



INCLUSIVE GREENGROWTH

The Pathway to Sustainable Development

Marianne Fay, The World Bank, May 2012

Green growth is...

...economic growth that is environmentally sustainable.

Not a new paradigm, but aims to operationalize sustainable development by enabling developing countries to achieve robust growth without locking themselves into unsustainable patterns.

Not inherently inclusive, hence the need for specific policies to ensure the poor benefit.

Greening growth is

Necessary

Efficient

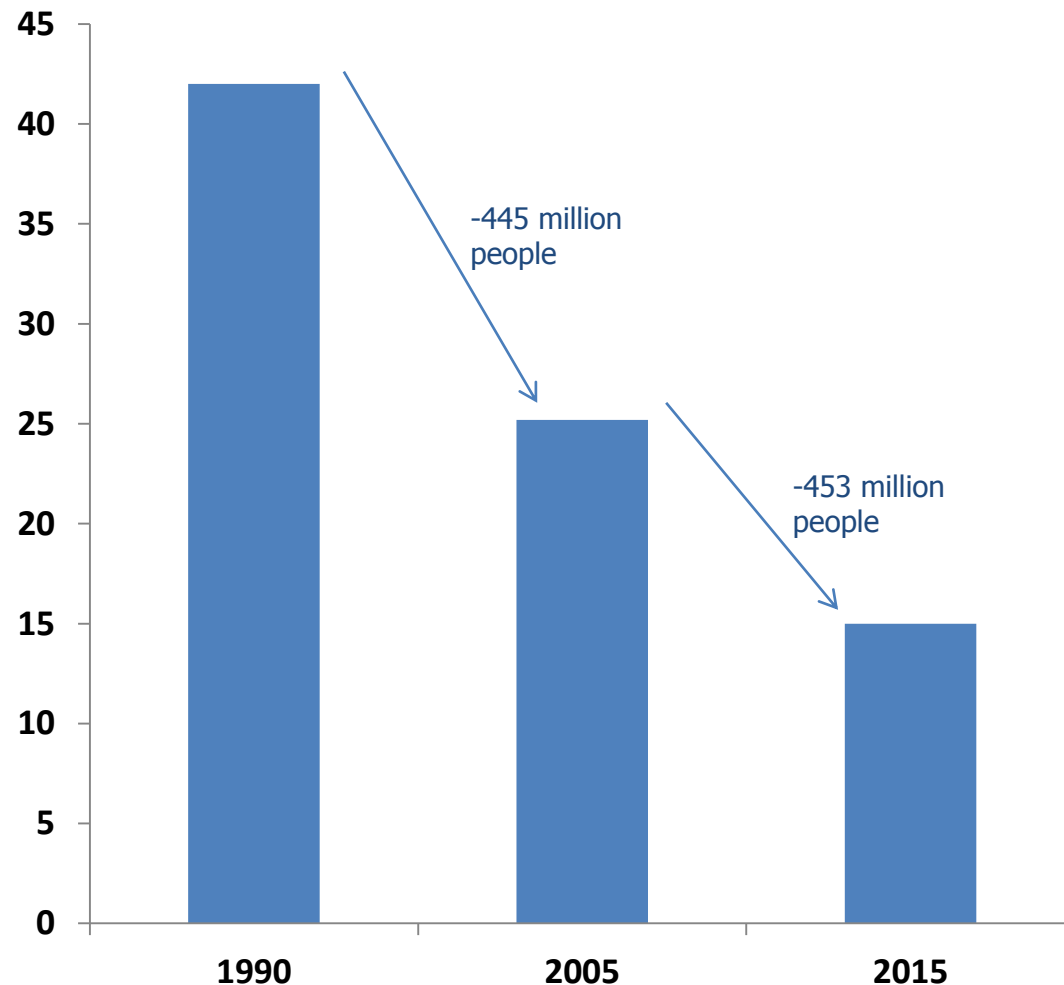
Challenging

Necessary

**MAKING DEVELOPMENT SUSTAINABLE
REQUIRES GREENING GROWTH**

Continued and more inclusive growth is needed for poverty alleviation...

Poverty rate (%)



- GDP per capita still very low in developing countries:

1990: \$1,200

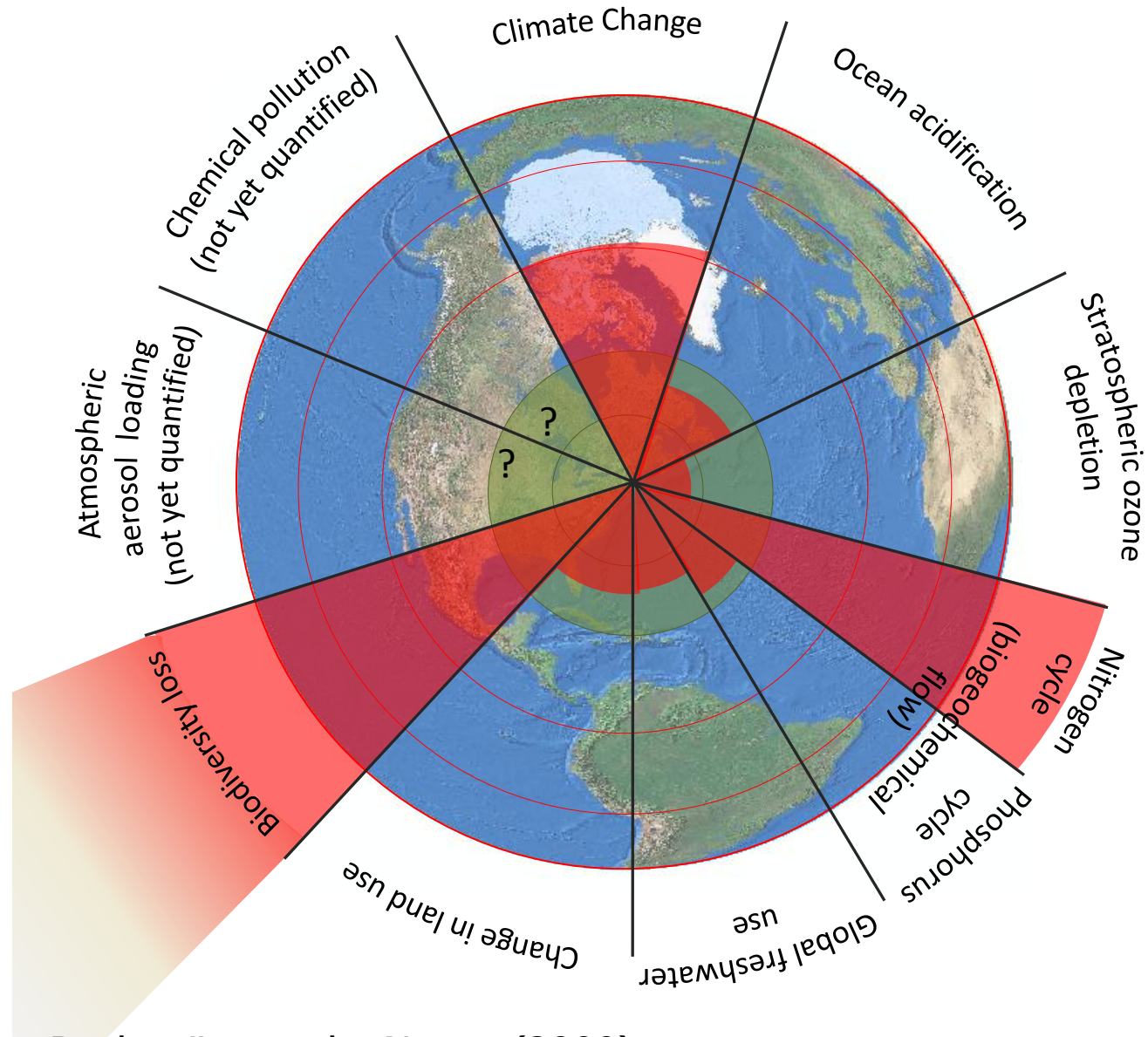
2010: \$2,300

2030: \$4,700*

- 918 million people still expected to live in poverty by 2015

*: in \$2010, using WB growth projections

But growth has come at the expense of the environment



Source: Rockström et al., *Nature* (2009)

And development paths need to adapt to a world of 9 bn people



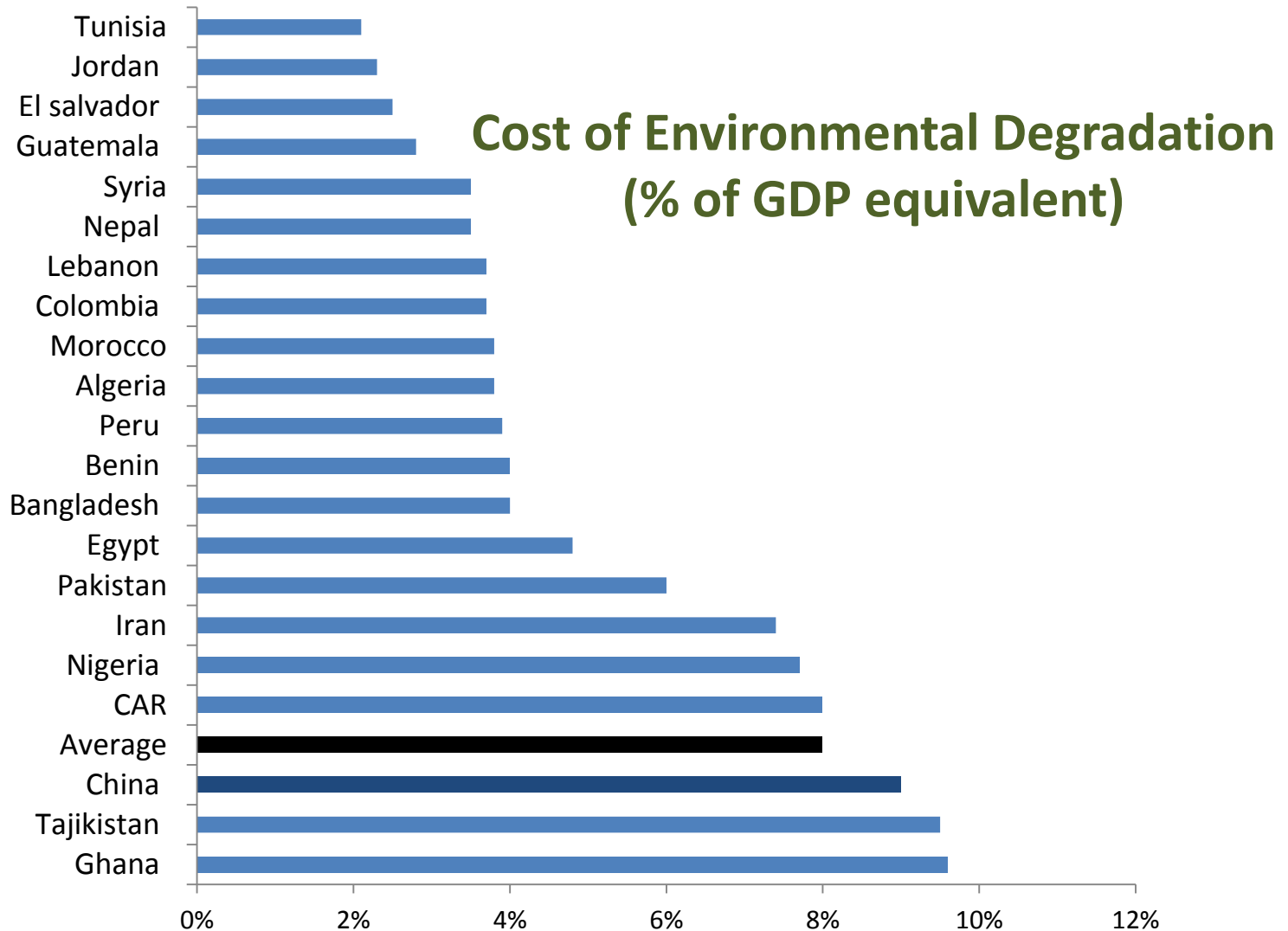
Source: United Nations World Population Prospects, Deutsche Stiftung Weltbevölkerung

For further information please visit: www.knowledge.allianz.com

Efficient

**CURRENT INEFFICIENCIES CREATE
OPPORTUNITIES TO GREEN GROWTH**

A bad environment is costly



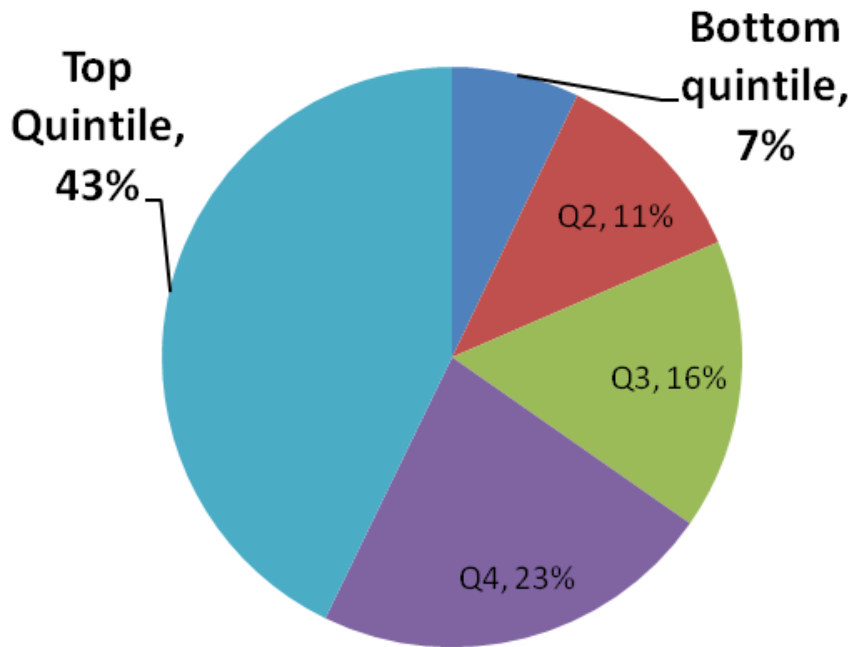
Many measures pay for themselves

Sector	Cost Saving Abatement Option	Abatement Potential per Year by 2030	Direct Annual Savings by 2030	Annual Benefits from Avoided Air Pollution, 2030
		MtCO ₂	Million US\$	Million US\$
Buildings	Installing LEDs	145	24,992	2,364
	More efficient appliances	60	9,007	978
	Efficient variable speed water pumps	46	3,453	750
	Water heating	30	2,085	489
	District heating controls	69	1,439	1,125
	Passive thermal insulation	550	6,116	8,967
Transport	Engine improvements, light duty vehicles	190	5,018	950
Industry	Combined cycle power plants (steel)	45	5,630	745
	Coal moisture control (steel)	50	2,085	827
	Utilizing or destroying coal bed methane	180	751	--
	Clinker substitution (cement)	165	229	2,669
Agriculture/ Forestry	Fertilizer management	40	2,280	162
	Cropland management and restoration	40	1,112	--
	Methane utilization	60	834	--
TOTAL		1,670	65,030	20,027

Source: China 2030 report

Fossil fuel subsidies are costly, inefficient and inequitable

Average distribution of energy consumption
subsidy benefit across 20 countries



Challenging

1. WILL A TRANSITION TO GREEN GROWTH SLOW GROWTH?

What we know about environmental policies, competitiveness and jobs

Environmental policies:

- lead to innovation
- cost less than expected
- can improve productivity
- impacts vary across industries

No “green job” miracle

(especially if other inefficiencies are not corrected),

But environmental policies are no “job killers”

2. HOW TO MANAGE THE DEMANDS OF A GROWING MIDDLE CLASS AND MANAGE THE COMPLEX POLITICAL ECONOMY OF REFORM?

Develop tailored strategies that focus on what's urgent and generates local benefits

	Local and immediate benefits	
	LOWER (Trade-offs exists between short and long term or local and global benefits)	HIGHER (Policies provide local and immediate benefits)
Inertia and/or risk of lock in and irreversibility		
LOWER (Action is less urgent)	<ul style="list-style-type: none"> • Lower-carbon, higher-cost energy supply • Carbon pricing • Stricter wastewater regulation 	<ul style="list-style-type: none"> • Drinking water and sanitation • Lower-carbon, lower-cost energy supply • Loss reduction in electricity supply • Energy demand management
HIGHER (Action in urgent)	<ul style="list-style-type: none"> • Reduced deforestation • Coastal zone protection • Fisheries catch management 	<ul style="list-style-type: none"> • Land use planning • Public urban transport • Sustainable intensification in agriculture

3. HOW TO CREATE THE RIGHT INCENTIVES?

Pursue smart prices and regulation policies

- **Nudges help**
- **Get prices right**



4. HOW TO TACKLE THE LACK OF KNOWLEDGE AND DATA?

A challenge everywhere- but one being addressed

- Few countries have implemented green accounting but....
- SDGs as an opportunity
 - MDGs' impact on poverty data
- An active field already:
 - WAVES
 - Efforts by many agencies to develop framework (GGKP paper)
 - Need country-based data collection

5. HOW TO FINANCE THE TRANSITION?

Also work in progress

Need for financing:

Even when investments pay for themselves, they imply additional financing needs – for individuals, firms and gov'ts

Need for new sources, but also project preparation finance, better cost recovery, and risk-management schemes:

Q: how to leverage scarce green finance, ODA and public resources

Green growth

- No country has followed a green growth path since the industrial revolution
- Does this mean it is not feasible?
- Or does this mean we have to learn together?
- And East Asia can be in the lead