Sustainable Development Programme

Beyond increasing the GDP:
Overcoming the human, social and economic challenges of promoting sustainable growth

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Executive summary

The British Academy's *Sustainable Development Programme* funds world-class research aimed at addressing the UN's 2030 Agenda for Sustainable Development and advancing the UK's Aid Strategy. This brief discusses the findings of projects in the *Sustainable Growth* thematic area of the programme, which provide important lessons for policy-making. It suggests ways to overcome the institutional and socio-economic challenges of providing affordable and sustainable energy access in developing countries. It also proposes new anti-poverty strategies, built on a comparison of cash and asset transfers and a better understanding of innovation in the informal sector. In terms of climate change and natural resource management, the brief calls for an integrated approach to land and marine-based policies, as well as the need to strengthen the implementation of existing environmental and climate change laws, through improved monitoring and evaluation and hybrid governance structures which increase collaboration between state and non-state actors. Finally, it posits that citizenship building is a crucial strategy to improve governance and combat poverty in a sustainable way, by ensuring that citizens' local experiences of the social and environmental aspects of growth do not go unnoticed.

Introduction

The British Academy's 2016 *Sustainable Development Programme* funds world-class research aimed at addressing the UN's 2030 Agenda for Sustainable Development and advancing the UK's Aid Strategy. The 16 interdisciplinary research projects funded by this programme provide important evidence geared towards informing policies and interventions aimed at improving

people's lives in developing countries, by reducing poverty and advancing socio-economic development. The programme has thus far supported research projects in three core areas: *Sustainable Governance*, *Sustainable Growth* and *Sustainable Human Development*. This brief discusses the findings of the projects in the *Sustainable Growth* thematic area and puts forward key lessons for policy-making.

The UN's Sustainable Development Goals (SDGs) build on and complement the earlier Millennium Development Goals. They consist of 17 goals and 169 targets, based on the understanding that eradicating poverty is the greatest global challenge and an indispensable requirement for sustainable development. Aspects covered by the SDGs are ending poverty and hunger, combating inequality, building peaceful, just and inclusive societies, protecting human rights, promoting gender equality, protecting the planet and its resources, and promoting sustainable and inclusive economic growth which leaves no one behind. The goals thus address the interrelation between the economic, social and environmental dimensions of sustainable development.

According to the SDGs, sustainable economic growth should create a world in which consumption and production patterns and the use of natural resources are sustainable, where development and the application of technology are climate-sensitive, respectful of biodiversity and resilient. The SDGs moreover highlight the need to combat disparities of opportunity, wealth and power by building dynamic, sustainable, innovative and people-centred economies, promoting decent work for all and universal access to affordable and sustainable energy.

Although economic growth is often measured in GDP, sustainable growth is not just an economic or technical issue, but a challenge that requires good governance, equality and active citizenship. The projects in the *Sustainable Growth* thematic area of the British Academy's 2016 *Sustainable Development Programme*, outlined below, are based on a comprehensive understanding of economic growth, which is inextricably related to prosperity and well-being. This brief discusses key findings and lessons learnt about this, which could help inform and improve policy efforts to promote sustainable growth.

Access to clean and affordable energy

Ensuring access to affordable, reliable and sustainable energy for all, including through the promotion of renewable energy (SDG 7), is crucial for sustainable growth, and also related to SDG 9, which calls for building resilient infrastructure, promoting inclusive and sustainable industrialisation and fostering innovation. Two of the projects funded by the 2016 *Sustainable Development Programme* investigate the promotion of sustainable energy, examining its technical, economic and socio-political aspects in two African countries.

Economic growth often leads to urbanisation, which in turn increases energy demands. Improved energy access could significantly increase Internet penetration rates in Africa, which could promote economic growth by opening up the continent to the digital economy.[i] The project **Making Light Work** analyses the pilot implementation of the World Bank's 'Scaling Solar' programme in Zambia. The programme aims to provide expedited services (a 'one-stop shop') that help client governments design, develop and implement privately-funded, grid-connected, utility-scale solar procurement programmes within two years.

Zambia is heavily reliant on hydro power, and 'Scaling Solar' was launched under a presidential directive following severe drought in 2014 and 2015. The drought resulted in swingeing cuts to electricity generation and forced the country to import electricity at very high tariffs. Historically a net exporter of electricity, this dramatic reversal in Zambia's energy security made reliable electricity generation an economic necessity. At the core of the 'Scaling Solar' programme is a

reverse auction model where project developers bid against each other to provide electricity at the lowest possible tariff. Early results from the programme were very positive. In 2016, 'Scaling Solar's bidding process for the first round of projects led to the lowest tariffs for utility-scale solar power ever achieved in Africa. This was a remarkable achievement, not least considering the country's perilous position just twelve months before. In terms of full implementation, however, the programme has encountered its share of challenges, including contestation over land rights[ii] and geotechnical issues with the site's location. At a wider scale, having a single intermediary organisation acting as both adviser to the buyer (utility) and financier to the seller (developer) has raised various concerns.

The British Academy-funded project has provided valuable insights into the practical modalities of introducing a programme such as 'Scaling Solar' into an established operating framework. They have four important policy implications.[iii]

> *Effective stakeholder management processes and independent coordinating units are crucial for aligning private and public interests and creating partnerships that offer solutions of low-cost and clean energy.*

First, change needs managing. Where there are low levels of electrification and access, the appetite for change is sometimes taken for granted. In reality, the status quo embeds practices, norms and behaviours that can be resistant to change.[iv] Zambia currently generates over 90% of its electricity from hydropower, and the hegemonic institutions this has created are resistant to some of the changes implicit in the introduction of a new source of electricity generation. This has played a part in delaying the progress of 'Scaling Solar'. Second, interests need aligning. Increasing the opportunities for the private sector to participate in the energy transformation is both desirable and necessary to make material progress against the SDGs. However, since these activities have previously been the sole purview of government, there is an economic, social and cultural necessity to actively align private sector interests with strategic national objectives, taking into account local empowerment and a pro-poor focus. Otherwise, a culture of misinformation, scepticism and mistrust can quickly develop, contributing to delays. Third, the role of concessionary finance needs to be more explicit. The low cost of capital globally is driving financial innovation, creating opportunities to 'blend' finance in ways that did not exist just a decade ago. Innovative development finance institutions (DFIs) have a critical role to play in de-risking infrastructure projects for private sector involvement. However, in interviews many stakeholders claimed that concessionary finance was 'crowding out' commercial finance, because the private sector would be unable to match those terms.[v] DFIs therefore need to maintain (but stick to) their catalytic role in mobilising blended finance. Fourth, developing local capacity needs to be more than a sound-bite. The research project highlighted the value of developing local capacity to fund small and medium-scale renewable energy undertakings. Asset securitisation or the partial flotations of state-owned enterprises on local exchanges can help to develop local liquidity. This model has been successful for emerging markets in Asia and Latin America, but remains underutilised across much of Africa. The energy transformation offers the prospect of a wider development renaissance.

Like **Making Light Work**, the project **Sustainable Energy Access in Mozambique** shows that energy access is more complex than just making sure the technical requirements are in place. Socio-economic and political dynamics and adequate planning are at least as important to providing energy access to large populations in developing countries. This research project looked at the demand side of energy by examining the social, political and economic dynamics of energy provision in four cities in Mozambique. In spite of Mozambique's enormous energy resources, energy access among the population is extremely low, especially in rural areas. This shows a frequent problem in developing countries: the gap between the models that shape energy policy

Socio-economic inequalities, the political economy and inadequate urban planning impact on energy transitions from charcoal to gas and electricity.

and realities of energy access on the ground. The project identified several reasons for this. Mozambique has a turbulent political context. A debt scandal produced a financial crisis and reduced donor funding in 2016, affecting energy access and other services for ordinary Mozambicans. The research findings moreover showed how the lack of coordination between the planning and provision of electricity and the design of plans for extending the city can lead to slow and complex energy transitions from charcoal to gas and electricity. They also highlighted how socio-economic inequalities define energy access and use. For example, in Maputo, the provision of electricity and Liquefied Petroleum Gas (LPG) tends to worsen in peripheral urban areas beyond the colonial city. The research also found differences in service provision between Maputo and secondary cities such as Beira and Pemba.

This research has shown that expanding access to electricity can be slow because of the costs involved in connecting to the electricity network. A successful policy has been the introduction of a prepayment system for gas. This allows people to purchase gas in small quantities, similar to the way they use charcoal, which enables more autonomy over energy use. Understanding the use of energy is therefore important to explaining how policies work in different contexts. In general, however, the population seems slow to completely adapt to gas, as a result of inadequate household conditions for the safe installation of gas stoves and difficulties with the supply of gas which contrasts with the ease of obtaining charcoal in many areas. Moreover, the deep embeddedness of traditional fuels (charcoal and wood) in socio-cultural traditions and commercial networks further explains why both lower and higher income households keep preferring charcoal, even if LPG is available. **Sustainable Energy Access in Mozambique** thus emphasises that rather than focusing on increasing capacity for energy generation, the relevant authorities should ensure that energy users have autonomy and greater local control over energy decisions. When designing models of sustainable fuel transition, it is also important to consider how fuel prices affect people's livelihoods, and to offer alternatives to on-grid electricity supply. Increased power-sharing, decentralisation and political dialogue could help to plan and implement urban energy policy more effectively, enabling access to affordable energy for all. Policymakers should therefore not only work with institutions on the planning and delivery of energy, but also design policies to support activists and grassroots groups to raise awareness of energy access and distribution, and increase citizens' involvement in the planning and innovation of urban environments.[vi]

To guarantee energy access for all, the planning and management of electricity should be intricately connected to urban land management and planning.

Collaboration[vii] between the research teams of the aforementioned two projects has furthermore revealed interesting and complementary insights which are of policy relevance to the planning and implementation of off-grid renewable energy solutions in sub-Saharan Africa. The equipment needed for accessing renewable energy represents a large investment for rural African households. Purchasing equipment of bad quality can catch people in poverty traps. The quality of this equipment can be guaranteed through the development of quality frameworks. On a wider scale, electrification in local communities can increase population in certain areas. This means that energy planning should be connected to urban planning, especially considering housing and infrastructure demands, as well as waste management. Local developers and educational institutions have an important role to play in capacity-building and training.

Combating poverty and promoting entrepreneurship

Ending poverty is at the heart of all SDGs. Promoting employment and decent work for all, including through policies that support productive activities, entrepreneurship, creativity and innovation is a strategy for combating poverty. Access to financial services (SDG 8) is another strategy. Two projects funded by the British Academy's 2016 *Sustainable Development Programme* address the challenges and opportunities posed by these strategies.

The project **Creative Kampongs: Mobilising Informal Enterprise and Innovation for Economic Development in Indonesia** maps the inventiveness of informal businesses in three Indonesian cities (Solo, Bandung and Semarang). Understanding innovation in the informal sector is important for policymakers, since the majority of enterprises across the global south are informal in status and organisation. In spite of this, the informal sector is often not taken into account in government surveys or research on business. As a result, policy on economic growth tends to leave the informal sector unaddressed. This is unfortunate, since the informal sector can be an arena for great innovation. Understanding the role of locality in the development of industry clusters is also important. People within a neighbourhood, for example, often copy each other, thus presenting a driver for growth. Less is known about whether communities can also be barriers to innovation. Understanding the dynamics and innovation strategies of informal businesses in developing countries can thus help to improve economic policies and increase the contribution of the informal sector to economic development. The findings of this project suggest that it is likely that many more industry clusters are undertaking some form of innovation than is formally recognised by local governments. Social organisation at the urban village (kampong) level can support significant gains in employment and enterprise formation in the short term. At the same time, it can be a barrier to processes of further innovation in the longer run. Thus, sources of innovation which are external to urban village communities can be very important. Bringing in outside influences, such as new actors and innovation strategies, can provide important impulses to local entrepreneurship, which can in turn promote economic growth. This knowledge is important for policymakers wishing to support development at the local level.

> *Both asset and cash transfers are effective in reducing poverty. In both cases, assets become central to households' income generating activities, leading to increased earnings.*

The importance of enabling the poor to work their way out of poverty is also demonstrated by the project **Asset Transfers or Cash Transfers: The Design of Anti-Poverty Transfers to the Ultra-Poor**. This project tackles a question of fundamental importance to policymakers – is it better to make transfers in-kind or in cash? Its starting point is the success of programmes that combine large asset transfers (typically livestock) with intensive training in diverse settings. Whilst successful, the scale-up potential of these programmes is limited, since the training component requires a long-term commitment by qualified staff. This raises the question whether providing a cash transfer of the same value as the asset and training transfer can do equally well. This research project reveals that beneficiaries definitely think so: when given the choice, 99% of them chose cash over assets with complementary training. Interestingly, however, most beneficiaries used the cash to buy similar assets to those received by those who chose asset transfers.

This indicates that beneficiaries value training less than its costs, and that they might prefer having the freedom to choose the assets themselves. The project has revealed that in both cases, assets

become central to the households' labour market activities. More importantly, household members increasingly become self-employed instead of undertaking wage-work. Preliminary two-year impact findings suggest that this leads to increased earnings for those households receiving cash transfers and those receiving assets transfers. This is an important finding for policymakers implementing and supporting asset and cash transfer programmes, as it illustrates that unconditional cash or asset transfers can be effective in reducing poverty rates.

Climate and natural resource management

Although development strategies can lead to economic growth and poverty reduction, they can also have unintended consequences. Tourism, for example, can clearly increase growth, but the resulting rapid infrastructure development and urbanisation can also create risks. The project **Integrating Policies on Land Use Changes and Coastal Zone Management to Deliver Food Security and Environmental Conservation (Land2Coast)** examines these negative effects of economic growth through tourism along the Caribbean coast of the Yucatan peninsula in Mexico. The building of hotels and housing complexes in this rapidly expanding tourist area threatens to denude mangrove forests, which provide natural water filtering functions and protection against sea surges. The lack of effective sewage treatment has harmed coral reefs and sea grass meadows. Additionally, the region is faced with the threat of intensified agricultural production in inland communities, as the result of prolonged drought which threatens food security. This can exacerbate the pollution of oceans and groundwater, and ultimately risks affecting tourism, future economic well-being and local livelihoods. Land-based activities thus strongly influence the health of oceans. Policymakers should therefore start integrating land use policy and coastal zone management – areas that historically have been dealt with separately at both policy and institutional levels.

An important cause for the negative effects of development lies in weak governance, especially economic mismanagement and corruption. To halt deforestation, reduce water contamination and improve solid waste management, the implementation of environmental legislation should be strengthened, for example through the use of sanctions.[viii] The education and civic participation of citizens in order to pressure their government is essential for overcoming institutional apathy about the environmental effects of land use changes. Governments should work with engaged civil society actors to form partnerships, co-management and monitoring arrangements to increase the capacity of already stretched administrative bodies charged with the task of monitoring and enforcement. A stakeholder forum, with membership drawn from the public and private sectors and including civil society, is an important first step. Other hybrid governance arrangements, which draw in business interest associations and civil society, expand the possible solutions. For example, voluntary codes of conduct among commercial tourism operators have led to positive results. Local ecological knowledge of fishers and marine tourism professionals is a crucial source of knowledge and could support monitoring activities. Communities in Quintana Roo have expressed the desire to apply organic practices to increase agricultural production with reduced environmental harm for coastal communities. They need support and training to achieve this. This research project thus identifies a wide array of opportunities and (governance) strategies for policymakers to work with civil society, the private sector and local communities to co-produce locally specific solutions to overcome barriers to sustainable growth.

> *Policymakers could promote various hybrid governance strategies, such as multi-level stakeholder forums and voluntary codes of conduct, to increase capacity to prevent the environmental impacts of tourism.*

For developing countries, integrating climate change into wider development plans remains a challenge.

The absence of environmental governance, described by the **Land2Coast** project, is closely related to the subject of another project funded by the British Academy's 2016 *Sustainable Development Programme*: **The Governance and Implementation of the SDG 13 on Climate Change**. This project offers an overview of the variety of national climate governance models and their links to effective implementation mechanisms on climate action. It draws on a unique dataset, 'Climate Change Laws of the World'. An analysis of this dataset allows for the identification of global trends in climate laws, evidencing an enormous increase in climate laws from 1997 to date. Laws can be divided roughly into those aimed at mitigating climate change, for example by reducing emissions, and those adapting to climate change by increasing resilience. Least developed countries are lagging behind, with fewer laws and policies per country, and are focusing more on adaptation than mitigation. Only 42% of these countries have included climate laws into wider development plans. This remains an important challenge.[ix]

This research project looked also at litigation on climate change, covering over 270 court cases outside of the United States. It concluded that the number of cases has increased considerably since the mid-2000s. Most of them (78%) have administrative objectives, for example challenging particular projects or activities. To a lesser degree, cases focus on obtaining the disclosure of information (7%), creating or halting climate change legislation (8%) and damage caused by climate change (8%). Results are mixed, with 55% enhancing climate regulations, 10% giving neutral opinions and 35% hindering the strengthening of climate policies. The growing number of cases of 'strategic climate litigation' shows how such cases can be used as a mechanism for climate governance, to encourage or force action and to hold governments and corporations to account.

In spite of the expanding legislative framework, the project identified a gap between policy and implementation, especially at the national level. Policymakers and those participating in international climate negotiations should therefore focus more on the national level and guarantee that governance structures are put in place. Qualitative research in South Africa and Tanzania has shown that national-level coordination is often complicated. Involved ministries and agencies need a clearer mandate, based on a distinct delineation of responsibilities, to facilitate inter-agency coordination. Vertical coordination should also be promoted between the national and sub-national levels.

To effectively combat climate change, institutional arrangements with a clear delineation of responsibilities are needed among the different stakeholders.

Civil society organisations, universities and the private sector can play an important role in this. Finally, implementation requires improved processes of monitoring, reporting and verification, in order to improve the reliability and trust in the efforts made by countries to combat climate change. This is the only way to guarantee governments' compliance with the 2016 Paris Agreement, to keep the rise of global temperature below 2°C.[x]

Conclusion

The findings of the research projects in the *Sustainable Growth* thematic area of the British Academy's 2016 *Sustainable Development Programme* shed light on the diverse and interconnected social, economic and environmental aspects of growth. They provide important insights for improving economic growth policies:

- Although economic growth is important for combating poverty, social and environmental aspects should also be taken into account.
  - Tourism can be a driver of economic growth, however, the resulting urbanisation can lead to environmental degradation. To make growth sustainable, policymakers must consider these possible unintended consequences.
  - It is important to speak of growth not just in terms of economic growth and development, but also in terms of who benefits from the development. Another way of thinking about growth could be to talk about sustainable prosperity, in terms of growth that benefits all sectors of society and increases their quality of life.
- An interdisciplinary approach is needed to enable a complex analysis of growth which incorporates gender, environmental and other socio-economic factors. This must be incorporated into development projects and plans.
- Guaranteeing access to affordable and renewable energy is a complex task. Often attention is focused on the demand side, but equal attention should be paid to the challenges of delivery and infrastructure. In order to design policies which increase equitable energy access, it is crucial not only to analyse the wider political economy that often leads to the prioritisation of energy access for large development projects and wealthier neighbourhoods, but also to consider local practices of energy use.
- Since land-based and coastal activities are related, it is imperative to look at the interrelation of these aspects. Development and environmental plans must take account of these relationships and approach sustainable growth in a holistic way.
- Effective governance and institutional capacity are crucial to ensuring that development as well as environmental and climate laws and policies are adequately implemented. Governments need political will and institutional capacity and inter-agency coordination based on clear mandates and regulations to be able to implement and enforce these laws and policies. Partnerships and multi-stakeholder forums with the private sector, civil society organisations and citizens can be a way to complement institutional capacity. To guarantee the implementation of policies, processes of monitoring, reporting and verification must be improved.
- Both asset and cash transfers are viable strategies to help poor people transition from low-paid wage labour into self-employment, with increased earnings as a result. In the long run, asset transfers seem most successful, unless beneficiaries receive better information which allows them to purchase assets of a similar quality themselves.
- Citizenship building is a crucial strategy to improving governance and combating poverty. Enhancing citizens' awareness of their rights and building up their skills to navigate legal and institutional frameworks can help them to claim their rights and press their governments to promote economic growth in a sustainable way. This is especially important since social and environmental aspects of growth might not be among the priorities of governments, especially in least developed countries.

For more information about the 2016 Sustainable Development Programme, visit https://www.thebritishacademy.ac.uk/programmes/sustainable-development-2016 or email gcrf@thebritishacademy.ac.uk

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[iii] Money, A. (2018), Making Light Work: Policy Briefing. Available online: https://www.britac.ac.uk/sites/default/files/Making%20Light%20Work%20Policy%20Brief%20March%202018.pdf

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[vi] Castan Broto, V. (2017), 'Energy sovereignty and development planning: the case of Maputo, Mozambique'. *IDPR* 39(3), 229-248.

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[viii] Land2Coast (2017), '4 Treatments to Improve the Health of the Mesoamerican Reef'. Available from: https://www.thebritishacademy.ac.uk/projects/sustainable-development-coastal-zone-management-food-security-environmental-conservation

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[x] Ibid.