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What exactly is green economic development?

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In the context of this publication, our understanding of green economic development is that it is a means of maintaining competitiveness or even striving for increased competitiveness by selected sectors or the whole economy at national or sub-national level in times of climate change and environmental degradation. This is achieved through seeking resilience of enterprises and the business networks and market relations they are embedded in, looking for related business opportunities and identifying resource-efficient behaviour and cost-saving potentials. In a green economy resource efficiency and green procurement procedures are equally important in the public sector.

“Greening” in the context of specific economic development approaches such as territorial economic development, value chain development or business development services means to improve enterprise performance and competitiveness, while preventing environmental degradation, climate change, biodiversity loss and unsustainable use of natural resources. Framework conditions for enterprise operation and specific meso-level institutions that help enterprises to enter a

sustainable development path require being climate smart and environmentally sound (see articles *Shaping a climate-smart and eco-friendly business environment and Innovation requirements of a climate-smart location*).

In the 2010 Annual Reflection we published an article on green growth and sustainable development for the first time. At that time, we tried to de-clutter the “green” topic and introduce some structure into the discussion about the “Green Buzzword Puzzle” (see Annual Reflection 2010). The article tried to structure climate change opportunities for private sector development into four different categories: resource and energy efficiency, renewable energy, technology development and employment promotion/capacity building. This structuring effort was a useful first attempt to stimulate discussions within the firm and during our training events, such as the Summer Academy. But we soon understood that restructuring would be necessary if we were to become more consistent at distinguishing between means and ends. The four dimensions focused more on climate change responses related to mitigation, and they largely ignored climate change adaptation challenges and opportunities. Technology development and capacity development are

crosscutting issues, whereas employment promotion is an accompanying effort. Taking these considerations into account, we reshaped the logic of tackling climate change into a triangle as shown in Figure 1.

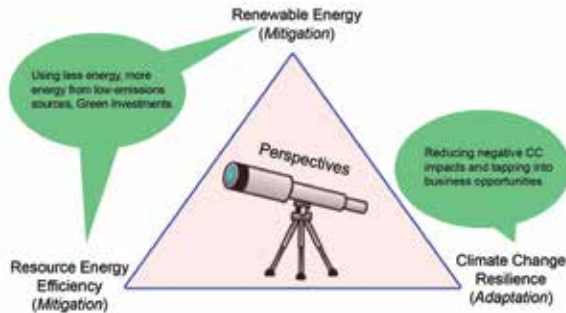


Figure 1: Generic perspectives on tackling climate change
Source: Schoen, C. (2014)

Figure 1 introduces a generic perspective that tries to structure the interplay between enterprises and climate change in a simple, yet consistent way. The triangle shows possible focal areas and synergies of interventions to promote green economic development.

Economic development essentially targets enterprises (using a wide definition of the term “enterprise”) and is based on a set of universal key principles, such as participation, ownership, trust and collaboration, subsidiarity, market and demand orientation and remedying market failure. Green economic development aims at the same target group and draws on the same principles, but it extends the spectrum of values and principles. Additional guiding principles are resource efficiency, climate smartness, resilience and cradle-to-cradle life cycle (see article *From value chains to circular economic systems*). When it comes to climate change, enterprises are addressed in their different roles as perpetrators, benefactors, victims and entrepreneurs seeking new opportunities.



At the enterprise level, particularly in developed countries, there is an increasing understanding that addressing environmental and climate change concerns is not merely an annoyance and a disturbance of the business operation, but that it is unavoidable and crucial for continuing to run a business and make a profit. Even more than that, it generates a huge range of business opportunities and cost-saving potential. To be willing to accept this enterprise challenge, a shift in the core value system of enterprises is necessary. This mental change is perceived as a shift from *shareholder value* to *sustainable value* (Senge et al., 2008). A successful future enterprise must respond to external environmental, societal, technological and political drivers in such a way that it generates benefits for itself and its ability to compete. It must be able to anticipate future trends and prepare itself with today's decisions for tomorrow's innovations, products and customers. Only then can a sustainable enterprise value be created that not only considers shareholder profits, but also and increasingly societal and environmental values. In the end, adopting the *sustainable value* mindset will be good business and a competitive advantage for prime movers.

Many developing countries and their medium-to-large enterprises have an intrinsic motivation to go for green transformation as they increasingly witness their vulnerability to climate change, such as the Philippines, the Maldives and Vietnam in Asia, or they see the future of their eco-tourism business in danger, such as Costa Rica in Central America. Other countries in the developing world, e.g. Sub-Saharan Africa, are not yet feeling the effects of climate stress, and are more concerned about other problems, such as inward migration, de-industrialisation, youth unemployment or inequality (see article *Competing priorities: trade-offs between "green" and other topics*). Those countries have different perceptions of what problems are most severe and hence what their priorities are for the time being, and therefore their orientation of economic development and the solutions selected are also different.

According to our expectations, however, climate change and environmental degradation will move to become the top-rated problems essentially everywhere in the medium-term. As a consequence, situation-specific solutions to this problem as part of the economic development agenda will evolve globally in a demand and priority-driven, bottom-up manner (and probably later taken up by top-down policies) (see article *Bottom-up industrial policy at territorial level*). Green economic development should not be considered as a proposed solution, but rather as something that presents a wide spectrum of possible responses to a rapidly declining environment and overexploited natural resources that ultimately need to be addressed everywhere.

References:

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Senge, P., Smith, B., Kruschwitz, N., Laur, J. & Schley, S. (2008). *The necessary revolution: how individuals and organizations are working together to create a sustainable world*, 1st edition, April 2010.

