The Case for “Green GDP”

What is the issue?

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- Development sans environmental preservation is a mirage.
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- Hence, India must calculate its “Green GDP” to factor in the value of the environment in its growth.
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What are the environmental impacts of development?

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- A recent World Bank report states that it cost India about $550 billion amounting to about 8.5% of its GDP, due to air pollution.
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- Experts have also vouched that the cost of externalities due to water pollution and land degradation were possibly far higher.
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- Our disregard for environment in pursuit of advancing economic development is raising the risk of desertification and land degradation significantly.
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- Not surprisingly, estimates are that our food production could see a loss of 10-40% if these trends continue unabated.
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- While natural capital like water and clean air is self regulating, it needs to be handled sustainably in order to avoid depletion.
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- For this, it is crucial to understand the environmental footprint of our economic activities, which also needs to be accounted in our GDP.
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How can environmental footprint be accounted in GDP?

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- Natural capital can cover entire ecosystems such as fisheries and forests, besides multiple other hidden and overlooked ecological services.
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- Regeneration of soil, nitrogen fixation, nutrient recycling, pollination and the overall hydrological cycle are all components of natural capital.
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- Valuing such ecosystem services is challenging as these aspects can’t be monetised directly, but their depletion does reduces productivity.
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- Giving a monetary value to this depreciation to natural capital is also not exactly possible as the numbers are interpretative in nature.
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- To address these issues, concepts like “environmental Kuznets curve” that plots “per capita GDP” against “Sulphur dioxide concentration” in the local air have been put forward.
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What are the possible dangers?

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- India routinely suffers from high levels of air pollution that impose costs on local transport, health and liveability in urban and rural areas.
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- When economic growth leads to the destruction of forests, wetlands, mining or even urban expansion, it is typically the poorest who suffer.
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- Full-scale ecological collapse is already visible in the Darfur region of Sudan and countries in the Horn of Africa.
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- Indian people and policy makers need to act immediately and coherently to arrest such rapid socio-economic decline.
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What have been the significant efforts taken thus far?

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- India’s current national accounts already do incorporate such environmental

considerations in a limited fashion but it is not comprehensive.
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- In this context, it was planned in 2013 to release a comprehensive “Green GDP” estimate in 2013, and the various departments started working on it.
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- But lack of micro level data on natural capital formation (and destruction), proved a major constrain and the exercise never saw completion.
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- The 12th Five Year Plan undertook groundwater resource mapping at the national level, which was indeed a significant exercise
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- Similar comprehensive exercises are now essential for data on land usage, forests and mineral wealth.
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Source: The Hindu

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