

1. India should seek to publish “green GDP” figures that take into account depreciation of natural capital stock due to economic exploitation and environmental degradation.
Critically analyse. (250 words)

Answer:

Green GDP :-

- Green GDP is expected to account for the use of natural resources as well as the costs involved. This includes medical costs generated from factors such as air and water pollution, loss of livelihood due to environmental crisis such as floods or droughts, and other factor

Efforts by India towards Green GDP and issues :-

- In 2009, the Centre announced that it would publish a “green GDP” that would include the environmental costs of degrading and depleting forests, grasslands and natural stocks.
- An expert programme, sponsored by the Ministry of Statistics and Programme Implementation, released a Compendium of Environment Statistics 2013.
- Experts have recommended that India shift to a system of measuring comprehensive national wealth, which includes items such as human capital, capital equipment and natural capital. However, implementation of such well-founded recommendations has been constrained by the lack of micro-level data on capital formation, particularly in a natural context.
- While the 12th Five Year Plan undertook groundwater resource mapping at the national level, a similar focus is essential for data on land usage, forests and mineral wealth.
- India’s current national accounts incorporate such environmental considerations in a limited fashion.
- GDP includes the value of: minerals extracted; timber, fuelwood and non-timber forest products; natural growth of cultivated assets for some crops; and the output from dung manure. In addition, gross fixed capital formation contains output estimates from the improvement of land along with irrigation works and flood control projects.
- However, even in GDP estimates of timber value, there is significant under-estimation of non-monetised goods and services provided from timber forests are not considered.

Why India should publish green GDP figures:-

- **Pollution:-**
 - The higher costs for outdoor/indoor air pollution are primarily driven by an elevated exposure of the young and productive urban population to particulate matter pollution that results in a substantial cardiopulmonary and Chronic Obstructive Pulmonary Disease mortality load among adults.
- **The problems without considering green GDP are huge:-**
 - Further, a significant portion of diseases caused by poor water supply, sanitation and hygiene is borne by children under 5.
 - About 23% of child mortality in the country could be attributed to environmental degradation

- The savings from reduced health damages range from \$105 billion in the 30% case to \$24 billion with a 10% reduction. This, to a large extent, compensates for the projected GDP loss.
- Green growth is measurable and important as India is a hotspot of unique biodiversity and ecosystems.
- Conventional measures of growth do not adequately capture the environmental costs, which have been found to be particularly severe at the current rapid growth rates.
- **Tools available:-**
 - There are also tools available now to estimate the significant contribution of natural capital in the form of ecosystem services. Therefore, it is imperative to calculate green Gross Domestic Product (green GDP) as an index of economic growth with the environmental costs and services factored in
- **The importance of natural capital has grown:-**
 - GDP computations indicate the economic activity in a country, with rising GDP growth rate often leading to international prestige. However, such estimates often exclude the variations in natural capital by assuming them to be constant and indestructible.
 - Such natural capital is often self-generating (water, clean air) but needs to be handled in a sustainable way in order to avoid depletion.
 - GDP fails to take into account the externalities of such economic growth.
 - For example, India routinely suffers from high levels of air pollution that impose costs on local transport, health and liveability in urban and rural areas.
 - India suffered a cost of \$550 billion, about 8.5% of GDP, due to air pollution, according to a World Bank report. The cost of externalities such as water pollution and land degradation were possibly far higher. Through commodity exports, India is effectively transferring natural capital to trade partners, raising the risk of desertification and land being degraded significantly.
 - Without concentrating on Green GDP, within a century, India's food production could see a loss of 10-40% if these trends continue.

Challenges in computation:-

- Natural capital can cover entire ecosystems such as fisheries and forests, besides other hidden and overlooked services. For example, the regeneration of soil, nitrogen fixation, nutrient recycling, pollination and the overall hydrological cycle. Valuing such ecosystems can be challenging, with their market value often termed as zero.
- When pollution happens, it is actually a depletion of natural capital as, for example, acid rain damages forests and industrial seepage affects water quality. In a modern economy, the challenge is to estimate such depreciation to natural capital.
- Even the environment kuznets inverted U curve is found primarily for local pollutants that lead to short-term damages (sulphur, particulates) and not for pollutants that lead to long term and dispersed costs (carbon dioxide). In addition, the inverted U curve hides systemic consequences of emissions.
- Complexity of the exercise as well as the need for enhanced budgets to bridge the data gaps.

- There is no information on issues such as the total volume of surface water or the different sectors where water is used and the quantum used

Way forward:-

- India can make green growth a reality by putting in place strategies to reduce environmental degradation at the minimal cost of 0.02% to 0.04% of average annual GDP growth rate. According to a new World Bank report, this will allow India to maintain a high pace of economic growth without jeopardizing future environmental sustainability.
- India should seek to publish “green GDP” figures that take into account depreciation of natural capital stock due to economic exploitation and environmental degradation. This can follow the template provided by the UN’s System of Environmental-Economic Accounting.

PRACTICE QUESTIONS

Answer the following Questions

1. The terms of reference of the 15th Finance commission seriously undermine Indian federalism. Discuss. (250 words)
2. Recent estimates for employment generation do not give the true picture of the economy and suffers from flaws on several fronts. Examine. (250 words)