Inequality from a green economy perspective – a brief stock-take

Background note for IIED/GEC/CERES workshop on inequality and green economy, 26 February 2016

> A green economy is one that results in improved human well-being and *social equity*, while significantly reducing environmental risks and ecological scarcities, [and] one which is low-carbon, resource-efficient and *socially inclusive*. (UNEP 2011)
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> Prosperity *for all* within planetary limits. (GEC 2009)

Introduction: Early green economy/growth (GE/GG) efforts placed the economy, climate and environment front and centre. But key players such as UN-PAGE, the OECD, GEC and GGGI (Box 1) now intend to *focus on people and their inclusion*. They have all come to believe that a GE must also tackle issues of inequality, even if they assert it under more politically palatable terms such as 'inclusion'. They do not want the risk that GE/GG simply extends patterns of exclusion into new, 'greener' fields. But their observations and vision are perhaps more intuitive than empirically based. Better evidence and a clearer theory of change are needed in relation to (in)equality – so the emerging GE structural reform agenda is robust and its distributional impacts are equitable.

Box 1: Green economy/green growth – the main players and what they do

A wealth of evidence on the links between environment and poverty, less so on inequality: Following the 2002 Johannesburg World Summit on Sustainable Development, environment and development groups have explored the 'vicious downward spiral' linking environmental problems and poverty. They now have evidence of how *environmental problems* affect the poor and marginalised groups disproportionately – floods, droughts, climate change, and degraded or unavailable environmental assets create vulnerability for those with no alternative assets. There have also been some attempts to explore the potential 'virtuous circle' of environmental management and wealth creation. They conclude that environmental management is an important safety net for the poor. But it is only rarely a 'ladder out of poverty' because marginalised groups do not have effective rights, and access to resources and services that would help them to benefit from environmental assets. And, at times, governance is so bad that environmental management creates a 'poverty trap' e.g. by excluding people from national parks or water supplies, removing their rights to gather produce, or passing the burden of richer people's pollution on to them. *Environmental solutions* have the potential to exacerbate inequalities, tending to favour elites – market instruments like certification, planned green cities and technology choices are inaccessible to marginalised groups. (DFID 2002; PEP 2005; PEP 2014; etc.)

Growing concern by the GE community about 'inclusion': The focus has been on poverty; less so on how inequality links to specific environmental problems or solutions. In part this is because many get their support from development assistance agencies whose mission is poverty reduction, and who were worried by early 'people-blind' GE/GG work. For example, GGGI is now addressing poverty reduction and inclusion, and working more in the LDCs. But it was also in response to developing countries' and poor groups' initial reactions against the idea of GE/GG. They saw GE/GG as an anti-competitive idea from richer countries that would restrict their use and trade of environmental assets, exacerbated by the profusion of 'high-level' GE/GG meetings involving big business and ministers. However, once developing countries were able to make their demands for inclusive approaches clear (Box 2), almost all GE/GG initiatives now wish to realise positive opportunities of inclusion e.g. in job creation and sustainable natural resource-based enterprise.

Box 2: Developing country stakeholders want inclusive green economies

Since 2010, IIED and the GEC have been facilitating national multi-stakeholder dialogues in several developing countries on what kind of economy people believe is needed to achieve joint social, environmental and growth objectives. The consensus in every country was that green economies would be most attractive if they are *inclusive*. They said green economies should aim at: job creation, especially for poor people; starting with the informal economy, where most poor people find their livelihoods; supporting joint social and environmental protection, and services such as water and sanitation for poor groups; as well as natural resource-based enterprise that can drive economic growth at rates of over 5 percent. There is a strong sense that green growth should not take off unless it is inclusive: they want a green economy owned by and operated for majorities, not minority elites. (Bass, 2013).

Pragmatic but cautious emerging vision of 'inclusive' GE/GG: The main players know that there are local, national and global inequalities that constrain GE/GG: they see asymmetries in structural systems – in rights, information, incentives, etc. – that need to be tackled. But their strategies are not always clear on whether to focus on poverty prevention, or on poverty reduction, inequality, exclusion, or gaining broad societal support. Few are aiming yet at more ambitious structural reform as opposed to project-level safeguards and occasional synergies. Instead of tackling the tough problems of exclusion and inequality head-on, they find it more politically tractable to promote *inclusion* (in recognition, in process, and in distributional outcomes of a GE).[1] They can offer sound, practical reasons for inclusion that help them do business in-country, e.g. (Bass *et al* 2016):

1. *Effectiveness:* Inclusive green growth creates resilience where poor people disproportionately depend on natural resources and are vulnerable to environment problems.
2. *Market size:* Including marginalised groups and their informal economies in green growth can add up to a majority of the population, and stimulate large "bottom of the pyramid" markets.
3. *Safety and security:* The considerable social costs resulting from exclusion and poverty can be reduced if green growth activities also provide net growth in jobs and social protection.

[1] A recent meeting at IIED concluded that international organizations often use the word "inclusion" interchangeably with equity, fairness, and justice, intending little substantive difference between these terms (Franks, 2015).

4. *Motivation for LDCs*: green growth can help with core economic goals, i.e. to create, at low cost, productive jobs and livelihoods for millions of people entering the labour force each year.

The ethical and political arguments are only touched on, i.e. the need to embrace those who have been most failed by the current "brown" and "unjust" economy, and to ensure that economies serve people, rather than people serving the economy. A lot of store is held by inclusive *dialogue* to enable these arguments to surface from the local context. The kind of politically-correct 'inclusion' strategy now being followed assures equity of recognition and process, but only assumes distributional equity. Because of this, 'inclusion' risks serving as a fig-leaf only (it is not difficult to preface any GE initiative with the word 'inclusion' without even thinking about inequality.)

The evidence on green growth and inequality is recent and patchy: Firstly, GE does not have a long history, and so there is little assessment of its distributional drivers and consequences. Secondly, while sustainable development has a longer track record, data are still organised on a 'siloed' basis, so 'green' and 'equity' progress and problems are not correlated. Finally, while environmental policy does have a much longer history, distributional objectives are rarely considered to be priorities. For example, the 2013 OECD environmental peer review of South Africa concluded the country had made huge progress – except in the poorer provinces; the government still has poor data on how environmental services and problems are distributed.

Box 3. How recent GE literature tackles inclusion and inequality

GGKP (2016) *Background paper on inclusiveness* – reviewed empirical evidence for the social impact of GG approaches to date. It showed that evidence was inconclusive on impact on net job growth and gender equity, and calls for more comprehensive understanding of equity impacts. But it is conclusive that much green fiscal policy is regressive in its outcomes.

Bass *et al.* (2016) *Pro-poor inclusive green growth* – commissioned by GGGI, this makes the case for a GG vision focused on structural reform. It offers a four-part agenda, covering 1) inclusive and transformative governance, 2) strengthened rights and empowerment of poor groups, 3) inclusive and accessible finance mechanisms opened to poor players, and 4) integrated metrics.

FERDI (2015) *Is Green Growth Relevant for Poor Economies?* – green growth policy implications to reduce poverty reflect structural features of emerging economies.

World Centre for Sustainable Development (2014) *Searching for the Social Engine of the Green Growth Locomotive: Green as Social in the New Growth Paradigm* – analysis of the linkages between green growth policies and social dimensions and the way forward.

Benson *et al.* (2014) *Informal and Green? the forgotten voice in the transition to a green economy* – offers case studies of small-scale GE activity in the informal economy, and suggests they can be low-cost, effective and inclusive. It seeks to put informal GE on the same page as the formal GE that has dominated attention.

Raworth *et al.* (2014) *Securing social justice in green economies: a review and ten considerations for policymakers* – looks at the potentials and challenges of ensuring GE is equitable, asserting that a truly ecological approach invariably has to be a social approach, too. It sets out four stages of institutional maturity that need to be worked through to achieve this: from green and social being in silos, to mutual safeguards, to designing for synergies where possible, to transforming institutions to enable far more synergies.

ADBI (2013) *How Low-Carbon Green Growth Can Reduce Inequalities* – Financial reforms (flexible redistributive and transformative public expenditure scheme) to boost green business in low-income communities.

Strengths of the GE community: 'assets' that it can bring to wider inequality efforts: If the GE community has only recently made efforts to tackle inequality, it nonetheless has much to offer:

- *Practical strategies for 'inclusion'* – where 'inclusion' is a politically more attractive entry point for structural change than 'redistributive' attempts to tackle inequality head-on
- *Elements of an 'environmental inequality' argument* – which usefully add to income inequality, including ethical arguments that the earth is itself a 'marginalised being'
- *A long-term future orientation* – emphasising temporal trends such as climate change, extinction and intergenerational equity in access to environmental gods and services
- *The GGKP Research Committee on Inclusiveness* – which is drawing together perspectives and evidence, curating knowledge and addressing gaps, to make the case for action
- *The Green Economy Coalition* – which offers a multi-stakeholder platform to debate issues, with inequality, inclusion and informality being priorities in its 2016-18 agenda
- *Live national GE/GG processes in several countries,* facilitated e.g. by GGGI, UN-PAGE, GEC, IIED, etc – which real offer potentials to explore inequality and structural reform
- *Links to multilateral and bilateral development processes,* with OECD and UN processes on GE/GG and SDGs, and some major networks e.g. the multi-agency Poverty Environment Partnership beginning to focus on institutional change and structural reform

Weaknesses and needs of the GE community:

GE/GG is still contested: While notions of GE/GG are gaining currency, they are relatively new and still not fully accepted in the mainstream, in spite of some OECD and UN leadership. In common with 'environmental' initiatives more generally, they do not yet command a strong power base. Thus for the GE/GG 'platform' to be authentic to the needs of marginalised people, it is essential for it to contribute actively to the wider 'inequality' movement.

The GE community is highly separate from marginalised groups – in this, it is no different from other professional, media or opinion-former communities of practice. However, groups such as the GEC and IIED aim to create strong links with poor groups, and to support their full participation.

Global-level GE, and its links to inequality at global level and in international relations, have barely been explored. GE/GG initiatives tend to focus on the national level. But trade, aid, environmental conventions, other international regimes and inter-country 'footprints' are causes of inequality. Where poverty has dominated GE/GG work, misapplied wealth has not (except in academic circles)

The structural changes needed for GE/GG – and for inequality – seem too far out of reach – their long-term, highly political nature and the associated risk of destabilising the contacts and professional and funding foundations of most GE/GG initiatives mean that few stretch to this high level of ambition. They need partners to help them move forward!

Moving forward: *The GE/GG community needs to explore and sharpen the GE argument and vision for tackling inequality*, beyond the general case for inclusion:

- As a minimum – to assess the *risks* of inequality rendering GE work ineffective or damaging
- Preferably – to understand where GE work can *help* tackle inequality, and vice versa – especially to bring in the 'human dimension' to GE work; to pursue policies and procedures on representation, process and distributional equity within GE work; and to promote appropriate approaches to environmental equity – rights-, needs-, or merit-based
- Ideally – to join with others to explore environmental inequality, to ensure all have a stake, and to confidently propose structural and operational changes that will tackle economic, social and environmental inequalities