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SUSTAINABLE DEVELOPMENT - GREEN GDP AND REGENERATIVE ECONOMY

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SUSTAINABLE DEVELOPMENT

Sustainable development is the organizing principle for sustaining finite resources necessary to provide for the needs of future generations of life on the planet. It is a process that envisions a desirable future state for human societies in which living conditions and resource-use continue to meet human needs without undermining the "integrity, stability and beauty" of natural biotic systems

SUSTAINABILITY

Sustainability can be defined as the practice of reserving resources for future generation without any harm to the nature and other components of it . Sustainable development ties together concern for the carrying capacity of natural systems with the social, political, and economic challenges faced by humanity

3 PILLARS OF SUSTAINABLE DEVELOPMENT

Sustainable development has been described in terms of three dimensions, domains or pillars. In the three-dimension model, these are seen as "economic, environmental and social"

UNSUSTAINABILITY ????

An unsustainable situation occurs when natural capital (the sum total of nature's resources) is used up faster than it can be replenished. Sustainability requires that human activity only uses nature's resources at a rate at which they can be replenished naturally. Inherently the concept of sustainable development is intertwined with the concept of carrying capacity

RESULT OF ENVIRONMENTAL DEGRADATION

Theoretically, the long-term result of environmental degradation is the inability to sustain human life. Such degradation on a global scale should imply an increase in human death rate until population falls to what the degraded environment can support. If the degradation continues beyond a certain tipping point or critical threshold it would lead to eventual extinction for humanity.

SUSTAINABILITY MATRIX

Consumption of non-renewable resources	State of environment	Sustainability STATUS
More than nature's ability to replenish	Environmental degradation	Not sustainable
Equal to nature's ability to replenish	Environmental equilibrium	Steady state economy
Less than nature's ability to replenish	Environmental renewal	Environmentally sustainable

ISSUES & BOTTLE NECKS

- Development only possible when economic growth fosters social equity
- Constructive public-private-people partnership for socially responsible growth is critically important
- Only then can we secure the future and leave a better tomorrow for the coming generations.
- Larger space in corporate strategy

RESPONSIBLE BUSINESS

- Ministry of Corporate Affairs, GOI released guidelines in 2009 on social, environmental and economic responsibilities of business
- Concept of responsible business
- Reporting framework for disclosures to stakeholders
- Landmark event in creating societal welfare

ASPIRATIONS OF EMERGING ECONOMIES

- Emerging economies in China and India will drive growth in world GDP
- Question mark on the aspiration of emerging economies to grow at near double digit rates
- Deterrence to put the brakes on in their pace of progress
- Is there any larger lesson in the deep rooted recession faced by advanced nations

THE REAL BRAKES

The limits of future growth will be defined more by vulnerabilities from

- social inequities
- Environmental degradation
- Climate change

FAULTY ECONOMIC GROWTH MODELS

- Upheavals in civil society because of adverse economic models
- Growing intolerance for injustice/ corruption/ bad governance/ uncaring corporate behaviour

MAGNITUDE OF SOCIAL IMBALANCE

- Richest 1% of population control 43% of the world's assets
- Bottom 50% has access to only 2% of world assets
- UNDP report 2010 -1.75 billion people are in a state of multidimensional poverty
- Depravation in health, education and standard of living

LESSONS TO BE LEARNED

- Indiscriminate growth devoid of environmental concerns has destroyed world's ecosystems
- Resulting spectre of climate change will aggravate these miseries
- Impact will be more severe on the world's poor living in developing countries

FUTURE SCENARIO

- World's population → leading to 8 billion
- Water scarcity → leading to 3 billion
- World has to produce more food in the next 20 years than it has produced in the last 3000 years
- Energy needs will increase exponentially
- Increasing global demand for food/ fuel/ feed/ fibres

THE GREAT CHALLENGE AHEAD

- The challenges of tomorrow cannot be handled with the policies and strategies of yesterday
- Most urgent Innovative solutions demanded for food/ energy/ water/ climate change/ sustainable livelihood creation
- Life-changing solutions required for the world's poor and vulnerable

WHAT DOES NOT GET MEASURED DOES NOT GET MANAGED

- Current economic model – economic growth based on creation of material wealth only
- Conventional methods of calculating economic growth - GDP - does not take into account the cost of environmental depletion/ degradation/ loss of biodiversity

GREEN GDP

- Modified approach in calculating economic growth
- GDP calculations to take account of cost of environmental degradation as well as replenishment
- Green GDP is expected to reflect the true dimensions of economic growth

THE CHALLENGE TO INDIA

- 420 million people live in multidimensional poverty
- With 17% India has just 1% of global forest resources and 4% of water
- Climate change for agro-based economy will lead to loss of livelihoods
- The challenge is to enlarge the size of green GDP
- Accelerating sustainable livelihoods

EMERGING ACTION MODEL FOR INDIA

- Collective action by all stakeholders
- Multidimensional efforts by government/ business and civil society – individually and collectively
- National action plan on climate change/ energy certificates
- National Rural Employment Guarantee Act

ROLE OF BUSINESS

- Innovative energies of business to be harnessed to deliver meaningful solutions in co-creating social values
- Synergistic business activities to generate livelihoods as well as preservation of national capital
- Valuable managerial expertise to implement projects of societal value at lower cost levels

FUTURISTIC BUSINESS MODELS

- Current practise corporate viewed through ability to extend financial support to socially relevant projects
- Innovating business models that can synergistically deliver economic and social value simultaneously
- Disproportionate focus on outlays rather than outcomes

CORPORATE SOCIAL RESPONSIBILITY (CSR) FUNDING – ZERO SUM GAME

- 2% of net profits on CSR
- Prescribing net outlays is akin to additional tax on corporates
- Seeking compliance rather than commitment
- Encouraging creative accounting to channelize funds for partisan purposes
- Leading to investments to create an enforcement missionary to ensure funds diversion

GLOBAL RESEARCH

- Professor Michael Porter and Mark Kramer of Harvard Business School have established that societal value creation delivered through strategic business contest is more meaningful and scalable
- Incentivising outcomes is the key to drive business innovation and managerial capacity for societal value creation

PARADIGM SHIFT

- Market drivers to support action for societal development
- Sustainable business practices emerging as essential part of business proposition leading to new financial dimension delivering green GDP and inclusive growth model becoming integral part of corporate strategy and balance sheet deliverables
- Societal value creation will no longer be left to corporate conscience alone but will be defined by market forces

THE ROAD AHEAD

- How to create market supporting corporate action for green GDP and inclusive growth
- How to unleash competitive forces favouring responsible businesses?
- What is it that will spur innovation/ creativity/ scientific capacity igniting entrepreneur dynamism

MOBILIZING MARKETS FOR GREEN GDP

- Power of the consumer in bringing about dimensional change in societal value creation
- The term 'Consumer' includes all market participants – government as a regulator and buyer/ customers/ investors/ employees/ job seekers
- Strong multipliers will emerge when enlightened consumers exercise preference in favour of businesses that contribute to environmental and social sustainability
- Corporates to Compete for Larger Share of the Consumer Spent by positioning sustainable business practises as a compelling value proposition

MOBILIZING MARKETS FOR GREEN GDP – CONTD

- Spurring innovation to integrate social objectives in business models
- Sustainable business practises emerging as definitive market differentiator attracting investors
- Net result creation of corporate initiatives to build natural and social capital

CREATION OF INSTITUTIONAL FRAMEWORK AND MARKET MECHANISMS

- Disclosures of triple bottom line performance
- Organizations must be encouraged to make sustainable reporting as integral part of annual disclosures
- Development of responsible business
- Trustmark rating system that could be used to convey to the consumers the environmental and societal performance of the organizations
- Enterprise to be awarded credits based on triple bottom line performance
- 'Trustmark' ratings can be displayed on products and services of the company for the benefit of consumers

CREATION OF INSTITUTIONAL FRAMEWORK AND MARKET MECHANISMS - CONTD

- Environment to be created to trade in trust mark credits similar to carbon credits
- Government should evolved, differentiated and preferential set of fiscal and financial incentives
- Priority fast track clearances and purchase preferences based on trust mark ratings
- Banks and financial institutions could also factor in the trust mark ratings
- Spreading awareness and empowering decisions
 - Civil society stroke consumer forums
 - Schools and educational institutions
 - Media

RESPONSIBLE BUSINESS - THE FUTURE

- Responsible business moving from a realm of conscientious philanthropy to one that is driven by competitive value proposition
- Emergence of social entrepreneurs
- Specializing in exhibition and delivery of socially relevant projects creating Trustmark ratings
- Other corporates who are unable to execute social ventures can buy credits creating sustainable financial markets for social entrepreneurs

TRANSFORMATIONAL CHANGE

- Achievable through larger adoption of responsible business practices.
- Creation of Confederation of Indian Industries (CII) – Centre of Excellence for Sustainable Development.
- The centre provides thought leadership, promotes awareness and build capacity of Indian Enterprises on issues of Sustainable Development and inclusive growth.
- Has emerged as a focal point of business, civil society and government helping shape policy and corporate actions.