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Conference report

Real green economies

Monday 24 – Wednesday 26 February 2014 | WP1272

In association with:

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The concept of a 'green economy' has emerged from a long history of sustainable development practice and policy making. In the preparations for Rio+20, the term gained renewed political attention as a 'new' paradigm for achieving sustainable development. Two years on, as national policy frameworks for a green economy are in place and international institutions are channelling funding towards the transition, some critical questions remain: How are green policies impacting the poorest? What is the evidence that green economy tools are reversing the trend of environmental degradation? How are macro-economic tools relevant to community-based action?

On 24-26 February 2014, forty individuals representing diverse views including trade unions, business, civil society and policy convened at Wilton Park to discuss 'Real Green Economies'. Contrary to the macro-economic models and analytical frameworks that have been developed by international institutions, the conference aimed to understand what solutions and actions are being taken by communities to transform their local economies. Stakeholders shared their experiences of different approaches – some of which have happened in absence of government intervention. They identified connections, fault-lines and trade-offs of 'green' policies for communities. They described the politics of 'green' policymaking on the ground and the opportunities, and risks, of attracting funds from the capital markets.

Key actions

"There is no single and abstract blueprint for greener economies."

Stakeholders concluded that there is no single and abstract blueprint for greener economies. Rather, there are multiple approaches and pathways for transforming our economic systems. 'Real green economies' already exist at the community level so the opportunity now is to draw linkages between action on the ground and the momentum for change at the international level through 7 key actions:

- Encourage multiple discourses that respond to human needs, fears and aspirations;
- Tackle research and evidence gaps together, drawing on sustainable development experiences;
- Support and reward leadership by gathering coalitions of the willing;
- Increase the voice of marginalised stakeholders in political and financial processes;
- Embrace a diversity of approaches but share and organise evidence more coherently;

- Encourage learning and exchange across different stakeholder groups;
- Keep the dialogue open in order to build trust between different approaches.

Green economy and green growth – the policy story so far

1. A green economy is not a new concept. Since the 1980s most countries have supported 'green' economic activity in different guises. As citizens and markets have become more sensitised to sustainability issues so too many 'glimpses' of a green economy have emerged particularly at local and subnational levels independent of government action. On the back of the 2008 financial crisis, coupled with rising food prices and the impacts of climate change, intergovernmental organisations sought to promote a green economy as the solution. In their preparations for Rio+20, international organisations described a green economy as a single package of policies or instruments, many of which were better suited to the needs of developed countries.
2. Forty years of learning and practice towards achieving sustainable development has proved the value of understanding real-world histories and motivations. The objective of the three day conference at Wilton Park was to learn from the many 'glimpses' of the transition at the local level in order to connect to and shape those international processes now underway to accelerate the transition.

Greening growth

"By directing investment away from fossil fuels and towards low carbon infrastructure, countries in the developing world have the chance to 'leapfrog' industrialised country development pathways."

3. Countries, particularly in the developing world, urgently need to grow their economies. By directing investment away from fossil fuels and resource intensive industries, and towards more resource efficient and low carbon infrastructure they have the chance to 'leapfrog' industrialised country development pathways. They also have the opportunity to build new markets and trading partners. 'Green' production and investment can become one engine of growth. Where 'sustainable development' has become an accepted policy goal, but has not been able to engage with economic and financial institutions, the concept of 'green growth' is bringing new players to the table, particularly the capital markets and the private sector, and is helping to convince economic, planning and finance ministries of the case for protecting the environment.

Is 'green growth' enough to lead to 'greener economies'?

4. From many perspectives, the terminology of a 'green economy' is still problematic. For some stakeholders there is a clear distinction between 'green growth' and a 'green economy'. The former, a more narrow term, focuses on Gross Domestic Product (GDP) productivity gains generated by greater resource efficiency and technological innovation; the latter has broader goals of economic reform in order to protect natural systems and generate more equitable and inclusive economies. For other stakeholders, the distinction between the terms is an artificial one. Rather, this is a discussion about the quality, outcome and shape of 'growth' – be it 'green', 'blue', 'red' or otherwise.

Who will benefit from 'green growth'?

"Green growth alone is not enough – rather it should be seen as one significant t step along the pathway towards sustainable development."

5. There is yet little and uneven evidence that green policy packages will help poor communities or generate new job opportunities. Some green policy tools, which commonly include pricing instruments (i.e. taxes, subsidies, user charges); regulatory tools (i.e. certification, standards, sustainable public procurement); investment (i.e. skills development, resource-efficient infrastructure) and mainstreaming environmental issues into policy making are not primarily aimed at meeting poor people's needs. More importantly, 'green growth' does not seek to tackle the structural biases and asymmetries of power in our economic system. Green growth alone is not enough - rather it should be seen as one significant step along the pathway towards sustainable development.

How green is it?

6. We have not managed to decouple growth from the environment at scale, so there are still important questions as to whether it will help to protect our environment across all ecosystem services and limits. The concept of ‘planetary boundaries’ is not inherent in green growth and is still too abstract; it will not become operationalised at the business or national level until it is translated to regional, national and local levels.

Can governments lead the transition to broader-based green economies?

“If green growth requires government interventions, then is it viable in political systems founded on weak institutions and governance structures?”

7. The transition to green economies requires governments to intervene by directing investment and managing the transition. However, some participants noted that governments rely on bureaucratic systems of change and are not always adept at ‘picking the winners’. Furthermore, if green growth requires government interventions, then is it viable in political systems founded on weak institutions and governance structures? While governments can create the policy conditions and incentives for a transition, actions by the private sector, communities, labour groups and other stakeholders will be necessary for driving the change.

Reaching communities?

“Until a green economy responds to people’s needs, fears and aspirations, it will struggle to reach communities.”

8. Despite the efforts of international organisations, and some strong interest among a rising number of governments, people on the streets (North or South) are not talking about the language of ‘green economy’. It is not a discourse that is connected to social justice or better opportunities for all. Until a green economy responds to people’s needs, fears and aspirations it will struggle to reach communities. Stakeholders need to tell the positive stories of change, collect country experiences, such as some of the green job country studies discussed at Wilton Park, and connect a global vision with local and national needs.

KEY POINTS

- Concerns around a green economy focus primarily on the quality, outcome, distribution and appropriateness of ‘green growth’.
- Unless a green economy responds to people’s needs, fears and aspirations the agenda will struggle to be relevant to or mobilise communities.
- For global planetary boundaries to be applicable, they will need to be translated to regional, national and local levels.

Green opportunities – stories of real change from the field

Locally driven ‘green economies’

“When communities have secure rights over their own resources, they are able to adapt to climate change and natural disasters much more effectively.”

9. Communities across the world are taking action to reshape their local economies in order to better meet their needs as well as those of the environment. Many of these initiatives are taking place in the absence of national policy frameworks for a green economy. For example, communities in Amazonas, Brazil’s largest state, have succeeded in operationalising sustainable development. By working in close collaboration with local communities and stakeholder groups, alternative livelihoods have become viable, based on natural resource management and unlocking the bottlenecks to productive forests and fishery value chains. Similarly, experiences in the Philippines show that when communities have secure rights over their own resources they are able to adapt to climate change and natural disasters much more effectively.

Businesses are also taking action

10. Businesses have also had to respond to new risks posed by environmental loss. For example, SAB Miller has started to take a much more proactive approach to investing in local ecosystems and protecting livelihoods near their operation plants in Colombia,

India and Mozambique in order to improve productivity and to stabilise fluctuations in resource prices.

"The green economy is an attempt to drive investment, support entrepreneurship and innovation and create enabling environments for community-based adaptation at scale and at speed."

Do community-based initiatives need or support a green economy?

11. Is there any demand for a green economy from communities or businesses, or is this primarily a 'supply-side' agenda? To what extent are the green economy policies learning from good green economy precedents at the local level? For some participants, the response to these questions is that our economic model has tended to 'externalise risk' - usually to poor communities or low-income countries. As a result, multiple risks – social, environmental and economic – are compounding. In addition, taking community based adaptation initiatives to scale has always been a significant challenge. The green economy is an attempt to drive investment, support entrepreneurship and innovation, and create enabling environments for community-based adaptation at scale and at speed.

A question of value?

12. Some governments and businesses have found 'natural capital valuation and accounting' tools useful for understanding the role of natural capital such as water and minerals and – more challengingly – ecosystems in their activities or development models, and in some cases the exercises have prompted significant change. Since they bring together accounting, economics and natural science knowledge and procedure, they can open up links to national and sector planning and budgeting and fiscal policy. But their links to other social sciences are weaker: methods for assessing distributional issues, and quantifying social issues or community wellbeing are far less developed.

KEY POINTS

- There is a mismatch between the green economy 'suppliers' at the international level, and the 'demand' side at the community level.
- Community based initiatives must shape green economic transitions; but tackling systemic risk will also require a global response.
- Natural capital valuation and accounting are useful tools but tell us little about social issues.

National initiatives – what countries are saying and doing about green economy

Countries are defining their own 'green economies'

13. National green economy discourses are evolving quickly, responding to in-country needs and opportunities, but also being accelerated by new international green investment. IIED's dialogues in several developing countries and regions have revealed local concern to place more emphasis on inclusion, equity and natural capital, and to build on what works in-country. In Ethiopia the government has identified the co-benefits of the twin ambitions of progressive climate policy and becoming a MIC by 2025. The national Climate Resilient Green Economy plan (2011) focuses on achieving low carbon growth across key sectors – agriculture, forestry, power generation and energy technology.

14. In the Caribbean region stakeholders are considering how alternative economic policies can tackle two imperatives: rising inequality and the impacts of climate change. The region has a large informal workforce and a strong SMME sector, so any green macro-economic policy approach will need to engage these actors and learn from indigenous knowledge. One of the biggest challenges in the region is trying to match local needs with regional and international policy and investment.

National competitiveness is an important political driver

15. The OECD has shown that governments are exploring how state-led investment in resource efficiency can sharpen their competitive edge. For example, South Korea established a presidential committee made up of ministries, academia, private sector and NGOs to find the opportunities for national competitiveness of investing 2 per cent of GDP per annum in green growth. The Danish government's Copenhagen Clean Tech Cluster is another example of how countries are exploring opportunities for greater competitiveness through green growth. However, other countries, such as the UK, have so far gained little by showing political leadership, while Australia, Canada and the USA have not encountered any consequences for their inertia. In South Korea the momentum for green growth has waned due to a change of government.

Relevance of a green economy?

"Most developing countries are already low carbon, so the discourse around a green economy is perceived as that which is connected to already rich countries with high levels of consumption."

16. Some governments have yet to be convinced of the opportunities or relevance of a green economy. In Cuba, the concept of a green economy is perceived as relying too heavily on market mechanisms and says nothing about social development imperatives. Similarly, most developing countries are already 'low carbon', so the discourse around a green economy is perceived as that which is connected to already rich countries with high levels of consumption. However, there is an opportunity for low carbon countries to 'leapfrog' the heavy industrialisation model and therefore gain more from green economy practices in the longer term. Better understanding the political economy of environment-development links in a given country can help to identify what the relevant economic issues are – and what is not so relevant: this can support a self-directed and step-wise progression towards a green economy that is 'tailored' to the country.

Comparing different approaches

17. The international development community is watching national level activity intently, to understand different pathways towards achieving greener economic growth. This is an opportunity for less powerful countries to influence the global agenda as it unfolds. The scope of different national approaches calls for a green economy 'typology' of interventions, methods and goals so that diverse experiences can be compared or contrasted across different countries.

KEY POINTS

- National approaches to a green economy are responding to a wide range of economic conditions, labour markets, government incentives, skill sets and cultural norms.
- Increasing national competitiveness has proved an important driver for governments prioritising green growth.
- National green economy models in MICs and LICs could shape the international development agenda, instead of the current default i.e. the reverse.

Marrying 'green' with inclusion

"Green policies need to be framed by social justice goals, including redistributing control over assets, enforcing labour rights, tackling gender inequality and ensuring procedural justice."

What is an inclusive green policy making package?

18. Integrating social justice into green policy making processes might take a range of forms. There are 'safeguarding approaches' whereby compensation for green activity is offered to affected groups in the form of cash transfers, redundancy payments and skills retraining; another approach is to find policies that offer co-benefits for communities as well as the environment, such as access to sustainable and affordable energy or water, or government programmes to create green and decent jobs. However, to address the structural drivers of social deprivation, then green policies need to be framed by social justice goals including redistributing control over assets, enforcing labour rights, tackling gender inequality and ensuring procedural justice.

Who is included?

"An inclusive green economy is one that works for people as consumers and producers of both private and public goods."

19. We need to be careful of speaking about civil society as a single block. For trade unions and labour groups the green economic transition presents different threats as well as opportunities. There is still uncertain evidence as to how green policies will impact local, national and global labour markets. Encouragingly, there are some positive examples whereby governments are actively working with labour groups on environmental issues. In Bangladesh there has been some progress as government and trade unions are considering ways of cleaning and greening the working environment of industries such as brick making; while in Kenya the government is working with labour groups to support workers prepare for new sectors in low-carbon energy.

20. The language of 'inclusivity' can become hollow when used in international policy or business circles. An inclusive green economy is one that works for people as consumers and producers of both private and public goods: it meets people's basic needs as consumers or self-providers, and/or enables them to participate in productive economic activities as producers or employees. Businesses and national initiatives must find ways of creating value at the local level through jobs, new markets, partnerships, innovation, and affordable goods or services. For example, in India, Tetra Pak set out to increase their waste recovery rates by providing new recycling plants but, by working with local groups and conducting pilots, they learned that local communities were struggling to access the recycling plants, get a fair price for the materials or identify recyclable packaging.

Can 'green' policies be redistributive?

21. For some governments and institutions, green policy tools are ill suited for tackling redistribution – this is the role of social and economic policy. Where social goals are to be the aims of green policy making, then they need to direct the whole policy from the outset rather than framed as 'social impact assessment'.

KEY POINTS

- Achieving inclusive green growth is not just about social protection. It is about creating value at a local level through jobs, new markets and affordable goods and services.
- For green growth to be inclusive, then social goals will need to be defined from the outset of a green economy policy package rather than tagged on in response to a social impact assessment.
- The road to more resource efficient-economies will be rocky. Governments will need to manage the change, dedicating time and investment in reskilling the workforce, investing in emerging sectors and provide long term social protection for the 'losers'. The international community and global businesses will need actively to support poorer countries to provide social protection.

Financing the green economy?

"We need to redirect and 'green' existing investment flows, rather than focus solely on leveraging new finance."

Greening ODA?

22. By one approximation we are 60 per cent below meeting green infrastructure requirements. Rather than focus solely on leveraging new finance we need to redirect and 'green' existing flows such as ODA. Currently, approximately USD 30 billion is spent on environment related issues, now the challenge is to make all development assistance sensitive to environmental issues. For example, limiting export credits and public financing for coal fired power plants and supporting G20 efforts to phase out fossil fuel subsidies.

Engaging business and the capital markets?

23. Businesses, investors and the capital markets are more aware of the financial threat posed by environmental loss. Green and climate bonds are likely to double in 2014 and are being issued by diverse institutions from the World Bank and European Investment Bank to Electricité de France (EDF) and Unilever. However, how 'green' are these bonds? At present they tend not to respond to issues of biodiversity loss, climate resilience and natural capital restoration. Furthermore, how can we ensure that poor people will benefit from them?

Tackling financial short-termism?

24. Despite useful work by groups such as the Carbon Tracker, investors still cannot see the point of 'peak oil' or longer-term environmental risks. However, there are funds and asset classes that have long-term goals and fiduciary duties embedded in their principles such as sovereign wealth funds (SWFs). For 'carbon de-entanglement' to take place at scale, both in our national economies and our capital markets, then there needs to be a stronger push on calculating 'risk'. Carbon stress testing would be a useful tool.

"There is a need to connect the financial regulation reform agenda with that of green economic transitions."

Reforming financial markets

25. Pricing carbon and removing fossil fuel subsidies are important steps for redirecting financial flows; but for systemic change we need to prioritise green regulation and interventions across the banking, investment, securities and insurance sectors.

26. Following the 2008 financial crisis, financial system reform is higher on the political agenda – particularly in the global financial institutions. However, the reforms tend to focus on 'stability': it is likely that investors will become more risk-averse, which ultimately could undermine investment in a green economy. There is a need to connect the financial system reform agenda with that of green economic transitions.

Understanding public expenditure

27. As well as looking to the capital markets we need also to better understand public investment structures. New 'climate budget codes' reveal that 3 – 15 per cent of government expenditure in countries such as Bangladesh is climate-related and comes from domestic sources – not international development assistance.

28. We need also to link to and support global efforts to quantify the economic cost of inaction on climate change at local, national and global levels. The Commission on the New Climate Economy is one such initiative into which all organisations can feed evidence.

KEY POINTS

- Rather than focusing solely on the cost of the transition that will require additional funds, we should also aim to 'green' existing financial flows such as ODA and capital market investment.
- One solution for tackling financial short-termism is to focus on funds that have fiduciary duties and long term goals embedded into their mandates, such as SWFs.
- The financial system reform agenda needs to be connected to the green economy transition.

"If green economies revolve only around elites, there will be some inadvertent losers."

The politics of an inclusive green economy?

Winners and losers

29. There are entrenched and complex vested interests at stake around 'green' politics. Nepal has always been a low-carbon country, but emissions are now being driven up by wealthy households who are importing diesel generators to avoid hydro power-cuts.

Meanwhile poor communities lack access to on-grid electricity and are losing their rights over their local resources, causing them to move to urban slums and supporting insurgencies in rural areas. Trade unions have challenged community electricity programmes on the basis that they will destroy the monopoly of electricity. If green economies revolve only around elites – deals between ministries and big companies for high -technology and massive infrastructure investment – there will be some inadvertent losers since such deals are likely to ignore many poorer groups and informal economic actors.

Whose value?

30. A green economy tries to put an 'appropriate' price on externalities. While a global carbon price is theoretically feasible, biodiversity, water and other local 'planetary boundaries' have local, regional and global dimensions, making it difficult to allocate prices or fit into accounting models. While valuing resources might help to show value to policy makers, commoditised natural resources can quickly become dismembered from their social context. Many 'green grabs' – often carbon sequestration schemes in Africa – have used bureaucratic monitoring approaches that threaten people's land and livelihoods. Green technocratic solutions will struggle to tackle social issues.

Does the private sector have the solution?

"To protect our public goods, we will need to reverse the direction of travel and taken them out of the marketplace."

31. The markets have come to dominate our public sphere. To protect our public goods, we will need to reverse the direction of travel, take them out of the marketplace and return them to public and community actors. Governments need to be actively involved in that process by supporting research and development; supporting locally-appropriate innovation and managing the many trade-offs. There are some interesting examples, particularly in the BRICS, of more 'entrepreneurial state' models. In China the government has supported R&D, such as their 863 Programme, technology transfer and public procurement to build a market (e.g. electric vehicles in Shenzhen. There are also non-managed examples (e.g. electric bikes) which are less reliant on high-technology and Intellectual Property rights but still delivering environmental and social benefit. BRICS do not need to become 'locked-in' to high-tech mega trajectories. Instead they can support a diversity of approaches to catalyse wider transformations and political approaches.

How do we tackle inequalities of power?

"The failure of industrialised countries to take action on climate change or tackle their own consumption patterns has undermined their credibility in international negotiations."

32. Holding powerful actors accountable is very difficult. Organisations and governments have proved immune to shame, and fines make little lasting impact. Our financial and political systems need to be diversified. In spite of ambitious language, the development community also maintains the status quo of global power dynamics, and is founded on hierarchical and bureaucratic mechanisms. The failure of industrialised countries to take action on climate change or tackle their own consumption patterns has undermined their credibility in international negotiations. Developed country governments need to match their rhetoric with action. Now that Europe is prioritising a green economy domestically and in its development cooperation, we need to find new ways of bringing the social and equity dimension into those policy discussions held in the European Parliament and amongst European Commissioners. We also need to find mechanisms that can reward political leadership on a green economy.

Supporting a diversity of political narratives?

33. We need to be careful of lumping diverse green politics together. We need to devise politically smart messages to resonate with developing country politicians as opposed to the messaging that is being used in already rich countries. In many cases, the 'green' political narratives and initiatives in LICs and MICs are more progressive than within OECD countries. Many governments would like their indigenous efforts recognised, from Bolivia's rights for 'Good Living' to China's focus on 'Ecological

Civilisation'. All stakeholders need to look for lots of different ways of discussing a 'green economy' that do not solely revolve around the economic dimensions – there is not always a profit-based case for sustainable development.

KEY POINTS

- 'Greening' is political at local, national, regional and global levels – and it is helpful to understand the political economy of green issues
- Business and bureaucratic solutions tend to confirm the status quo rather than disrupt it.
- More diverse interests and perspectives, particularly those of marginalised and poor communities, need to be championed in our political systems to moderate the power that elite groups monopolising decision making.

Conclusion: a common way forward?

34. There is no single and abstract blueprint for the transition to greener economies. Rather, there are multiple approaches and pathways for transforming our economic systems. 'Real green economies' already exist at the community level so the opportunity now is to draw linkages between action on the ground and the momentum for change at the international level.

- Encourage multiple discourses: The language and vision of a green economy is still too remote and process orientated to move beyond the walls of national or international policy fora. The language of the transition needs to be simple, human and relevant. It also needs to be politically-smart by making the case for creating jobs, improving wellbeing and managing risk.
- Tackle research and evidence gaps together: There are many evidence gaps, particularly on the social outcomes of green policy making processes, which need to be explored from different perspectives. All stakeholders should draw from the experiences of sustainable development policy making and recognise the value of indigenous/non-Western knowledge and approaches
- Support leadership at all levels: To accelerate the transition we need to support coalitions of the willing and the committed from across government, business, civil society and academia. Individual champions that span grass roots to the global should be supported. Governments and organisations which show leadership need to be rewarded.
- Increase the voice of marginalised stakeholders: For the global green economy agenda to be more responsive to realities on the ground we need to increase the voice of marginalised groups in international processes. We also need to link communities of practice and policy such as the Sustainable Development Solutions Network, the European parliament, Green Economy Coalition, Global Green Growth Institute, national dialogue processes etc.
- Embrace diversity of approaches: There is a multitude of different understandings of green growth and a green economy. We need to ensure that knowledge is organised and shared across different platforms and communities (Sustainable Development Solutions Network, Green Economy Coalition, Green Growth Knowledge Platform, UN Partnership Action for a Green Economy etc.). A green economy typology would enable researchers and policy makers to compare different pathways.
- Encourage learning and exchange: There needs to be a mutual recognition of the different niches that green economy initiatives, policy processes and organisations play at local, national and global levels. We should also recognise the value of collaboration and networks for exploring complex problems.
- Keep the dialogue open and moving: The discourse around 'green growth' needs to

remain alive and active at all levels including donors, international organisations, communities and businesses.

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