



## INDO-GERMAN EXPERT GROUP ON GREEN AND INCLUSIVE ECONOMY

### THE INDO-GERMAN EXPERT GROUP (IGEG)

The Indo-German Expert Group is an interdisciplinary working group of renowned experts from leading research institutions / political think tanks in India and Germany. It was set up in 2013 to enhance collaborative learning, contribute to informed decision-making in both countries and feed into the international debate on a green and inclusive economy. The group is supported by the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) and facilitated by the GIZ Environmental Policy Programme in Berlin and the Indo-German Environment Partnership in Delhi.

The Indo-German Expert Group has met four times since its formation. Each meeting was dedicated to a specific key topic and was jointly prepared in tandem by an Indian and a German institution. The experts also produced a policy paper in the aftermath of each meeting, sharing the perspective of both countries on the respective issue. The meetings of the group were organized back-to-back with public events on related subjects to foster knowledge exchange. The key topics discussed so far are as follows:

- Pathways towards a Green and Inclusive Transformation (November 2013),
- Decoupling Economic Growth from Resource Consumption (February 2014),
- Sustainable Lifestyles (November 2014),
- Inclusive Sustainable Cities (April 2015).

### GREEN AND INCLUSIVE ECONOMIES – CONTEXT AND GENERAL FRAMEWORK

**Global challenges** like climate change, resource depletion and biodiversity loss require joint and decisive efforts of all countries. At the same time, poverty and inequality are urgent problems. Economic and social progress is required to provide the basic needs and well-being of the population. Current economic models have to undergo a transformation in two directions: achieving greater social inclusiveness and environmental sustainability at the same time. India and Germany (like many other countries) are now facing this challenge. As India and Germany are among the world's biggest economies, their example may be of relevance for the international discussion, while the exchange of ideas and experiences is beneficial for both countries.

The aim of “green and inclusive economies” is to support growth, income, job creation and environmental sustainability. They contribute to eradicating poverty, enhancing social inclusion, improving human welfare and creating opportunities for employment while providing social benefits and safeguarding the healthy functioning of the Earth's ecosystem. All this makes green economy “one of the important tools available for achieving sustainable development”, as stated at the Rio+20 United Nations Conference on Sustainable Development. Green economy touches many different areas such as low carbon emissions, recycling, resource efficiency and waste, transport, building, energy, water, (de)forestation, procurement and consumption, lifestyles, tariffs, fiscal policy and many others.

# ABSTRACT OF POLICY PAPERS ON KEY TOPICS

## Key Topic #1:

### PATHWAYS TOWARDS A GREEN AND INCLUSIVE TRANSFORMATION

This topic was mainly elaborated by Tilman Altenburg and Dirk Messner from the German Development Institute and Ambuj Sagar from the Indian Institute of Technology, Delhi.

The world we live in is confronted with various urgent challenges such as limited access to electricity, clean energy, sufficient nourishment, sanitation and clean drinking water. At the same time, we are coming up against multiple planetary boundaries, of which perhaps the most urgent one is climate change. The world economy needs to be largely decarbonized if dangerous climate change is to be avoided. In the coming 40 years, greenhouse gas emissions will have to be reduced by more than 50% globally. However, as per capita incomes rise, emissions also increase. A radical departure from “business as usual” is needed. Energy efficiency (and more broadly: resource efficiency) must be increased significantly in all sectors of the economy and entire economic subsystems (such as energy and transport systems, urban planning or agricultural production) require for radical change. In parallel, climate-compatible consumption patterns need to be developed. While the transformation lying ahead has elements in common with earlier transformations, it is likely to be even more complex in several regards: There are no established role models to copy from; a clear and tight deadline is urgent; huge upfront investments in new technologies and infrastructure need to be undertaken without relying on markets to signal the real scarcities. The guiding principles of social development must also undergo radical changes. The inevitable transformation must be pursued globally according to the individual situation of each country. OECD and emerging countries need to work together to meet the challenges while further advancing economic development. It should be generally accepted that the “planetary boundaries” and limited resources must serve as the reference point for all social development and prosperity in-

crease. Wealth must be created within the planetary boundaries whilst being decoupled from resource consumption. The urgent need for environmental sustainability forces us to rethink development concepts as well as the principles of economic governance.

## Key Topic #2:

### DECOUPLING ECONOMIC GROWTH FROM RESOURCE CONSUMPTION. A TRANSFORMATION STRATEGY WITH MANIFOLD SOCIO-ECONOMIC BENEFITS FOR INDIA AND GERMANY.

This topic was mainly elaborated by Peter Henicke (Wuppertal Institute for Climate, Environment and Energy) and Ashok Khosla (Technology and Action for Rural Advancement, Development Alternatives). The policy paper was written with contributions by Chitrangna Dewan, Kriti Nagrath, Zeenat Niazi, Meghan O'Brien, Mandira Singh Thakur and Henning Wilts.

The global middle class is expected to double by 2030. Scientific modelling demonstrates that already today levels of resource use exceed what is considered sustainable and at least 3 of 9 identified “planetary boundaries” have been overshoot already. Ascending fluctuations in commodity prices and rising price trends since 2000 (e.g. for food, metals, energy) increasingly highlight possible shortages of important natural resources in the near future. Such ecological challenges entail economic risks. Business as usual is no longer an option. A “Great Global Transformation” is needed that decouples the use of natural resources from economic activity. Innovative governance can translate the ecological necessity of decoupling into economic opportunities. In this context, “resource efficiency revolution” and a paradigm shift towards a circular economy are key strategies. The circular economy is built on sustainable natural resources and is characterized by products that are designed to be repaired, re-used, remanufactured and recycled. It follows the principle of “waste as a resource” and correlates heavily with the concept of waste prevention. The circular economy provides sufficient goods and services for the growing world population. “Lead markets” offer major business opportunities for suppliers of “green technology” and impressive cost reduction options in all sectors. From a technological perspective, these green “lead markets” encompass options for

substituting “brown” technologies (e.g. fossil fuels), reducing material and resource use and, at the same time, mitigating climate change and fostering sustainable development. This stresses the economic rationale for integrated resource and climate protection. As barriers and market failures still impede the widespread diffusion of innovations with an environmental and economic benefit, a supporting governance structure is needed to implement decoupling in real markets. It is the triangle of efficiency (“more with less”), sufficiency (“less can be more”) and consistency (“better instead of more”) on which policies and measures for decoupling should be based.

### Key Topic #3:

#### SUSTAINABLE LIFESTYLES. PATHWAYS AND CHOICES FOR INDIA AND GERMANY.

This topic was mainly elaborated by Harry Lehmann (German Federal Environment Agency) and Sudhir Chella Rajan (Indian Institute of Technology, Madras). The policy paper was written with contributions by Sneha Annavarapu, Claudia Kabel, Christian Löwe and Astrid Matthey.

Consumption patterns are rapidly changing, particularly in Asia, and scholars cite the examples of China and India to show how an emulation of long-established practices in the Global North is impacting consumption patterns and lifestyles in an irreversible manner. To undertake the transformation to a global green and inclusive economy, it is necessary – amongst other measures – to identify pathways to shift consumption patterns and lifestyles towards more sustainable alternatives. Attention is increasingly focused on the social dimension, relating to preferences and choices, but also on routines and institutional structures that are built up over time. Within the discussions on the third key topic, the broad trends in consumption worldwide and particularly in India and Germany, the societal and market responses to them and opportunities and obstacles associated with promoting sustainable modes of consumption were outlined. “Sustainable lifestyles” are understood as a holistic (analytical and strategic) approach that addresses normative, structural and cultural aspects in the trio of lifestyles, ways of living and living conditions. This sets a

counterpoint to the common misconception that the question of sustainable lifestyles is purely a matter of “individual responsibilities, preferences, decisions and capabilities at the household level”. However, promoting sustainable consumption and lifestyles implies the creation of a new political culture as well as the identification and exploration of new arrangements and constellations around alternative lifestyles and consumption, for example in the relationships between government, the market economy and society. Multi-dimensional and transformative frameworks must be established. They should involve at least a) knowledge sharing and capacity building for sustainable lifestyles; b) actions to energize and mobilize people to assess their own social behavior; c) facilitation of technical and social innovations for sustainable lifestyles; d) designing new governance and institutional models and e) creating cultures of sustainability as the foundation for experimentation and communication. A people-centered (capability) approach towards a green and inclusive economy within a societal context in which lifestyles are culturally embedded and expressed through routines and practices of the social structure could be considered as an investment in the creativity, competence and social capital of global humanity for sustainable development.

### Key Topic #4:

#### SUSTAINABLE CITIES – INCLUSIVE, GREEN AND COMPETITIVE.

This topic was mainly elaborated by Appukuttan Damodaran (Indian Institute of Management Bangalore), Kirsten Jörgensen (Freie Universität Berlin) and Miranda Schreurs (Freie Universität Berlin). The policy paper was written with contributions by Jan Beermann and Lana Ollier.

More than half of the worldwide population lives in cities. Urbanization is a mega-trend, fueled by marked population growth and a strong rural-urban migration, accelerated by the fact that only urban centers provide most of today’s indispensable services and job opportunities. This leads to manifold challenges in order to secure basic services like water, electricity and sanitation for all, meet housing and transport needs, and tackle growing waste quantities and air pollution. Moreover, urbanization

and climate change intensify social exclusion and vulnerability. Currently, no city can claim to be truly sustainable. Yet, a surprisingly large number of city initiatives addressing the challenges of global change are being carried out across the world. Cities have become key players in the global systems of governance of sustainable development and climate governance. Transnational urban networks, complex relationships between stakeholders, and newly emerging multi-level governance structures are driving the transition towards greener and more inclusive and competitive cities worldwide. Yet, there is still a greater need for institutionalized multi-level governance

structures and participatory involvement which enable innovation and action in all fields. The innovative capacity of city laboratories and city leadership can only fully unfold under conditions of political and economic empowerment. National governments can, and should, therefore lead the way towards green and inclusive cities by supporting and facilitating local and regional action, establishing greenhouse gas caps, introducing emission trading systems, or the use of carbon taxes. At a minimum, governments must establish regulatory baselines that encourage local action and remove options which allow local and regional communities to bypass national standards.

---

## MEMBERS OF THE INDO-GERMAN EXPERT GROUP

Prof. Appukuttan Damodaran, Indian Institute of Management Bangalore

Prof. Ambuj D. Sagar, Indian Institute of Technology Delhi

Prof. Sudhir Chella Rajan, Indian Institute of Technology Madras

Prof. Rathin Roy, National Institute of Public Finance and Policy

Prof. Rita Pandey, National Institute of Public Finance and Policy

Dr. Ashok Khosla, Technology and Action for Rural Advancement, Development Alternatives

Mr. Shrashtant Patara, Technology and Action for Rural Advancement

Dr. Rajendra K. Pachauri, The Energy and Resources Institute

Ms. Shailly Kedia, The Energy and Resources Institute

Prof. Dirk Messner, German Development Institute

Dr. Tilman Altenburg, German Development Institute

Mr. Frank Treppe, Fraunhofer-Gesellschaft zur Förderung der angewandten Forschung e.V.

Mrs. Anandi Iyer, Fraunhofer-Gesellschaft zur Förderung der angewandten Forschung e.V. India

Prof. Miranda Schreurs, Freie Universität Berlin

Dr. Kirsten Jörgensen, Freie Universität Berlin

Prof. Gernot Klepper, Kiel Institute for the World Economy

Prof. Rainer Thiele, Kiel Institute for the World Economy

Dr. Harry Lehmann, Federal Environment Agency

Prof. Peter Hennicke, Former president of the Wuppertal Institute for Climate, Environment and Energy

Dr. Philipp Schepelmann, Wuppertal Institute for Climate, Environment and Energy



On behalf of:



Federal Ministry for the  
Environment, Nature Conservation,  
Building and Nuclear Safety

of the Federal Republic of Germany