



Surveys

Towards connecting green economy with informal economy in South Africa: A review and way forward

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ARTICLE INFO

Article history:

Received 30 November 2014

Received in revised form 20 April 2015

Accepted 26 April 2015

Available online 15 May 2015

Keywords:

Green jobs

Inclusive green economy

Green growth

Informal economy

Second economy

South Africa

ABSTRACT

The informal economy is a vibrant and growing phenomenon, offering both opportunities and lessons on resilience and innovation. When considering global social, economic and environmental challenges, resilience and innovation are valuable response strategies. The notion of a green economy has similarly inspired a number of ideological, geopolitical and institutional responses, yet a review of the dominant approach indicates the propensity to undervalue or ignore the informal economy. Within the context of sustainable development and poverty eradication, connecting the informal economy with the green economy is imperative. This paper explores possible connections between the green economy and the informal economy in South Africa and argues that by engaging the informal economy in discussions on the green economy, a more informed policy and planning environment may ensue, resulting in more socially equitable and environmentally sustainable development.

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1. Introduction

Though difficult to define, the informal economy is visible in different guises ranging from survivalist business activities being run from pavements, pedestrian malls, transport interchanges and homes, to agrarian activities found in both urban and rural areas. The informal economy relates to 'economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements' (ILO, 2003). Various terminologies are used synonymously with the term 'informal economy', including informal sector, second economy, informality and shadow economy (Rogerson, 2007). The informal economy plays an important role in the overall economy of a country. In fact, for many countries across the globe, the informal sector employs more persons than the formal sector (ILO, 2012). For instance, in sub-Saharan Africa, the informal economy accounts for up to 72% of employment, rendering it significant in the context of sustainable development and poverty eradication (Dawa and Kinyanjui, 2012). In Brazil and India, the proportion of persons employed in the informal economy is 42.2% and 83.6% respectively. This is much higher in comparison with South Africa, which is 37.2% (ILO, 2012). However, the sector still plays an

important role in the share of employment in various economic activities (ILO, 2012). The importance of the informal economy to the urban and rural poor, and especially to women, is also acknowledged (Chambwera et al., 2011).

Despite the above benefits, the informal economy poses a number of social, economic, environmental and political challenges worldwide; many of which remain under-unexplored (e.g., Dreher and Schneider, 2010; Buehn and Schneider, 2012). Of particular interest to this paper are the recent discussions on the need to acknowledge the informal economy in the green economy agenda (e.g., Dawa and Kinyanjui, 2012). Solutions need to be found to questions such as: Can the informal economy contribute to a green economy? and Can the green economy be planned in such a way that it will help provide solutions to the challenges that dominate in the informal economy?

As a starting point to addressing the above questions, the authors undertook a critical literature review to (i) provide a macro-perspective and understanding of the green economy landscape; (ii) understand the reality of a green economy in South Africa; (iii) trace various perspectives and approaches to 'managing' the informal economy; and (iv) identify the role and value of the informal economy to sustainable development and a green economy.

2. Global Perspectives and Pathways for a Green Economy

The transition to a green economy is well on its way, yet several issues hinder its conceptualisation and implementation (UNDESA, 2014). These

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issues also impact the realisation of an ‘inclusive green economy’ and are expanded on in the following section.

2.1. Issues of Divergent Definitions and Principles

The many definitions for ‘green economy’ are indicative of the myriad of approaches to and perspectives on what should be ‘greened’ and how that could be done. Initial definitions of the green economy indicated little emphasis on the social dimension of sustainable development (Allen, 2012). To address emerging concerns, the concept was redefined at Rio + 20, expanding the concept to ‘inclusive green economy’ and ‘inclusive green growth’, whilst situating the green economy ‘in the context of sustainable development and poverty eradication’ (Allen, 2012).

2.2. Aspects of Power and Participation

Despite efforts to redefine the green economy, concerns remain as to how the social dimension is interpreted and applied. Cook et al. (2012), for example, problematise narrow interpretations of stakeholder engagement. The green economy is also criticised for generally disregarding, undervaluing or overlooking the informal economy (Dawa and Kinyanjui, 2012).

According to Cook et al. (2012), further contestations about the green economy relate to geopolitical, ideological and disciplinary disparities. Clapp and Dauvergne (2011) identify four leading approaches to the green economy. Cook et al. (2012) expand on these by connecting them to current major transition pathways (see Table 1). These approaches are not necessarily distinct and there are some overlaps. However, the market-liberalist approach championing green growth is recognised as dominating the international stage (Clapp and Dauvergne, 2011).

For Söderbaum (2013), the dominant approach appears problematic, as it is underpinned by neoclassical economics that tend to be intolerant of alternative modes of thinking, thus negating true democracy. Söderbaum (2013) accordingly argues that a broadened dialogue and a ‘pluralism of perspectives’ are required to confront issues of power and participation.

2.3. Issues with Related Concepts

The concepts of green economy, green growth and low-carbon development have diverse origins, yet over time their meaning and use have

become analogous in economic decision-making and planning (Allen and Clouth, 2012). However, these concepts are contested on several fronts. The first one relates to relying on market based solutions for the green economy. These have been criticised for reinforcing inequalities and power structures (Smith, 2011; Cook et al., 2012); commodifying the commons and creating corporate capture (Boehnert, 2013); and for creating disincentives for reconfiguring unsustainable production and consumption patterns (Smith, 2011; Cook et al., 2012). The second one relates to certain assumptions underpinning the logic of the green growth approach that are considered to be integrally inadequate and weak (Smith, 2011). Green growth is viewed as a solution to poverty (Allen and Clouth, 2012) and whilst acknowledging the importance of economic growth for any large-scale poverty reduction, Dercon (2012) warns of the existence of trade-offs that increase social costs. Hence, if not explicitly addressed, green growth may not be good for the poor. Thirdly, is the continued use of gross domestic product (GDP) as measure of progress. Several authors suggest that GDP is an inadequate and inappropriate measure for sustainable development, and therefore should be adjusted, supplemented or replaced (Schepelmann et al., 2010; Daly, 2011; AtKisson, 2013).

2.4. Issues of Design, Implementation and Review

Few nations have created national green economy strategies as many are challenged by institutional capacity, financing and integration issues (Allen, 2012; AtKisson, 2013). Countries that pursue a green economy as prompted by their National Sustainable Development Strategies (NSDS) indicate similar challenges (Allen, 2012).

3. The South African Green Economy Perspective

South Africa recognises the green economy as a pathway to sustainable development (DEA, 2014). It is party to several international conventions and agreements that are related to sustainable development, and has successfully engaged with multiple international green economy initiatives (Allen, 2012; Montmasson-Clair, 2012).

At national level, a number of key texts are identified as guiding the development of a green economy in South Africa (Montmasson-Clair, 2012; DEA and UNEP, 2013). There are also a number of sector- and time-specific policies, as well as provincial and local government initiatives and plans that support and complement the South

Table 1
Dominant approaches and transition pathways to a green economy.

	Green growth	Strong sustainability	Social economy	Limits to growth
Worldview	Market liberal	Institutionalist	Social green	Bioenvironmental
Social	Green jobs Social protection for vulnerable groups Equality of opportunity Stakeholder consultation Green consumerism	Global cooperation Redistribution (income) Stronger institutions Inter- and intra-generational equity Capacity building Social dialogue	Redistribution (income, wealth and power) Rights-based Social justice Equality of outcomes Empowerment Citizen action	Radical decrease in consumption and population growth Inclusivity Needs
Environmental	Eco-efficiency Technology transfer Reducing Emissions from Deforestation and Forest Degradation (REDD)	Eco-regulation Strengthen global governance regimes REDD +	Environmental justice Agro-ecology Grassroots action	Eco-centric valuing of nature for its own sake Enforced regulation of global commons
Economy	Green growth Voluntary Corporate Social Responsibility (CRS) Carbon markets, Payment for Ecosystem Services (PES) Production focused Private governance	North-South trade reform Green finance Green taxes State Governance Clean Development Mechanism (CDM)	De-globalization Localization Institutional reform Regional solidarity	No-growth/de-growth Measures beyond GDP
Indicative organizations	World Trade Organization (WTO), International Monetary Fund (IMF), World Business Council for Sustainable Development (WBCSD)	UNEP, United Nations Framework Convention on Climate Change (UNFCCC), Global Environment Facility	World Social Forum Third World Network	World Watch Institute, Pachamama

Source: Compilation by Cook et al. (2012) drawing on Clapp and Dauvergne.

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