

Towards SDG-linked Greening of Economic Recovery in India



Discussion Brief

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This discussion brief is meant to serve a constructivist function of informing the debate in India around making the recovery measures more sensitive to environmental sustainability along with fulfilling the objectives of social justice and economic growth.

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Brief

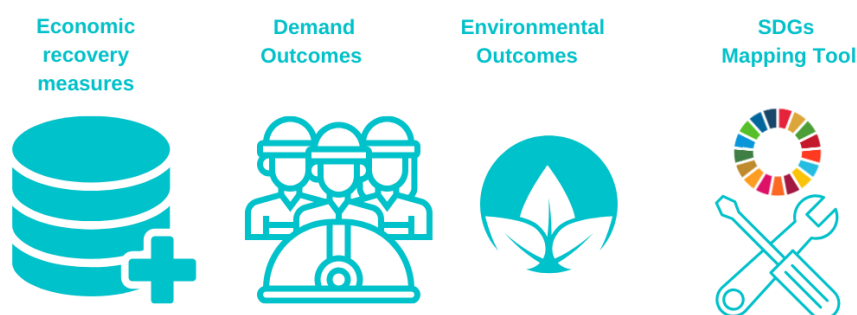
India's Prime Minister has announced a special economic package for 'Atmanirbhar Bharat' or 'self-reliant' India which would better integrate India with the world. The package is to the tune of INR 20 lakh crore, which is about 10% of India's gross domestic product. The package has five pillars: (1) Economy; (2) Infrastructure; (3) System; (4) Vibrant Demography; and (5) Demand. While details are awaited, it is essential to think on medium and long term aspects of sustainability along with revival of the economy. Some transitional shifts will come organically and will need only a supporting environment from the government to grow and flourish; while some others and some transformational shifts will need a direction and nudge from the government. If the gains of clean environment are to be sustained, greening of economic recovery can be seen as a means for greater transformational shifts so that the economic systems can be geared towards meeting the sustainable development goals and the nationally determined contributions.

The measures analysed would include both short term recovery measure and transformational shifts. Recovery packages would mostly constitute: cash and food for sustaining life and spurring demand (farmers, labour, low income); cash flow easing and working capital (manufacturing, trading, service, small business); and expenditure for managing COVID-19 in terms of prevention, diagnosis and treatment. While it may seem that short term measures do not have much scope for greening, international experience shows that for industries, greening of recovery packages can be used as a means to nudge industry players to upgrade technologies, adopt government norms, and inject investments into developing new products which would have markets. The findings of the review of literature from the 2008 financial crises and the current proposals and international experiences are listed below:

- Health sector relief strategy is needed for this sector but also a recovery strategy that would ensure sustainability of healthcare services, first by mitigating the expected increase in demand on the existing system and second by identifying the ways to minimise the impact of expected decreases in the supply of financial and non-financial resources available to healthcare systems and the disrupted supply chains to ensure green procurement. The government must provide funding for research needed for the safer and environmentally friendly disposal of healthcare and self-care kits like masks, PPE and gloves.
- India is yet to formulate a set of concrete measures in manufacturing after the COVID-19 fall-out. The government can give a boost improvement in processes to existing certifications and labelling schemes like ZED (Zero Effect, Zero Defect), Eco-mark and other internationally accepted standards. Conditional incentives can be provided to those companies who have certification or those who commit to have the certification and labelling.

- For MSMEs, the revival package needs to identify how some of the existing schemes including Industrial Infrastructure Upgradation Scheme (IIUS), Technology Upgradation Fund Schemes can be made more effective and attractive to MSMEs and facilitates faster adoption of industry 4.0.
- The crash in world oil prices can free up revenues of the government which can be used to incentivise environmental sustainability measure. If the government does not bring down market of oil prices and continues to tax luxury goods and goods with negative environmental externalities, the revenues can be directed towards environmental sustainability measures in industry.
- The government can provide additional investment and incentives to local bodies and municipal corporations dealing with the additional biomedical waste and municipal solid waste generated as a result of the COVID-19 situation. The argument here is if this function is given to municipal bodies, it should be ensured that the local bodies have adequate sources of revenue and human resources to undertake this function efficiently. This should enable 'self-sufficiency' of local bodies.
- Additional infrastructural and financial investments to ensure the sustainability of the educational sector both in short and long term. It would be important to upgrade IT infrastructure for remote learning and working in both rural and urban settings.
- COVID-19 economic response must include efforts to transform agro-food systems and must take into account schemes aimed at improving farmers' competitiveness, supporting business growth in the rural economy and incentivising farmers to improve the environment.
- In transport, scrappage programs within stimulus packages can be implemented to phase out old cars and boost car sales. Tax incentives can be provided for electric vehicles and infrastructure investment would be needed for public transport including bus and rail transport.
- Financial market regulators could also encourage, on a temporary and time-bound basis, extensions of loan maturities. In this context, RBI already has priority sector lending norms which targets environment sectors. These should be pushed by government through banking sector policies.
- State governments and local bodies should be allowed to borrow more either from RBI or from commercial banks and other primary dealers as they are operating under stricter fiscal constraints. RBI needs to enable loans to the government at a discounted interest rate, for the time being, to incur the required extra expenditure. Existing processes of decision-making such as resource allocation (including state budgeting and national budgeting) can be transformed into SDGs-linked mapping exercise.

As a next steps, a comprehensive initiative could be undertaken to quantify return on investments and develop a tool to map economic recovery against SDG outcomes.



The exercise can identify economic recovery measures and value of demands created in the backward linked sectors. The extent of demand created for labour and environmental outcomes (water, emissions reduction, and pollution abatement) can also be estimated. The demand stimulus created in the economy as well as the impact of SDGs can be estimated. Further a decision-making tool will be developed to map interventions SDG related indicators for various sectors.

