

Green Alternative's policy briefs are short analyses on some of the challenges to country's sustainable development. They are part of the broader Green Alternative's analytical work; some complement or summarize reports, while others combine analysis from the research with consultation around a pressing issue. The purpose is to convey urgent public policy problems and promote debate on courses of action to resolve them.

This policy brief is intended for public policy makers and practitioners; it will also be useful for those groups and individuals seeking to influence the policymaking processes.

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# Green Economy Dilemma

## GREEN ECONOMY OR GREEN GROWTH

Against the background of the 2008 financial and environmental crisis, the United Nations presented "A Global Green New Deal" (GGND)<sup>1</sup>, which was meant to respond to economic, environmental and development challenges facing the world. Similar to the concept of sustainable development, green economy stated as its goal to ensure social equality (within and between countries, across generations and gender), guarantee access to high-quality life and basic services and eradicate poverty through inclusive, transparent, democratic and participatory decisions.

The cornerstone of the green growth strategy<sup>2</sup> adopted by the OSCE member states in 2009 is green economy - low-emission development, minimization of ineffective use of waste and natural resources, maintenance of biodiversity, and development of sustainable and cleaner energy sources.

## "GREENING" OF INDUSTRIALIZATION

Governments and international finance Institutions have accepted the two concepts - green economy and green growth - as interchangeable. Neither of the two questions the primacy of market competition, liberalization and structural reforms. Moreover, both concepts regard them as preconditions for green growth. Consequently, governments of some developed and developing countries have embraced the concept in a pragmatic fashion as a means to "green" industrialization. South Korea and China are regarded as successful examples of green growth.

Against the backdrop of environmental crisis, green economy has created a new niche for economic profit by commodifying nature and ecological (water, forest, resources) services and their degradation and pollution, which complemented the traditional ways of production and consumption growth (business as usual) - the commodification of labour and land.

In recent years, classic industrialization has become more complex as a result of globalization and globally spread networks of supply and consumption. Since borderlines between the sectors (industry, manufacturing, services) have disappeared, more knowledge and skills are required to increase productivity and achieve comparative advantages within the sectors.

Green economy requires decoupling of the existing relationship between economic growth, natural resources and environmental impact in a relevant sector. A country's industry policies should facilitate decreased resource use and/or reducing environmental impact. For example, if water resources are scarce in a country, the government may facilitate development of the sectors that rely to a lesser extent on that resource (electronic engineering, biotechnology, pharmacy) or make closed-up water circuits mandatory, introduce drip irrigation systems etc.

<sup>1</sup> Global Green New Deal, UN Environmental Protection Programme, March 2009

<sup>2</sup> Declaration on Green Growth Adopted at the Meeting of the Council at Ministerial Level on 25 June 2009 [C/MIN(2009)5/ADD1/FINAL]

Accordingly, green economic development depends significantly on the type of structural transformation a country chooses and the level of technology progress in that country; other important factors include how effectively the country uses its resources, what obligations it has to meet in terms of international environment protection laws, and most importantly, what economic incentives the country's economic policy and institutions create for facilitating green growth. For example, in EU member states, development of energy-efficient and renewable energies should result in eliminating altogether the relationship between CO<sub>2</sub> emissions and the GDP.

It is worth noting that energy and resource efficiency does not necessarily mean consumption of less energy or utilization of fewer resources. Both facilitate industry effectiveness and growth of production and thus contribute to the development of green capitalism.

Without doubt, green economy has a potential to ensure sustainable economic development in countries and have a positive impact on the environment and society. However, the predetermined vision of the World Bank and IMF according to which liberalization and market alone can lead to low-emission development hampers even the partial realization of this potential<sup>3</sup>.

Furthermore, the EU and international finance institutions offer additional financial instruments to significantly increase the role of the private sector in green economies. Such instruments include the so-called blending (when official state support in the OSCE member states is mixed with financing by private or international finance banks), state guarantees, and public-private partnerships. In developing countries, similar financing schemes can originate not only from the traditional Bretton-Woods institutions and donor countries but also from new industrial countries and their institutions (BRICS, AIIB etc.).

in addition, in order to achieve low-emission development, green capitalism already uses extensively market mechanisms such as trade in emissions, clean development mechanisms etc.

## GREEN JOBS

In 2008, within the framework of the Green New Deal, the International Trade Union Confederation, under the aegis of the International Labour Organization, embarked on encouraging and promoting a strategy of creating green jobs. The strategy aims to offer a more social-democratic version of green economy. Its tenets are traditional trade unionist requirements - protection of labour rights, dignified labour, Just Transition<sup>4</sup>, growth on job, and a bigger role of the government and public sector in the economy. In this regard, it is interesting to look at some Just Transition cases from Europe's regions<sup>5</sup>, where the economy and population significantly rely on the highly-polluting industries (coal mining, heavy industry etc.). The process aims to develop an alternative plan of the region's development with active involvement of employees of the industries and local population, and at the same time attract investments for sustainable development. Furthermore, all other components that may have a long-term effect on the region's future (infrastructure, education, taxes, public and social policies, participation) are also addressed. Those involved in the preparation and implementation of the plan include local trade unions, employees, the public, NGOs, etc. Successful examples of Just Transition include several German regions, where the closures of the mines were accompanied by the development of technology production, establishment of new educational centres, development of tourism etc. The process has had a successful start in the Balkans, Eastern and Central European countries.

## BIODIVERSITY OFFSETTING

Green economy proponents argue that environmental degradation in traditional economies has accounted for the governments and corporations failing to see the real economic value of nature. Accordingly, once nature's services and pollution get commodified and a price tag is put on them, decision makers will be able to see real (economic) value of nature and its services and will take interest in their protection. This, on its part, will translate into either the use of more resource-efficient, resource-sparing and less polluting innovative technology or nature conservation.

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<sup>3</sup> Knight, Daniel, M., The green economy as a sustainable alternative?

<sup>4</sup> Just Transition is a concept which has been developed by the trade union movement to encompass a range of interventions needed to secure workers' jobs and livelihoods when economies are shifting to sustainable production, including avoiding climate change, protecting biodiversity, and ending war.

According to the green economy model, if a producer comprehends the economic benefit received from a nature's service, they will no longer destroy the nature. In green economy, the existence of nature is justified precisely by the benefit it gives to the producer or the decision maker. Furthermore, these services can be considered separately, or be substituted and/or be given a price tag and compensated for. Although such an approach may work in isolated cases, overall, the approach is flawed and does not usually yield results.

This begs the question whether the main problem of the traditional economy has been the fact that governments and entrepreneurs were unaware that they were destroying biodiversity and the homes and incomes of local communities. Further questions arise as to how correctly ecology services are valued and what happens when a territory which has a low economic price has a cultural or religious value for the local community? How appropriate is it to assume that in the case of having sufficient information, full compensation for ecosystem services and pollution will be ensured?

For example, the Green Gold company wants to mine gold in a forested territory which is a habitat for some endangered species and at the same time a source of income for the local community. As a rule, the law bans extraction activities in such territories but in green economy, the company will get a permission from the government and a loan from an international finance institution in exchange for its pledge to protect a similar forest or create a habitat for a certain species.

In the neighbouring Armenia, in exchange for permission to mine gold in the Mountain of Amulsar (an important habitat for many plant and animal species) a company pledged to finance a national park. In a similar case in Georgia, permission was granted to build the Dariali hydropower station in the protected Kazbegi territory. The company, in exchange for a law change, took on an obligation to set up new protected territories and plant a forest. In reality, the company never got engaged in the creation of new nature reserves; nor has it planted a new forest<sup>6</sup>. Interestingly, in both cases the EBRD issued loans and underlined the companies' contribution to biodiversity offsetting.

## INNOVATION AND GREEN ECONOMY

Trends of structural transformation and innovation in the economies, especially since the 1990s, indicate that industrial development no longer means manufacturing traditional products. Rather, a shift has been made towards the development of information- and biotechnologies and programmatic innovations. The common prognosis is that an industrial revolution of 2020-2050 will draw on artificial intelligence and robotics, radical resource-efficiency, system design, biomimicry, green chemistry, industrial ecology and nanotechnologies.

According to a study conducted by the IMF<sup>7</sup>, automation is good for economic growth and bad for equality. The IMF's modelling exercise has demonstrated that real incomes fall in the short run and although they may rise eventually, this can take generations. Furthermore, incomes of skilled workers increase 56-157% while incomes of low-skill workers drop 26-56%. The IMF offers two ways out - investing in education and introducing taxes. The appropriateness of such measure is a separate matter.

However, it is also worth noting that when incomes drop usually pressure on environment and natural resources grows. Therefore, green economies' reliance solely on innovative technologies - without considering reduction of consumption and ecology limits - cannot bring about sustainability.

## CONCLUSION

It is important to study thoroughly processes in different countries which may serve as principal alternatives of green economy. Examples of this include macroeconomic programmes, such as bioregional economy models<sup>8</sup>, or the models used in specific sectors, such as energy transition in Germany or putting municipalities in charge of water supply and other basic services in Spain and Germany.

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<sup>6</sup> Energy Projects and Corruption in Georgia, Green Alternative, 2013

<sup>7</sup> Should We Fear the Robot Revolution? (The Correct Answer is Yes), Author/Editor: Andrew Berg; Edward F Buffie; Luis-Felipe Zanna, May 21, 2018

<sup>8</sup> A bioregional economy: A green and post-capitalist alternative to an economy of accumulation Rhydian Fo'n James Bangor University, UK Molly Scott Cato Roehampton University, UK

Although many social movements, both in the North and in the South, have rejected the green growth framework and called for more radical policies to achieve social and environmental well-being and justice, it is not yet clear as to what these policies should be, even on a theory level<sup>9</sup>.

Critics of the approach in academic and political circles argue that modifying capitalism cannot resolve social, economic and environmental problems - including degradation of land and resources and climate change - accumulated during capitalism. Achieving the green economy objective is only possible in "a practical, workable post-capitalist ecological economy, an economy by the people, for the people, that is geared to production for need, not for profit" (Smith, R. 2010<sup>10</sup>).

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<sup>9</sup> Sean Sweeney, „Green Capitalism won't work“

<sup>10</sup> „Beyond Growth or Beyond Capitalism?“, Real-World Economics Review 53: 28-42.



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