



Green Growth – the new paradigm for agriculture?

AESI Annual Conference 2011
Dublin, 24 November

Wilfrid Legg
Former Head of Agricultural Policies and Environment Division, OECD
wilfrid_legg@hotmail.com



Outline of Presentation

- What is green growth and why is it currently prominent in policy debate?
- What does green growth imply in addressing the challenges facing the agri-food sector?
- Is green growth a new paradigm or a just a new term to address some familiar issues?

Green Growth Strategy



What is green growth and why is it currently prominent in policy debate?

Green Growth Strategy



What is the OECD concept of green growth?

Green growth is the pursuit of economic growth and development, while preventing environmental degradation, biodiversity loss and unsustainable natural resource use

Green Growth Characteristics:

- Green and growth can go together - with long run mutual benefits
- Focus is on fostering innovation, investment and competition for new sources of economic growth
- Priority for governments is to develop and implement a coherent and operational policy framework to facilitate sustainable economic development
- Green growth strategies need to recognise social issues and equity concerns

Green Growth Strategy

Why Green Growth?



- We need **Growth**
 - current sources of economic growth are placing unsustainable pressures on the natural resource base ⇒ economic and social burdens ⇒ high costs of inaction
- and it **needs to be Green**
 - opportunity of the crisis to replace redundant capital with cleaner alternatives (e.g. green stimulus packages) ⇒ industry, jobs and skills restructuring

Green Growth Strategy

The OECD Green Growth Strategy



- Requested by **Ministers of Finance, Economy & Trade** at the 2009 OECD Ministerial Council Meeting
- Involves **25 OECD Committees** including delegates from Ministries of Agriculture, Economy, Environment, Development Co-operation, and Industry
- **Reports released in mid-2011**
 - ✓ Synthesis – *Towards Green Growth*
 - ✓ Indicators – *Towards Green Growth: Measuring Progress*
 - ✓ *A Green Growth Strategy for Food and Agriculture*
www.oecd.org/dataoecd/38/10/48224529.pdf
- **Further work** mandated at 2011 OECD Ministerial

Green Growth Strategy

Why is green growth prominent in policy debate?



- A possible way forward to **move out of recession** in the short run and address resource scarcities in the longer run
- Attractive to **finance** ministers because it focuses on growth, **environment** ministers because it addresses natural resource constraints and environmental issues, and **agriculture** ministers because it provides opportunities to boost the sector
- Conveys a **positive message** by stressing policy coherence and win-win outcomes, in particular by highlighting job creation
- Recognizes the role of the **private sector** and stakeholders
- Draws on a substantial body of **scientific research** that makes a persuasive case for action

Green Growth Strategy

Green growth is widespread as a goal....



- **UNEP** – *Green to Grow*, focusing on a low carbon future
- **FAO** – *Greening the Economy through Agriculture*, focusing on food security
- **World Bank** – *Moving to a Green Growth Approach to Development*, focusing on poorer countries
- **Many countries** have embraced green growth – e.g. Korea, Australia, New Zealand, US, China and the EU (incl. Ireland's Food Harvest 2020)– but some are suspicious including Brazil and Argentina fearing it could be used to justify protectionism
- **Many companies** are also developing green growth strategies as good business sense and corporate social responsibility

Green Growth Strategy

Green growth, conventional economic growth and sustainable development models

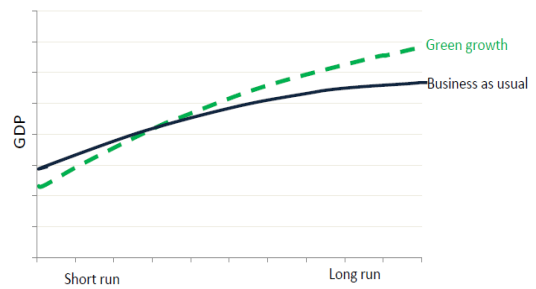
- **Green growth** stresses that actions to protect the environment can contribute to long run economic growth, while economic growth can contribute to environmental protection (synergies, complementarities)
- **Conventional economic growth** stresses that economic growth can harm the environment, while actions to protect the environment can impede economic growth (trade-offs, competition)
- **Sustainable development** stresses the mutual links between the economic, environmental and social dimensions in both the present and the future (steady state pathway)

Green Growth Strategy



A view of possible growth pathways?

Foregoing some growth in short run for higher sustainable growth in the long run



Green Growth Strategy

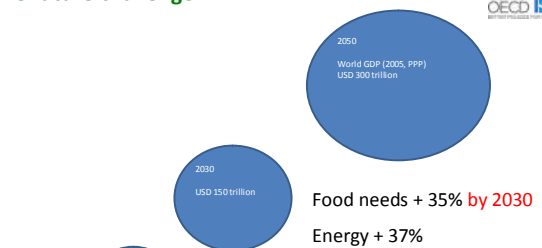


What does green growth imply in addressing the challenges facing the agri-food sector?

Green Growth Strategy



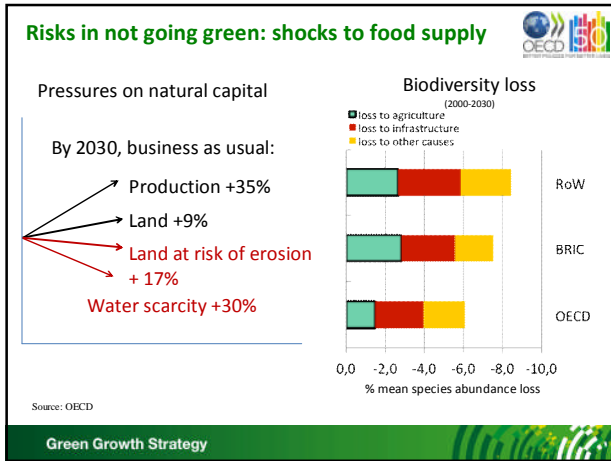
The future challenge



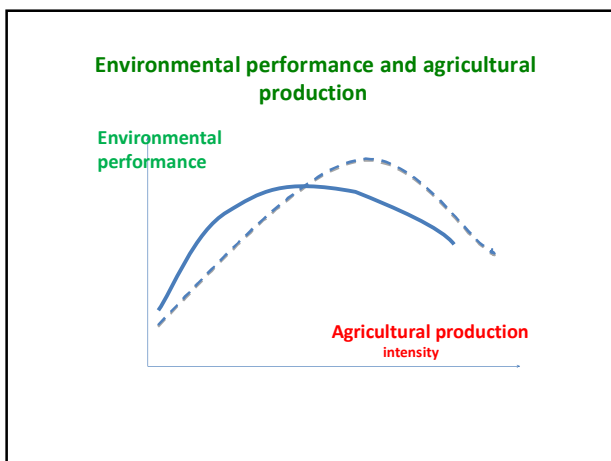
Source: OECD

Green Growth Strategy





- ### Green growth in agri-food is desirable and achievable
- **Green growth in the agri-food sector means :**
 - providing enough food, feed, fibre and fuel for 9 billion people in 2050...
 - ...with greater pressure on land, water, energy, fish stocks and biodiversity resources - and the impact of climate change...
 - ...and the need to limit the harmful and enhance the beneficial environmental impacts and reduce waste in the food supply chain
 - So resource productivity has to rise faster than population and income while reducing environmental footprints – “sustainable intensification”...
 - ...and policies and markets together need to give the right incentives to achieve green growth while addressing social concerns and uncertainties
 - but is competitiveness compatible with greening the agri-food sector?
- Green Growth Strategy



- ### Agriculture green growth policy toolkit
- Policies that mutually reinforce green and growth**
- Policies to encourage R&D and innovation
 - Measures targeted to economic adaptation of farmers and farm households (e.g. training)
 - Openness to trade and investment
- Policies specifically aimed at greening growth**
- Market-based instruments
 - Agri-environmental payments, environmental taxes, etc.
 - Non-market instruments
 - Regulation, voluntary agreements, technical assistance
- Green Growth Strategy

Agricultural R&D and productivity



• Shifting patterns of **public support for R&D** and productivity in high-income countries:

- Slowdown in spending growth
- Diminishing share for on-farm productivity enhancement
- Productivity slowdown

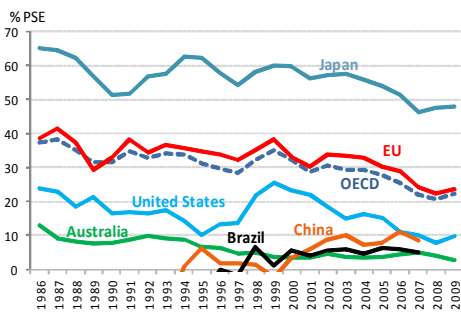
❖ Different patterns for Brazil and China

Agricultural policies

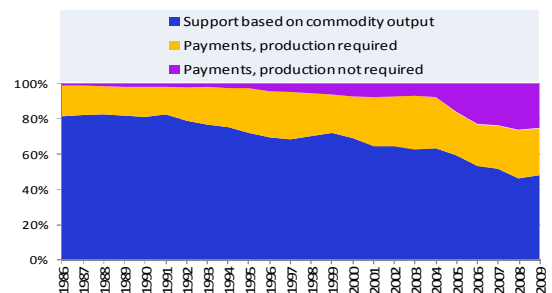


- Agricultural **policy reform** in OECD countries has been progressing slowly – but it is still a protected sector
- Some **reduction in support** and shift towards public goods (e.g. environment) and other objectives (e.g. rural development)
- Less emphasis on which commodities farmers can produce, but **more restrictions** on how they produce them

Policy support to farmers



Composition of farm support



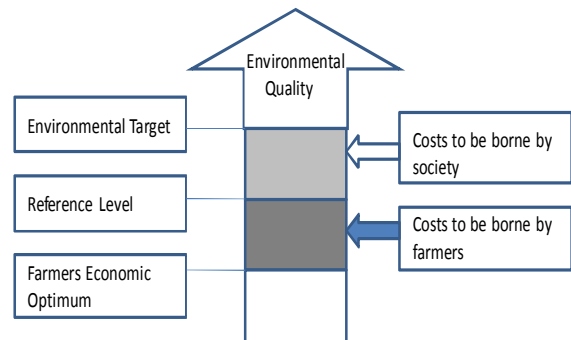
Paying for the environment?



- For **private goods**, markets and prices are the main mechanism to allocate resources (balancing supply-demand)
- For **public goods**, public policy is the main mechanism to allocate resources, but market creation possible in some cases
- **Reference levels** distinguish the level of environmental quality for which farmers are responsible for delivering at their own cost from those for which it is society's responsibility to pay
- **Environmental impacts** are a function of agricultural activity, but the amount generated may differ from what society wants
- **Cross compliance** in EU links support to standards while additional payments made when farmers go beyond standards

Green Growth Strategy

Reference levels and environmental targets



How can we measure progress?



- No unique *quantifiable* indicator to track **environmental or social impact** of agriculture
- Conventional **economic indicators** (value-added) are distorted by policies, underpriced natural resources and non-internalised externalities
- Need **qualitative indicators** too – to capture food system governance, institutions, changes in policy directions and management approaches – case studies of “good practice”?
- More work is needed on **relating environmental footprints to sectoral growth**

Green Growth Strategy

Is green growth a new paradigm or a just a new term to address some familiar issues?



Green Growth Strategy

An OECD policy strategy for agri-food green growth



- Increasing **productivity** in a sustainable manner – from research and development, innovation, to uptake all along the food supply chain
- Ensuring **well-functioning markets** provide the right price signals and incentives – taking account of non-market values
- Establishing and enforcing well defined **property rights** to ensure optimal resource use, especially as many of them are global and not domestic

However,

- These **priorities aren't new** – but governments have a role in "pricing the environment" then business has an incentive to respond to the signals
- It's often difficult to overcome **obstacles to implementation** and the challenge is to provide concrete implementable policy advice, measure progress, and learn from experiences across countries and businesses

Green Growth Strategy

Does green growth shifts the emphasis?



- Green growth **connects** short term concerns about economic performance with long term needs for resource sustainability
- Green growth explicitly deals with **market and policy failure** – not only from underpricing the environment, but also from lack of information
- Green growth puts the emphasis on finding practical, feasible **policy measures and business actions** to improve productivity and welfare

Green Growth Strategy

What are some key questions?



- As there has been substantial – if uneven - **progress in the past in raising agricultural productivity**, and governments and businesses are tackling environmental issues, is greening agri-food such a big problem?
- Does the "green growth" approach give a **political impetus** to tackling sustainable development challenges in the agri-food sector at present?
- Should more attention be given to **food policy** – and to consumer behaviour rather than production practices?
- What is the **role of governments and businesses** in addressing green growth issues – both domestically and globally (global public goods)?
- How far can the **experiences** in one country in tackling green growth issues be useful for other countries?
- What progress can be foreseen in **measuring, monitoring and evaluating progress** towards green growth in the agri-food sector?
- Where should academia and the **research** community best focus efforts?

Green Growth Strategy

The views expressed in this presentation are not necessarily those of the OECD or its Member Countries

www.oecd.org/agriculture/greengrowth

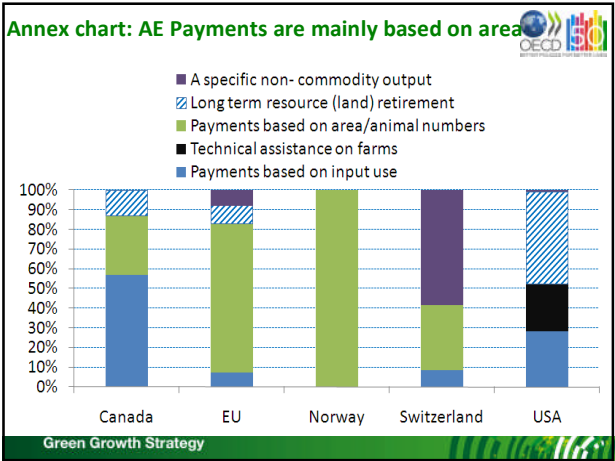
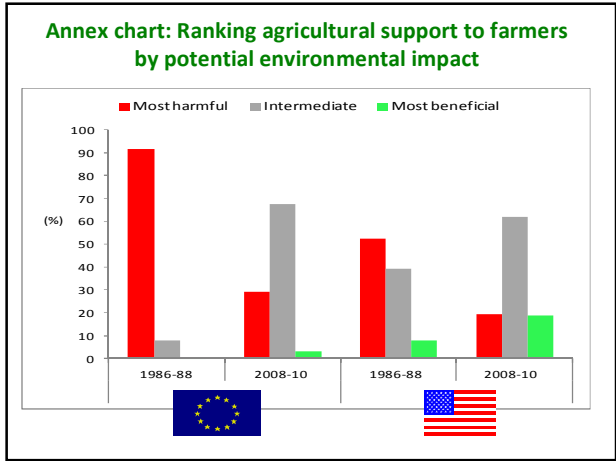
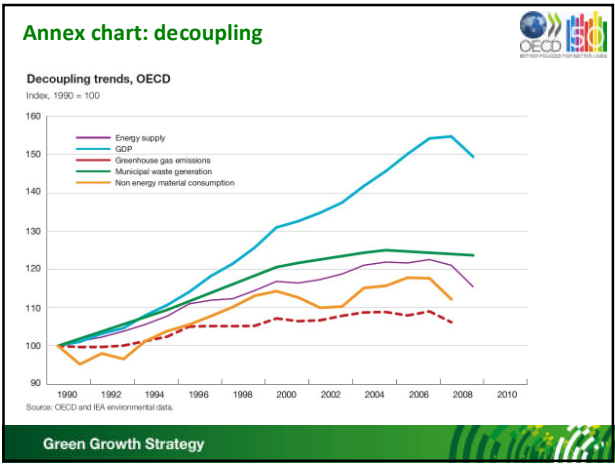
Contact for OECD work on Green Growth and Agriculture:

dimitris.diakosavvas@oecd.org

Annex slide: Further work on green growth?

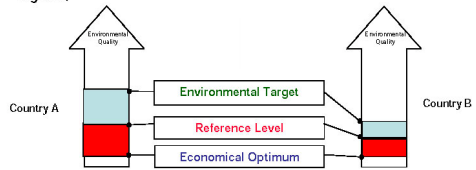
- Develop **green growth indicators** that can better integrate the economic, environmental and social performance of the agri-food sector
- Get a better handle on the nature, governance and policy issues of domestic and global environmental **externalities and public goods**
- Understand which **policies and business practices work well** in different contexts, to help define practical and implementable policy measures
- Avoid green growth policies that act as **trade barriers!**
- Pay more attention to the **social and equity issues** involved in moving towards green growth
- More awareness needed of **resource limits and uncertainties**
- A Green Growth Strategy for Food and Agriculture: OECD report in 2012**
- Other IGOs** developing green growth strategies include FAO, UNEP, WB

Green Growth Strategy



Annex chart: Reference levels and environmental targets

► Reference levels and environmental targets differ among countries and regions.



because of different priorities attached to environmental protection
(e.g., different pollution assimilative capacities, different social objectives and different degrees of development and population density)