

## Green GDP in post COVID-19 world: Need and Importance

<sup>1</sup>Bhanotra A.K. <sup>2</sup>Ahlawat A.R. and Maru P.M.

<sup>1</sup>Department of Veterinary & A.H. Extension, Mumbai Veterinary College, Parel, Mumbai and <sup>2</sup>Department of Animal Genetics and Breeding, College of Veterinary Science and Animal Husbandry, Kamdhenu University, Junagadh

<https://doi.org/10.5281/zenodo.7954099>

### Introduction

The COVID-19 pandemic has exposed major fault lines in our development trajectory and one of the issues in traditional measurement of performance, such as gross domestic product (GDP), account only for economic growth but do not precisely reflect human and environmental well-being. The gross domestic product (GDP) is calculated as a single bottom line, without paying any attention to the ecological, environmental and social costs.

We are not new to emerging pandemics and disease outbreaks, the emerging zoonotic viral diseases are a result of large-scale changes in the **environment, habitat modification and human food consumption habits**. Ebola, SARS, MERS, Chikungunya and now COVID-19 are the infamous five.

### Why there is need for accounting Green GDP?

“Green GDP” was started in early 1990s. Green GDP is needed to depict the economic costs of depleted natural resources and pollution which is not considered in traditional Gross domestic Product. Ecosystem services such as **climate guideline, sequestration of carbon, and recycling of nutrient** which are indispensable for human survival, are not part of traditional economic accounting. Some have estimated the economic value of the world’s ecosystem services to be US\$33

trillion per year on average, mostly outside the market and almost twice as much as the global GDP total (Costanza *et al.*, 1997).

Valuing ecosystem services, however, has been controversial to some economists and ecologists for methodological and other reasons. GDP overlooks many of the significant goods and services that we derive from nature because its scope is delimited completely by the market. Hence, despite its prominent position in economic analysis and public policy, GDP has become the target of increasing criticism in recent decades. In GDP accounting, there is no difference made between activities that contribute to well-being and those that undermine from it. A classic example is an oil spill, which is counted as a positive addition to the GDP because it warrants expenditure on clean-up. In this way, many environmental damages are vindicated as contributions to economic progress. For the environmentally conscious, this is an affront to both intuition and ethics as pollution (especially of such a magnitude) is detrimental to both human and environmental health.

A study conducted by World Bank study in 2016 revealed that India lost more than 8.5% of its GDP in 2013 due to the cost of increased welfare and lost labour due to air pollution. At its then size of \$2.6 trillion, the loss equalled about \$221 billion. Similarly, the health and associated economic costs of water pollution on the Gross National Product should be calculated, likely to be even more. This will be a revelation to policy makers and investors and it can empower civil society to push for a development trajectory that is much more sustainable, emphasizing collective wellbeing over that of the individual. The **GDP of poor** is most seriously affected by ecosystem losses. In India, about 352 million people dependent upon ecosystem services. Ecosystem services forms 16% of our classical GDP. In terms of poor, ecosystem services forms 47% of GDP for poor (Gundimeda and Sukhdev, D1 TEEB).

The absence of ecosystem services and environmental damages from monetary valuation reflects the vicious cycle of economic short-sightedness and environmental misuse. It is extensively acknowledged now that GDP significantly underestimates the contributions of nature to human well-being and is not a suitable tool for measuring sustainable development. Thus, Green GDP has been proposed to explicitly measure these omitted costs by deducting the economic penalties executed by natural resource depletion and pollution from national accounting. Thus, the green GDP is meant to advance a more inclusive view of “natural capital” and promote more sustainable management practices.



## Way forward for Green GDP

Like journey of a thousand miles begins with a single step, it will take significant and sustained effort to make a complete shift to a sustainable future. One such has been *The Economics of Ecosystems and Biodiversity (TEEB)*, a global initiative focused on “making nature’s values visible” at all levels of decision-making. The United Nations has published a set of accounting guidelines in the Handbook of National Accounting: Integrated Environmental and Economic Accounting (known as SEEA 1993 and SEEA 2003), which provide a common outline for valuating environmental contributions to economies and economic impressions on the environment. **In post COVID-19 world**, it will be an opportune time for global institutions such as the World Bank and IMF as well as **nation-states** to take concrete steps and radically revise how the hitherto measured the gross domestic product (GDP) is calculated by incorporating principles of natural capital accounting. Although it remains implausible that GDP will soon be displaced as the hallmark indicator of economic fitness, attempts to “green” it, constitute a positive movement in the direction of environmental consciousness.

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