary
61	Sedlacko, Michal	ESDN Office	Austria
62	Soprano, Paolo	Ministry of the Environment, Land and Sea	Italy
63	Tertschnig, Wolfram	ESDN Co-chair, Federal Ministry of Agriculture, Forestry, Environment and Water Management	Austria
64	Toro, M ^a Luisa	Ministry of the Environment, and Rural and Marine Affairs	Spain
65	Vaht, Ylle	Ministry of the Environment	Estonia
66	Vich Gadella, Ana	Ministry of Economy and Finance	Spain
67	Wachter, Daniel	Federal Office for Spatial Development (ARE)	Switzerland