



Green economy: A challenge to inclusive and equitable growth

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Abstract

Economy has been the cause of and the solution for our present day problems. It has brought material prosperity to some, but at the expense of others both within and across national boundaries. The traditional trickle-down economic growth theory is increasingly being questioned and renounced. This is witnessed by the growing level of dissent observed not only in developing countries, but also in the developed world. An urgent need for a new economic model exists and the United Nations Environment Programme (UNEP) has addressed this urgent need by proposing a 'Green Economy'. This has been defined as an economy that results "in improved human well-being and social equity, whilst significantly reducing environmental risks and ecological scarcities". Countries around the globe are trying to figure out how to grow green i.e., how to generate economic activity that preserves and enhances environmental quality while using natural resources more efficiently. The focus is on linking the three Es for of development, i.e., Environment-Economy-Equity, and achieve economic growth while reducing the human impact on the environment and benefitting the society's least advantaged members. At the most basic level, the green economy is the clean energy economy, consisting primarily of four sections: renewable energy (e.g. solar, wind, geothermal); green building and energy efficiency technology; energy efficient infrastructure and transportation; and recycling and waste to energy. The green economy is not just about the ability to produce clean energy, but also technologies that allow cleaner production processes, as well as the growing market for products which consume less energy, from fluorescent lightbulbs to organic and locally produced food. Thus it might include products, processes and services that reduce environmental impact or improve natural resource use. This paper surveys the various reports and studies in the area of green economy with a purpose to provide a comprehensive overview of the concept of Green Economy. The various policy approaches being proposed and adopted around the world to move towards Green Economy has also been discussed with special reference to India.

Keywords: Green Economy, Environment, Equity, Sustainable development

Introduction

A green economy is driven by investment in environmental sectors and consumption of environmentally friendly goods and services. It includes, but is not confined to a low carbon economy. In a green economy, significant public and private investment is made in sectors such as renewable energy technologies, energy efficient technologies, industries, services, buildings, transport systems, and cities. Additional sectors can include waste management and recycling, water management, and environmentally friendly farming, fishing, logging, and tourism practices. A pre-requisite for these investments to work is investing in required human resources. A green economy is one of the many ways to achieve sustainable development. For many years, the

discussion on sustainable development has focused on striking a balance amongst the three pillars of sustainability: economic development, social equity, and environmental conservation. The effort to balance these developmental dimensions remains important, as there are often irreconcilable tradeoffs, at least between the short and long term. A green economy seeks to complement the "balancing" approach with an "integration" (or more commonly known as the "win-win") approach. It focuses on those environmental sectors that not only help address environmental challenges, but also contribute to equitable economic growth, decent job creation, and poverty reduction on a large scale. An illustration may help explain the difference between these complementary approaches. At a recent international forum in Beijing, Xia Guang, the Director of the Policy Research Centre on Economy and Environment in China described China's economic growth as a very long leg that walks very

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fast whereas China's environmental protection is another leg, but a much shorter one. He remarked that it is not realistic to cut the long leg short so match the short one; what needs to be done is to make the short leg longer so that the two legs are of the same length and can walk in synchrony. This is a typical "balancing" approach. Under an integrated approach, in contrast, the economy has two legs and it is not necessary to slow down the pace, but it is important that both legs of the economy walk on a green path. This means that economic growth should be driven by green investments.

Background

The term green economy was first coined in a pioneering 1989 report for the Government of the United Kingdom by a group of leading environmental economists, entitled *Blueprint for a Green Economy* (Pearce, Markandya and Barbier, 1989). The report was commissioned to advise the UK Government if there was a consensus definition to the term "sustainable development" and the implications of sustainable development for the measurement of economic progress and the appraisal of projects and policies. Apart from in the title of the report, there is no further reference to green economy and it appears that the term was used as an afterthought by the authors. In 1991 and 1994 the authors released sequels to the first report entitled *Blueprint 2: Greening the world economy* and *Blueprint 3: Measuring Sustainable Development*. Whilst the theme of the first *Blueprint* report was that economics can and should come to the aid of environmental policy, the sequels extended this message to global problems – climate change, ozone depletion, tropical deforestation, and resource loss in the developing world. In 2008, the term was revived in the context of discussions on the policy response to multiple global crises. In the context of the financial crisis and concerns of a global recession, UNEP championed the idea of "green stimulus packages" and identified specific areas where large-scale public investment could kick-start a "green economy" (Atkisson, 2012). It inspired several governments to implement significant 'green stimulus' packages as part of their economic recovery efforts. In October 2008, UNEP launched its Green Economy Initiative to provide analysis and policy support for investment in green sectors

and for greening resource- and/or pollution-intensive sectors. As part of this Initiative, UNEP commissioned one of the original authors of *Blueprint for a Green Economy* to prepare a report entitled a *Global Green New Deal (GGND)*, which was released in April 2009 and proposed a mix of policy actions that would stimulate economic recovery and at the same time improve the sustainability of the world economy. The GGND called on governments to allocate a significant share of stimulus funding to green sectors and set out three objectives: (i) economic recovery; (ii) poverty eradication; and (iii) reduced carbon emissions and ecosystem degradation; it also proposed a framework for green stimulus programs as well as supportive domestic and international policies (UNEMG, 2011). In June 2009, in the lead up to the UN Climate Change Conference in Copenhagen, the UN released an interagency statement supporting the green economy as a transformation to address multiple crises. The statement included the hope that the economic recovery would be the turning point for an ambitious and effective international response to the multiple crises facing humanity based on a global green economy. In February 2010, Ministers and Heads of Delegation of the UNEP Global Ministerial Environment Forum in Nusa Dua acknowledged in their declaration that the green economy concept "can significantly address current challenges and deliver economic development opportunities and multiple benefits for all nations." It also acknowledged UNEP's leading role in further defining and promoting the concept and encouraged UNEP to contribute to this work through the preparatory process for the UN Conference on Sustainable Development in 2012 (Rio+20). In March 2010, the General Assembly agreed that green economy in the context of sustainable development and poverty eradication would form one of the two specific themes for Rio+20 (resolution 64/236). This led to a great deal of international attention on green economy and related concepts and the publication of numerous reports and other literature aiming to further define and demystify the concept. One of the key reports was the flagship *Green Economy Report* released by UNEP in November 2011 under its Green Economy Initiative. UNEP partnered with think tanks and commercial actors (including Deutsche



Bank), lending credibility to its economic analyses (Atkisson, 2012). Importantly, the report also provides a working definition of 'green economy' which has since been cited in numerous other publications. A series of other publications by UNEP, UNCTAD, UNDESA and the UNCSD Secretariat have attempted to elaborate on the concept and outline guiding principles, benefits, risks and emerging international experience. In December 2011, the UN Environment Management Group (a systemwide coordination body of over 40 specialized agencies, programmes and organs of the United Nations) also released its system-wide perspective on green economy – Working towards a Balanced and Inclusive Green Economy – which identifies and clarifies the use of green economy and other related terms. This report adopts the definition provided by UNEP in its 2011 Green Economy Report. UNEP has defined the green economy as “one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities. It is low carbon, resource efficient, and socially inclusive” (UNEP, 2011). A number of non-government organizations and partnerships have also developed in recent years which aim to promote green economy as a concept and undertake research, analysis and outreach.

Moving towards green economy

Several countries are demonstrating leadership in promoting Green Economy by adopting national “green growth” or “low carbon” economic strategies. There are many examples of successful, large-scale programs that increase growth or productivity and do so in a sustainable manner:

- The Republic of Korea has adopted a national strategy and a five-year plan for green growth for the period 2009–2013, allocating 2 per cent of its gross domestic product to investment in several green sectors such as renewable energy, energy efficiency, clean technology and water. The government has also launched the Global Green Growth Institute which aims to help countries (especially developing countries) develop green growth strategies.
- In Mexico City, crippling congestion led to a major effort to promote Bus Rapid Transit (BRT), a sophisticated bus system that uses dedicated lanes on city streets. Significant public investment in the BRT has reduced commuting times and air pollution and improved access to public transit for those less able to afford private cars. This remarkable success is now being replicated in cities across Mexico and has led to investment from the federal government in urban public transit for the first time.
- China now invests more than any other country in renewable energy. Its total installed wind capacity grew 64 percent in 2010. This growth is driven by a national policy that sees clean energy as a major market in the near future, and one in which China wants to gain a competitive edge.
- Namibia is managing its natural resources to generate economic, social, and environmental benefits. Local communities across the country are granted the right to use and capitalize on the benefits of using wildlife and other natural resources within the boundaries of “communal conservancies.” With an economic incentive to sustainably manage these areas, food and employment is being provided for hundreds of thousands of Namibians in rural areas. More than half of the jobs are filled by women, and wildlife populations have increased.

Businesses are increasingly leading progress toward a Green Economy. For example, the carpet company Interface FLOR is improving its competitive positioning in this normally petroleum-intensive industry by focusing on how sustainability can enhance its business model. The company is working towards a closed loop system, meaning that its waste products are also its manufacturing inputs. Its company culture reinforces its goals – when employees know they are making a difference in the world, they tend to work harder and be better at their jobs, making the enterprise more productive. Interface’s CEO, Ray Anderson, has said “If we can do it, anyone can. and if anyone can, everyone can.”



India's roadmap to green economy

The challenges and priorities for developing countries like India are clearly different from the developed world. Although India has achieved high rates of economic growth, deprivation levels in India continue to remain stubbornly high. According to UNDP's Multidimensional Poverty Index (MPI), 53.7% OF India's population is poor (UNDP, 2011). The number of people who lacked access to electricity and clean cooking technologies in India was 404 million and 855 million respectively in 2009 (IEA, 2010). Moreover India lags behind several other countries in terms of other measures of development. The biggest challenge for India is to expand access to food, energy, water and other essential goods and services to its growing population. Poverty eradication and improvement in social well being are biggest priorities for countries like India. The path ahead needs to include options that link equity and sustainability and lead to the enhancement of capacity in terms of skills and technology. In case of Industry sector, India should actively promote technological upgradation of small and medium scale industries because this sector is employment intensive and has a significant export potential. Technological upgradation is the key to finding solutions to the environmental problems and reducing energy consumption. The 'Building a Low-carbon Indian Economy' report, by the Confederation of Indian Industry, recognises that although India is undergoing a phase of rapid industrial development there are clear signs that 'industry in India has adopted an approach that can help India leapfrog to a low-carbon economy'. The report asserts that this can be done by adopting suitable policies to promote non-carbon intensive fuels, renewables and state-of-the-art technologies to promote energy efficiency. The strategy identifies 12 priority areas with the potential to mitigate India's carbon emissions and put the country on the path to a low-carbon economy. These are: Renewable Energy, Energy Efficiency, Cleaner Conventional Energy Technologies, Hydrogen Fuel Cells, Free and Open Markets, Green Buildings, The Aviation Sector, Water Efficiency, Agriculture, Afforestation, Research & Development and Financing. Developing countries face inadequate financing is one of the biggest obstacle to

sustainable development implementation and are not able to mobilize domestic resources for the required additional investment effort for sustainable development because of multiple demands on government expenditure. Moreover incremental investment in green technology is needed in developing countries not only to install new technology and replace brown activity but also to increase the scale of economic activity. Therefore developing countries will require support from developed countries for a transition to a green economy. In many developing countries, apart from technical calculations and political will, there are practical constraints that need to be factored in when it comes to the decision of action or inaction. These include the upfront cost of a green economic transformation, their access to financing, technologies, and international markets, and the availability of the labour force equipped with the skills required for the transition towards a green, low carbon economy, among others. Simply presenting green economic evidence to these countries will, therefore, not work; the practical constraints must be removed. The international community has a vital role to play in supporting the global transition towards a green economy. First, there is the paramount issue of financing for a green economy. In addition to the legitimate demand by developing countries for financial transfer to developing countries to fight climate change, there are profitable opportunities from investing in green economic sectors. It is, therefore, important that an international green investment banking mechanism be established on a commercial basis in addition to compensatory payments. Second, during an economic downturn, developed countries should not resort to trade protectionism, especially against trade of environmentally friendly products. Third, international intellectual property rights (IPRs) regimes should be revisited with a view to making the transfer and deployment of green technologies in developing countries much more affordable. Governments of developed countries could compensate private owners of the relevant IPRs for waiving their rights or reducing the length of patent protection. Fourth, international groups, official or non-official, should provide massive support to developing countries in building up green job skills, from organic farming to assembling solar heaters.



Such international support, however, will only be effective if it is anchored with the enactment of domestic actions in support of a green economic transformation. These domestic policies can include fiscal policies tilted towards green sectors including related human resources, incentives for banks to provide credits to green businesses especially small and medium sized enterprises that are the backbone of employment in many societies, the issuance and enforcement of environmental standards, public green procurement requirements, and appropriate pricing adjustment between environmentally harmful and friendly products and services to influence consumer choices, among others things. Not all of these domestic policies need to take place all at the same time; otherwise it would overwhelm the generally inadequate policymaking capacity in many developing countries. The choice of actions can be targeted at specific issues at hand. If, for example, the growth of renewable energy is seen as commercially attractive in the long run and if there is an interest in promoting the sector, it would not make a lot of sense to retain heavy subsidies indefinitely for the production and consumption of the competing fossil fuels. If subsidies for both renewable and fossil energy are to be provided, the fiscal burden on the government could be excessive and it would make the request for international financial assistance less convincing. New green standards, regulations, incentives, technical assistance and marketing programs can help spur the green economy, but they will not actually create local economic development in the absence of supporting policies. Local purchasing and hiring requirements, labour standards and claw back provisions will need to be part of the green economic development package if green policies are to have an impact on the economy and equity as well as the environment and if they are to support local sustainability. Drawing on strengths such as successful existing programs and organizations will not only generate more endogenous development but also will help create a more sustainable green economy over time.

Conclusion

In summary, a green economy is to make environmental sectors the new engine for pro-poor, pro-job, and pro-equity growth. There is evidence

that investing in environmental sectors is profitable and can contribute to decent job creation and poverty reduction as well as to environmental improvement. Continued efforts to collect such evidence beyond anecdotes remain important. But the gathering and presenting of this evidence must be supported by active policy engagement including societal mobilization, reconciliation of interests, and international dialogues. Statistical experts, therefore, need to work shoulder-to-shoulder with policy actors in this process. Additionally, specific obstacles to actions such as financing, technology, trade, and human resources must be removed. Together, the evidences, policy engagement, and practical support are more likely to lead to actions than evidence alone.

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