Greening the economy

What it means for South Asian LDCs

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The industrial revolution drastically changed the economic, social and cultural lives of peoples. It altered agriculture practices and goods manufacturing processes, marking the beginning of the use of machines in place of human and animal labour. The focus was on getting work done with ease and in less time, that is, on enhancing productivity. Increase in productivity resulted in freeing up of more people from farms to work in factories, thereby leading to an expansion of manufacturing establishments. Rise in people's incomes also gave rise to consumerism.

The success of the industrial revolution that began in Great Britain soon spread to other parts of the world. During the period of the industrial revolution and for many years thereafter, countries' major focus was on economic growth. Very less attention was paid to the social and environmental costs of attaining such growth. Countries were not ready to discount present gains for the future. As a result, development was achieved leaving behind large ecological footprints.[1]

The world had to wait until the 1990s to see a sort of convergence among most countries that it was necessary to revisit the model of development they had pursued until then. The United Nations Conference on Environment and Development, also called the Earth Summit, that took place in Rio de Janeiro in 1992, came up with a declaration reflecting their realization that the paths they were taking in pursuit of development were not sustainable.[2] Hence, they agreed to the 27 principles of the declaration, which stated, *inter alia*, that "the right to development must be fulfilled so as to equitably meet developmental and environmental needs of present and future generations".[3]

The Rio Declaration clearly stated that sustainable development is based on three pillars—economic, social and environmental sustainability. Any development that takes place disregarding any of these pillars would mean compromising the rights of future generations to development. Lately, countries have been putting in efforts to take a balanced approach to development by taking into consideration all the three pillars, but their efforts have not been enough. The economic pillar still receives greater attention than the other two.

Nevertheless, the environmental sustainability pillar has started receiving greater attention in recent years, mainly due to the adverse consequences of climate change that are being felt in many countries. This is corroborated by the fact that "green economy" and "green growth" have become buzz terms, and have been receiving centre-stage attention in many academic and policy discourses in the past few years. One of the key themes of the United Nations Conference on Sustainable Development, popularly called "Rio+20", that took place on 20–22 June 2012 in Rio de Janeiro, also was "Green economy in the context of poverty eradication and sustainable development".

What is green economy?

The United Nations Environment Programme (UNEP) has defined green economy as one "that results in improved human wellbeing and social equity, while significantly reducing environmental risks and ecological scarcities".[4] It is characterized by substantially increased investments in economic sectors such as renewable energy, low-carbon transport, clean technologies and sustainable agriculture that build on and enhance the earth's natural capital or reduce ecological scarcities and environmental risks.[5] Likewise, green growth is about "making growth processes resource-efficient, cleaner and more resilient without necessarily slowing them".[6] In other words, in a green economy, economic growth is enabled, but by ensuring that the process of attaining growth does not inflict harm on the environment and social inclusiveness. That is, the traditional method of measuring gross domestic product (GDP) is adjusted to account for pollution, resource depletion, declining ecosystem services, and distributional consequences of natural capital loss to the poor.[7]

Economic studies on green economy were initiated back in the 1980s. One of the first such studies was conducted in 1989 that resulted in the publication of a book titled *Blueprint for a Green Economy*.[8] In this book, the authors have argued that most economies' focus is on securing growth with less regard for depleting natural capital. Hence, it is difficult to achieve sustainable development. To ensure the well-being of current and future generations, countries' focus should be on green economy. It is one in which environmental assets are valued, and pricing policies and regulatory changes are employed to translate these values into market incentives. The economy's measure of GDP is also adjusted for environmental losses in a green economy.[9] However, environmentally adjusted GDP accounting practices, also called green accounting, have not yet been adopted by countries. China initiated green accounting of its GDP in 2004 but abandoned it again in 2007 since its growth figure was dragged down substantially when it was adjusted for the environmental damages incurred.[10] India has announced that by 2015, it should be able to present its GDP figures adjusted for the economic costs of its environmental degradation.[11]

Developed and developing countries have their own perceptions of green economy and the ways to achieve it. Therefore, the Stakeholder Forum, in collaboration with Bioregional and the Earth Charter Initiative, has identified 15 principles for green economy (Box) that represent "a consolidation of existing international agreements and more radical and forward-thinking proposals".[12] These 15 principles are quite elaborate, and if followed well, would accommodate the concerns of both developed and developing countries. They emphasize that economic growth should be pursued with intra- and inter-generational equity considerations, and that it should not disregard the sustainability aspect, such as safeguarding biodiversity. It also emphasizes the need for international cooperation to achieve this, meaning that developed countries are able to and should assist developing countries in pursuing green economy.

Pursuit of green economy

Of late, many multilateral and inter-governmental organizations such as the UNEP, the World Bank, the Asian Development Bank, the United Nations Economic and Social Commission for Asia and the Pacific, among others, have been focusing on and emphasizing the pursuit of green economy or green growth by all countries, whether developed, developing or least-developed. A recent paper by the World Bank[13] argues that the first category of benefits that can be derived from green policies is the economic benefits from a better environment, including the amenities derived from it and the use of natural capital as a production

factor. It argues that although most of the green policies are likely to have an economic cost over the short term, which create trade-offs between environmental protection and economic growth, they also yield economic benefits such as job creation and poverty alleviation, and contribute to growth in the long run by correcting existing sub-optimalities and market failures. Accordingly, it recommends three policy instruments to green growth: i) pricing the externalities; ii) putting in place complementary measures along with pricing the externalities, where necessary; and iii) adopting activist policies such as innovation and industrial policies.[14]

A number of conferences and seminars have also been organized around the world on issues of green economy. Of them, the major global event so far has been the Rio+20 Summit. The outcome document of the Rio+20 Summit has considered green economy in the context of sustainable development and poverty eradication as one of the important tools available for achieving sustainable development and has argued that it could provide options for policymaking but that it should not be a rigid set of rules. It has emphasized that green economy should "contribute to eradicating poverty as well as sustained economic growth, enhancing social inclusion, improving human welfare and creating opportunities for employment and decent work for all, while maintaining the healthy functioning of the Earth's ecosystems".[15]

What is heartening to note is that while calling for countries to adopt green policies, it has also stated, *inter alia*, that taking into consideration national circumstances of different countries, each country's national sovereignty over its natural resources should be protected; the needs of developing countries, particularly those in special situations, should be taken into account; international cooperation should be strengthened through the provision of financial resources, capacity building and technology transfer to developing countries; unwarranted conditionalities on official development assistance and finance should be avoided; and green policies should not act as disguised restriction on international trade.[16]

The Rio+20 Summit witnessed pledges worth US$513 billion by governments and private companies to invest in projects that would reduce the use of fossil fuel, boost renewable energy, conserve water and alleviate poverty, which thereby contribute to green growth. All the commitments made and financial resources pledged, however, are non-binding in nature. Therefore, it needs to be seen whether and to what extent countries stand by their commitments and pledges to steer the world in a sustainable development path.

Box Principles for a green economy

- Equitable distribution of wealth
- Economic equity and fairness
- Intergenerational equity
- Precautionary approach
- The right to development
- Internalization of externalities
- International cooperation
- International liability
- Information, participation and accountability
- Sustainable consumption and production
- Strategic, coordinated and integrated planning to deliver sustainable development, the green economy and poverty alleviation
- Just transition
- Redefinition of well-being
- Gender equality
- Safeguarding biodiversity and preventing pollution of any part of the environment

Source: Stoddart et al. Note 12.

Climate change is the result of extensive use of natural capital and massive greenhouse gas (GHG) emissions by developed countries in the past. Today, emerging economies too are not behind in the race for GHG emissions. For example, China and India are respectively the first and third largest emitters of carbon dioxide in the world. The major debate today on green growth is centred on whether the non-developed countries have the right to development in the same way as developed countries did in the context that the latter have already exhausted the former's share in resources use and emissions. Developing countries argue that if developed countries adopted the "grow now clean later" strategy during their growth years, it is justified for them too to adopt the same strategy. If looked at from an individual country perspective, they are right in their assertions. However, since emissions and their effects do not respect national borders, and that the damages that emissions create are in many cases irreversible, developing countries should learn from the grave mistakes that developed countries have made in the past. They should, therefore, adopt green growth policies, for which they need support from developed countries. The sections below briefly discuss these issues, mainly from the perspective of South Asian least-developed countries (LDCs).

South Asian LDCs and green economy

The share of different economic sectors in a country's GDP is different in LDCs compared to developed countries (Table 1 compares the same for South Asian LDCs and select developed countries). Unlike in developed countries, the share of agriculture in GDP in South Asian LDCs is still high. Although services represent the dominant sector in all South Asian LDCs except Bhutan, its contribution to GDP is not as huge as that of developed countries. Regarding the contribution of industry and manufacturing to GDP, there is not much difference. However, since the size of GDP in developed countries is much larger than in LDCs, even a medium share of industry and manufacturing in GDP in developed countries entails much greater activities in these sectors in these countries.

Emissions of GHGs in the LDCs are in line with the contribution of different sectors to the economy. For example, as per the latest available data, in 2005, the share of agricultural methane emissions in their total methane emissions was 70.5 percent in Bangladesh and 83 percent in Nepal, whereas in the case of developed countries mentioned in Table 1, such share was in the range of 35 percent to 55 percent, Japan being an exception with a share of 71 percent.[17] On the other hand, carbon di-oxide (CO_2) emissions are incomparably higher in developed countries than in South Asian LDCs (Table 2), and according to the Intergovernmental Panel on Climate Change (IPCC), the share of CO_2 in total anthropogenic GHG emissions is the highest in the world, meaning that developed countries' share in climate change through GHG emissions has always been greater than that of other countries.

Table 1 Value addition in GDP (%) in 2010

	Agriculture	Industry	Manu–facturing	Services
South Asia				
Afghanistan	29.92	22.17	13.12	47.92
Bangladesh	18.59	28.46	17.89	52.96
Bhutan*	18.75	43.17	8.43	38.08
Nepal	36.08	15.43	6.64	48.49
Select OECD countries				
USA	1.15	20.40	13.37	78.45
UK	0.73	21.80	11.50	77.47
Japan*	1.42	26.68	18.06	71.91
Australia**	2.55	29.09	10.47	68.36

** Data for 2009; ** Data for 2008*
Source: World Development Indicators, The World Bank.

Table 2 CO_2 emissions (2008)

	in kiloton (kt)	in metric ton per capita
South Asia		
Afghanistan	814	0.02
Bangladesh	46,527	0.32
Bhutan	733	1.05
Nepal	3,542	0.12
Select OECD countries		
USA	5,461,013	17.96
UK	522,855	8.52
Japan	1,208,162	9.46
Australia	399,219	18.57

Source: World Development Indicators, The World Bank.

LDCs cannot always remain predominantly dependent on agriculture and other primary activities and achieve the level of growth necessary to alleviate poverty. They need to achieve structural transformation by moving up to secondary sectors such as manufacturing and industries as is evident from the success stories of China and some East Asian countries. If South Asian LDCs adopt the same strategies pursued by developed countries in the past and developing countries at present to achieve higher growth, their contribution to climate change through emissions of different GHGs is sure to go higher. Therefore, it is appropriate and timely that the concept of green growth or green economy has been brought to the fore. LDCs too now need to adopt the development model through which growth is achieved by growing green. However, it should be kept in mind that all countries cannot follow a "one model fits all" approach. LDCs have other pressing priorities that need to be taken care of first. Moreover, for them to green their economies and thereby attain green growth, they need special assistance from the rest of the world, mainly developed countries.

Adaptation first

Rising temperatures, erratic rainfalls, droughts, floods, glacial retreat, etc. have been frequent occurrences in many South Asian countries. These have had, and are going to have, severe implications mainly for these countries' agriculture sector. According to the Fourth Assessment Report of the IPCC, crop yields in South Asia could decrease up to 30 percent by the mid-21st century due to climate change. Therefore, for South Asian countries, adapting to climate change is the major concern and the first priority. Within South Asia, LDCs are even more vulnerable to the impacts of climate

change than developing countries but due to their almost insignificant contribution to climate change, mitigation is not yet their priority. Having said that, South Asian LDCs have taken some initiatives which contribute to climate change mitigation. Bangladesh's "Grameen Shakti Renewable Energy Scheme" and Nepal's "Community Forestry" are two such examples.[18]

South Asian LDCs are aware of the need to undertake climate change mitigation measures and the importance of moving towards a green economy. Where possible and feasible, they have taken initiatives to undertake such measures too. However, due to many competing priorities against resource constraints, they have not been able to adopt green economy policies encompassing all sectors of their economies. Hence, their current focus, rightly, is on climate change adaptation, but they have not adequately received the much-needed international support even on this front.

Bowen and Fankhauser (2011)[19] argue that LDCs should follow low-carbon development paths appropriate to their development needs for three main reasons: i) tackling many of the market and government failures that stand in the way of low-carbon development would enhance productivity and well-being in LDCs themselves; ii) it is very likely that in the near future, progress will be re-directed towards low-carbon technology globally, and if LDCs do not follow a green growth path, they will not be able to share in growth from this source; and iii) relatively cheap options for reducing emissions, particularly from agriculture, land use and deforestation, are offered by LDCs. Similarly, UNEP argues that "LDCs possess the economic conditions, the natural and cultural assets, and the policy setting to embrace, if not lead, a green economy transition, which would in turn accelerate their development".[20] While there is no denying these arguments, it is important to bear in mind that non-availability of targeted financial support and relevant technology is a major concern of LDCs, including those in South Asia. In the absence of such support for climate adaption in the first place, there cannot be a compelling case for LDCs to take climate mitigation measures.

Other concerns

LDCs are concerned that increasing focus on green economy would lead to trade protectionism in the name of low-carbon development by rich countries, evidences of which have already started to be seen. For example, implementation of the "food miles" concept has impacted exports of fresh vegetables and horticulture products from African countries to European countries. There are also concerns that developed countries would resort to putting in place border tax measures and other barriers, which would erode market access opportunities of LDCs. The use of such measures have already been visible as environment-related product and process standards, regulatory regimes and restrictions are steadily ratcheting up in industrial economies, and private buyers in these countries are also developing a parallel set of related standards and codes.[21] Also, it is likely that developed countries would resort to providing undue subsidies to their firms and industries to promote green growth, which could put developing countries, particularly LDCs, at a clear disadvantage.

Another concern of LDCs is that enhanced focus on green growth and endorsement of its wider promotion could provide rich countries the leeway to impose additional conditionalities in the provision of aid. This could further jeopardize the already precarious situation of LDCs. Moreover, to undertake green growth policies, LDCs require aid in addition to what they have been receiving already, but they are concerned that even if rich countries would provide aid to support green growth in LDCs, they would do so by diverting the aid that they are currently providing as official development assistance. As reported by the International Centre for Trade and Sustainable Development, after the recent economic crisis, some cash-strapped governments are planning to divert some of the money they are providing as official development assistance to climate financing.[22]

Technology transfer is another important and necessary pre-requisite for LDCs to undertake green growth policies. However, given the poor track record of developed countries in facilitating technology transfer to LDCs despite their commitment as per Article 66.2 of the Agreement on Trade-related Aspects of Intellectual Property Rights of the World Trade Organization, LDCs are skeptical that they would receive the necessary technology to adopt green growth policies.

Conclusion

Given that climate change is already happening and its impacts felt by all countries, although in varying degrees, promoting green economy is necessary. However, because not all countries in the world are on the same level of development, one should not expect the adoption of the policy in the same way by all countries. Also, since developed countries are mainly responsible for bringing the world to this state by using

up the share of today's developing countries and LDCs in GHG emissions, the major responsibility of adopting green growth policy lies with them. But developing countries and LDCs too should strive to maintain green economies gradually. This, however, is not possible unless they, particularly LDCs, receive external support in the form of financial resources and technology transfer. Also, resorting to trade protectionism and putting forward additional conditionalities in the provision of aid to LDCs could be counterproductive in getting LDCs adopt green growth policies. Providing support to LDCs to enable them to adopt green growth policies is not a favour that developed countries would do; rather it is the right of LDCs to development which they are claiming in return for the mess that developed countries have created. ■

Notes

1 UNEP. 2011. *Towards a green economy: Pathways to sustainable development and poverty eradication*. Geneva: United Nations Environment Programme.

2 The Earth Summit was strongly influenced by the report *Our Common Future* published by the Brundtland Commission in 1987.

3 See "Rio Declaration on Environment and Development", available at http://www.unep.org/Documents.Multilingual/Default.asp?documentid=78&articleid=1163

4 UNEP. 2010. *Green economy: Developing countries success stories*. Geneva: United Nations Environment Programme.

5 *ibid*.

6 Hallegatte, Stephane, Geoffrey Heal, Marianne Fay and David Treguer. 2011. "From growth to green growth: A framework". Policy Research Working Paper 5872. Washington, D.C.: The World Bank

7 UNEP. 2011. Note 1.

8 *ibid*.

9 *ibid*.

10 See, for instance, http://www.pbs.org/kqed/chinainside/nature/greengdp.html; http://www.chinadaily.com.cn/china/2007-04/19/content_853917.htm

11 See, for instance, http://in.reuters.com/article/2009/10/13/idINIndia-43127920091013; http://www.financialexpress.com/news/india-to-release-green-gdp-data-from-2015/544338/

12 For details, see Stoddart, Hannah, Sue Riddlestone and Mirian Vilela. N.d. "Earthsummit 2012: Principles for a green economy". Stakeholder Forum, BioRegional and The Earth Charter Initiative. Available at www.unep.org/civil.../59/.../Principles_for_a_green_economy.pdf

13 Hallegatte, *et al.* Note 5.

14 *ibid*.

15 United Nations. 2012. "Resolutions adopted by the General Assembly [without reference to a main committee (A/66/L.56)] 66/288. The future we want", available at http://rio20.ch/wp-content/uploads/2012/09/Rio-Ergebnisdokument_EN.pdf

16 *ibid*.

17 World Development Indicators, The World Bank. Data for other South Asian LDCs is not available.

18 UNEP. 2010. Note 3; and World Resources Institute. 2011. "A compilation of green economy policies, programs and initiatives from around the world", pdf.wri.org/green_economy_compilation_2011-02.pdf

19 Bowen, Alex and Sam Fankhauser. 2011. "Low-carbon development for the least developed countries", *World Economics* 12(1), January-March: 145-62.

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21 UN-DESA, UNEP and UNCTAD. N.d. "The transition to a green economy: Benefits, challenges and risks from a sustainable development perspective". Report by a panel of experts to second preparatory committee meeting for United Nations Conference on Sustainable Development, http://www.uncsd2012.org/rio20/content/documents/Green%20Economy_full%20report.pdf

22 http://ictsd.org/i/news/biores/74825/

sawtee

South Asia Watch on Trade, Economics and Environment (SAWTEE) is a regional network that operates through its secretariat in Kathmandu and 11 member institutions from five South Asian countries, namely Bangladesh, India, Nepal, Pakistan and Sri Lanka. The overall objective of SAWTEE is to build the capacity of concerned stakeholders in South Asia in the context of liberalization and globalization.

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