

Global Green Growth Institute

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**Discussion Paper II:
Social Inclusion: How to Make Pro-Poor Inclusive Green Growth a Reality*****Summary*¹**

1. Pro-poor, inclusive green growth offers a potential route out of multiple related challenges—in the economy, the environment, and society. Most green growth efforts have put the economy and environment front and center. However, for green growth to fulfil its promise, it needs both broad societal support and a suite of enabling conditions that link social, environment and economic goals.
2. There need to be ways in which the inclusion of stakeholders in planning, implementation and particularly cost/benefit/risk-sharing can support green growth that is equitable and reduces poverty. The key message is that green growth will not automatically be inclusive – but with the right approaches it can be, through building on robust and effective dialogues, diagnostics, frameworks and partnerships.
3. Delegates are invited to reflect on the following questions in approaches to make pro-poor inclusive green growth outlined in this paper:
 - What are some successful poverty reduction and social inclusion stories in your countries?
 - What are the main barriers to reducing poverty and adopting an all-inclusive process to green growth initiatives?
 - What innovations have already been put in place at the level of policies, instruments, projects, investments – including by poor groups themselves? Have they overcome the barriers, or are they still held back by them?
 - What are the ways forward for furthering progress on reducing poverty and improving social inclusion in green growth?
 - How can GGGI support in this effort - where should GGGI focus and with whom should GGGI partner?

¹ The full discussion paper will be shared in due course.

Case for focusing on poverty and social inclusion

4. While wealth is spreading between countries (with rapid growth in the emerging economies), within most countries wealth is becoming increasingly concentrated among a few. Rising inequality is often accompanied by polarized education, health and mobility outcomes, exacerbating power imbalances and exclusion – all of this being at the cost of future economic growth. Countries with high inequality suffer from slower growth rates than countries where incomes are distributed more equally.
5. The poor are harder to reach – they are people in remote rural areas, often on poor-quality land, far from formal markets, and they are politically marginalized, with no rights to land and trade. Only a deliberately ‘inclusive’ approach will succeed in reaching them.
6. The benefits of tackling poverty and inclusion issues in green growth as well as risks of ignoring it are summarized below.
7. **Effectiveness:** A majority of the poor are disproportionately dependent on natural resources in rural areas, and vulnerable to environmental hazards, especially in urban areas. Well-managed green growth activities can create jobs, support small enterprises, and offer incentives like payments to smallholders or communities to manage ecosystem services.
8. **Market size:** Poor people are increasingly active in the market economy; their increasing number stimulates ‘bottom of pyramid’ markets; these have the potential to add value to natural resources, deliver environmental services and goods for poor consumers.
9. **Safety and security:** Green growth activities have particular potentials to reduce the social problems/costs resulting from poverty, e.g. joint social/environmental protection from work in environmental management, or creation of a basic income from national natural resource rents.
10. **Motivation for LDCs:** The central economic challenge for Least Developed Countries is to create productive jobs and livelihoods for the millions of people entering the labour force each year. Pro-poor inclusive green growth offers a potential route to deliver jobs through economic growth, environmental stewardship, and societal progress including reducing poverty. Indeed, for LDCs to adopt green growth policy planning it must be explicit about poverty reduction.

Challenges to addressing poverty and social inclusion

11. Few countries have been bold enough to transform economic and financial governance for pro-poor, inclusive green growth, so progress is patchy, not scaled up or scaled out. The barriers are largely governance-related and institutional. The main barriers include:
12. **Weak governance, policy incoherence and limited capacity:** These are the principal barriers as both introducing green growth and making it inclusive requires strong and effective governance systems. This includes trust in government institutions, respect for the rule of law and engagement of a knowledgeable civil society and free press. Market failures cannot be corrected without coherent and strong governance structures, information

campaigns and enforcement that level the playing field for poorer economic actors and provide underpinning social policies.

13. ***Lack of power, access and agency among poor groups and small/informal business:*** Poor groups still tend to be the subject of inclusive, green growth initiatives rather than active drivers of them.
14. ***Skewed distribution of the costs of change:*** Poor people may not be able to afford the transition costs, e.g. to more sustainable land use, or may be unwilling to take the risk of shifting production or markets.
15. ***Lack of broader societal ownership of the green growth:*** Rio+20 concluded that green growth should be country-tailored through country-driven, multi-stakeholder approaches.
16. ***Lack of decentralization:*** Pro-poor inclusive green growth issues are intensely local in nature and it is often only at the local level, and by local groups, that precise trade-offs and integration can be made.
17. ***Limited pro-poor, inclusive green growth market instruments:*** Impacts on the poor of environmental fiscal reform, cap and trade systems, feed in tariffs, payment of ecosystem services schemes are insufficiently analyzed and understood.
18. ***Lack of innovative finance mechanisms:*** The poor pay a lot for energy, water and transport on a daily basis, but have no capital to invest in more sustainable solutions.

Ideas and examples for overcoming the challenges

19. Ways of realizing poverty reduction and social inclusion in green growth initiatives can be focused on innovations at five different levels:
20. ***The individual person:*** Diversity at this level has been expressed with various ‘wellbeing’ frameworks focusing on needs and ‘livelihood’ frameworks focusing on available capitals. This level acts as a litmus test for the achievement of all others below.
21. ***Projects/enterprises:*** This is the level at which external institutions have most practical influence. The driver here is to aim for the largest projects to have the ‘most influence’. The challenge is to ensure that large projects work in all dimensions important for livelihood.
22. ***South Africa's 'Working for' programs,*** for example, have typified initiatives successfully combining environmental improvement with job schemes aimed at disadvantaged groups. While ***Durban's Municipal Climate Protection Program*** has shown the inclusive benefits of putting poor communities in charge of their own climate resilience and adaptation plans, through the Climate Smart Communities project.
23. ***Sub-national, local economy, policies and institutions:*** Local contexts of informality, multiple livelihoods, resource portfolios and political economy will determine if and how it is possible to scale-up from isolated pro-poor projects into bigger programs.

24. In the case of Rwanda, it has improved the ecotourism revenue sharing model operated across central Africa, ensuring revenue from its central parks is directed to local communities as an incentive to support biodiversity
25. ***National economy, policies and institutions:*** These will determine the regulatory and market signals that encourage or discourage a wholesale transition from brown to green. The challenge is to understand what stage a country's policies and institutions are at in the transition, and not to assume the balance of drivers/antagonists is the same everywhere.
26. For example, Indonesia has led the world in its policy of inclusive fossil fuel subsidy removal incrementally introducing direct social welfare policies to support its poorest citizens through direct and conditional transfers. While Germany's top level 'Energiewende' policies have helped support its rapid transition to renewable energy sources through ambitious targets and an inclusive community ownership model, with 47% of electricity generated from renewables community-owned in 2012. Mexico's has shown that consultative policy processes and instruments can be rolled out effectively and reconciled with the need for rapid and results-led anti-poverty programs. While the Philippines' National Greening Program has shown that a targeted investment of \$650 million in sustainable forestry can deliver effective forest rehabilitation alongside the development of secure livelihoods for marginalized communities.
27. ***Global economy, policies and institutions:*** The poorest countries feel the influence of distant economies, which both enable or constrain what kinds of people and environmental assets will be favored in the market.

Ways forward for furthering progress on reducing poverty and improving social inclusion in green growth

28. Recommendations for the way forward for realizing inclusive green growth that prioritizes poverty reduction are grouped into four interlinked themes:
- National owned, integrated governance
 - Metrics for inclusive green growth
 - Poor peoples' empowerment, rights and capital assets
 - Inclusive infrastructure and finance
29. There is a growing guidance literature on how to achieve green growth. It tends to focus on identifying the huge investment needs required to install new infrastructure, and on overcoming the market and policy barriers, with less focus on inclusion and poverty reduction. Our emphasis here will be on those policies that are most important for making this green growth inclusive and pro-poor with a focus on the softer institutional dimensions of change

30. ***National owned, integrated governance:*** Only a nationally owned, demand-driven, multi-stakeholder governance process will enable low-income countries and poor people to make the transition to inclusive green growth.

- *Broader Societal Demand:* Governments, the electorate and consumers must become more aware of social and environmental performance, what drives it, and demand better policy space to drive green growth. Well-organized fora to advocate, debate and resolve green growth issues will become centrally important. Green revenue sharing and job creation are key for buy-in.
- *Government Coordination and Leadership:* The call for an inclusive process should not divert attention away from the importance of government coordination and leadership.
- *More sophisticated combination of green growth and inclusive decision-making:* Need to tackle complex issues, such as how to handle new fossil fuel finds. Management of incremental shifts in policy and the identification of successful alternative cash transfer mechanisms can produce real green returns while offsetting negative impacts on marginalized groups.
- *Progress towards truly integrated governance frameworks and coordinated institutions:* Agree fundamental governance frameworks and invest in institutional capacities and rules that build in sustainable development principles, learning and emergent strategy. The challenge is to move from isolated application of instruments to a system-wide approach.

31. ***Metrics for inclusive green growth:*** Metrics for inclusive green growth are vital for decision-makers. Good metrics will ensure effective progress.

- *Implement and link the Sustainable Development Goals (SDGs) to green growth:* There will be a political need to generate national SDG plans. Green growth planning should be positioned within these as well as respond to emerging ‘beyond GDP’ frameworks such as the Millennium Ecosystem Assessment’s ecosystem services/wellbeing framework, corporate sustainability reporting, wealth/capitals accounting.
- *Markets delivering development:* Green growth should seek to connect development objectives with market effectiveness. This requires markets to be given signals, policy frameworks and stimulus investment to create confidence for the private sector to develop and implement solutions. The signal part of this challenge is to translate SDGs into national targets, and market performance metrics.

32. ***Poor peoples’ empowerment, rights and capital assets***

- *A participatory transition process owned by the excluded and poor themselves:* It is vital that the excluded and the poor are brought into discussion and decision-making about green growth. It is key to ensure the space for poor people to act as agents in green growth - voice, representation, access, opportunity, research and agency will be the keywords.

This is a key point where government needs to embrace social movements rather than resist them.

- *Local government in rural and urban areas is often closest to political representation of poor people themselves:* To enable local government to play a facilitating role will require effective decentralization of the political and economic power needed to empower and work alongside local residents.
- *Build and strengthen poor people's capital assets:* Pro-poor, inclusive green growth involves building the assets or capitals that the excluded and poor have already, improving their productivity and value added, and protecting poor people's rights to them.
- *Support informal labor markets for green growth where the poor primarily work:* Prioritizing small-holder agriculture, small and medium scale enterprises, including decentralized services for energy, water and waste. Education and training programs need to build an inclusive green growth workforce.
- *Enhance natural resource assets in ways that benefit the excluded and poor and promote green growth technologies that benefit the poor and excluded:* Aim to identify and support local resource management and technical knowledge and innovations suitable to informal economies and natural resource management.

33. *Inclusive infrastructure and finance*

- *Infrastructure is key to green growth – economic structures and energy systems organized around it must be made inclusive and include natural infrastructure:* Emphasis on 'productive capacity' provides opportunities for poor groups to build, operate and benefit from infrastructure. Natural infrastructure alternatives underpin practically all sectors important to poverty reduction that can be run by poor groups through incentives such as participatory management and payments for ecosystem services.
- *Financial mechanisms should prioritize the informal economy and micro, small and medium-sized enterprises:* It should recognize also the importance of safety nets as people move in and out of work and allocate social protection funds.
- *Natural resource revenues to be carefully managed to benefit the poor and sustain future flows* through revenue sharing schemes and payment for ecosystem services schemes (including REDD+) to generate decent green jobs in sustainable natural resource management.
- *Ensure the transition costs of green growth not borne disproportionately by the excluded and poor.* A number of countries have shifted the savings from subsidy removal into programs that benefit the poor such as increased spending on social programs.
- *Recognize, mobilize and link the range of investors including the poor themselves:* Local investors (smallholders, small-scale producers, and natural resource processors who invest their labor, savings and capabilities), Enabling investors (government agencies,

donors, NGOs and, on occasion, the private sector), and Asset investors (conventional profit- or product-oriented investors)

- *Financial capital to benefit the poor:* Availability of microfinance and social protection schemes are expanded to increase financial capital for excluded and poor people
- *Reforms to financial markets to drive investment in inclusive, green growth:* Policy across the banking sector (both commercial banks and central banks), bond markets and institutional investors to encourage greater attention to sustainable development objectives.
- *New commitments to inclusive green growth by finance institutions in emerging markets:* national banks, the BRICs are setting up new international financing institutions with the China-led Asian Infrastructure Investment Bank (AIIB) and the BRICS New Development Bank (NDB) so will need to be embraced as core players in a future pro-poor, inclusive green growth agenda.

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Social Inclusion: How to Make Pro-Poor Inclusive Green Growth a Reality
Background paper for GGGI¹

Executive Summary

Inclusive green growth (IGG) offers a potential route out of multiple related crises – in the economy, the environment, and society. Most green growth efforts to date have placed the economy and environment front and centre. Yet for green growth to really fulfil its promise, it also needs to focus on people – to tackle the poverty and exclusion that constrain both growth and environmental sustainability, and in order to gain broad societal support. Without this support, individual green growth investments may not be sustainable. A suite of enabling conditions is also needed: firstly, to link social, environment and economic goals; and secondly, to engage the many groups that need to be involved.

This paper has five parts, responding to five main questions:

1. Drivers: What is driving attention to poverty reduction and social inclusion – and what are the benefits of addressing these concerns, and risks of ignoring them?
2. Progress: What innovations have already been put in place at the level of policies, instruments, projects, investments – including by poor countries and people themselves?
3. Constraints: What are the barriers to reducing poverty and improving inclusion in green growth?
4. Agenda: What are the ways forward for further progress and for overcoming constraints?
5. GGGI: How can GGGI best support efforts towards inclusive green growth?

The paper's focus is on inclusion and poverty reduction, rather than all aspects of green growth:

- *Inclusion:* By 'inclusion', we mean engaging the poor and those excluded in any country, including: those marginalised by gender, age, disability, ethnicity, caste and livelihood type – with a focus on least developed countries (LDCs) and the (informal) economic activities in which they are engaged. The process of inclusion involves recognition, representation and consultation; involvement in decision-making, production and consumption; and equitably sharing costs, benefits and risks.
- *Poverty reduction:* Reduction of absolute and relative poverty in its multiple dimensions. This covers income poverty but also: lack of access to education, formal labour and credit markets; limited environmental assets; and exposure to climate change and environmental hazards.

¹ This paper was co-authored by Steve Bass, Paul Steele and Camilla Toulmin of IIED, and Oliver Greenfield and Chris Hopkins of GEC. It benefits from a peer review meeting on June 17th involving colleagues from development and environmental NGOs; finance, trade and business organisations; and researchers. We are also grateful for comments on an earlier draft from Martha Rampley of GEC, Krystyna Swiderska of IIED, and Inhee Chung and Thomas Nielsen of GGGI.

In developing countries, those people who are covered by the above definitions can add up to a significant part of the population – not merely a few marginalized groups, but many who have been failed by the current economic system. Thus those who have been ‘excluded’ may in practice refer to a majority of a poor country’s population – people who live and work in the informal economy, whose voices rarely count because they are poor, women, remote rural and/or slum-dwellers. Thus inclusion is not merely a question of bringing in small marginal groups – and inclusive green growth has a very significant societal dimension.

Part 1: What is driving attention to poverty reduction and social inclusion; what are the benefits of addressing these concerns, and risks of ignoring them?

While wealth is spreading between countries, with particularly rapid growth in emerging economies, it is increasingly concentrated among a few within most countries. Rising wealth inequality is often accompanied by polarised education, health and mobility outcomes, exacerbating power imbalances, social unrest and further exclusion. Countries with high inequality suffer from slower growth rates than countries where incomes are distributed more equally – all of this being at the cost of future economic growth and environmental sustainability.

There has been significant progress in reducing poverty in the last decade, with dividends in countries such as China, although economic growth in Africa in particular has not brought about proportionate poverty reduction. Remaining poor women and men will now be harder to reach – they are people in remote rural areas, often on poor-quality land, far from formal markets, and they are politically marginalised, whether refugees or slum-dwellers with no rights to land and trade. And those who are ‘excluded’ from formal economic activity in fact often work within very large informal markets. The informal economy can be larger than the formal economy in many developing countries, but only a tailored and ‘inclusive’ approach will succeed in reaching them.

The benefits of improving inclusion in green growth are laid out in the paper and include:

- a) *Effectiveness:* Well-managed GG activities, in countries where the poor are disproportionately dependent on natural resources and vulnerable to environmental hazards, can create significant economic and social resilience.
- b) *Market size:* Involvement of poor people can stimulate large ‘bottom of the pyramid’ markets.
- c) *Safety and security:* The considerable social problems/costs resulting from poverty can be reduced if people are engaged in green activities that also provide jobs or social protection
- d) *Motivation for LDCs:* The central economic challenge for Least Developed Countries is to create, at low cost, productive jobs and livelihoods for millions of people entering the labour force each year

The risks of ignoring poverty and exclusion are that, at best, green growth is viewed as an external imposition and, at worst, green economies become ‘owned’ by a few, with escalating social tensions.

Part 2: What innovations have already been put in place at the level of policies, instruments, projects, investments – including by poor groups themselves?

Inclusion/poverty reduction can be focused on innovations at five levels:

- a) *The individual person:* This level has had little attention to date, but it acts as a ‘litmus test’ for the successful achievement of all others below. See *Box 2.3 & Case study 2.2.8 Cusco (Peru)*
- b) *Projects/enterprises:* This level has had most attention. It can be tempting to structure green growth around a few major investment projects and hope for trickle-down effects. In the short run, the challenge is to ensure that large projects work in all dimensions important for

people's livelihoods. In the long run, supply-driven solutions may run up against the lack of enabling conditions to sustain them, notably societal demand. See *Case study 2.2.5 South Africa*

- c) *Sub-national/local economy, policies and institutions*: Local contexts are important. They determine if and how it is possible to scale-up from isolated projects into bigger programmes that stimulate local economies and work with societal demand. See *Case Study 2.2.6 Durban*
- d) *National economy, policies and institutions*: This level is also of critical importance, determining the regulatory and market signals that enable or disable the transition from brown to green. See *Case study 2.2.2 Rwanda*
- e) *Global economy, policies and institutions*: The poorest countries feel the influence of distant economies, and of international trade and finance rules. This level needs much more attention if 'global' green growth is to be attained. See *Case study 2.2.10 – Sustainable Energy for All*

There are innovations in policy, instruments, projects, and investments already being pursued across the globe. The track record has not yet been fully analysed and communicated. Much can be learned from developing country examples such as these:

- a) *Policy*: Indonesia has led the world in its policy of inclusive fossil fuel subsidy removal, incrementally introducing direct social welfare policies to support its poorest citizens through direct and conditional transfers.
- b) *Instruments*: Rwanda has improved the ecotourism revenue-sharing model operated across central Africa, ensuring revenue from its national parks is directed to local communities as an incentive to manage biodiversity.
- c) *Projects*: South Africa's 'Working for' programmes have typified initiatives successfully combining environmental improvement with job schemes aimed at disadvantaged groups.
- d) *Investments*: The Philippines' National Greening Program has shown that a targeted investment of \$650 million in sustainable forestry can deliver effective forest rehabilitation alongside the development of secure livelihoods for marginalised communities.

Part 3: What are the barriers to reducing poverty and adopting an inclusive process to green growth?

Few countries have been bold enough to transform economic and financial governance in support of inclusive green growth, and therefore progress is patchy, neither scaled up nor scaled out. Most countries have little more than simple social and environmental safeguards. The barriers to a more transformative approach are largely governance-related and institutional. The main barriers include:

- a) Weak governance, policy incoherence and limited capacity
- b) Lack of power, access and agency among poor groups and small/informal business
- c) Skewed distribution of the costs of change
- d) Lack of broader societal ownership of the IGG agenda
- e) Lack of decentralisation
- f) Limited market instruments for IGG

Part 4: What are the ways forward for reducing poverty and improving inclusion in green growth?

Our recommendations are aimed at achieving four interlinked outcomes:

1. *Nationally-owned, integrated governance*: progress towards truly integrated governance is driven by strong government coordination and leadership, and underpinned by societal demand
2. *Metrics for inclusive green growth*: many parallel initiatives on better metrics for wellbeing, economic progress and environmental sustainability are brought together, with

greater emphasis on inclusion. They become connected to the Sustainable Development Goals (SDGs), and create effective policy hand market signals

3. *Poor peoples' empowerment, rights and capital assets*: a participatory transition process is owned by the excluded and poor themselves; local government in rural and urban areas is active in the change processes; and attention is focused on building and better using poor people's capital for their benefit
4. *Inclusive infrastructure and finance*: economic structures, energy systems and natural infrastructure are made inclusive. This entails: financial mechanisms prioritising the informal economy and micro, small and medium-sized enterprises (MSMEs); financial capital and natural resource revenues managed to benefit the poor; transition costs are not borne disproportionately by the poor; the range of investors including the poor themselves are recognised, mobilised and linked; financial markets are reformed to drive investment in inclusive, green growth; with finance institutions in emerging markets making new and significant commitments to inclusive green growth

Part 5: How can GGGI support these efforts, and under what conditions is it best placed to assist?

Here we introduce GGGI's roles in relation to the 'where, what, how and with whom' of inclusive green growth:

- **Where**: Select locations where the excluded and poor have the highest need and or potential for IGG – in terms of countries (LDCs, SIDS, natural-resource-rich countries) and sectors (agriculture, forestry, fisheries, energy, manufacturing based on these, waste management, tourism), and firms/household types (MSMEs and female-headed households)
- **What and how**: New guidance for GGGI's inclusive green growth programming should cover the range of technical and political economy issues touched on in this paper, and not only be 'add-ons' to GGGI's 'toolkit'. They amount to developing an operational theory of change for IGG – which could derive from *a one-year initial learning process*, with an initial aim to inform the 2016 GGG Summit – covering :
 - GGGI and partner reflections on the poverty reduction/inclusion *outcomes* of green growth, and the *enabling conditions* needed to achieve these outcomes
 - Reflections on GGGI's programmatic approach to date.

Ten operational principles are tentatively suggested, at least to aid such reflections:

1. Champion integrated policymaking.
2. Promote holistic approaches and metrics for 'poverty reduction' and 'green growth'.
3. Raise ambitions beyond social safeguards, to co-benefits and, ideally, transformational change.
4. Focus on the creation of decent green jobs.
5. Be aware of the bias and limits of economic methodologies and market instruments.
6. Promote poor people's empowerment – but also address elite power strategically.
7. Prioritise participation, especially of women and marginalised groups in policymaking.
8. Support locally-driven approaches that are demand-driven, adaptive and context-specific.

9. Consider spacing, timing and phasing.

10. Ensure coherence among international agencies, and alignment with developing country strategy.

- ***With whom:*** The principal aim of IGG is a participatory process owned as far as possible by developing countries, with resulting activities benefitting them. The supporting aim is to ensure that the process draws on the best possible knowledge, finance and resources that can supplement those of poor groups. GGGI will need to identify the in-country leads and validators of its work, the local stakeholders who need to be part of a consultation, leadership and implementation process, and the external partners who are best placed to undertake key roles. GGGI may want to engage with poor women and men directly, but certainly with civil society groups, women’s groups, social enterprises, small business associations, and local authorities as their interlocutors. It is unlikely that GGGI alone will be able to exercise influence towards the whole suite of enabling conditions, and relevant external partners should be sought.

In conclusion, the concrete steps that GGGI can take to promote inclusive and pro-poor green growth include best practices in pro-poor project design and investment, with social safeguards, participatory project management and monitoring. But they can – and perhaps should – go beyond this. GGGI could position itself as a partner in tackling the structural issues that have constrained people-centred economic progress in developing countries to date, through supporting innovations in governance, metrics, empowerment, and finance. This may appear more challenging in the short run than indicative projects. But the attention to enabling conditions could really unleash the potentials of all partners in the long run – not least those of poor countries and groups themselves.

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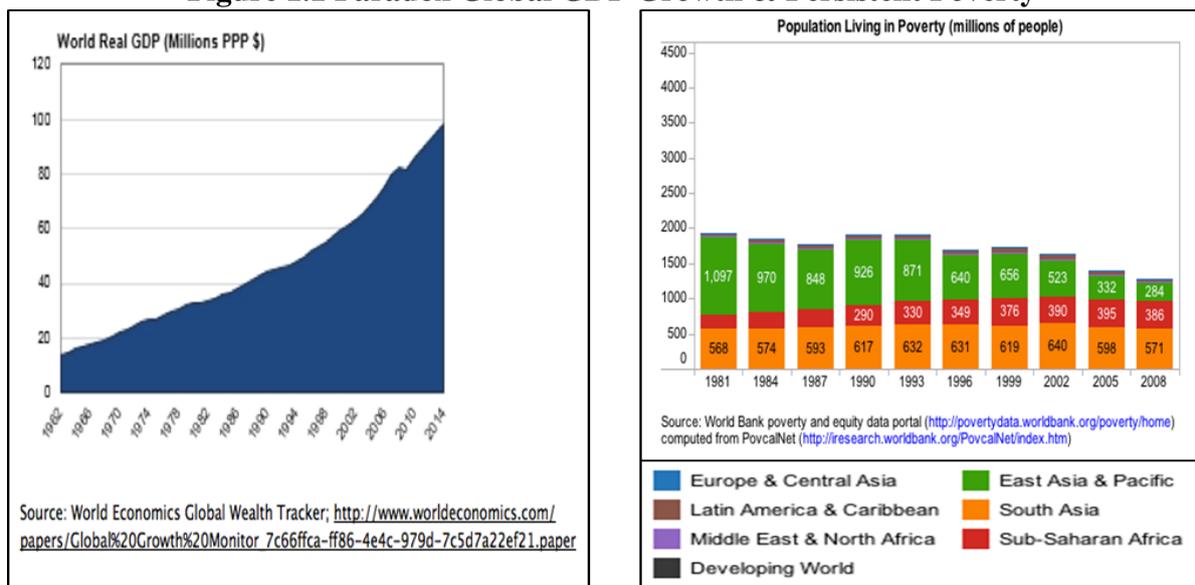
Part 1 – Introduction to Inclusive, Green Growth

Part 1 introduces the purpose and scope of this paper, reviews current trends with poverty, exclusion and environment and presents a framework for assessing inclusive green growth. It answers the questions: What is driving attention to poverty reduction and social inclusion? And what are the benefits of addressing these concerns, and risks of ignoring them?

1.1 Purpose and scope of this paper

The paper has been commissioned by GGGI, which has asked the important question: ‘how to make pro-poor, inclusive green growth a reality?’ GGGI has identified an important paradox: for many countries, economic success in terms of GDP growth contrasts sharply with the persistence – and sometimes increase – of poverty, inequality and environmental damage. That persistence of exclusion is due to structural reasons, and not just poor performance at the level of individual policies, projects and investments.

Figure 1.1 Paradox Global GDP Growth & Persistent Poverty



The paper’s ambition is to highlight how tackling the structural problems behind poverty and exclusion is critical to sustaining economic growth and the environmental assets on which it depends. The paper addresses a range of levels from global to local. It introduces who the excluded groups are, and the nature of poverty as it relates to the environment. It draws on what developing countries have been saying about their vision for inclusive green growth, and the policy and institutional frameworks that they are beginning to put in place to achieve it.

Our focus is squarely on the ‘inclusion’ and ‘poverty reduction’ aspects of green growth. Our scope of inquiry for each is broad:

- By *inclusion* we mean providing a framework for the poor and those excluded in any country to find voice and influence in setting the GE agenda – with a focus on least developed countries (LDCs) and other low income countries. The excluded covers those marginalised by poverty, gender, age, disability, ethnicity, caste and other structural factors. The disadvantage they face is not only poor representation in the political sphere but the design of policy in ways which ignore their fundamental strengths and weaknesses. The process of inclusion involves recognition, consultation and decision-making, involvement in production and consumption, and in equitably sharing the costs, benefits and risks of any change.
- By *poverty reduction* we mean reduction of absolute and relative poverty in its multiple dimensions – i.e. not just income poverty but non-income deprivations, such as lack of access to education, formal labour and credit markets as well as limited environmental assets such as fertile soils and clean water, and exposure to environmental health hazards.

No country has yet been through an inclusive green growth process. The evidence available to us is therefore patchy – a mix of ‘glimpses’ of successful approaches at different levels rather than a systemic picture. We are not yet in a position to offer definitive answers, but we can offer a consolidation of current evidence and ideas in order to: stimulate debate; propose practical policy recommendations where evidence and consensus are clear; and explore interest in follow-on research and debate where it is less clear.

The principal methodology has been review of both the green growth and inclusion literature. There is a particular focus on case studies (see Annexes), which draw on recent and not always published information. In the spirit of the topic, the paper is the result of an inclusive process, led by IIED, drawing in the insights of the Green Economy Coalition, GGGI staff, IIED researchers, and other partners.

1.2 Poverty, inclusion and environmental trends in relation to economic growth

At a global level, absolute poverty has fallen over the past 15 years, with the MDG target of halving extreme income poverty achieved five years ahead of time. This has predominately been driven by the growth of the global economy, which has averaged 2% in developed economies and 8% in developing economies, per annum, over the last decade. China has played the biggest part in achieving this global goal, which due to its great size, masks underperformance elsewhere.

Despite this growth, at least a billion people – about 20% of the population in developing regions – still live on less than \$1.25 per day (UN 2014). This benchmark is itself an inadequate measure of real poverty, as it does not reflect either the financial costs of basic needs in some parts of the world, or important non-income deprivations. In addition, the recent decline in poverty levels benefitted those poor people who are most accessible. The remaining poor women and men are harder to reach – they are people in remote rural areas, often on poor-quality land, far from formal markets, and they are politically invisible, whether refugees or slum-dwellers with no rights to land and trade. Only a deliberately ‘inclusive’ approach will succeed in bringing them into the domain of state provision and donor attention.

And there remain hundreds of millions of people who live above official poverty lines, but are highly vulnerable to slipping back into poverty – as realised during the 2008 global financial crisis. They are people, often in middle-income countries, with no security nets, insecure jobs due to global market pressures, and suffering rickety social and physical infrastructure.

The geography of poverty is also changing. While the highest poverty rates are still in the least developed countries (LDCs) – many of them facing conflict and climate stress – the majority of the world’s poor people today are within middle-income countries, such as in the more remote areas of China, India and Indonesia. This is again likely to change over the next twenty years as middle-income countries grow, leaving the bulk of the poor in fragile least developed countries (LDCs). And while poverty remains primarily rural, the share of urban poverty has increased to 28% of the total poor, in part due to rural-urban migration, with up to 80% of the population in some cities living in slums.

Meanwhile, the cultural values that shape aspirations are changing, and with them notions of ‘poverty’, and there are both positive and negative trends in relation to e.g. gender, consumption and notions of how best to earn a living. Yet, too many social structures are breaking down in some countries, especially those which have nurtured public goods such as environmental quality. Income remains the main indicator used to assess progress, but there are trends towards multi-dimensional poverty measures, some of which recognise environmental deprivations, though these are not yet mainstream.

Economic growth has not reduced our dependence on environmental services and a stable climate. On the contrary, prevailing patterns of growth have increased this dependence, particularly at a global level. Our awareness of this has improved, but not always our action. Four of nine ‘planetary boundaries’ have been exceeded, notably the two underlying boundaries of biosphere integrity and climate change (*Science* 2015). Meanwhile, natural capital remains critically important to developing countries (Figure 1.2).

Spotlight on Least Developed Countries (LDCs)

Poverty < \$1,035 per capita

Structural persistence – very few countries have ‘graduated’ from LDC status over many years.

Central economic challenge – to create productive jobs and livelihoods for the millions of people entering the labour force each year.

Most people in LDCs – have few savings, few alternative livelihood opportunities and no insurance, many close to or below the poverty line. Despite rapid urbanisation poverty will still be predominantly rural.

Vulnerabilities – Many communities in LDCs also live in particularly vulnerable areas. In cities, informal illegal settlements commonly occupy land on floodplains or in polluted areas.

Climate change – Bangladesh, Guinea Bissau, Sierra Leone, Haiti, South Sudan, Nigeria, DR Congo, Cambodia, Ethiopia, and Philippines are expected to be among the most affected countries.

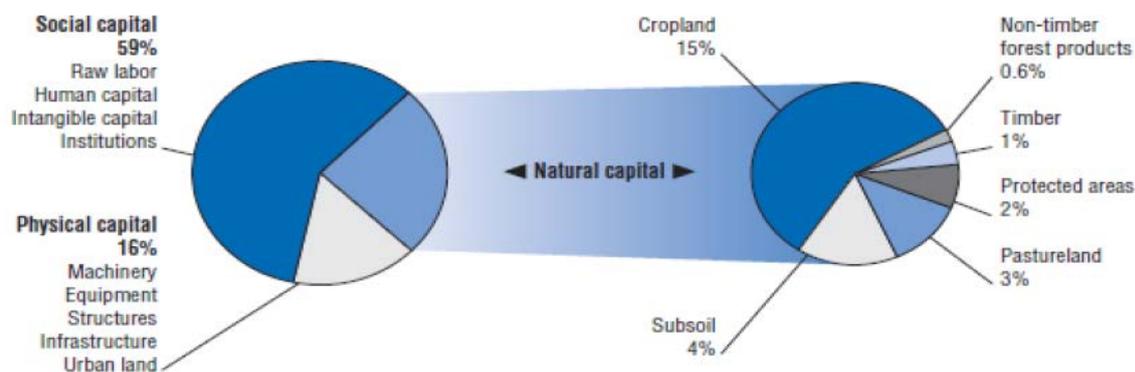


Figure 1.2 Composition of total wealth in low-income countries (World Bank 2006)

Climate change has now become almost universally recognised as a massive short-term threat to societies and economies. The discourse has shifted from impacts on future generations to a realisation that climate change is already having impacts now: notably the increasing intensity and frequency of natural disasters, the economic damages from which exceeded \$380 billion in 2011 alone. While the financial impacts are greater in emerging economies, the human toll hits LDCs and small states hardest (World Bank 2012). Given these and other climate trends and impacts, climate change is increasingly no longer ‘merely’ an environmental policy priority. It is moving to the heart of government, with greater understanding of why it matters by Ministries

of Finance and Planning. Yet fiscal incentives are still stacked in favour of fossil fuel use and global carbon dioxide emissions have continued to grow, increasing by 35% from 2000 to 2011, significantly faster than the 10% growth from 1990 to 2000 (UN 2014a). The effect of climate change in undermining poverty reduction efforts is less well recognised in policy, and there are some who still favour a ‘grow first and clean up later’ response to climate change.

The environmental issues that are most important to poor people show mixed trends. Access to *improved water supplies and sanitation* has improved both in absolute and relative terms, but deaths from air pollution have increased. In 2012, 89% of the world’s population had access to an improved drinking water source, up from 76% in 1990, although this still leaves almost 750 million people exposed to unsafe water sources (UNDP, 2014). Sanitation coverage increased from 49% in 1990 to 64% in 2012, although this still leaves almost 2.5 billion without improved sanitation, including one billion who have to resort to open defecation (UNDP, 2014). These water and sanitation measures are however inadequate, with ‘improved’ water sources and sanitation types not reflecting real needs – an indication of the lack of inclusion of people in defining the targets.

In 2012 around 7 million people died as a result of *air pollution*: 4.3 million from indoor air pollution in households cooking with biomass; and 3.7 million from outdoor air pollution (with 1 million deaths resulting from both) (WHO, 2014). This death toll is considerably higher than estimates in 2004, but this is largely due to new data on health risks as exposure to air pollution has stayed relatively level.

By 2012, the proportion of people living in *slums* had fallen from 40% of urban residents in developing regions to 33%. Despite this relative fall, the rapid rate of urban population growth means that the total number of people in slums has risen considerably, from 650 million in 1990, to 760 million in 2000, reaching 863 million in 2012 (UNDP, 2014).

While the potential power and influence exercised by the poor have increased in some respects – for example through their ‘tele-connectedness’ (smartphones were introduced in 2006, and are already owned by a quarter of the global population) their *power* is still trumped by local elites and the influence of distant economies. Poor people’s land, once primarily of value for local food and fibre production, is now also valued by others for export crops such as animal feed, biofuels, and to some extent carbon and biodiversity (i.e. protected areas). This has prompted both ‘extractive’ and ‘green’ land-grabs and raises issues of social justice in environmental management. It is recorded that 900 environmental and land-rights activists were murdered from 2001 to 2013 (Global Witness, 2014).

The *gender gap* in employment persists, with a 24.8 percent difference between men and women in the employment-to-population ratio in 2012. For countries where data are available, women spend on average at least twice as much time as men on unpaid domestic and care work. In political representation, there have been modest improvements: in 2013, women were 21.8 per cent of parliamentarians in single or lower houses and 19.4 per cent of senate or upper houses, broadly double levels in 1997. (IPU, 2014). However other indicators such as estimates of female infanticide, gender based violence and child marriages indicate that women and girls remain seriously excluded in many countries.

Marginalised producers in micro/small enterprise and the informal economy remain the backbone of economic activity in many developing countries. Smallholder agriculture is still the main employer in many countries. While the non-agricultural informal economy continues to grow and accounts for 82 per cent of total non-agricultural employment in South Asia, 66 per cent in sub-Saharan Africa, and 51 per cent in Latin America (ILO 2014). There is also much innovation taking place in the informal economy – especially in energy, water, sanitation and transport provision. These innovations hold promise for sustainable solutions accessible to the

poor (particularly women) as citizens, as well as producers and consumers. Informality has proved to be a resilient and dynamic feature of modernisation, especially for women and youth and in natural resource sectors, where there are many opportunities for citizen-led basic needs provision. While informality may reproduce ‘brown’ development (for example, artisanal gold mining is responsible for one third of all mercury pollution) and is often driven to illegality, it may also have smaller ecological footprints than formal counterparts and provide social protection. The result depends in large part on the type of formalisation of informal players in food chains, waste management, mining, etc. Formalisation organized by government or corporations can be (inadvertently) exclusionary or environmentally ineffective. Formalisation organized by small producers or traders can be more sustainable but miss out on technological, skills and market opportunities. Through better understanding of informal actors, the power and agency of those actors, and appropriate formalisation, innovative hybrid approaches can create rewarding livelihoods and decent jobs.

Finally, there remains the tough challenge of tackling relative poverty and widespread *inequality*. While wealth is spreading between countries (with rapid growth in the emerging economies), within most countries wealth is becoming increasingly concentrated in the hands of a few hugely wealthy individuals. Oxfam makes the point starkly by claiming that 85 individuals own more than the 3.5 billion ‘bottom half’ of the global population (Oxfam, 2014). Rising inequality is often accompanied by polarised education, health and mobility outcomes, exacerbating power imbalances and exclusion still further – all of this being at the cost of future economic growth. The 2013 Human Development report found that countries with high inequality suffer from slower growth rates than countries where incomes are distributed more equally (UNDP, 2013).

1.3 A new political context – the SDGs

Progress in poverty, environment and growth have been driven largely separately. The fact that these areas are linked at the level of their causes and solutions is now being addressed with design of the Sustainable Development Goals, to be launched at the United Nations General Assembly in September 2015. The SDGs provide a touchstone for joint action on poverty reduction, inclusivity and environmental sustainability. While the 17 goals and 169 indicators look to be more complex, and interconnected than the MDGs, sustainable development is a multi-dimensional endeavour. Inclusion is integral to half of the goals, and SDG commits countries to ending extreme absolute poverty by 2030: a daunting challenge. We anticipate that pursuit of the SDGs will increasingly drive national economic policy in most developing countries – and potentially in all countries, since the SDGs are a universal agenda.

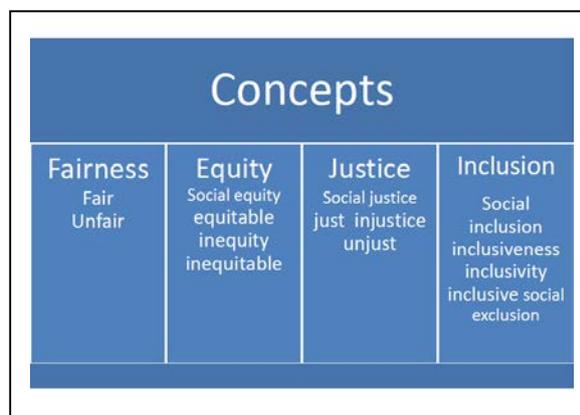
SDGs will drive national development plans and define some aspects of GG success, notably:

SDG 1 End poverty in all its forms everywhere
 SDG 2 End hunger, achieve food security and improved nutrition and promote sustainable agriculture
 SDG 5 Achieve gender equality and empower all women and girls
 SDG 6 Ensure availability and sustainable management of water and sanitation for all
 SDG 7 Ensure access to affordable, reliable, sustainable and modern energy for all
 SDG 8 Promote sustained, inclusive and sustainable economic growth
 SDG 10 Reduce inequality within and among countries
 SDG 11 Make cities and human settlements inclusive, safe, resilient and sustainable
 SDG 16 Promote peaceful and inclusive societies for sustainable development

1.4 The parameters of inclusive green growth: a suggested framework

What will make green growth attractive to both the leaders and the public in developing countries? When IIED held national multi-stakeholder dialogues on green economy in several developing countries, participants made it very clear that green growth would be most attractive if it is inclusive. Thus, it should aim at: job creation, especially for poor people; starting with the informal economy where most poor people find their livelihood; the delivery of basic environmental services to poor groups; and natural resource-based activities that can drive economic growth at rates of 5-10%. Indeed, there was a sense that green growth will not take off unless it is inclusive. (Bass 2013)

But what is meant by ‘inclusive’? The word is often used interchangeably with equity, fairness, and justice. A recent international meeting at IIED concluded that there is little substantive difference between these terms when used by international development organisations (Franks, 2015). More important might be to clarify the purposes of inclusion, the levels at which inclusive efforts can be applied, and the change process. We touch on these below.



An analytical framework for guiding in-country assessments and programming would include three dimensions: (1) possible *purposes* of inclusion or addressing poverty reduction in green growth, (2) the *level* at which inclusion is focused, (3) the stage in the ‘*change cycle*’ at which a country, sector or initiative finds itself:

1.4.1 Purpose for tackling inclusion in green growth:

It is important to be aware of the wide variety of purposes for which green growth might need to prioritise inclusion and equity. The ethical case is often made most loudly, but there are other sound reasons which need to be explored so that the approach serves the needs of a broad range of stakeholders:

Effectiveness –

- Market size: inclusion increases the number and type of people involved in green activity as more producers/consumers are engaged, and forward-backward links developed
- Real livelihoods: inclusion focuses on the informal economy, which is where a majority of people find themselves and where innovation often emerges, and on jobs for the many
- Addressing root causes: structural and political exclusion of large majorities has meant that powerful economic interests remain entrenched, often linked to “brown” incumbents; GG will not succeed without challenging these powerful elites
- Big picture: an effective approach to inclusion allows a ‘strong whole’ to be developed and appreciated (conversely a weak approach to inclusion may feed fragmentation)

Efficiency –

- Competition: shift from privileged suppliers to others who can assure long-term, pro-poor green outcomes increases competition and innovation

- Productivity and total welfare: aiming at optimising the social co-benefits of GG will improve the total productivity and developmental impact

Sustainability –

- Economic and social resilience: a diversity of actors offers not only potentials for economic diversification but also for the kinds of collective action needed to (a) manage and use environmental assets more sustainably and (b) build new, integrated institutions that can serve linked environmental, social and economic goals
- Safety and security: the significant costs of the many social problems resulting from exclusion (loss of trust, unemployment, crime, migration, social structure breakdown) can be reduced by investing in the social and human capital needed to sustain inclusive GG activity
- Public support: including more people in policy debate, decisions and implementation will lead to improved awareness of IGG and likelihood that a full transition will be made

Ethics –

- Justice: inclusion brings into the picture precisely those people who have been most failed by the current ‘brown and unjust economy’. By improving recognition of poor and marginalised groups and their rights, offering access to consultation and decision-making procedure, we can redress biases in the distribution of costs and benefits against them

Embracing the above purposes will certainly improve the political legitimacy of GG work, and will likely improve its political attractiveness, too, as they cover mainstream concerns like job creation.

Focus on poverty reduction: Including poor groups as above will usually improve the prospects of GG reducing poverty. But there are more specific reasons to address *poverty reduction* in green growth:

- Effectiveness – a majority of the poor are disproportionately dependent on natural resources in rural areas, and vulnerable to environmental hazards, especially in urban areas. Well-managed GG activities can create jobs, support small enterprises, and offer incentives like payments to smallholders or communities to manage ecosystem services, thereby reducing environmental hazards
- Market size – poor people are increasingly active in the market economy; their increasing number stimulates ‘bottom of pyramid’ markets; these have the potential to add value to natural resources, deliver environmental services and goods for poor consumers, thereby broadening the base for growth
- Safety and security – green economic activities have particular potentials to reduce the social problems/costs resulting from poverty, e.g. joint social/environmental protection from work in environmental management, or creation of a basic income from national natural resource rents

Figure 1.3 The two success attributes of Germany’s Energiewende (Energy Transition) – leadership and societal demand



It should be clear that few of these purposes can be achieved through short projects, or through top-down imposition. Recalling John Stuart Mills’ ‘tension between participation and efficiency’, it can be more tempting to structure green growth plans around a few major players and investment projects and hope for trickle-down effects. But, in the long run, these supply-driven solutions will run up against the lack of enabling conditions that sustain them, notably societal demand. This was the key lesson from the German Energy Transition (Figure 1.3): Policy leadership and societal demand form the two essential elements of a successful transition. This means the level at which GG activity is addressed is also important as set out below.

1.4.2 Level for tackling inclusive, green growth

Inclusion/poverty reduction can be focused on five levels, from the individual to the globe. They are both nested and interdependent:

- a) *The individual person* – complex in its dimensions (given all 7+ billion people on this planet are unique) diversity at this level has been expressed with various ‘wellbeing’ frameworks focusing on needs, ‘livelihoods’ and available capitals. GG activities that do not address the individual – especially the many non-financial dimensions of poverty beyond \$1.25/day – risk never having political and market traction. This level acts as a ‘litmus’ test for the achievement of all others below.²
- b) *Projects/enterprises* – this is the level at which external institutions have most practical influence. The driver here is to aim for the largest projects to have the ‘most influence’. The challenge is to ensure that large projects work in all dimensions important for livelihoods, and not just profit and carbon.³
- c) *Local economy, policies and institutions* – local contexts of informality, landscapes, multiple livelihoods, resource portfolios and political economy will determine if and how it is possible to scale-up from isolated pro-poor projects into bigger programmes with forward- and backward-links.⁴
- d) *National economy, policies and institutions* – these will determine the regulatory and market signals that encourage or discourage a wholesale transition from brown to green.

² GGGI does not yet focus at the level of the individual, but might engage with others who have good communications, dialoguing and monitoring programmes

³ GGGI is sharply focused at the level of project investments

⁴ GGGI does not yet look hard here, but has aspirations for decentralised activity

Projects will not be sustainable without them.⁵ Countries' policies and institutions can be at quite different starting points in the transition to GE (see 2.1.2)

- e) *Global economy, policies and institutions* – the poorest countries feel the influence of distant economies; these, and trade and global finance policies, will both enable and constrain what kinds of people and environmental assets will be favoured in the market.⁶

At each level, but particularly at levels close to the individual, it can be helpful to focus attention on the capitals or assets available to those who are to be 'included'. Use of the *five capitals framework* helps assess livelihoods at individual and household level, in small and large businesses in terms of stakeholder reporting, and at national levels in terms of wealth accounting (Figure 1.4).

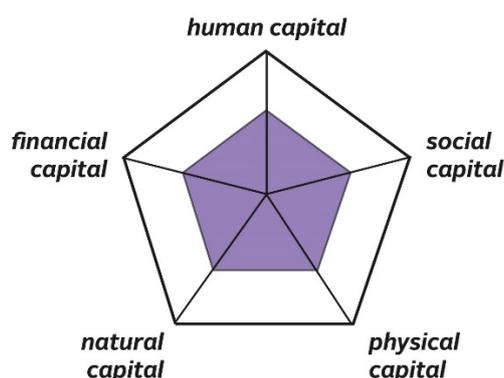


Figure 1.4 Sustainable livelihoods approach (DFID, 1999)

1.4.3 Change process for achieving inclusive, green growth

Inclusive green growth is not a 'technical fix' but a process of societal change and economic transformation (Figure 1.5). There are different components of the 'change cycle' that need to be addressed. Broadly these are – exploration (assessment, debate, visioning), policy formulation (macro to micro and policy instruments), implementation (project investment and delivery), and review (M&E and learning). Underlying all of these are the human dimensions of engagement (inclusion) and developing capacities. The main issue here is to have a clear understanding of how this process is playing out in a country, and secondarily, how to map out major institutional roles.

⁵ Therefore GGGI has a focus on the national level

⁶ Despite the 'Global' name, GGGI does not really address this level. However, it ultimately needs a strategy at the level of international governance and finance rules if the transition is to be made at levels a to d.

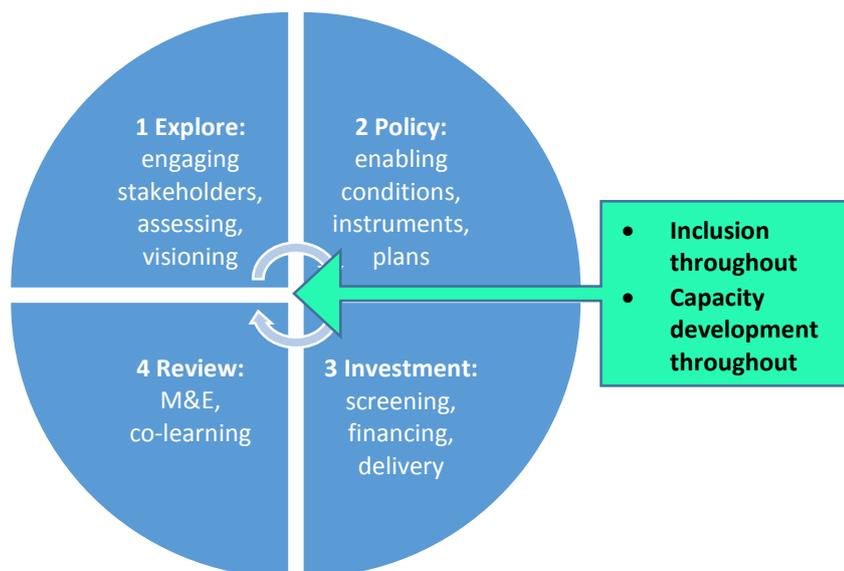


Figure 1.5 Achieving inclusive green growth – continuous improvement

Part 2 – Current Status of Inclusive, Green Growth

Part 2 presents a quick stock-take of national progress with inclusive, green growth. There have been a number of assessments of green growth per se, so the focus here is on examining where green growth has had a strong impact on degrees of inclusion and poverty reduction. It answers the question: **What innovations have already been put in place at the level of policies, instruments, projects, investments – including by poor groups themselves?**

Recent years have seen progress in stakeholder debate on inclusive green economy and green growth – re-envisioning it to suit local conditions (2.1.1 below), on growing institutional maturity – specifically the ability to treat people and environment holistically in economic decisions (2.1.2), in developing policies and instruments that achieve pro-poor and inclusive approaches (2.1.3), and in specific programmes (2.2).

2.1 National progress with inclusive green growth – a quick stock-take

2.1.1 National debate and visions for inclusive, green economy/growth – inclusion and poverty reduction are priorities. As noted at 1.2, IIED and the GEC have been facilitating multi-stakeholder debates and initial diagnostics in 11 developing countries to help national stakeholders assess the progress, needs and prospects for ‘green economy’.⁷ The reasons were diverse: some countries were worried about a potential trade barrier or aid conditionality materialising from discussions on GE/GG at the UN and OECD; others wanted to help develop their position for Rio 2012; still others saw this as a timely opportunity to get to grips with the economics of sustainable development.

Box 2.1: Developing country stakeholders’ views and priorities on green growth

IIED/GEC facilitated GE dialogues in 11 countries/regions from 2011 to 2015. Most were co-hosted by ministries of finance (or development) and ministries of environment, and involved sector authorities, business and civil society – 90% being nationals.

Almost all country GE dialogues began with a significant proportion of participants resisting the notion of GE and especially GG. Equally, by the end of the dialogue process there was consensus on the relevance of GE, and almost always a redefinition, tailored to suit the country. In spite of the diversity of contexts – LDCs, SIDSs, LICs, to MICs – developing countries revealed several commonalities in what they want from green economies. Poverty reduction, inclusion and jobs stood out:

- *Poverty reduction, inclusion, jobs and informal economy* – there is a very strong emphasis on making sure a GE supports those who have been failed by the current economic system. Some have emphasised green jobs, notably through inclusive green business, but also (notably in the Caribbean, Zambia and India) a range of poverty-reducing options such as green MSMEs, social enterprise, and joint environment/social protection schemes. LDCs want to know if green approaches can give them the 7% GDP growth rates they believe they need, and if the green regulations of trading partners will effectively exclude products from LDCs. Others are concerned about the real-world informal economy: a GE needs to work for poor people where they are today, in their own markets and informal enterprises, and not

⁷ Zambia, Ethiopia, Botswana, Mali, Brazil, Amapa State Brazil, Caribbean Region, Kazakhstan, Cambodia, India, Himalayan region

just for the big corporate partnerships and global value chains that dominate some initiatives. Involvement of e.g. women's groups and micro/small business associations in the dialogues helped participants to think of poor people as consumers and citizens and not just as producers and aid recipients

- *Natural resource opportunities* – Most countries see GE as being much more about sustainable agriculture, forestry, fisheries, biomass energy, ecotourism, etc., than about the greenhouse mitigation projects that have dominated some international initiatives. While they recognise that international climate funds can drive some GE opportunities, there is more to be explored in attracting investment into more productive use of increasingly scarce natural resources. Some were alarmed at the prospect of focusing on carbon being at high environmental and social cost (since 'any old carbon as long as it's in huge quantities' is often inversely correlated with biodiversity and community control).
- *Local and city GEs* – LDCs will have over a third of their people living in urban areas in five years' time, the majority now engaged outside agriculture. That urbanisation opportunity needs to be grasped – leapfrogging in clean technology and realising the efficiency advantages of proximity in city planning and management. As well as addressing long-standing urban problems – in watsan and slums – becoming an engine for growth itself by embracing all the job-creating potentials of social enterprise and municipality/community partnerships.
- *Green industrialisation* – the LDCs have called for an 'industrialisation' SDG. There are the beginnings of an interest in what form 'green industrialisation' might take, for countries which are not burdened with an existing and entrenched brown economy, which can leapfrog to greener technologies, and develop industries that add value to natural resources (above). This is very much a capacity issue, and frames much of the LDC proposals to the SDGs and aid system on building 'productive capacity'
- *Sustainable development is the goal*: The dialogues revealed there is almost universal adherence to two goals in LDCs and LICs – (1) achieving middle-income status and (2) sustainable development. Many stakeholder groups express confusion about how GG relates to other concepts – such as GE, low-carbon development and climate resilience – and they resist multiple paradigms. This is not just a matter of definitional neatness: almost all dialogues asserted that SD is the ultimate goal towards which GE makes a contribution – a call that is likely to become stronger when countries start preparing and implementing national SDG plans. The Zambian and Caribbean dialogues found SD 'language' to be politically more acceptable than GG or GE, but were keen to 'map' the different paradigms and work undertaken under them. It is notable that the United Nations draft SDGs and the African Union Agenda 2063 set a framework for sustainability and inclusivity.
- *Transformation* – Exploration of existing green and inclusive activities in each country helped stakeholders to be clear that the principal barriers to inclusive green activities (or to their scale) are in the enabling conditions. Thus Kazakhstan, focused on major projects, realised that governance and economic rules need to change as well. Indeed, the dialogues suggest that developing countries see *GE as a means to get the economics right for sustainable development* – shaping economic and financial rules and incentives. Green growth is seen by many (not all) as the important initial impetus that gains the interest of finance authorities and CEOs. But this then demands attention to GE (wider economic governance for SD).

Principal source: Bass 2013

In contrast to the range of potentials outlined in Box 2.1, international organisations promoting GG to date have initially focused on GHG abatement, in part with the hope of attracting international climate finance. The precise GHG abatement projects or technologies selected may have positive or negative implications for inclusion, poverty reduction, jobs and other developmental aims. In addition, strategies for other (non-climate) environmental assets and hazards have been comparatively neglected. In particular adding value to natural resources through sustainable use of environmental assets, and respecting ecological limits or 'planetary boundaries', have received far less attention – yet many stakeholders in poorer countries tell us these are more important to them.

Clearly, with the rapid growth of GGGI, the entry of the UN's PAGE programme, and the emerging programmes on green growth of development banks, it is useful to have a country 'demand-side' analysis. Independent dialogues also serve to improve the awareness and readiness of a country's stakeholders to make good decisions on what international GG support they actually need.

2.1.2 National institutional coherence – very different degrees of environment, social and economic integration. Countries are regularly classed according to their level of *income* (low, middle, high) or even *development* (least, developing, developed). A third form of classification is rare – a measure of *institutional capacity* to handle holistic issues. The constituent objectives of inclusive green growth – social, environment and economic – are located in very separate institutions in almost all nation states (if not in traditional societies). They need to be brought together if any inclusive 'green growth' paradigm is to endure. How they are brought together is an institutional issue, including specifically economic/financial rules. It might be noted that many traditional, indigenous societies have not separated these linked objectives into 'silos', but treat them together – a benefit of an inclusive approach is the chance to learn of these more holistic traditions.

Classifying how far institutions integrate the constituent objectives of inclusive green growth, notably green objectives and poverty-inclusion objectives, is not done overtly. Thus we suggest a simple framework here. Put crudely, we can identify four levels. Put even more crudely, there is a general trend from 1 to 4 below, and they could therefore be thought of 'stages' in a country's institutional development (Raworth, Wykes and Bass 2014):

1. **Separate:** Green growth and poverty are totally separate policy issues, run by unlinked institutions. In such cases, many stakeholders perceive GG as irrelevant at best. This prevails in only a few countries today
2. **Safeguards:** In many countries, green growth and poverty endeavours are at the 'mutual safeguard' stage only. GE is viewed as being a matter of improving environmental assessment of development plans, and social assessment of environmental plans. GG may be viewed as a condition on development. There is no high-profile joint agenda.
3. **Synergies:** Some countries have advanced towards identifying certain green growth and poverty win-wins, where economies can grow and produce jobs from environmental assets and low-carbon investment. There is much interest, and communities of practice are working together. The discussion is about efficiency, incentives and investment. However, what can be achieved is limited by current systems of governance and finance

4. Sustainability and equity: A few countries now realise that economic governance and financial institutions, rules and metrics must be fundamentally transformed if joint human and ecosystem wellbeing are both to be achieved – beyond isolated easy win-wins to optimal trade-offs and positive feedbacks

With each stage there is progressively greater focus on economic governance: from mere economic analysis at stage 2 to various instruments at stage 3 and economic policy and rules at stage 4.

This institutional diversity is potentially valuable, as it could reveal many reasons and ways to progress to inclusive green growth. But currently there is confusion – different people discussing green growth together might come from all four levels above; and this threatens to become a barrier to progress. Rio+20 brought all of this to a head; unsurprisingly and rightly, it concluded that green economy should be country-tailored.

Perhaps more interesting is what drives progress from stage 1 to 4. In part it is progressive leaders positioning countries, companies and indeed communities for a brighter future. They see ways of becoming more competitive and efficient in a resource-constrained world, of creating jobs that produce the environmental services that are increasingly in demand. There is a growing consensus among developing country leaders that this competitive positioning cannot take place without transformation. As K Y Amoako, until recently Executive Secretary of the United Nations Economic Commission for Africa, has put it: ‘Development depends on good governance. That is the ingredient which has been missing in too many places, for far too long. That is the change that can unlock Africa’s potential. And that is a responsibility that can only be met by Africans’ (paper for 2015 WEF Africa Forum). Amoako is clear that transformation will take a generation, as it has in Asian countries, and that effective international partnerships will be those that contribute to maturing economic and other institutions.

2.1.3 Instruments for inclusive green growth: There are potentially many policies, procedures and instruments that can achieve different inclusion/poverty reduction purposes (1), at specific levels of concern (2), and/or at given points in the change process (3).⁸

Box 2.2 Building blocks – and key policy instruments – for inclusive approaches to the GE transition

1. National economic and social policies

- Fiscal policies: distributional aspects of resource pricing/taxation, subsidy reform, green funds
- Micro-credit, SME policies, social protection, and public works
- Multi-stakeholder forum (‘old’ SD Councils – ‘new’ GE accords)
- Public environment and climate expenditure review
- Strategic environmental and social assessment (SESA)

2. Local rights and capacities

- Rights and security of tenure over natural resource wealth
- Rights to information, participation, access to justice
- Ensuring voice in decisions on resource use and benefit distribution

⁸ GGGI should understand these instruments. It is expert in many project/investment instruments but may need to understand instruments for inclusion in GG debate, policy, and enabling conditions.

- Community (natural resource) management regimes
 - Joint social and environmental protection schemes
 - Education and training schemes that support inclusion in labour market transformation to green
3. *Inclusive green markets and finance*
- Inclusive business models and value chains e.g. outgrower schemes, partnerships
 - Public procurement that targets sustainability and inclusion
 - Finance windows and investment codes that prioritise green and inclusion
 - Poor people's access to markets and supply chains
4. *Harmonized international policies and support*
- Coherence within and between countries on development, trade, technology, social and environmental policy
 - Donors' harmonized policy, investment, and capacity development support
5. *New metrics for measuring progress*
- GDP+; capitals frameworks, wellbeing; distributional indicators within all development metrics

Principal source: Poverty-Environment Partnership 2013

The challenge now is to move from isolated application of one or two of these instruments to a more system-wide approach that is tailored to both the immediate opportunities and the structural changes required in a country, locality or sector.

This discussion of national progress would not be complete without a note on the status of *international GE/GG support programmes*. While many of these programmes are only in start-up phases, already there are signs of how they might be improved in relation to inclusion and poverty reduction. Indeed, these 'people' issues are becoming a focus of many of them, as they gain feedback from developing countries and their donors as to the importance of such issues (Box 2. 1).

The main weaknesses to explore are where they have not been fully informed of real progress and aspirations in-country. They have not always taken the time to understand the political economy, within which to mobilise local champions and authorities. Nor have they been designed to tackle the barriers to further progress (Part 3). In such circumstances, where they promote themselves as flag-bearers for GG/GE, this can itself be a barrier to real progress. The initial 'green growth' push in particular focused attention on 'high-level' players in powerful ministries, international funds, big infrastructure suppliers and national macroeconomic growth. In contrast, it almost completely ignored small players, domestic funds, and informal and local economies – i.e. precisely those who have also been failed by the 'brown' economic system. It has neglected the social goals important to poorer groups (natural resource business and traditional livelihoods); and runs the risk of causing negative impacts (land use or livelihood impacts of major carbon-focused investments); or the transitional costs of the formal green economy activities proposed are too high for most people. Moreover, lower-cost options for green economic activity accessible to poor groups (e.g. in informal waste recycling, traditional agriculture and water management) have been ignored. Finally, despite becoming aware of such issues, there is not yet a joint learning programme in place: however, GGGI has raised the idea.

2.2 Case studies – People-focused green growth activities, comparing inclusive approaches

This section introduces case studies on inclusive green growth transitions in different sectors, geographies and development status across the world. They explore noteworthy interventions and processes designed to address community, informality, gender, and poverty reduction issues. Here we offer abbreviated summaries of each case, while the full text and detail can be found in **Annex 1**.

2.2.1 *Indonesia: Pro-poor removal of fossil fuel subsidies in an emerging economy*

For over 30 years, direct fossil fuel subsidies formed an important part of the Indonesian government's economic programme. These subsidies were larger than combined spending on education, health and social protection. With growing financial costs, limited social benefits compared to alternative social spending, and emerging environmental impacts, the government has begun to phase out subsidies. Instead, it has moved towards building a stronger social safety net to support the breadth of welfare needs of its poorest citizens. Schemes such as rice subsidies, public health insurance, cash assistance for school costs, and both direct and conditional cash transfers have all helped to support the poor while fossil fuel subsidies are removed. With current low oil prices, this could be an opportune moment for other countries also to phase out fossil fuel subsidies, and that this move towards green growth can be achieved in an inclusive manner if there is the political will to set up more effective forms of social protection. For further details, see Annex 1.1.

2.2.2 *Rwanda: Revenue sharing and ecotourism in a least developed country*

The growth of Rwandan tourism linked to national parks and its famous mountain gorillas, alongside a comprehensive scheme for sharing tourism revenue among local communities, suggests that socially inclusive tourism is a model that can be expanded. The Rwandan model shows that the details do matter: the 5% of tourism revenues shared are far more beneficial for local communities than Uganda's higher headline figure (which is restricted to park entry fees). Engaging local communities in fairer deals from tourism gives them strong incentives to protect vulnerable wild landscapes and biodiversity. Green growth through nature-based tourism can be reconciled with the needs of poor local communities wherever their interests can be aligned and the benefits shared. For further details, see Annex 1.2

2.2.3 *Mexico: Consultative energy and subsidy reform in an OECD economy*

Mexico has shown that a progressive legislative stance on climate change and strong consultative processes can be successfully combined to deliver a renewable energy rollout and fuel subsidy reform in ways that protect the poor. Managed incremental shifts in energy policy, along with successful alternative cash transfer mechanisms, have produced environmental improvements while mitigating negative impacts on marginalised groups. It has also minimised the controversy that can blight poorly-communicated sustainability policies. The lesson is that a robust consultation and approval process is at the heart of ensuring the green growth policy succeeds in its own terms as well as supporting the social welfare of the poorest. For further details, see Annex 1.3

2.2.4 Philippines: Integrated national greening and inclusive forestry in a developing country

The Philippines National Greening Program (NGP) is a key example of a national programme of socially inclusive environmental policy and forest rehabilitation. The largely successful \$650 million programme to plant 1.5 billion trees was implemented in a way that created livelihoods for poor and marginalised communities. In circumstances where major tree planting programmes are often top-down impositions on local development, the NGP shows it is possible to combine ambitious green objectives with effective, equitable and sustainable implementation on the ground. For further details, see Annex 1.4

2.2.5 South Africa: Implementing holistic environmental and social protection strategies in an emerging economy

South Africa's economic growth has not yet yielded a wide distribution of benefit among the populations, and poverty is persistent. At the same time, water shortages, other resource constraints and environmental vulnerabilities demand restorative action in many ecosystems. The South African Government has responded to these issues through aligning social and environmental policies. Its 'Working for...' joint environment/social protection programmes have supported jobs and livelihoods for marginalised groups, involving them in environmental protection efforts in water management, wetlands, biodiversity management, and renewable energy. For further details, see Annex 1.5

2.2.6 Durban (South Africa): Inclusive city level climate action planning

Durban's experience illustrates the important role that municipal authorities can play in engaging poor and marginalised communities in green growth. Durban's Climate Change Strategy is an example of municipal climate policy that makes pro-poor inclusion explicit, understanding that climate resilience cannot be achieved without poverty reduction. Community consultation was put at the heart of developing Durban's response, building on the successful history of consultative environmental interventions through the 'Climate Smart Communities' program. Durban's Mayor James Nxumalo has said "the success of the Durban Climate Change Strategy will depend on how inclusive the process is, so that all voices of our City are represented and heard." For further details, see Annex 1.6

2.2.7 Germany: Inclusive renewable energy policy reforms in an industrial economy

Germany's 'Energiewende' is a success story built on community ownership of local energy assets, and on a consultative approach to planning and constructing modern energy grids. A combination of national political ambition and local cooperative ownership allowed Germany to deliver new renewable energy capacity rapidly and at scale, without alienating the local communities on which successful change depends. This represents a very valuable model for developing countries to emulate, with strong national emissions, renewables, and efficiency targets – combined with energy efficiency funding for poorer households – allowing a rapid environmentally sustainable transition in a prosperous industrial economy. For further details, see Annex 1.7

2.2.8 Cusco (Peru): Fostering local inclusive growth based on indigenous models of equity and environmental limits

The Cusco region of Southern Peru is home to 1 million indigenous Peruvians, and to unique biodiversity, notably many varieties of potato. One key initiative provides a good example of a

local inclusive green economy: the Potato Park’s community-led development and conservation initiative has demonstrated an inclusive approach to improving the livelihoods and climate resilience of some of Peru’s poorest indigenous communities. The Park’s community of 6000 people is governed in accordance with customary laws and values. Indigenous knowledge and biocultural diversity combine in developing climate-resilient agriculture and fee-earning genetic conservation. Inter-community benefit-sharing, based on customary laws, ensures that the rewards are shared equitably amongst park communities, which consequentially have strong sense of ownership and pride for the programme. The example of Cusco’s Potato Park demonstrates that indigenous knowledge can be an asset in developing local pro-poor green growth programmes, if it is acknowledged and leveraged in an inclusive way. For further details, see Annex 1.8

2.2.9 Individual small businesses

IIED’s green economy dialogues in developing countries identified a huge demand for local examples of inclusive green growth at the livelihood and micro-small enterprise levels. Most countries want a picture of what sectors could look like if they engaged the poor and made money. There are many ‘glimpses of a green economy’ at www.greeneconomycoalition.org and some good examples from GGGI’s partners – see Box 2.3. More is needed to catalogue them, to assess their requirements for investment and enabling conditions, and to promote them to mainstream sector players.

Box 2.3 Mustafa Bepari’s small business – Turning Coconut Fibre into Carpet Threads, Faridpur, Bangladesh



Beyond the social impact of providing employment for 30 people in his local community who previously had no employment opportunities, Mustafa Bepari’s business has positive environmental impacts: working with natural fibers from coconuts, his material is being used in place of artificial materials such as plastics and foams.

“It is not a business, it is my destiny,” says Mustafa. His business processes and trades coconut fiber (Copra) which has been used in mattresses, carpets, sofas, and other furniture. He collects and purchases raw coconut fiber from various coconut mills and processes these fibers into small strands. These fiber strands are then sold to buyers who turn Mustafa’s fibers into the fillings for the mattresses and sofas.

Mustafa learned his trade from his uncle, who taught him about negotiation, financial management, procurement and maintaining good relationships with customers. When Mustafa wanted to set up a business of his own he needed capital for machinery and raw materials. The skills he had developed and his visible determination helped him to persuade BRAC Bank to agree to a loan, to help his cash flow, and to give him access to skill development workshops. BRAC Bank has also given Mustafa the opportunity to participate in the *DANIDA Business-to-Business network* so that he can meet and form relationships with overseas companies.

Source: Global Alliance for Banking on Values

2.2.10 Global – Sustainable Energy for All

The Sustainable Energy for All initiative is a multi-stakeholder partnership between governments, the private sector, and civil society. Launched by the UN Secretary-General in 2011, it has three interlinked objectives to be achieved by 2030:

1. Ensure universal access to modern energy services.
2. Double the global rate of improvement in energy efficiency.
3. Double the share of renewable energy in the global energy mix.

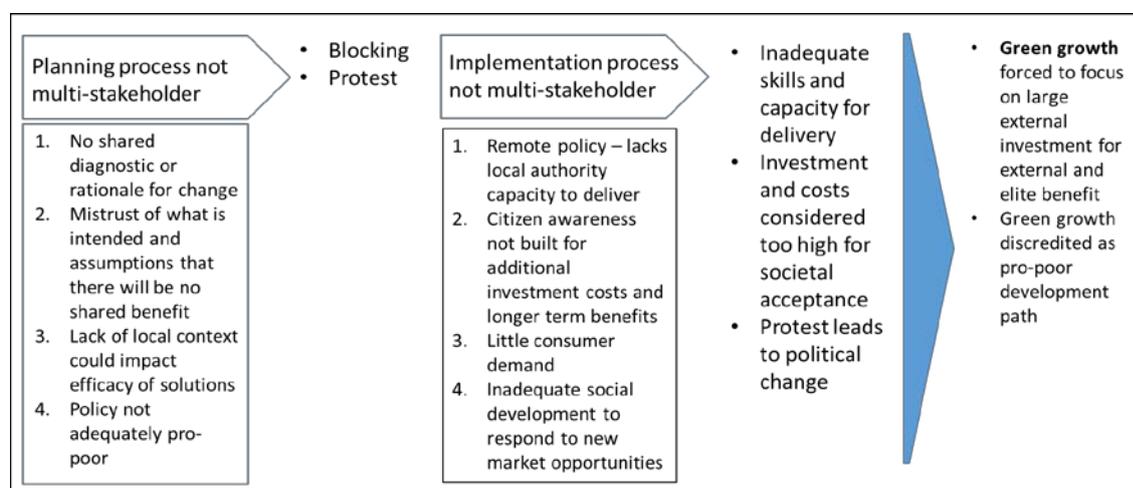
These three objectives, each one important in its own right, reinforce each other in important ways. For example, affordable renewable energy technologies bring modern energy services to rural communities, in circumstances where extension of the conventional power grid is prohibitively expensive and impractical. Boosting energy efficiency can provide substantial cost savings to governments, businesses and households, while freeing up power for other more productive uses. Achieving the three objectives together will maximize development benefits and help stabilize climate change over the long run.

Part 3 – Barriers to Green Growth being inclusive and reducing poverty

3.1 What are the barriers to reducing poverty and adopting an all-inclusive process to green growth initiatives?

Inclusive green growth is clearly unfinished business, as part 2 describes. Progress has been patchy, and not always scaled up or scaled out. Few countries have been bold enough to transform economic and financial governance (i.e. to stage 4 as discussed in 2.1). Several persistent barriers to progress can be identified including weak governance, policy incoherence and limited capacity linked to political economy constraints and lack of power, access and agency among poor groups and small/informal business. Other barriers include lack of decentralisation, skewed distribution of the costs of change, limited market instruments for inclusive green growth, and lack of ownership of the IGG agenda. For each barrier, cases of success can be identified, lessons learned and ways to build on them identified.

Figure 3.1 Stakeholders excluded in planning leads to blocked Implementation



Weak governance, policy incoherence and limited capacity: These are the principal barriers, as both introducing green growth and making it inclusive require strong and effective governance systems. In many countries there has rarely been an explicit policy for economic inclusion, let alone in green growth. In part because reforms will not be introduced until there is good awareness of the issues, trust in government institutions and respect for the rule of law – often limited in low income countries. Policy will not change until there is engagement of a knowledgeable civil society and free press able to hold stakeholders to account. Market failures cannot be corrected without well-informed, coherent and sufficiently strong governance structures, information campaigns and enforcement that level the playing field for poorer economic actors and provide underpinning social policies.

Political economy constraints: Related to weak governance systems are the many political economy factors that constrain a move towards inclusive, green growth. In many countries, existing elites may benefit from the existing unequal, brown economy through deals with large-scale unsustainable, extractors of natural resources like minerals, timber and fisheries. Some countries have a very hierarchical structure, leadership into new endeavours such as green economy is taken to be a responsibility of high levels (perhaps this is the case with some GGGI member countries.) It will therefore be necessary to address these diverse political economy challenges, and especially to move through the four basic institutional ‘stages’ we have identified in different countries (see 2.1) from safeguards to synergies, and from isolated ‘win-win’ synergy projects to system-wide transformation.

Lack of power, access and agency among poor groups and small/informal business: Related to governance and political economy issues, poor and marginalized groups' access to resources is threatened by stronger economic interests. Poor groups still tend to be the subject of inclusive, green growth initiatives rather than active drivers of them. Examples of progress in the informal economy – where people have taken the initiative to provide the environmental and developmental benefits that the formal structures cannot provide – suggest what progress can be made if people are empowered to act and 'own' the IGG agenda (Benson et al 2014).

Limited decentralisation, and shortage of locally-controlled finance: Inclusive green growth issues are intensely local in nature and it is often only at the local level, and by local groups, that precise trade-offs and integration can be made. Yet progressive national policy is not always informed of existing local approaches that best implement those policies, and there is limited decentralisation of the powers and finance needed to act. There are, however, enough successful precedents to indicate how these barriers may be overcome. The locally-controlled slum upgrading schemes supported by the poor people's federation, Slum and Shack Dwellers International (www.sdinet.org) offer good examples.

Skewed distribution of the costs of change including balancing short and long term: The potential losers of pro-IGG reforms, such as the fossil fuel industry, are highly powerful and vocal. They can mobilise to stop or delay reform. Consumers often passively support them by being unwilling to accept the higher prices that might initially result. Poor people may not be able to afford the transition costs, e.g. to more sustainable land use, or may be unwilling to take the risk of shifting production or markets. In these cases, policy makers need to trade off competing interests, not only in the short term but also the long term. The significant upfront costs and delayed benefits of low carbon development, ecosystem conservation, or green job creation, can create major barriers.

Limited inclusive, green growth market instruments: Although there have been several advances in the last decade with the application of market instruments for environmental management and green growth – including – environmental fiscal reform, cap and trade systems, feed in tariffs, payment of ecosystem services schemes etc., their full potential is far from being exhausted and their impacts on the poor is mixed. Their introduction is not just a technical issue; it also requires addressing winners and losers and ensuring that poor people benefit. But there tends to be a systemic knowledge gap, where environmental externalities and distributional aspects are insufficiently analysed and understood.

Lack of ownership of the inclusive green growth agenda: Inclusive, green growth has in some cases been seen as an external or donor driven agenda, undermining ownership. Rio+20 brought all of this to a head: it concluded that green economies should be country-tailored – and the current appetite for such tailoring through country-driven, multi-stakeholder approaches is a positive trend.

Figure 3.2 Barriers to GG Wider Adoption

Annex 1

<u>GG Policy process</u>	Economic development planning	Economic development prioritisation	Sector growth	Small business opportunities	Fiscal development	Land Management
<u>Case specific Barriers to adoption</u>	Civil society have limited access to planning process and decision making	Social goals not explicit: <ul style="list-style-type: none"> • Poverty reduction & Inequality • Social inclusion • Social safety nets • Equitable outcomes not explicit 	Supportive social policies inadequate: <ul style="list-style-type: none"> • Inadequate Education & Training • Definitions and standards for Green Jobs & Decent work absent • Social protection absent Infrastructure absent: <ul style="list-style-type: none"> • Transport to employment not adequate • Housing inadequate or distant 	Small business forgotten in policy processes: <ul style="list-style-type: none"> • Access to markets • Finance • Training 	Regressive tax or subsidy reform hitting poorest hardest Financial access & literacy - micro financing and banking service provision to poorest inadequate	Access to resources insecure: <ul style="list-style-type: none"> • water, land, others • Land rights and property ownership
<u>Cross-cutting Barriers to adoption</u>	Lack of access, awareness, trust, capacity and skills among those needed to vote for, invest, buy, or implement					

In conclusion, the barriers to inclusive, green growth are largely governance related and institutional in the broadest sense. This should lead us to imagine a future IGG agenda which is targeted at systemic institutional change, rather than just a set of projects. The way that this holistic change is planned is key: it has to build the necessary *trust* between institutions and levels, as Part 4 will explain.

Part 4 – Ways Forward for Inclusive, Green Growth

What are the ways forward for furthering progress on reducing poverty and improving social inclusion in green growth?

Our recommendations for realising inclusive green growth that prioritises poverty reduction are grouped into four interlinked themes:

- National owned, integrated governance
- Metrics for inclusive green growth
- Poor peoples’ empowerment, rights and capital assets
- Inclusive infrastructure and finance

There is a growing guidance literature on how to achieve green growth. It tends to focus on identifying the huge investment needs required to install new infrastructure, and on overcoming the market and policy barriers that constrain the transition. Little of it focuses on inclusion and poverty reduction, even if labelled as such (e.g. the World Bank’s 2012 report on Inclusive Green Growth). Our focus here will be on those policies that are most important for making this green growth inclusive and pro-poor and especially the institutional dimensions of change.⁹

4.1 Nationally owned, integrated governance

Figure 4.1 Illustration of inclusive national green growth transition



Only a nationally owned, demand-driven, multi-stakeholder process will enable low-income countries and poor people to make the transition to inclusive green growth. Externally-driven projects, government plans, individual fiscal instruments, or civil society campaigns will only go so far. In most countries, it will be necessary to hold a series of stakeholder and multi-stakeholder dialogues to assess demand and need, and to engage people in explaining and critiquing existing inclusive green activity, drivers and barriers. The South African case study suggests that some kind of GG stakeholder accord can help in providing the platform for assessment, planning and then learning. Caribbean experience points to the need for a continued

⁹ Poverty Environment Partnership 2012, OECD 2013 and much of the green jobs literature from ILO are useful, as well as certain research reports such as Raworth et al 2014.

action learning group to try new approaches with marginalised groups – as well as to keep a good communications programme to build the IGG track record and improve confidence.

However this call for an inclusive process should not divert attention away from the importance of government coordination and leadership. In Zambia, for example, the all-important national development planning machinery is being mobilised to develop the country's inclusive green growth strategy. Recent GG dialogues have strengthened the resolve to improve the consultation and participation procedures normally used in national plans. All the case studies illustrate the key role of government in leading the process of inclusive, green reform – with the Philippines President championing the national greening programme and Durban's Mayor stressing an inclusive city climate strategy.

Progress towards truly integrated governance frameworks and coordinated institutions: It is time to progress from reliance on a few one-off procedures such as impact assessment and safeguards, to more holistic ways of working. The last several years have seen a shift in polarity. Where once environment players pushed their concerns on reluctant developmental interests, now development players have sought to draw on their environment colleagues, with resource scarcities and climate threats beginning to threaten poverty reduction efforts. This has helped to kick off uptake of IGG integration tools – sustainability criteria and metrics, standards and safeguards, assessment and monitoring regimes, interdisciplinary and systems science, agreements and accords. These ingredients for institutional change are now at least known, but have not amounted to institutional reform. The next step will be to agree on fundamental governance frameworks and to invest in institutional capacities and rules that build in SD principles, learning and emergent strategy. In short, people's jobs now need to change. Ultimately, all organisations should be able to plan and report to common or aligned IGG (or sustainable development) standards, whether in government, civil society or business. The case studies from South Africa and Germany demonstrate institutional reforms and governance frameworks for inclusive, green growth policies.

The focus on national 'ownership' of Inclusive green growth in developing countries should not undermine the case for a global move in this direction, with the most to gain from action in the richer countries. Clearly the changing context for aid and official development assistance (ODA) should open up many possibilities for supporting IGG. Aid's new focus on the SDGs, climate finance, humanitarian action and increasing developing country economic growth and tax revenues all point to the need to reform countries' economic governance, rather than the management of external grants. However, international action is not only about aid. It concerns international regimes for e.g. corporate governance and sustainability reporting, investment and bilateral/multilateral trade agreements. These need to be informed and reformed in relation to their impacts on IGG. It refers also to the potential benefits of domestic action in rich countries. One striking statistic is that the entire extra emissions produced by providing electricity using standard technologies to the 1.3 billion people who currently are without could be offset by switching the U.S. vehicle fleet to European fuel efficiency standards (World Bank, 2012, Inclusive Green Growth p. 141).

4.2 Metrics for inclusive, green growth

Metrics for inclusive green growth are vital for decision-makers to be confident to make changes, and the Sustainable Development Goals provide a huge opportunity to introduce them. Good metrics will ensure effective progress. Inappropriate metrics will lead to mistaken decisions. In terms of green growth there is a growing number of indicators emerging including the use of GDP adjusted to include environmental costs. Until recently, few of these measures for environmental quality paid any attention to exclusion. This has now changed with the

Sustainable Development Goals (SDGs) which give much greater prominence to linked poverty and environment issues (Table 4.1).

Table 4.1. SDG entry points for inclusive green growth¹⁰

Goals	Selected targets that address inclusive green growth
Goal 1: Poverty	1.4 by 2030 ensure that all men and women, particularly the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership, and control over land and other forms of property, inheritance, natural resources, appropriate new technology, and financial services including microfinance 1.5 by 2030 build the resilience of the poor and those in vulnerable situations, and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters
Goal 2: Hunger and Food Security	2.1 by 2030 end hunger and ensure access by all people, in particular the poor and people in vulnerable situations including infants, to safe, nutritious and sufficient food all year round 2.3 by 2030 double the agricultural productivity and the incomes of small-scale food producers, particularly women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets, and opportunities for value addition and non-farm employment 2.4 by 2030 ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters, and that progressively improve land and soil quality
Goal 3: Health	3.9 by 2030 substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water, and soil pollution and contamination
Goal 4: Education	4.7 by 2030 ensure all learners acquire knowledge and skills needed to promote sustainable development, including among others through education for sustainable development and sustainable lifestyles...
Goal 5: Gender	5.a undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance, and natural resources in accordance with national laws
Goal 6: Water	6.1 by 2030, achieve universal and equitable access to safe and affordable drinking water for all 6.2 by 2030, achieve access to adequate and equitable sanitation and hygiene for all, and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations 6.4 by 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity, and substantially reduce the number of people suffering from water scarcity

¹⁰ The table is illustrative of the high openness of the SDG agenda to inclusive green growth. It does not show a complete analysis of all relevant SDG targets, especially from the “means of implementation” targets that form part of each goal.

Goals	Selected targets that address inclusive green growth
Goal 7: Energy	7.1 by 2030 ensure universal access to affordable, reliable, and modern energy services 7.2 increase substantially the share of renewable energy in the global energy mix by 2030
Goal 8: Growth	8.3 promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage formalization and growth of micro-, small- and medium-sized enterprises including through access to financial services 8.4 improve progressively through 2030 global resource efficiency in consumption and production, and endeavour to decouple economic growth from environmental degradation in accordance with the 10-year framework of programmes on sustainable consumption and production with developed countries taking the lead
Goal 9: Infrastructure	9.1 develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
Goal 10: Inequality	10.1 by 2030 progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average
Goal 11: Cities	11.1 by 2030, ensure access for all to adequate, safe and affordable housing and basic services, and upgrade slums 11.6 by 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality, municipal and other waste management
Goal 12: SCP	12.2 by 2030 achieve sustainable management and efficient use of natural resources 12.4 by 2020 achieve environmentally sound management of chemicals and all wastes ... and significantly reduce their release to air, water and soil to minimize their adverse impacts on human health and the environment
Goal 13: Climate	13.1 strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all countries 13.2 integrate climate change measures into national policies, strategies, and planning
Goal 14: Oceans	14.2 by 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration, to achieve healthy and productive oceans 14.7 by 2030 increase the economic benefits to SIDS and LDCs from the sustainable use of marine resources, including through sustainable management of fisheries, aquaculture and tourism
Goal 15: Ecosystems	15.1 by 2020 ensure conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands... 15.2 by 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests, and increase afforestation and reforestation by x% globally 15.3 by 2020, combat desertification, and restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land-degradation neutral world 15.9 by 2020, integrate ecosystems and biodiversity values into national and local planning, development processes and poverty reduction strategies, and accounts

Goals	Selected targets that address inclusive green growth
Goal 16: Governance	<p>16.3 promote the rule of law at the national and international levels, and ensure equal access to justice for all</p> <p>16.7 ensure responsive, inclusive, participatory and representative decision-making at all levels</p> <p>16.10 ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements</p>
Goal 17: Global Partnership	<p>17.7 promote development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries...</p> <p>17.14 enhance policy coherence for sustainable development</p> <p>17.19 by 2030, build on existing initiatives to develop measurements of progress on sustainable development that complement GDP, and support statistical capacity building in developing countries</p>

While the SDGs open the policy door to inclusive green growth, by highlighting many relevant IGG dimensions, they do not offer a clear and operational set of metrics that can be integrated across planning and monitoring systems. There are several frameworks that can be used to go ‘beyond GDP’, – from the Millennium Ecosystem Assessment’s ecosystem services/wellbeing framework, to corporate sustainability reporting, to wealth/capitals accounting. Such metrics need to work for the country, and so initially a few relevant inclusion/poverty indicators might be emphasised. The case study of Durban’s climate strategy shows how the city addressed climate impacts across many sectors to reach a composite picture of climate vulnerability. Ultimately, however, international alignment on IGG metrics is needed for market purposes.¹¹

Markets delivering development. The opportunity presented by green growth is that it can connect development objectives with market effectiveness. However, this requires markets to be given relevant signals, policy frameworks and stimulus investment that create confidence in the private sector. The signal part of this challenge is to translate SDGs into both national targets, and market performance metrics.¹² For example, the water SDG may focus at a top level on measuring ‘water access’, but this needs to link to corporate water performance metrics, through to measuring local community water access – all of this supporting inclusive water management across all stakeholders.

4.3 Poor peoples’ empowerment, rights and capital assets

A participatory transition process owned by the excluded and poor themselves: It is vital that the excluded and the poor are brought into discussion and decision-making about green growth. The international level needs to hear the voices of LDC leaders and politicians. The national and local levels need to hear the voices of the excluded and poor, including women – and/or those who work with them. This can be a challenging process in some countries where democracy and civil society dialogue is limited and there are political tensions. Poor people have been surprisingly invisible in many GG initiatives (which have often been characterised primarily by environmental themes) and in green economy or climate initiatives that favour large, formal or corporate solutions. Voice, representation, access, opportunity, research and agency will be the

¹¹ The challenge of achieving international recognition of IGG metrics could be one that fits GGGI mandate and leadership role

¹² Aligning metrics from SDGs to National beyond-GDP to Corporate performance is being developed with IIED’s partners on the [Measure What Matters](#) project

keywords. This is a key point where government needs to embrace social movements rather than resist them. Where inequalities have been overcome, this has often resulted from social movements demanding changes in the ‘rules of the game’, supported either by political and constitutional change or by their own creation of spaces for change (Zibechi, 2008). Strategies are also needed to break knowledge hegemonies and the intellectual property right rules that are a barrier to poor groups’ involvement. Capacities will need to be built for indigenous research and technology development in developing nations, linked to global and South-South networks. ICT advances may be deployed to support people’s informational and political power, with much greater mobilisation of locally-controlled development funds to improve their financial power. The case study of the Philippines national greening programme shows how poor rural farmers, including the most excluded indigenous groups, were made active agents in the tree planning and maintenance schemes.

Local government in rural and urban areas is often closest to political representation of poor people. It is often tough or tokenistic if national governments attempt to take a lead on engagement with marginalised groups. Yet many green growth initiatives deal with national authorities. Development is an intensely local affair, in terms of how environment and poor people’s needs are actually integrated or traded off. Local government can play a facilitating role, but this requires effective decentralisation of political and economic power, to enable it to work alongside local groups – as illustrated in our case study of Durban city. Development assistance, too, will need to seek the female, youth and aged ‘faces’ of exclusion, put a priority on their voice and knowledge and the (informal) economies in which they find themselves, and emphasise inclusion.

Build and strengthen poor people’s capital assets. Inclusive green growth involves building the assets or capitals that the excluded and poor have already, improving their productivity and value added, and protecting poor people’s rights to them. Figure 1.4 showed the five types of assets or capital that each person has, with a particular focus on the excluded and poor – including human capital (labour is most people’s primary asset), social capital (ability to form social groups and support networks, including to manage assets), physical capital (critical in some cases to enable other capitals to be used), as well as natural capital (land often being limited) and financial capital (limited access to savings schemes and informal credit). An IGG strategy could be expected to focus on: supporting the labour of the excluded and poor through informal labour markets; providing accessible financial capital; enabling investments in building or restoring natural capital; and technology that uses natural capital in ways that benefit the excluded and poor. The days of external capital seeking cheap land and labour may be coming to end (even if some BRICs involvement in Africa is popularly characterised this way). Increasingly, in developing countries today, this should be turned on its head: local people with rights and knowledge of natural assets are seeking capital at scale. This is set out further below.

Support informal labour markets for green growth, because this is where the poor primarily work: There can be much promise in an IGG approach to small-holder agriculture, off-farm employment such as small- and medium-scale enterprises in urban and rural areas, including decentralised services for energy, water and waste collection. Informal labour markets can be supported in many ways, to achieve higher wages and to avoid attempts by some governments to simply criminalize or ban them. Where informal labour markets do have negative environmental and health impacts on the poor, such as in some small-scale mining and waste recycling and disposal (e.g. ship breaking), technological and training support can shift informality along the spectrum from dirty and illegal to professional and efficient. This will usually require some formalisation. Effective formalisation for IGG will be based on producers’ own capitals, knowledge and organisation – rather than being externally imposed. In the long

run, education and training programmes are also needed, to build a workforce suited to an inclusive, green future. The Rwandan case study demonstrates how former poachers are now being employed in the nature tourism industry and benefitting from inclusive, green growth.

Enhance natural resource assets in ways that benefit the excluded and poor. The distribution of natural capital and land is enormously unequal in many countries. Consequently many poor people are landless and work as wage labour on others' farms. There are limited rights to land for women in some countries. In other countries, access to the scarcest resources (often water) is dominated by certain rich farmers with no access rights for others. Thus it is a mistake to assume that increasing the value of natural capital will always benefit the excluded and poor. Rather, investing in natural capital inputs can in some cases increase inequality and may even increase absolute poverty if higher prices for natural capital cause the poor to further lose their access. This has been observed in some countries with appreciation in land prices leading to "land grabs" and loss of access to land by some poor groups. It is vital that IGG policies do not inadvertently create "green grabs" and increase exclusion and poverty. With commodity booms and increasing demand for the land, forests and water upon which poor people depend, there is now an urgent need to secure resource rights and control by poor people, including equitable tenure policies. This will require challenging political reforms and taking on elites who are seeking greater resource control. The Philippines case study highlights how afforestation can be achieved in ways that benefit poor households, even where they may have little or no land of their own.

Promote green growth technologies that benefit the poor and excluded. Technology affects the way other assets (inputs) are combined to produce given outputs. Green technology can potentially produce more outputs with fewer polluting inputs and/or natural capital inputs. However it can also have impacts on other types of assets. For example, as well as being less polluting, green technology may require more or less labour or capital inputs. It is not just a question of imported and high-cost high technology, although internet connectivity and medicines will almost always be key. The solar water heater programme Bangladesh aims at maximising benefits for the excluded and poor: low-income women are the producers and distributors and thousands of female jobs have been created. An inclusive approach to green growth will therefore aim to identify and support local technical knowledge and innovations suitable to informal economies. Efficient cookers from local materials, bicycle-based transportation, and local mobile phone apps are examples of technology affordable to poor groups. Social enterprises can be good brokers for finding, testing and extending appropriate technologies that produce the inclusive and green outcomes sought by poor groups. The Mexico case study includes a particular programme to provide renewable technologies to rural areas.

4.4 Inclusive infrastructure and finance

Infrastructure is key to green growth – economic structures and energy systems organise around it – but it must be made inclusive and include natural infrastructure. There is a huge risk of regret if transport, water management, sanitation, communication and energy infrastructure does not enable poor economic actors to participate. The LDCs' new emphasis on 'productive capacity', as a route to structural transformation and ultimately sustainable development, is currently focused on low-carbon energy and transport infrastructure. There are significant opportunities for poor groups to build, operate and benefit from infrastructure – as in the experiences of community-led sanitation enterprises which create jobs and produce services for all, at low capital and operating costs, through partnerships with municipalities

(www.sdinet.org). However, in future, ‘natural infrastructure’ alternatives need more attention: investments in environmental management and climate solutions that underpin practically all sectors important to poverty reduction e.g. watershed management, flood protection, soil regeneration, etc., and that can be run by poor groups through incentives such as participatory management and payments for ecosystem services. The Philippines case study highlights the role of the national greening programme in investing \$650 million in restoring the country’s depleted forest resources with associated benefits in terms of watershed protection and other ecosystem services. The case study on South Africa’s Working for Water and Working for Wetlands programmes highlights similar national investments in ecosystem restoration.

Financial mechanisms should prioritise the informal economy and MSMEs: Much green growth policy and activity is currently aimed only at big investments, formal sectors and national policy. The individual’s job or livelihood needs to come to the fore in IGG strategies, especially where ‘job creation’ is the no. 1 political concern. The focus should be on informality, which is the main context in which poor people live and work. It should recognise also the importance of safety nets as people move in and out of work. There is great potential to design unified social and environmental protection schemes. Opportunities could be explored for both social protection funds and payment for ecosystem services schemes (including REDD+) to generate decent green jobs in sustainable natural resource management and value addition in natural resource sectors. The Rwandan study demonstrates how the informal economy is benefitting from tourism revenue entering the area.

Natural resource revenues need to be carefully managed to benefit the poor and sustain future flows – bringing about a resource ‘blessing’ rather than a resource ‘curse’: Revenue flows from natural resources – minerals, land, forests and fisheries – are much more important to low-income countries, a phenomenon which has increased with recent commodity price booms. It is vital that these revenues are used in ways that benefit the poor through revenue-sharing schemes, whilst paying the ongoing costs of managing the natural resource base for future revenue streams. The Rwanda case study demonstrates how 5% of the 75 million generated over the last 5 years by nature tourism revenues has been directly shared with local households for small scale infrastructure and other poverty reducing investments.

Ensure the transition costs of green growth are not borne disproportionately by the excluded and poor. The medium- and long-term benefits of green growth are clear and – if done properly – will benefit the excluded and poor. However, there are many costs of transition – essentially the costs of moving from unsustainable production and consumption processes to sustainable ones. It is vital that these transition costs are not borne by the excluded and poor. The most obvious example will be any short-term increases in energy prices before renewable energy becomes price-competitive with fossil fuels.

In many cases, there will be immediate benefits to the poor: renewables are now price-competitive (half the new energy generating capacity installed in 2014 across the world was renewable). In many cases poor people are too far from the grid to benefit from the traditional power supplies and decentralised renewables may be cheaper for them. Similarly when the external costs of coal such as its impacts on health and outdoor air pollution are included, renewables may be more cost-effective. But there may be some potential negative impacts from fossil price rises on the poor, such as the removal of subsidies. In order to overcome any potential negative impacts, a number of countries have therefore shifted the savings from subsidy removal into programmes that benefit the poor such as increased spending on social programmes. It is important to be aware of the transition costs and to ensure that they are addressed to benefit the excluded and poor. This has been achieved in all the case studies of fossil fuel subsidy

reform in Indonesia, Mexico, and even Germany where the transition costs are cushioned by social protection reforms and other programmes.

Recognise the range of investors required for the transition to inclusive green growth, including the poor themselves: The transition to an inclusive, green investment requires many sources of investment. Clearly profit-seeking external investors are required. But local investors including poor people themselves can play important roles. Thus three different types of investor need to be recognized, mobilised and linked so that they are mutually supportive (Macqueen 2013):

- Local investors: smallholders, small-scale producers, and NR processors who invest their labour, savings and capabilities
- Enabling investors: government agencies, donors, NGOs and, on occasion, the private sector, who are investing in capabilities, policies, and security of rights. They put capital in, and sometimes write it off, to build the self-sufficiency and attractiveness of the business. This creates the conditions for asset investment
- Asset investors: conventional profit- or product-oriented investors who expect the nominal value of underlying capital to increase, or at least not fall.

Germany's renewable energy programme shows remarkable success in attracting individual households to invest – up to 30 billion Euros per year in total.

Financial capital to benefit the poor: Where new finance is brought into the economy to drive green growth, only rarely is this done in ways that benefit the poor and excluded. In many cases they are not able to access formal credit market, most financial instruments or even basic banking loan facilities, due to their lack of collateral and low earnings (only a quarter of adults of sub-Saharan Africa have access to a formal bank account). There are other means, such as microfinance and social protection schemes that are expanding to increase financial capital for excluded and poor people, including women. They include adaptive social protection, where social protection and climate resilience objectives are linked and targeted to the households most vulnerable to income and climate shocks. This is illustrated in the South Africa 'Working for...' programmes where the public works schemes are targeted at single-parent households including those affected by HIV.

Reforms to financial markets to drive investment in inclusive, green growth: With the 2008 financial crisis, a series of financial reforms was enacted rapidly in many countries, sometimes by proving state funds to bail out loss-making private investors as well as introducing new regulations. At the international level, Basel III has aimed at reducing risk in the banking system, but has had the effect of reducing investment in longer-term environmental management projects and in poor countries. While these short-term fixes have not always been good news for the green growth agenda, there are signs of reform, with some investors paying greater attention to sustainable development objectives. These reforms are in the banking sector (both commercial banks and central banks), bond markets and institutional investors – with much of the innovation in emerging markets (UNEP, 2015). These reforms are only just beginning; but the potential magnitude of capital that they could unleash is huge and could prove to be important means for mainstreaming a future IGG agenda.

New commitments to inclusive green growth by finance institutions in emerging markets: The Brazilian Development Bank makes annual loans of up to \$70 billion per year – almost three times the amount loaned by the World Bank. The China Development Bank is even bigger and has a greater focus on investing abroad; by 2012 its combined overseas loans had reached over 90 countries and totaled over \$220 billion in infrastructure, agriculture and energy. The Brazilian Development Bank has been updating its social and environmental policies and safeguards, but

Annex 1

there is limited transparency, making it difficult to assess progress. While the China Development Bank is also improving its social and environmental guidelines, they remain less demanding than those of multilateral institutions (Democracia *et al*, 2013). In addition to these national banks, the BRICs are setting up new international financing institutions with the China-led Asian Infrastructure Investment Bank (AIIB) and the BRICS New Development Bank (NDB). While these BRICs financial developments are all important, it is still early days in terms of the commitment by institutions. They will become increasingly important players and so will need to be embraced as core players in a future IGG agenda.

Part 5 – Next steps: Towards GGGI strategy for Inclusive Green Growth ¹³

5.1 Making inclusive and pro-poor choices about green growth

Because of the structural problems behind poverty and exclusion, an inclusive and pro-poor approach to green growth requires more than individual projects for particular poor people, or social safeguards for green growth programmes. GGGI's choices about its knowledge work, programming and investment at country level – where, what, how and with whom – need to be viewed through a lens of inclusion and poverty reduction. We offer preliminary suggestions about how to do this below:

5.2 Where: location of the excluded and poor in GGGI's work

The “Where” of GGGI's inclusive green growth programming includes prioritising the excluded and poor in terms of countries, sectors, spatial areas, households and enterprises:

- **Country:** Work in Least Developed Countries or countries where large numbers of poor and excluded people live – especially those where livelihoods are natural resource-dependent or highly vulnerable to climate change and environmental hazards. GGGI has already been working in some LDCs such as Ethiopia and Rwanda and has specified that it will increase its work in LDCs – which is a positive development. SIDS might also be considered.
- **Sector:** Support sectors where the poor and excluded live and work. GGGI's strategy to work in land use, water, city development and energy is a good one: all these sectors have strong links to the excluded and poor in both rural and urban areas – but those links need to be identified. Three focal areas can be suggested: agriculture in the informal economy, where the majority of many LDC poor find themselves; waste management, where much can be done to improve informal systems, generating both jobs and environmental services; and tourism, a major employer in many LDCs and SIDS, with potentials to bankroll environmental protection.
- **Localities:** In selecting what cities and land areas to work in, GGGI can prioritise areas where the excluded and poor are living and working. GGGI should therefore include areas of small-holder agriculture as well as urban slums. It should get to understand how these localities work as local (inclusive, green) economies. It should identify the potential leaders of IGG seeking capital and know-how – development is an intensely local process but the aid system deals almost entirely with national governments, and GGGI could offer a refreshing counterpoint.
- **Firms, households and individuals:** GGGI needs to understand who the excluded and poor are and what targeted policies can reach them. Working with the excluded and poor sometimes involves addressing within-firm and household exclusion through gender, caste, age or disability. Particular themes which could attract high leverage potential are youth unemployment and support to female-headed firms or households.

5.3 What and how: operational principles and framework for inclusion and poverty reduction, and an ongoing learning process:

The “What and How” of GGGI's inclusive green growth programming should be encapsulated in new guidance and frameworks. These should effectively cover the range of technical and

¹³ This section is necessarily tentative, the authors not yet fully informed of GGGI's relevant plans and results

political economy issues touched on in this paper. They will not only be ‘add-ons’ to GGGI’s ‘toolkit’. Rather, they amount to *developing an operational theory of change for IGG* – which could derive from two areas of work suggested for GGGI in the coming year or so:

- GGGI and partner reflections on the poverty reduction/inclusion *outcomes* of green growth, and the *enabling conditions* needed to achieve these outcomes (Figure 5.1)
- Reflections on *GGGI’s programmatic approach* to date. Table 5.1 suggests ten operational principles which could help such a reflection. Based on an IIED review of IGG from 2014, it includes several programmatic areas where GGGI is already working, but emphasises Part 4’s priorities: nationally-owned, integrated governance; metrics for inclusive green growth; poor peoples’ empowerment, rights and capital assets; and inclusive infrastructure and finance.

Figure 5.1 The parameters of IGG – poverty outcomes and enabling policies

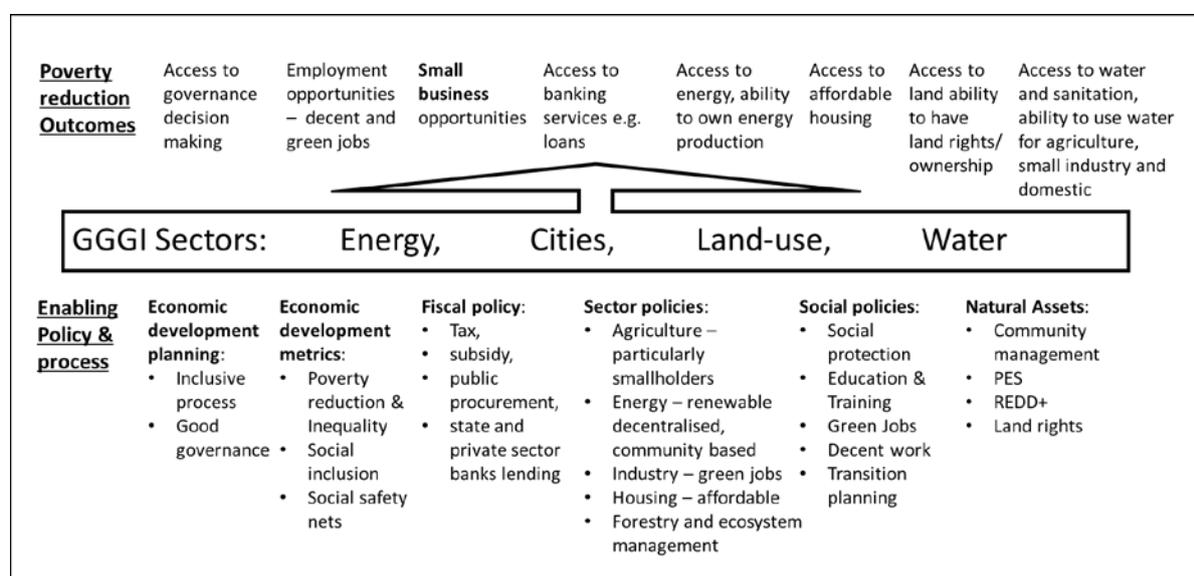


Table 5.1 Ensuring inclusion in green growth – Ten programmatic principles for GGGI to consider in its developing country work

1. Champion integrated policymaking.

Encourage a common vision of a shared and lasting national prosperity that is both green and inclusive. An integrated approach to policymaking must work across government ministries and with diverse national stakeholders, with clear leadership and adequate resourcing. It can best be achieved by supporting and adapting existing planning and policy processes, rather than developing a new one-off strategy. Many developing countries may find that a ‘sustainable development’ framework is more familiar than IGG – which should accordingly be adopted.

2. Promote holistic approaches and metrics for ‘poverty reduction’ and ‘green growth’.

Encourage a multidimensional approach to tackling poverty and promoting the well-being of minorities and vulnerable groups by addressing their diverse needs for health, education, income, decent work, living standards, security, empowerment and resilience to stresses and shocks. Likewise extend ‘green’ goals beyond greenhouse gas abatement to address

whole ecosystem integrity and functionality, and respect for all relevant planetary boundaries. Businesses, government and civil society should all plan and account for their performance against the same holistic framework.

3. Raise ambitions beyond social safeguards, to green/inclusion co-benefits and, ideally, transformational change.

Ask clearly and early: where are the synergies between social and environmental goals, and how can co-benefits best be achieved? At the same time, explicitly recognise that ‘trade-offs’ between them will arise, identifying who will be affected and how, and ensure that the process protects poor people’s interests and enhances their well-being. Ideally, encourage work to transform governance enabling joint human and ecosystem wellbeing.

4. Focus on the creation of decent green jobs.

Seek out policy designs that deliver pro-poor returns, especially locally-based investments that create jobs with low financial, resource and energy costs – as alternatives or complements to capital-intensive, nationally driven investments. Identify job opportunities throughout product lifecycles – from sourcing and assembly and installation to reuse and recycling – to optimise job creation, such as in renewable energy programmes. Promote skills upgrading and decent work, and enshrine in law to increase the likelihood of such co-benefits. Explore the opportunities for more secure jobs in the informal economy, with any necessary formalisation co-designed with end users.

5. Be aware of the bias and limits of economic methodologies and market instruments.

Economic valuation tools and cost-benefit analyses are commonly used for designing policy but they risk overlooking or undervaluing social and cultural goods and services, distributional impacts and long-term value. Likewise, market-based instruments such as cash transfers may provide critical safeguards but their ultimate effectiveness depends on institutional capacity and on procedural justice being in place.

6. Promote poor people’s empowerment – but also address elite power strategically.

Recognise power imbalances and ensure policies and services are designed to meet the needs and interests of local communities. One critical way to do this is to support the smart devolution of natural resource access, use and governance to community level wherever possible. Policies and services should also be strategic in recognising and addressing the influence of powerful elites and interests – both overt and covert – in blocking and capturing – but also sometimes unlocking – the benefits of green policymaking.

7. Prioritise participation, especially of women and marginalised groups in policymaking.

Co-design policies with the participation and knowledge of target communities, especially to meet the specific needs of women and vulnerable and minority groups. This means paying adequate attention to developing participatory methodologies and investing in capacity building and education about green growth. It also means providing specific skills training and childcare support to promote women’s ability to benefit from opportunities in sectors transitioning to green economies, and promoting equitable governance within the community.

8. Support locally-driven approaches that are demand-driven, adaptive and context-specific.

Recognise the influence of local sociocultural factors (not just the formal enabling environment – laws and regulations etc.) on the success or failure of interventions. Policies

should be context-specific (not ‘one-size-fits-all’) and capitalise on local opportunities, recognising that successful outcomes are often achieved at local authority scale, by harnessing the dynamics and reinforcing the benefits of local change. This requires policies to be adaptive and flexible to changing circumstances and project outcomes.

9. Consider spacing, timing and phasing.

The transition to IGG will not be smooth. Understand the geography of sectoral change: stranded assets, job creation and losses, and induced migration plus their associated opportunities and threats. Anticipate the timing of the start-up and wind-down of IGG interventions, and consider phasing-in policies in order to protect communities that may be vulnerable to changes in prices or regulations.

10. Ensure coherence among international agencies, and alignment with developing countries’ own strategy

International agencies and donors should coordinate and align their support behind inclusive approaches to GG strategy and its implementation. They should not push a ‘green economy/growth’ concept that is not familiar to national policymakers or adapted to the national context. Donors’ domestic and foreign policies (e.g. biofuels percentage targets, standards for carbon credits) need to be coherent with developing countries’ strategies and the needs of their populations. Donors’ commitments to providing international climate finance need to underpin a necessary diversity of developing countries’ transitions to inclusive green economies while supporting participatory policymaking.

Developed from: Securing social justice in green economies (Kate Raworth, Sarah Wykes and Steve Bass, 2014)

Three issues can already be identified which GGGI may wish to discuss:

What unifying framework can be used in IGG assessment and programming? The intersection of economic, social and environmental issues is a complex one, and demands a framework that several disciplines – in development, environment, business and rights – can work with. One useful framework could be the five capitals approach introduced in figure 1.4. Inclusive green growth involves building the capitals available to countries, firms and households, improving their productivity and value added, and protecting their rights to them. They include human capital (labour is most people’s primary asset), social capital (ability to form social groups and support networks, including to manage assets), physical capital (critical in some cases to enable other capitals to be used), as well as natural capital (land often being limited) and financial capital (limited access to savings schemes and informal credit). An IGG strategy would focus on: supporting the labour of the excluded and poor through informal labour markets; providing accessible financial capital; and supporting natural capital and technology that benefits the excluded and poor. The days of external capital seeking cheap land and labour may be coming to end. Increasingly, in developing countries today, this should be turned on its head: local people with rights and knowledge of natural assets seeking capital at scale

How to tackle governance and power issues? It may be that the entrenched problems of poor governance and poor groups’ lack of empowerment in developing countries are considered too big a constraint for GGGI to address directly. Alternatively, these very problems could be an entry point for GGGI to assist countries with more efficient, equitable and sustainable mechanisms. GGGI’s approach to developing countries is a fresh one, and could help LDCs in particular to shift their thinking away from the grant-fuelled development assistance system. For example, the five capitals framework could help GGGI programmes to make good business cases

based on mobilising the capital assets of the poor – rather than overlooking them or even marginalising them.

How to create a track record and learning? The lack of a track record in any country of achieving truly inclusive green growth means that this paper’s recommendations can only be tentative. There is, therefore, much to be gained from a longer process of developing a knowledge base. A one-year initial learning process is suggested, both within GGGI and among partner countries, with the aim to inform the 2016 GGG Summit. Following this, there will be a continuing role for in-country research, inclusive learning and programme adjustment – and for staying with particular developing countries for the several years required for establishing the institutional and capacity changes needed for IGG. The Green Growth Knowledge Platform (GGKP) and the Green Economy Coalition can provide international platforms for review, reflection and promotion of valuable lessons together with GGGI.

5.4 With whom – putting the poor at the centre, and working with inclusive partners:

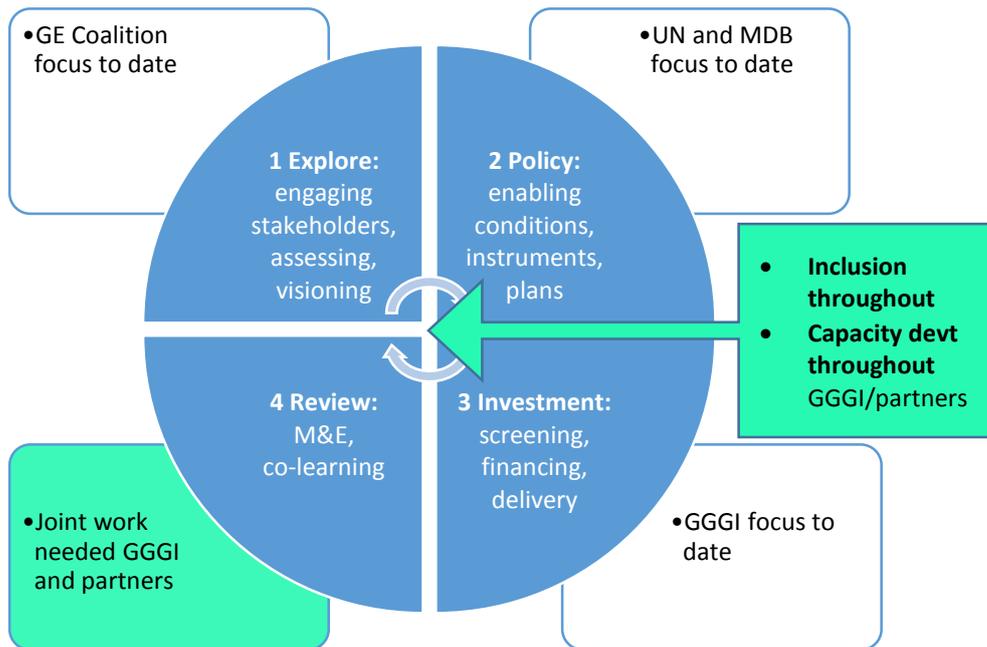
The principal aim of IGG is a participatory process owned as far as possible by developing countries, with resulting activities benefitting them. The supporting aim is to ensure that the process draws on the best possible knowledge, finance and resources that can supplement those of poor groups. GGGI will need to identify the in-country leads and validators of its work, the local stakeholders who need to be part of a consultation, leadership and implementation process, and the external partners who are best placed to undertake key roles in the transition process of IGG.

- *In-country participatory transition process owned by the excluded and poor themselves:* GGGI will wish to consider if and how it can play an important brokering role. Firstly in ensuring inclusion – how to access the right partners. And secondly to ensure constructive links to other more powerful stakeholders from the public and private sector. The first is not easy to do in the absence of effective representation of the poor – but civil society groups, women’s groups, social enterprises, small business associations, and local authorities can be good interlocutors.
- *Partners with the most appropriate knowledge, finance and resources:* GGGI should distinguish between the need for a good understanding of the change process towards IGG – which is essential, and possibilities for GGGI to focus its programme on the full IGG process – which is an option. There are other sources of expertise and resources that could be mobilised in an inclusive process, both international and domestic. This might be mapped at country level, as well as internationally. For example, Figure 5.1 crudely maps three of the main international IGG players against certain functions in the change cycle. GGGI already has a track record in “investment”, with some “policy” work. There are other organisations specialising on “policy” including UN-PAGE and other multilateral agencies, and others working on the “explore” aspects notably the Green Economy Coalition (GEC). We suggest that all international initiatives engaged in IGG need to work together more closely on “inclusion and capacity development”, as well as “review” through monitoring and evaluation and co-learning. In these areas of inclusion, capacity and learning, we believe that overtures from GGGI to explore potential international partnerships in support of truly inclusive green growth would be especially welcome.

In conclusion, the concrete steps that GGGI can take to promote inclusive and pro-poor green growth include best practices in pro-poor project design and investment, with social safeguards, participatory project management and monitoring. But they can – and perhaps should – go

beyond this. GGGI could position itself as a partner with national and international stakeholders in tackling the structural issues that have constrained people-centred economic progress in developing countries to date, through innovations in governance, metrics, empowerment, and finance. This may appear more challenging in the short run than indicative projects. But the attention to enabling conditions could really unleash the potential of all partners in the long run – not least that of poor countries and groups themselves.

Figure 5.2 GGGI alongside other international green economy initiatives



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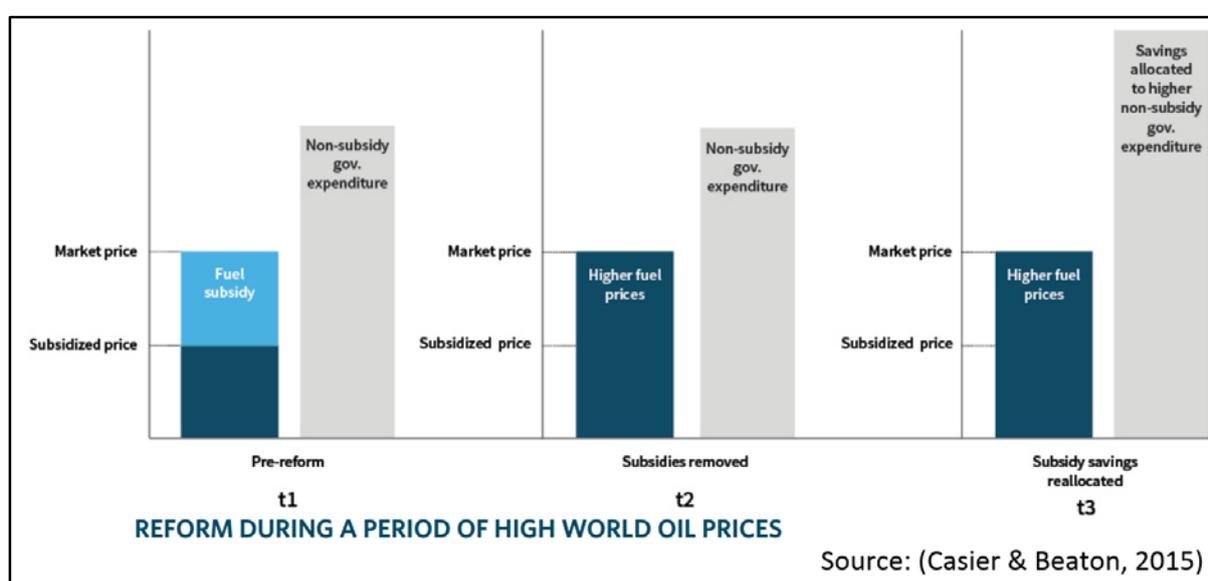
Annex 1 - Case studies of progress towards inclusive, green growth

Annex 1.1

Indonesia: Pro-poor removal of fossil fuel subsidies in an emerging economy

Fossil fuel subsidy reform in Indonesia

Since the oil shocks of the 1970s, the Indonesian government has kept the market price of fuels low through an extensive range of fossil fuel subsidies worth up to \$20 billion per year¹⁴. Up until 2009, more was spent on these subsidies than health, education, social security, and defence combined (IISD, 2012). These subsidies were large disincentives to reduce fossil fuel use and cut carbon emissions.



A roll back of the subsidies is predicted to have a large impact on reducing Indonesian GHG emissions as well as freeing up the governmental budget (Mourougane, 2010; Perdana, 2014). Questions have been raised as to the sincerity of environmental motivations behind subsidy reform given Indonesia's plans for further increases in coal-fired generation (Casier & Beaton, 2015)¹⁵, but impact studies nonetheless suggest GHG reductions of between 3-10% over varying timescales (Casier & Beaton, 2015).

Despite Indonesia's exposure to the negative effects of climate change as an island nation with a coastal population, efforts to remove subsidies in 2005, 2008, and 2013 have been controversial (Perdana, 2014). This resistance reaffirmed the need for policies supporting pro-poor subsidy reform.

The subsidy removal process has accelerated under President Joko Widodo in 2015, and with fuel subsidies in 2014 reported to have cost the state US\$21.2 billion (15% of the total budget expenditure), reforms were increasingly necessary (Kahn, 2015). Gasoline and diesel subsidy expenditure has fallen from over \$12 billion to just \$1.3 billion for the 2015 fiscal year, but for

¹⁴ <http://www.futurepolicy.org/renewable-energies/indonesia-fossil-fuel-subsidies/>

¹⁵ <http://www.futurepolicy.org/renewable-energies/indonesia-fossil-fuel-subsidies/>

the first time the changes seem to be holding thanks to low oil prices and a honed set of social protection policies (Kahn, 2015).

Securing an inclusive, pro-poor transition

In recent decades, the Indonesian government has responded to the need for fossil fuels price increases by setting up inclusive compensation schemes to offset the impact on the poorest citizens (Perdana, 2014). National schemes were targeted at households, communities, and businesses, and ran in conjunction with smaller local government initiatives (Perdana, 2014). Despite earlier problems with this more direct support for the poor, the 2015 package seems to be succeeding.

The core household targeted schemes include Raskin (a subsidised rice program for poor households), JPK Gakin (healthcare funding for the poor through public health insurance), BSM (cash assistance to poor students for non-tuition school costs), PKH (a targeted conditional cash transfer to the poorest households), and BLSM (temporary direct cash assistance) (Perdana, 2014). The gradual replacement of fuel subsidies with targeted compensation schemes is part of a successful wider trend toward to more explicit poverty alleviation policies and social protection in Indonesia (Perdana, 2014).

Challenges, complaints, and distribution mechanisms

Despite leading to a pro-poor and green outcome the process of subsidy removal has been far from procedurally inclusive, since incremental progress has been achieved largely through top down Presidential decrees¹⁶. Where consultation or public input into implementation is allowed there is room for improvement of complaints mechanisms which are neither clear nor accessible – as with the predecessor to the BLSM transfer, the BLT (Beaton & Lontoh, 2010).

The move away from subsidising consumption of ‘strategic commodities’ has also introduced new challenges to inclusion through the need for administration of means tested or conditional transfers. Village heads are often given responsibility for identifying households in need of compensation and support, opening up incentives for local corruption and the necessity for some central verification as a check against this (Beaton & Lontoh, 2010).

From cheap fuel to social protection

Studies on the past effects of the subsidy regime have shown that benefits mostly accrue to the wealthiest citizens, who consume the most fuel, while making up only 0.5% of the incomes of the poorest (Mourougane, 2010). Removing the subsidies is therefore likely to be a progressive change by removing a burden paid by all taxpayers and freeing revenue for more inclusive measures directed at the poor (Mourougane, 2010).

Given that expenditure on fuel made up 5% of total spending for the poorest in 2010, the effects of subsidy removal would still risk the welfare of the worst off without new compensatory anti-poverty programs (Mourougane, 2010; Casier & Beaton, 2015). In 2014, the Indonesian government responded by going even further and introducing the new Productive Family Program - funded separately from the anticipated subsidy savings - covering financial assistance, education and health care support (Casier & Beaton, 2015).

¹⁶ <http://www.futurepolicy.org/renewable-energies/indonesia-fossil-fuel-subsidies/>

Communication is key

The Indonesian example demonstrates both the real opportunity, and the difficulty of fossil fuel subsidy removal in developing economies. The removal of consumption based subsidies must be partnered with a strengthening of social welfare policies and new pro-poor compensatory transfers if they are to succeed in securing public buy-in (Beaton & Lontoh, 2010; Perdana, 2014)¹⁷.

The current situation of historically low oil prices represents the ideal time to make inclusive reforms, and Indonesia has used this window of opportunity well (Casier & Beaton, 2015). But if Indonesia, and others, are to succeed in making their reforms stick they must plan for the potential return of \$100 oil prices in the future. A crucial part of this must be improved communication of the reality of fuel subsidies, explaining not just the costs and why they must be replaced, but what will replace them as a more effective social safety net (Casier & Beaton, 2015). Reform is doomed to fail in the medium term if the poor are unaware that their fuel is and was subsidised at all, as 80% were in Indonesia (Casier & Beaton, 2015). Inclusive communication before reform, and inclusive policies after cannot be ignored.

¹⁷ <http://www.futurepolicy.org/renewable-energies/indonesia-fossil-fuel-subsidies/>

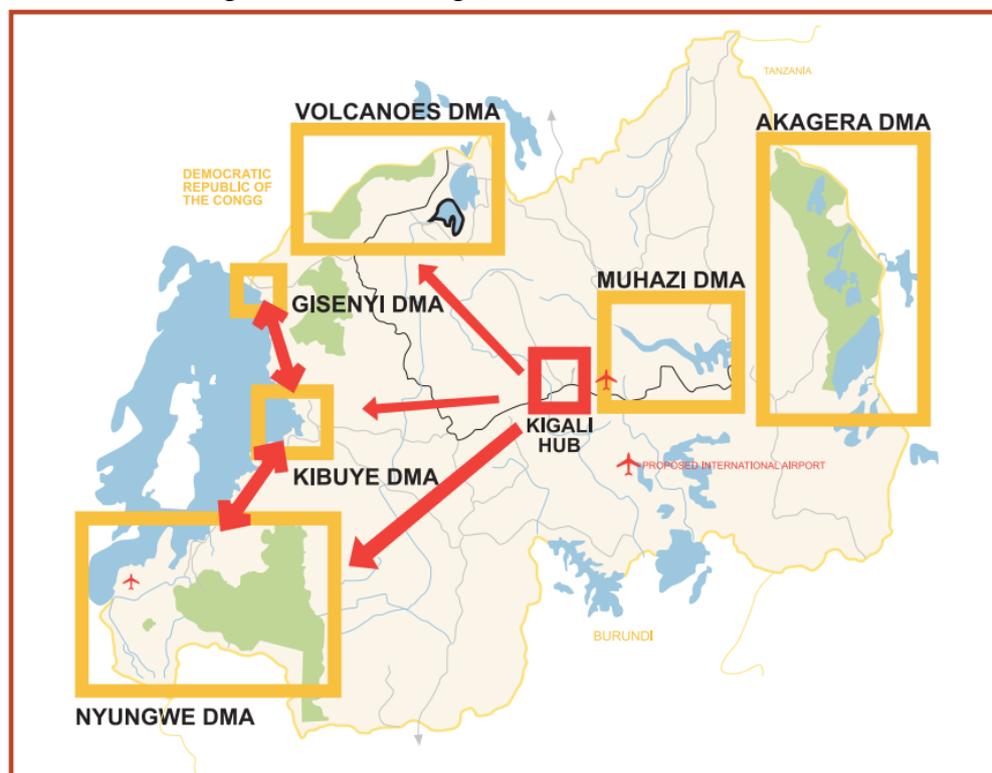
Annex 1.2

Rwanda: Revenue sharing and ecotourism in a least developed country

Using ecotourism to create livelihoods and protect biodiversity

Rwanda is a country with both unique challenges and opportunities for inclusive green growth. The highest population density in Africa, some of the lowest GHG emissions per capita in the world, and hugely vulnerable to climate change and damage to its unique biodiversity (Government of Rwanda, 2011). The government’s 2011 Green Growth and Climate Resilience Strategy aimed to respond to this by setting out an integrated plan for green growth in the country, and in particular support the revenue sharing ecotourism model in operation in some areas since 2005¹⁸.

Rwanda has managed to conserve the biodiversity of its forests and wildlife through the creation of three key ‘designated management areas’ – the national parks of Volcanoes, Akagera, and Nyungwe Forest – which have also helped boost its tourism industry to become its major source of foreign exchange (Tusabe & Habyalimana, 2010). The main draws for tourists include Rwanda’s endangered mountain gorillas, which pulled in 80% of the \$75m (£44m) in tourism revenue produced by the national parks from 2006-13, and innovative ecotourism in the other parks (Government of Rwanda, 2011) (Komugisha & Nicolson, 2014). These attractions are seen as key drivers for Rwanda’s burgeoning economic growth (8.5% GDP per year for the 5 years up to 2011) and also essential for their role in producing inclusive livelihoods through revenue sharing (Government of Rwanda, 2011).



The six Rwandan destination management areas (source: Government of Rwanda/UNWTO)

Source: (Tusabe & Habyalimana, 2010)

¹⁸ <http://www.rdb.rw/tourism-and-conservation/conservation/community-initiatives.html>

Inclusive revenue sharing: a Rwandan success story

Community inclusion is an important priority and strength for modern Rwanda, with female parliamentarians making up a world leading 64% of its legislators (Komugisha & Nicolson, 2014). Experience showed that an inclusive approach would be needed to protect its natural biodiversity too. Since their creation, Rwanda's three main national parks lost more than 51% of their initial area due to increasing pressures from illegal activities, settlements by nearby communities (Tusabe & Habyalimana, 2010). If the parks were to survive they needed a more inclusive model that incentivised local communities to help protect and support them.

In 2005 the Rwandan government found this model in the form of an innovative revenue sharing scheme - 5% of revenues from the lucrative protected areas would go into a protected scheme for communities neighbouring the national parks (Tusabe & Habyalimana, 2010). Use of these the funds is managed by the Rwanda Development Board and assessments are made partially based on beneficial impacts to biodiversity in the protected areas and local communities, with these communities given prioritised funding access (Tusabe & Habyalimana, 2010). In practice the funds are often allocated for schools, water tanks, soil erosion control, health centres, buffalo walls, and roads (Maekawa et al, 2015).

Measuring the impact: livelihoods, revenues and more

The ecotourism has been hugely successful in Rwanda as it has allowed communities to feel like that have a real stake in their natural environment. One of the key livelihood impacts of revenue sharing has been local support for the national parks, with those around Volcanoes National Park 'overwhelmingly supportive' (Maekawa et al, 2015). Places where support is weak and there are more cases of conflict between protected areas and the community also have further preferential access to the shared funding (Tusabe & Habyalimana, 2010).

Rwanda's scheme is different from models operated elsewhere in that communities have access to a share of all tourism revenue. In Uganda, the revenue model was changed to distribute only a share of park entry fees, which are typically much lower – of the order of \$25 for entry compared with \$500 for individual gorilla tracking permits in Rwanda (Maekawa et al, 2015). The Rwandan model sets a progressive example that does not attempt to 'short-change' locals out of the true benefits of tourism. As a result, well over \$1.8 million in revenue has been allocated to Rwandan community projects since the scheme was launched in 2005 (Maekawa et al, 2015).

Further impacts on previously excluded Rwandan communities are also becoming clearer, with community participation in tourism activities much greater around national parks than before. Local people are making use of their traditional knowledge not for poaching, but as guides, interpreters, dancers, and entrepreneurs (Tusabe & Habyalimana, 2010). Former poachers are increasingly involved in anti-poaching activities, protecting the local environment and biodiversity that their actions once put at risk (Tusabe & Habyalimana, 2010).

A model to build on

While an excellent example of a growing and inclusive initiative driving economic development, the Rwandan scheme is still relatively small due to the country's late start as a tourist destination. Revenue leakage to foreign-owned safari companies and investors is

another challenge which Rwanda must continue to confront, though current policies ensure the majority of tourism revenues are retained (Maekawa et al, 2015).

Though local communities have certainly benefited from the scheme, locals are often unaware of how the revenue allocation and project approval process works (Maekawa et al, 2015). This leaves them confused as to how local services are funded, unable to distinguish the benefits of revenue sharing from the broader investment by local government (Maekawa et al, 2015). Communities must be more clearly engaged in decision making processes if they are to be fully supportive of the conservation work that goes hand in hand with tourism revenue from which they benefit.

Green revenue sharing going forward

The ongoing growth of Rwandan tourism, alongside revenue sharing, demonstrates that environmentally sustainable and socially inclusive tourism is a model that can work. But the details matter. The sharing of only 5% of revenues may look low, but as the Uganda comparison demonstrates the headline figure is less important than which revenues are covered. As local communities are increasingly offered a fairer deal from tourism, their incentives to protect valuable wild landscapes will become stronger. Rwanda shows a clear example where these environmental goals can be increasingly aligned with the social aims and goals of economic development that all can endorse.

Annex 1.3**Mexico: Consultative energy and subsidy reform in an OECD economy****Climate change action in Mexico**

Mexico has been a regional leader in promoting environmental sustainability, becoming in 2012 only the second country (after the UK) to pass a Climate Change Act committing it to robust and legally binding climate targets¹⁹. The act commits Mexico to a 30% reduction in GHG emissions by 2020 and a 50% reduction by 2050, both against a baseline of emissions in 2000 (Green Fiscal Policy Network, 2014). Further, the Special Climate Change Program (or PECC in Spanish) was set up to ensure Mexico's economic development could continue and remain consistent with the new environmental targets.

As part of the program Mexico aims to source 35% of electricity from renewable sources by 2025²⁰, up from the 10% of total supply in 2014 (Grunewald et al, 2014). This is an ambitious goal but potentially achievable given Mexico's recent record of success in increasing renewable energy capacity. From 2005-2010, Mexico exponentially increased its wind power capacity from the low base of 2 MW up to 514 MW, making it the second largest wind power producer in Latin America after Brazil (UNEP, 2014).

The Mexican government is also increasingly getting to grips with the necessary fiscal reforms to bring its policies into line with more inclusive and sustainable objectives. Mexico has long operated price smoothing policies on gasoline and diesel, variably taxing or subsidising the market price to protect consumers and the poor from excess variability (Beaton et al, 2015)²¹. This has encouraged excess consumption of fossil fuels and presented a blockage to reductions in GHG emissions. On average this smoothing has acted as a fossil fuels subsidy and so the policy is increasingly being phased out, with expenditure on implicit subsidies falling from 0.9% of GDP in 2007 to 0.7% in 2013 (Green Fiscal Policy Network, 2014). Incremental price rises through to the end of 2013 had brought Mexico's pump prices almost up to the level of international prices, themselves falling with the oil price (Beaton et al, 2015). Since 2015's permitted rise in diesel prices of 1.9% some commentators are anticipating the Mexican authorities to take advantage of suppressed oil prices and finally shift toward net-taxation of fossil fuels²².

Inclusion challenges

Green growth in Mexico has had to confront significant inclusion challenges due the level of poverty (highest in the OECD) and its concentration amongst disadvantaged indigenous groups (OECD, 2013a). The phasing out of energy subsidies represents an important step in confronting these challenges due to the disproportionate benefits they deliver to high income groups and large agricultural land owners (OECD, 2013a).

Aside from subsidy removal, progress has been made spreading the proceeds of growth through initiatives like the World Bank funded 'Sustainable Rural Development in Mexico'

¹⁹ <http://www.ey.com/GL/en/Issues/Driving-growth/EY-Rapid-growth-markets-forecast-july-2014-Mexico-leading-green-technology-adoption-in-Latin-America>

²⁰ <http://www.ey.com/GL/en/Issues/Driving-growth/EY-Rapid-growth-markets-forecast-july-2014-Mexico-leading-green-technology-adoption-in-Latin-America>

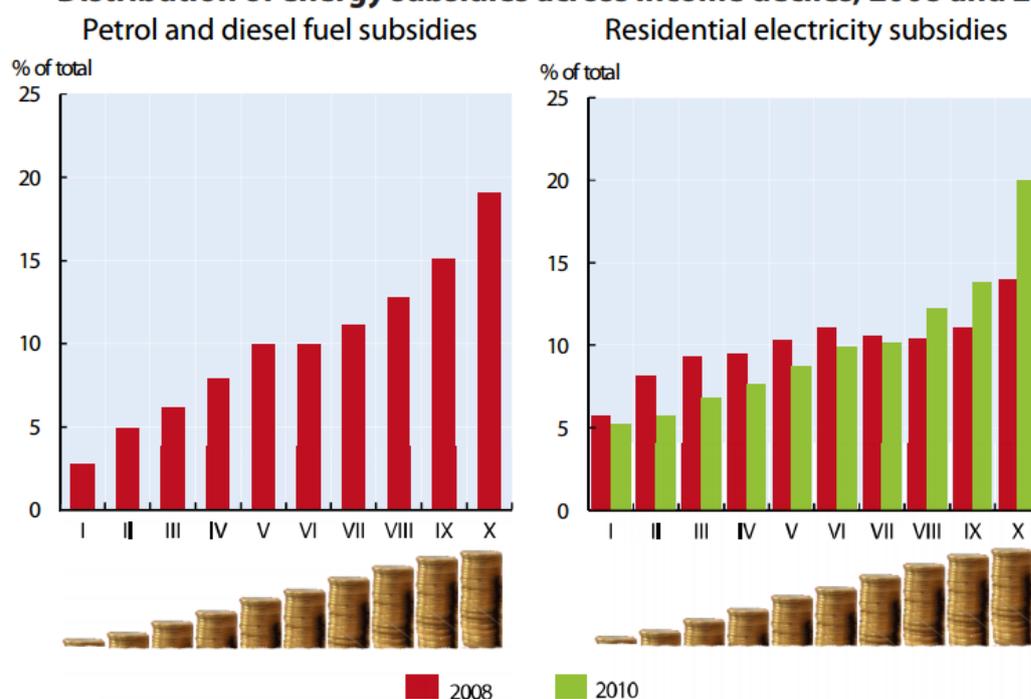
²¹ https://energypedia.info/wiki/Fuel_Prices_Mexico

²² <http://www.bloomberg.com/news/articles/2015-01-30/fossil-fuel-subsidies-fall-in-gain-for-renewables>

project (World Bank, 2015). This scheme successfully united pro-poor and pro-green objectives by harnessing a flexible \$50 million loan to stimulate green growth in rural areas of Mexico²³. Aimed at supporting more than 2,000 SME agribusinesses, the adoption of environmentally sustainable technologies is expected to reduce CO2 emissions in poor rural communities by almost 2,000,000 tons, and save 308,062 KW of energy.

While the inclusion in the green policy making process is often a challenge for developing and middle-income countries, for Mexico it has been a success story. The OECD rates Mexico as amongst the strongest in the OECD in terms of the ‘consultation on rule-making’ procedures in its design of regulatory proposals and mechanisms for civil society influence (Grunewald et al, 2014; OECD, 2015). This is substantially better than comparable Latin American economic peers like Brazil who are also attempting to initiate inclusive green reforms (Grunewald et al, 2014). For the fuel pricing and subsidy reform, transparency on the rationale for price changes and price composition has been strong, despite weaknesses and potential improvements in ensuring up-to-date information on current prices (Beaton et al, 2015).

Distribution of energy subsidies across income deciles, 2008 and 2010



(OECD, 2013)

Anti-poverty alternatives

An obvious inclusive alternative to the direct price controls and fuel subsidies currently being phased out has been the Mexican government’s direct income supplement to help households afford energy costs through the ‘Oportunidades’ cash transfer program (Beaton et al, 2015). While still dis-incentivising clean energy use and efficiency, this supplement avoids the regressive impact of more general consumption subsidies since it is managed through a

²³ <http://www.worldbank.org/en/news/press-release/2012/11/20/wb-mexico-promotion-green-growth>

successful, targeted anti-poverty program²⁴. The OECD estimates that in 2008 Mexico spent twice as much on energy subsidies as it did all anti-poverty programs, demonstrating the opportunity to take successful programs like Oportunidades even further once subsidy revenue can be redirected (OECD, 2013a)

The inclusive impact of programs like Oportunidades, as well as subsidy removal, is supported through Mexico's strong policy assessment process and the requirement for federal ministries to produce regulatory impact assessments (RIAs) of both new and existing policies, as well as make these public in advance of draft legislation (OECD, 2013a). This consultation system has much to commend it and provides robust incentives for the inclusion of public opinion into regulatory proposals, and ensures explanation must be given when they are not (OECD, 2013a).

A progress check

Despite the steps forward in inclusive greening achieved in Mexico it is fair to say that, while being on a par with progressive peers like Czech Republic and South Korea, its achievements still lag the greening progress in western and northern Europe (Park, 2013). Here it is essential to consider the multiple of steps of institutional progress, and the need for multiple speeds transition to inclusive green growth, suited to the enabling environment. Mexico is now in transition from an institutional 'safeguarding' approach towards an appreciation of 'inclusive-green synergies' (see section 2.1.2). While progress in terms of outcomes are not comparable to some inclusive green transitions in Europe, Mexico remains a key standard-bearers for its own stage institutional and economic development.

Consultation delivers results

Mexico shows that a progressive legislative stance on climate change and strong consultative process can be successfully combined to deliver a renewable energy rollout and fuel subsidy reform that protects the poor. Managed incremental shifts in policy and the identification of successful alternative cash transfer mechanisms can produce real green returns while offsetting negative impacts on marginalised groups, and avoiding the controversy that can blight poorly communicated sustainability policies.

²⁴ http://web.worldbank.org/archive/website00819C/WEB/PDF/CASE_-62.PDF

Annex 1.4

Philippines: Integrated national greening and inclusive forestry in a developing economy

Sustainable forestry and green land-use change

The Philippines National Greening Program (NGP) has been a leading example of an integrated approach to inclusive greening. While primarily a massive forest rehabilitation program, aiming to plant 1.5 billion trees in 1.5 million hectares across the Philippines from 2011 to 2016, the true goals of the NGP are much broader²⁵. The NGP has been set as a priority program of the Philippine government and championed by the President because of the central role it plays in reducing poverty, promoting food security, environmental stability, and biodiversity conservation (Israel & Arbo, 2015). Such was the significance of the programme that PhP 30 billion (\$650 million) was set aside to fund it (Bonita, 2013).

Beyond the domestic social and environmental benefits, the NGP is also a key contribution to international climate change mitigation²⁶. The Philippines experienced extensive deforestation and degradation throughout the 20th century, largely as a result of population pressures leading to upland migration, agricultural expansion, and heavy logging (Lachica, 2014). By planting more trees over 6 years than have been planted in the Philippines in the past 50 (Lachica, 2014), the NGP helps restore the Philippines lost forest stock, benefiting local communities as well as acting as a carbon sink to offset the warming effects of CO₂ global emissions²⁷.

Livelihoods from sustainable reforestation

The NGP was conceived to promote inclusion in addition to its reforestation goals by helping to provide alternative livelihood activities for otherwise marginalised upland and lowland groups²⁸. In practice, these livelihoods have come from local communities being involved in seedling production and the tending of the hundreds of thousands of new trees successfully funded and planted each year (Israel & Arbo, 2015). The level of planting even exceeded the NGP's planned annual targets in 2011, 2012 and 2013 (Bonita, 2013) (Israel & Arbo, 2015).

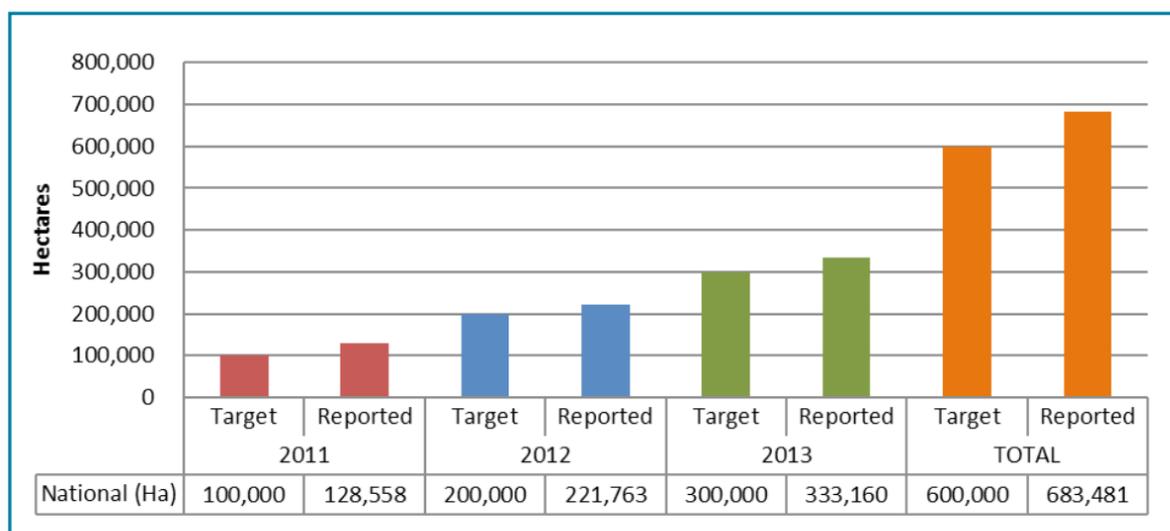
²⁵ <http://www.denr.gov.ph/priority-programs/national-greening-program.html>

²⁶ <http://www.denr.gov.ph/priority-programs/national-greening-program.html>

²⁷ <http://www.denr.gov.ph/priority-programs/national-greening-program.html>

²⁸ <http://www.denr.gov.ph/priority-programs/national-greening-program.html>

National targets and reported areas planted by the National Greening Program, 2011–2013 (hectares)



Source of data: NGP-DENR

Source: (Israel & Arbo, 2015)

An inclusive process and enhanced targets

Thanks to the community based approach, as of 2013 the NGP had employed more than one million people (an estimated 1,182,000 people) from upland and rural communities in reforestation activities (Lachica, 2014). It is local and indigenous communities themselves that are contracted to manage planting and maintain the trees, while seeds are procured from a network of clonal nurseries and state collages, or where this is not possible through competitive bidding (Lachica, 2014).

Surveys of NGP participants have found that the program was perceived to have performed positively raising the incomes and livelihood opportunities while improving environmental conditions through planting (Israel & Arbo, 2015). Despite these positive impacts there were acknowledgements of areas for improvement, including delays in initial funding for reforestation and a lack of personnel (Israel & Arbo, 2015).

It is in light of these challenges that there have been proposals for more explicit ‘enhanced targets’ for the NGP, explicitly taking into consideration the number of local or indigenous people benefiting from sustainable livelihoods as a result of the program (Bonita, 2013). The challenge is to transition from short-term paid maintenance of forests to truly sustainably managed forest and agroforestry plantations, for which the interests and livelihoods of participating local people play a central role (Bonita, 2013).

Suggestions for further improving the inclusivity NGP program include a cumulative target of assisting 4.5 million local and indigenous people in securing land-use tenancy of the reforested areas, with an ultimate goal of ensuring self-ownership and management for all by the NGP project’s end in 2016 (Bonita, 2013). One way of achieving such a proposal in the Philippines is to develop public-private partnerships (PPP) for development and reforestation of indigenous lands, where the ‘public’ aspect of the partnership is fulfilled by indigenous owner/managers themselves (Bonita, 2013).

Distributing the benefits of the NGP

Overall the NGP has delivered, and will deliver, a wide range of benefits to communities in Philippines. The indigenous agroforestry developed from reforestation is expected to lead to self-sufficiency for timber, coffee, fuel wood, and paper products²⁹. Reforestation in the uplands has helped distribute economic activity across the islands, and delivered improved welfare for excluded communities. These communities will also benefit in the medium term from improved environmental stability and climate resilience. On completion the NGP is predicted to increase forest cover by 12% (on 2003 levels) and increase carbon sequestration by 8% per year³⁰. By pushing back decades of deforestation, indigenous farmers will also enjoy reduced downstream flooding and soil erosion, as well as many environmental services benefits from healthier ecosystems³¹.

A global model inclusive reforestation is possible

The success of NGP proves that inclusive reforestation is a strong model for other countries, particularly biodiverse developing countries, to emulate. Ambitious targets combined with inclusive processes on the ground can deliver impressive land-use greening, and greater than expected results by including those communities whose livelihoods are most affected. Stronger processes, and explicit inclusion targets to match environmental ones, can take the NGP even further in the Philippines but the level of environmental and social progress - compared with previous less inclusive initiatives - is a laudable success and a model to be recommended.

²⁹ <http://ngp.denr.gov.ph/index.php/site-map/expected-project-outcome>

³⁰ <http://ngp.denr.gov.ph/index.php/site-map/expected-project-outcome>

³¹ <http://ngp.denr.gov.ph/index.php/site-map/expected-project-outcome>

Annex 1.5

South Africa: Implementing holistic environmental and social protection strategies in an emerging economy

Setting the stage for inclusive green growth

Despite relatively strong South African economic growth in recent years there are ongoing concerns that South Africa's economic success continues to exclude the poor (OECD, 2013b). A fractured social structure and the legacy of apartheid have led to entrenched inequality across the country, with the poorest individuals and communities faced with the harshest social and environmental challenges.

It is in this context that inclusive green growth has been highlighted as the way forward for both the poor and the environment (OECD, 2013b). Almost uniquely across the world, it is the South African environment authorities – not economic ministries – who are taking it upon themselves to make South Africa a global leader on inclusive green growth. South Africa has recognised that a common vision of green and just national prosperity must be built by championing integrated social and environmental policymaking.

South Africa's Green Economy Accord presents a strong example of exactly this kind of integrated planning for a shared green vision³². Twelve government departments, three major labour federations and diverse business and community organisations came together in order to implement a major programme of public and private green investment. A core component of this plan is the creation of 300,000 green jobs by 2020, with much of these in renewable energy and improved waste collection (Government of South Africa, 2011; Borel-Saladin and Turol, 2013).

Essential green inclusion

Despite success in both greening economic growth, poor individuals and communities have historically been excluded from the benefits of economic development in South Africa. In many ways South Africa's economy is similar to a union of one rich and several poor countries. From an environmental perspective, while there are high formal environmental standards, the poor lack the necessary environmental services which are key for green growth. Consequently, green job creation was highlighted as a key factor which that required attention.

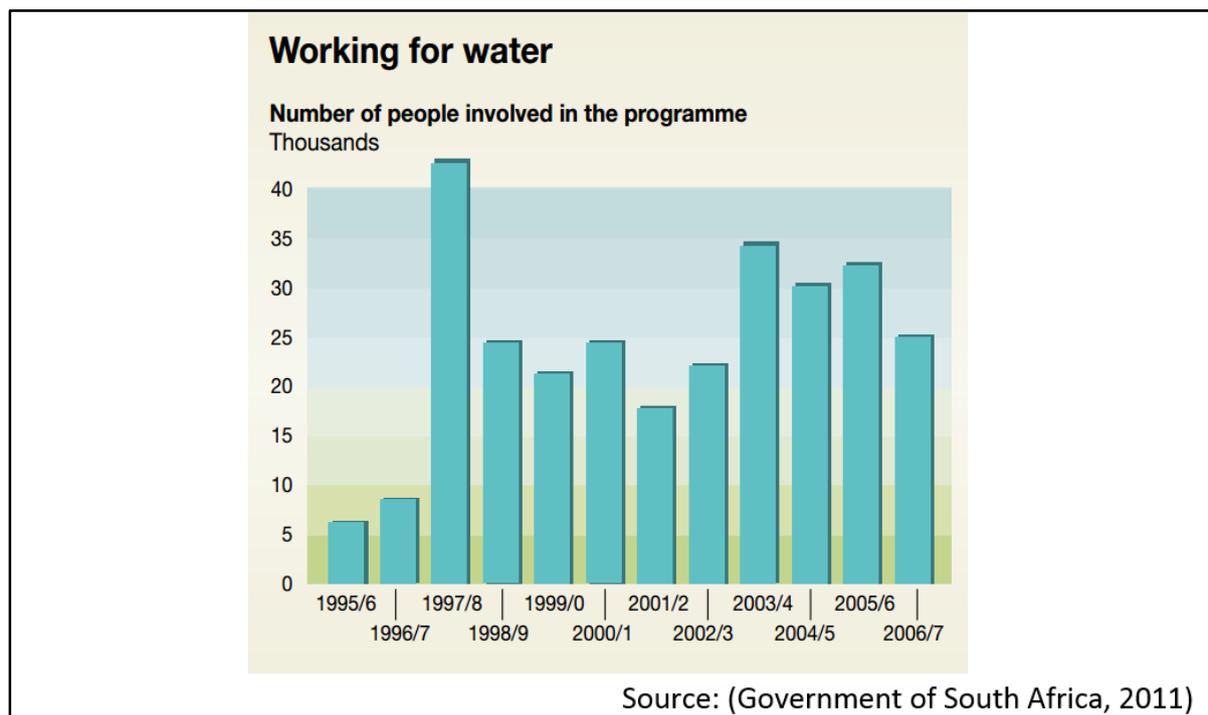
It is in this context that South Africa's Green Economy Accord has emerged as a leading African example of an integrated approach to inclusive greening. Not only does it aim to address local social and environmental needs, it also targets appropriate strategies for broader climate change mitigation.

'Working for' inclusive greening

Inclusive green growth in South Africa has been primarily pushed forward by the environment authorities through a series of joint environmental/social protection job schemes such as the 'Working for Water' and 'Working for Wetlands' schemes (Government of South Africa, 2011). Through Working for Water, people from disadvantaged groups are employed to clear water of invasive plant species, creating jobs for the economically disenfranchised while improving community water availability (Carraro et al, 2015). Around 20,000-30,000 jobs per year have been created and 1 million hectares of invested area has been successfully cleared (Government

³² <http://www.economic.gov.za/communications/publications/green-economy-accord>

of South Africa, 2011). Moreover, the two-year contracts for those employed on the scheme was a crucial economic support for those with typical access to only irregular, informal employment.



Working for Wetlands was launched in 2002 in an effort to generate jobs protecting and rehabilitating the wetlands of 15 river basins. The jobs created were targeted towards benefiting low income workers and single-parent families, as well as those living with HIV/Aids. Support for these diverse and vulnerable groups was provided through training and the development of basic skills in health and education (Government of South Africa 2012; WWF, 2006)

Another example is the plan to develop renewable energy capacity by installing 1 million solar water heaters by 2014, again aimed at both achieving environmental goals and beneficially supporting local plumbing and manufacturing services, and reducing people's energy bills (Wlokas, 2011). Unfortunately, the initial heater installation progress was slow and as of 2015 the programme is still short of the final 1 million installation goal³³. Further renewables support has come in the form of South African Renewable initiative (SARi), launched in 2011 to assist with ambitious scaling-up of renewable energy in South Africa³⁴. The South African government aims for this too to unite economic, social and environmental benefits, with up to 54,000 of direct and indirect jobs created per year in the sector by the years 2020-2025. Additional energy security and greening co-benefits are also anticipated, particularly for geographically and socially isolated communities away from reliable power grids.

Overcoming inclusion challenges

Barriers to inclusive greening of South Africa's economy have hindered the progress of several of the above initiatives. One issues is that many of the policies do not adequately address interest alignment with the poorest, and while high formal environmental standards have been set in place, they are not reaching the poor, leading to environmental mismanagement.

³³ <http://www.bdlive.co.za/business/energy/2015/03/12/solar-water-heating-delay-hurts-investment>

³⁴ <http://www.wri.org/blog/2014/05/lessons-south-africa-mobilizing-investment-renewable-energy>

These effects are compounded by the level of inequality and poor social structures in many South African communities. Trade-offs and synergies between social and environmental outcomes are highly specific to the circumstances of localities across the country. The Working for Wetlands programme attempted to address this with a flexible set of local policy approaches, and provides a good example of projects targeted towards supporting adaptive, context specific projects in a sustainable context. Supporting this adaptive, context-specific policy approach is key to wider success across South Africa.

Another barrier for inclusive greening has been that the incumbent carbon intensive sectors continue to receive a lot of support. Greening the economy lacks wide support when there are concerns over potential job losses in favoured carbon-intensive sectors. Specific policies and strategies at local and national are needed to address this, and ensure those in South Africa with most to lose from a green transition can be offered alternative economic opportunities. Inclusion is not exhausted by assisting only the currently marginalised.

A long term threat to South Africa's growth is the anticipated effects of climate change, calling for stronger linkages between economic development and environmental policies. South Africa's social context means that the capacity to mitigate and adapt will be crucially dependent on policies that consider the poorest and most vulnerable groups. Pressures of population growth and rapid urbanisation will further accelerate the necessity of adopting inclusive green growth strategies.

Lessons from inclusive greening

South Africa's experience in recent decades reiterates the inadequacy of non-inclusive economic growth. Environmental and social factors must play an important role in future economic development, and holistic inclusive green growth strategies will be essential for driving this success across the economy and improving livelihoods for the poor.

The 'Working for' environment/social protection programmes show the pathway for job creation and greening in South Africa and abroad, with other less inclusive approaches much less successful in achieving broader social and environmental aims. Further development of inclusive green growth strategies that are holistic, suited to local contexts, and provide additional (and alternative) green jobs will be decisive deciding South Africa's economic future and climate resilience.

Of course, procedural inclusion and participation is also essential, and this was acknowledged by the authorities in developing the final Durban Climate Change Strategy. Consultation with local NGOs, faith groups and climate specialists was built into the process to ensure the plan was robust and that the level of municipal buy-in was sufficient for the plan to succeed (EPCPD, 2014). Initial open public consultation on the strategy was run through a range of methods to encourage wide participation of vulnerable communities - internet surveys, SMS, phone interviews and face-to-face meetings (EPCPD, 2014). These fed into the development of the final strategy framework, and the goal that climate adaptation and mitigation uses local knowledge to be effective while remaining consistent with municipal goals and the needs of communities³⁶.

Targeted community resilience interventions

One of the inclusive projects launched under the MCPP was the ‘Climate Smart Communities’ pilot project, focusing on interventions to improve local adaptation, food security, and water management (Roberts, 2010a). Authorities selected the poor but contrasting communities of urban Ntuzuma and rural Ntshongweni to better understand the challenges of greening for marginalised groups.

By putting local concerns at the forefront of resilience planning the project pre-empted social concerns that might have hindered a more top-down approach. For example, the productivity of key subsistence crop dry land maize was predicted to fall to nothing for almost all climate scenarios (Roberts, 2010a). Through Climate Smart Communities, alternative crops were explored in ways that took social acceptability into account³⁷. Successful “cook-offs” of the new crops took place at the planting sites and helped support wider acceptance and consideration of alternative climate resilient foodstuffs and the adapting of local recipes to the new crops³⁸.

Inclusion in process and outcome is at the heart of the Durban Climate Change Strategy, and this has often been made explicit in public. Durban Mayor James Nxumalo has said that “The success of the Durban Climate Change Strategy will depend on how inclusive the process is, so that all voices of our City are represented and heard. We therefore encourage all citizens to participate in the strategy development process”. This once again highlights the important role municipal authorities can play in engaging otherwise marginalised communities in local greening, climate resilience, and economic development.

Challenges for the Durban approach

The main challenge for Durban’s building of inclusion into green policies is the sheer scale of inequality and deprivation in the region. In 2010, local government estimates put the percentage of people living in poverty at 32.3, while in 2014 the unemployment rate was estimated to be above 30% (EPCPD, 2014). South African cities are consistently rated as highly unequal by most measures, and Durban’s 2011 Gini coefficient of 0.61 places it

³⁶ <http://www.dccs.org.za/about/>

³⁷ http://www.durban.gov.za/City_Services/development_planning_management/environmental_planning_climate_protection/Projects/Pages/Community-Adaptation-Projects.aspx

³⁸ http://www.durban.gov.za/City_Services/development_planning_management/environmental_planning_climate_protection/Projects/Pages/Community-Adaptation-Projects.aspx

squarely amongst the most unequal cities in the world³⁹. This level of deprivation makes procedural inclusion of marginalised groups in decision making all the harder.

That the MCPP was able to succeed and progress to become the Durban Climate Change Strategy despite the obstructive enabling environment offers consolation that aligned inclusive greening policies are not luxury initiatives for city administrators. Though the Durban focus on climate resilience over climate mitigation emphasises the need for green growth policies to recognise local realities, needs, and spare capacity.

Inclusion and city level climate strategy

Durban's Municipal Climate Protection Programme and recent Climate Change Strategy is an essential marker of success for other cities. They show that sectoral and community approaches to climate resilience can be effectively implemented at the city level and bring pro-poor outcomes and growth to even the most unequal communities. For inclusive green growth, Durban's success demonstrates that decision-making can be successfully brought down to the level of individual communities and that those most impacted by policies can be included in their implementation.

³⁹ <http://blog.euromonitor.com/2013/03/the-worlds-largest-cities-are-the-most-unequal.html>

Annex 1.7

Germany: Inclusive renewable energy policy reforms in an industrial economy

Germany's inclusive Energiewende

The German 'Energiewende', or energy transition, is probably the most dramatic example of a green national energy policy in the world. With tension high in the aftermath of the 2011 Fukushima-Daiichi nuclear disaster in Japan, the German government surprised many international observers when it announced the beginning of a nuclear energy phase-out – with 8 reactors temporarily halted never to be restarted, and the further 9 reactors to be closed by 2022 (Buchan, 2012). This was followed by the immediate acceleration of its green 2010 Energy Concept (the proto-Energiewende) through the legislature in 2011 (Buchan, 2012).

Despite the sudden reversal in nuclear energy policy, the Energy Concept's key environmental targets were retained essentially unchanged as the new Energiewende:

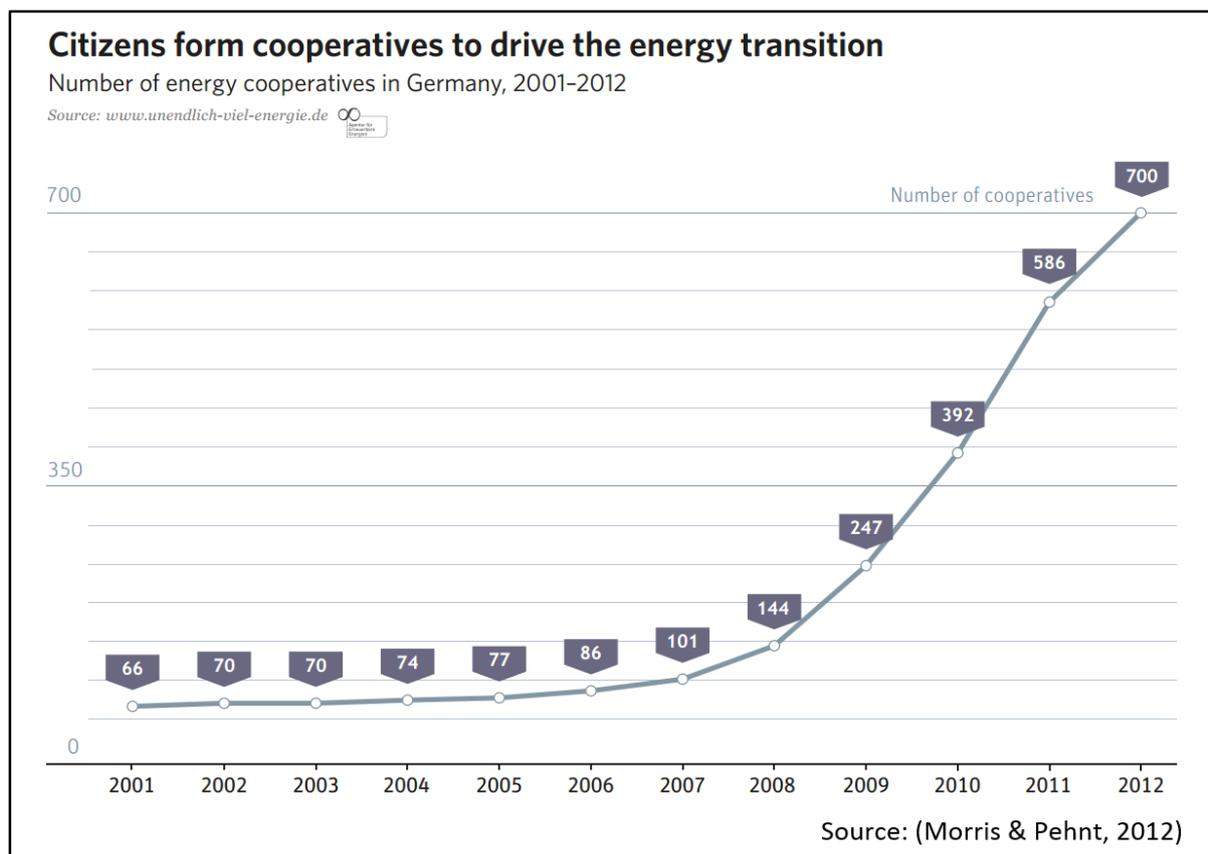
1. A 40% reduction in greenhouse gas emissions (on 1990 levels) by 2020, building to an 80-95% cut by 2050.
2. Renewables share in final energy use of 18% by 2020 (a shared EU target), and 60% by 2050.
3. Reducing primary energy consumption by 20% (on 2008 levels) by 2020, and 50% by 2050.

(Agora, 2013)

These targets were undoubtedly both ambitious and green, but the crucial point and shock to critics is that the renewable expansion does not seem to have hindered Germany's economic growth. Up to 2010, the BMU estimated that effects on German employment and growth positive for all plausible scenarios (BMU, 2010). Since 2010 there have been considerable economic headwinds for all Eurozone countries, complicating estimates of the Energiewende's aggregate impact. An uptick in German GHG emissions from cheap imported coal has highlighted the dangers of environmental complacency in an open energy market, but renewable energy capacity has continued to expand and Germany remains Europe's strongest industrial economy.

Inclusion in energy ownership

In addition to combining an ambitious greening process with strong underlying economic performance, the Energiewende's has also typified aspects of a successful bottom-up and inclusive policy process. At the end of 2010, an astonishing 40% Germany's 53 GW of (non-hydro) renewable capacity was privately owned, with much of this ownership in the form of local cooperatives (Buchan, 2012). In the two short years between 2010 and 2012, the number of German energy cooperatives nearly doubled from 392 to 700 (Morris & Pehnt, 2012).



This community ownership results in much stronger economic returns for local communities on their energy assets, and also garners public support for renewables projects by allowing a more inclusive consultation process throughout planning and construction (Morris & Pehnt, 2012). The combination of national level political ambition with local ownership has allowed the Energiewende to deliver renewable energy rapidly and at scale, without alienating the local communities on which successful change depends.

As stated, inclusion in the planning and ownership of energy generation is only one part of inclusive green growth – the outcomes must also be aligned with the interests of the poorest. This is a fundamental challenge for programs like the Energiewende since rapid scaling of new energy generation, renewable or not, usually involves the costs passed to consumers via higher energy tariffs, and the poorest being burdened proportionally most of all.

The German model has addressed this primarily through a national drive for energy efficiency and the funding of ‘energy audits’ for poorer households (Morris & Pehnt, 2012). These kinds of measures are one reason why German consumers use only a third of the energy American consumers do, and so pay unit energy costs that are twice as high and still enjoy average bills that are comparable or lower than in the US (Morris, 2015).

An inclusive process on the ground

One implication of the rollout of renewable generation was that the German electricity grid needed to be expanded to accommodate the many ‘distributed’ generation sites coming online. As a consequence, the Federal Ministry of Economics and Technology (BMWi) launched its ‘Future-oriented grids’ platform which implemented an innovative inclusive approach to public consultation (BMWi, 2012).

The aim of the program was to ensure coordination and transparency when building potentially controversial new power lines. An advisory council, including representatives from politics, science and civil society was set up to advise the program on all issues concerning grid expansion and grid regulation (BMW, 2012). Keeping the public ‘in the loop’ was recognised as a priority for ensuring public backing and acceptance of the new power lines essential for Germany’s new renewables friendly, integrated power grid.

The revised grid planning process involves four stages, three of which have an open consultative phase (BMW, 2012):

1. Scenario framework – Grid operators submit their estimates of grid expansion needs to the Federal Network Agency (BNetzA), which encourages a public consultation on the proposals, and must consider this input when approving the scenario framework.
2. 10-year grid development plan – Grid operators must develop the framework into a more detailed 10-year plan which must be posted online for open public consultation.
3. The BNetzA must produce an additional environmental report which is open to further public consultation.
4. Based on the previous three stages, the BNetzA then develops a Federal Requirement Plan which is finally passed to legislators for approval.

Obstacles to the transition

The challenge of a truly inclusive Energiewende was increased by Germany’s sudden decision to phase renewables in and nuclear out simultaneously (Buchan, 2012). Whatever the broader merits of abandoning nuclear, removing it from the energy mix took off the table a large chunk of relatively low carbon base-load capacity just when Germany might have needed it as backup generation, or as a backup plan. This deficit meant that even more renewables capacity would be needed, and more quickly – potentially compromising the possibility of thorough and inclusive consultation processes for new sites.

A further weakness of the German approach is that no official statistics on ‘energy poverty’ were collected in 2011 (Buchan, 2012). The number of people unable to pay their power bills both before and after the changes are therefore based on rough estimates, compromising the ability of policy makers to assess distributional and poverty impacts.

Despite these challenges, a combination of factors ensured that German public participation and support remained paramount. The unique proliferation of locally owned energy cooperatives helped ensure that energy developments were rarely imposed unilaterally on communities. While at the national level, political support for the Energiewende remained strong due to the prominence of green political voices and the popularity of a transition away from nuclear (Morris, 2013).

Germany’s enabling environment as a large economy with a strong industrial base, devolved political system, and longstanding green political movement gave it unique advantages when undertaking this kind of inclusive green growth policy. The replicability of the Energiewende model in other nations with less advantages and weaker social institutions can be called into question, but a slower pace of transition would potentially do much to offset these concerns.

Green and inclusive outcomes

It is estimated that energy cooperatives and community-owned renewables projects have leveraged €800 million in investments from more than 80,000 German citizens (Morris & Pehnt, 2012). Other estimates put the German community and household contribution to renewable energy investment as high as €30 billion per year⁴⁰. There are also low barriers to entry for average citizens to invest, with a single share, costing less than €500 in two thirds of the cooperatives. Germany's Solar Industry Association (BSW-Solar) argues that the democratisation benefits of community ownership are clear, "Energy cooperatives democratize energy supply in Germany and allow everyone to benefit from the energy transition even if they do not own their own home" (Morris & Pehnt, 2012).

The OECD has highlighted the potential trade-off of the subsidy-heavy German approach to renewable energy - high total emissions abatement costs (OECD, 2014). Out of 15 OECD countries covered by their 2013 review, at 0.3% of GDP Germany had the highest total abatement costs of carbon-related policies applied in the electricity sector. This was explained by the Energiewende approach – generous feed-in-tariffs, combined with high ambition meant relatively costly policy instruments (OECD, 2014). Overall though OECD argues for a "fairer allocation of costs among all market participants" to "...facilitate public acceptance of the transition to low-carbon energy", reinforcing the importance of inclusive, pro-poor transition even as nations look for lowest cost policy instruments.

A global Energiewende?

Germany's Energiewende approach has not been without its pit-falls and challenges, not least operating alongside the huge changes to Germany's nuclear energy policies. Other nations will not have to manage two such radical changes to their energy mix simultaneously. The Energiewende, though still in progress, stands as a leading example of a successful and rapid renewable energy transition run along socially inclusive lines, all without compromising industrial competitiveness. If Germany make the green transition, why not other developed industrial nations? The real challenge will be to replicate German levels of public support for a green energy transition, and following the German model of inclusive energy ownership is a proven way of building such support.

⁴⁰ <http://www.communityenvironment.org.uk/cms/wp-content/uploads/2013/08/Community-owned-energy-generation-Alan-Simpson.pdf>

Annex 1.8

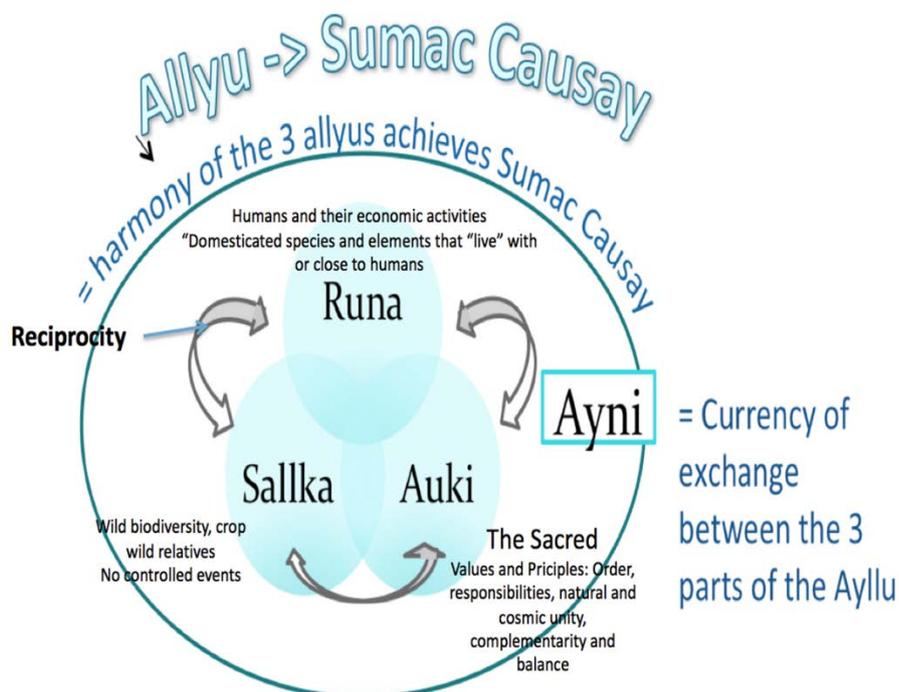
Cusco (Peru): Fostering local inclusive growth based on indigenous models of equity and environmental limits

Sumaq Causay: An indigenous concept for inclusive green rural development

The Cusco region of Southern Peru is rich in biological diversity and home to about 1 million indigenous people. Indigenous peoples’ concepts of wellbeing and customary laws stress social equity, balance with the environment and self-sufficiency (rather than infinite growth) (Munera 2014), and the linkages and inter-dependence between economic, social and environmental goals (as per their holistic worldview). ‘Sumaq causay’ or ‘buen vivir’ is an Andean concept of wellbeing which stresses the need for balance between humans, wild species (environment) and spirituality (ethics, social equity) (Asociacion ANDES and the Potato Park, 2015).

Fostering such development models offers a pathway for achieving IGG in rural areas, which is likely to have greater legitimacy and support for implementation than external concepts. The Potato Park, a community-led development and conservation initiative near Cusco, Peru is guided by the concept of sumaq causay and Andean customary laws. It provides an example of how indigenous development models can promote rural economic growth, poverty alleviation and climate resilient agriculture, using existing assets, namely indigenous knowledge and biocultural diversity.

Achieving sumaq causay requires harmony between 3 ‘ayllus’: *runa ayllu* which is the community of the humans and domesticated species; *sallka ayllu*, the community of the wild and semi-domesticated species; and *auki ayllu*, the community of the sacred and the ancestors (ANDES and the Potato Park 2015). In the context of IGG, runa represents ‘holistic growth’, sallka represents integrated conservation approaches for resilience, and auki represents cultural and spiritual values (ie. ethics, customary laws). The Potato Park is guided by 3 key Andean customary laws: Reciprocity, which means equal exchange in society and with nature; Equilibrium which means balance in society and with nature; and Solidarity, which means helping those in need (without the need to reciprocate).



The Potato Park: Fostering Sumaq Causay for poverty reduction and biodiversity conservation

The Potato Park was established in 2000 by 6 Quechua communities who have collective land title over their ancestral territory of over 9000 hectares in the high Andes, with a population of about 6000. In 2002 they legally registered the Association of Potato Park communities, with support from the NGO Asociacion ANDES. This representative organisation governs the park collectively in accordance with customary laws and values. All the activities and institutions in the park are guided by the concept of sumaq causay and customary laws.

The communities live below the national poverty line, and women are poor or extremely poor – but their incomes are steadily growing as a result of various economic activities which enable full benefit capture, rather than benefit-sharing. They have established economic collectives for tourism, crafts, medicinal plants, gastronomy and natural products, some of which are run exclusively by women. 10% of the revenues from these collectives are invested in a Potato Park Fund, with tourism being the highest and steadily growing source of revenue. An inter-community benefit-sharing agreement based on customary laws ensures that these funds are distributed equitably amongst the park communities, in accordance with their contribution to sustaining the park’s biocultural heritage. Funds are also shared with those most in need (eg. widows, orphans) (ANDES, the Potato Park Communities and IIED 2011; ANDES and the Potato Park 2015).

Since the Potato Park was established, potato diversity has tripled to about 650 different varieties, thanks in part to an agreement for potato repatriation with the International Potato Centre, where scientists work collaboratively with indigenous researchers in the park that make up the ‘potato guardians’ collective. Repatriation has enabled the communities to re-establish their custodianship rights over potato varieties which had been lost, while the CIP has also agreed not to patent any traditional potato varieties it has collected from the park.

A key ingredient for building the Potato Park has been the highly participatory action-research methodology used by ANDES, which uses indigenous concepts, research methods and protocols, along with modern participatory methods. This ‘de-colonising’ research methodology, where indigenous researchers lead in research design, facilitation and analysis, has created strong collective institutions, research capacity and a strong sense of pride and ownership over the Potato Park (Argumedo, 2012).

Challenges: Going to scale and linking with government

ANDES has started the process of establishing a Barter Park in Lares, another district of Cusco, based on the Potato Park model. However, for initiatives like the Potato Park to be scaled up beyond individual projects, they need to be supported by government policies and programmes, but without being controlled by them. Current policies in Peru and other countries tend not to support indigenous knowledge, culture and crops, but rather contribute to their erosion. In agriculture, policies and subsidies largely support Green Revolution packages of high yielding modern varieties plus chemical inputs, which tend to benefit richer (often male) farmers but not the poorest farmers, such as indigenous people and women, who often can’t afford to buy seeds and inputs, and rely on diverse local varieties adapted to local conditions to reduce risk (Pant 2011, Swiderska et al 2011). These policies also dis-incentivise traditional farming systems that are sustainable, resilient and often highly productive.

Similarly, traditional knowledge and culture needs to be integrated into other sectors, such as education, health and economic development, to prevent the further weakening of indigenous cultures and concepts of development.

The Potato Park has gained the support of the Cusco regional government, particularly the environment ministry, through continual engagement with support from ANDES. The Cusco government has introduced regional ordinances against biopiracy and against GMOs in order to protect the region's unique biocultural diversity that supports a growing tourism industry (ANDES and the Potato Park, 2015). It has also proposed to scale up the Potato Park across the whole region, and has established a cross-sectoral Commission on Biocultural Heritage, which includes different government ministries, ANDES and other indigenous organisations.

Getting the support of the national government of Peru (outside the environment sector) has proved more challenging, given its strong focus on less inclusive development approaches and industrial agriculture, particularly in the wake of the US-Peru FTA (Siegele et al, 2006). With this in mind, ANDES has established a multi-stakeholder National Innovation Platform focusing on smallholder farmers, which brings together the national agriculture ministry and related institutes, environment officials and indigenous organisations. ANDES is also actively engaging with the formal agricultural research system at international level, eg. by entering the Potato Park gene bank into the FAO Treaty's multi-lateral system and hosting official meetings in the Potato Park, which provides a means to strengthen links with the national agricultural research system. Engaging other regional governments in Peru also offers a way to promote policy change at national level by creating wider political demand for a better balance between western and indigenous economic development models.