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## STATES, MARKETS AND SOCIETY – NEW RELATIONSHIPS FOR A NEW DEVELOPMENT ERA

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<b>Notes on Contributors</b>	iii
<b>Introduction: States, Markets and Society – Looking Back to Look Forward</b> Melissa Leach	1
<b>PART I: LOOKING BACK – ARCHIVE ARTICLES</b>	
<b>Politics, Class and Development (Editorial)</b> Robin Luckham <i>Article first published January 1977, IDSB9.1</i>	19
<b>The Retreat of the State (Editorial Introduction)</b> John Dearlove and Gordon White <i>Article first published July 1987, IDSB18.3</i>	23
<b>Alternatives in the Restructuring of State–Society Relations: Research Issues for Tropical Africa</b> David Booth <i>Article first published October 1987, IDSB18.4</i>	29
<b>Towards a Political Analysis of Markets</b> Gordon White <i>Article first published July 1993, IDSB24.3</i>	45
<b>Strengthening Civil Society in Africa: The Role of Foreign Political Aid</b> Mark Robinson <i>Article first published May 1995, IDSB26.2</i>	59
<b>No Path to Power: Civil Society, State Services, and the Poverty of City Women</b> Hania Sholkamy <i>Article first published January 2010, IDSB41.2</i>	77
<b>PART II: LOOKING BACK TO LOOK FORWARD – NEW ARTICLES</b>	
<b>States or Markets – Twenty-Five Years On</b> Christopher Colclough	89
<b>Inequality and Exclusion in the New Era of Capital</b> Violet Barasa	93
<b>Inclusive Innovation, Development and Policy: Four Key Themes</b> Amrita Saha	101
<b>Consequences of Inequality for Sustainability</b> Sunita Narain	113
<b><u>Accelerating Sustainability: The Variations of State, Market and Society Dynamics in Diverse Contexts</u></b> Ramy Lotfy Hanna	117
<b>Political Challenges of Addressing Climate Change through the ‘Entrepreneurial State’</b> Rachel Godfrey-Wood	125
<b>Civil Society and Civic Engagement in a Time of Change</b> Becky Faith and Pedro Prieto-Martin	137
<b>State, Market and Society Relations: The Roaring Last Fifty Years</b> Luka Biong Deng Kuol	145
<b>State–Society Relations and the Dilemmas of the New Developmentalist State</b> Evelina Dagnino	157
<b>Back to the Future?</b> Michael Edwards	169
<b>Restoring Development <i>Dharma</i> with Toad’s Eye Science?</b> Dipak Gyawali and Michael Thompson	179
<b>Glossary</b>	<b>191</b>

# Accelerating Sustainability: The Variations of State, Market and Society Dynamics in Diverse Contexts

Ramy Lotfy Hanna

**Abstract** The normative aims of sustainability seen in terms of matching environmental integrity, equality and social justice are clear. Yet, questioning how to get there is centrally about politics. This article presents two examples that illustrate the tensions and synergies across state, market and society alliances in accelerating sustainability. The first example addresses the question of financialization of nature by exploring the alliances created around offsets in international carbon markets under REDD+. The second example presents alliances for green transformation in Africa through Kenya's pro-poor renewable energy experience. Both cases explore the importance of the political economy of the tripartite relationship between states, markets and society in tackling inequality. They also show the importance of inclusive transformation and the relevance of context in diverse sustainability pathways.

**Keywords:** sustainability, green transformation, financialization, alliances, pathways.

## 1 Introduction

Looking back over the last quarter of a century since the Brundtland Commission report *Our Common Future* (WCED 1987) and the United Nations Conference on Environment and Development in Rio in 1992, 'sustainable development' and 'environmental sustainability' have gained momentum in development circles globally. The recently adopted Sustainable Development Goals (SDGs) in 2015 have further elaborated on these notions, emphasising the integration of social, economic and environmental dimensions. Yet, the mainstreaming of these terms has given rise to some confusion and fuzziness regarding 'sustainability', leading to 'inappropriately managerial and bureaucratic attempts to solve problems which are actually far more complex and political' (Leach, Scoones and Stirling 2010).

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To some extent, contemporary environmental problems reflect 'success resulting from the reduction of poverty and increasing prosperity of ever more people' (Schmitz and Scoones 2015: 2). This starting point was emphasised during the Institute of Development Studies (IDS) 50th Anniversary Conference. Prominent scholars such as Frances Stewart and Sunita Narain (see this *IDS Bulletin*) highlighted that environmental sustainability is one of the most overriding issues relevant to today's global development priorities, whereby the challenge of unsustainable growth results in increased inequality and marginalisation, thus leading to an insecure future. Sustainable development is therefore a fundamental challenge of our age, requiring 'green transformations' (Scoones, Leach and Newell 2015), and moreover, needs to be linked with equity and social justice. Yet seeking 'just sustainabilities' (Agyeman, Bullard and Evans 2003; Swilling and Annecke 2012; Newell and Mulvaney 2013), in dynamic and differentiated socioecological contexts, is not straightforward (Schmitz and Scoones 2015). The meaning of 'green', and so sustainability, is inevitably highly contested, framed by different people in different ways (Leach 2015). The ideal of a green or 'sustainable' economy and society may therefore look very different if you are poor and marginalised, from an ethnic minority, or as a man, woman, or younger or older person (Schmitz and Scoones 2015), or even from the private sector with a dire need to justify certain corporate agendas and practices.

This article offers some reflections on the challenges of embracing equity and diversity in accelerating sustainability, and the roles of state–market–society alliances. It draws on the 'pathways approach' developed by the Economic and Social Research Council (ESRC) Social, Technological and Environmental Pathways to Sustainability (STEPS) Centre. This approach pays special attention to the 'framing' of problems and solutions, as well as the politics of knowledge in opening up and broadening out pathways to sustainability (Leach *et al.* 2010). It starts with the assumption that different people, depending on their standpoint, position and interests, perceive sustainability in different ways, thus generating competing framings in a complex and diverse world. Exposing these framings and generating a debate about them is therefore an essential first step (Scoones 2015). From these framings, pathways to action emerge, whereby all perspectives are inevitably wrapped up in politics, and the interests that govern them (*ibid.*).

Given this background, the article presents two different examples that illustrate the alliances of state, market and society in accelerating sustainability. The examples showcase how context-specific parameters and dynamics often dictate different alliances, whereby sustainability transformations may take different shapes and forms and are loaded by politics and power dynamics across geographical, political and socioeconomic scales. The first example addresses the question of 'financialization of nature' by exploring the alliances created around offsets in international carbon markets under the Reducing Emissions from Deforestation and Forest Degradation (REDD+) mechanism. The

second example presents alliances for green transformation in Africa through Kenya's pro-poor renewable energy experience. Both cases explore how coalitions form, highlighting the tensions and synergies with tackling inequality, the importance of inclusive transformation, and the relevance of context. They also show that there is no one-size-fits all in the development of diverse sustainability pathways.

## **2 Financialization of nature: new alliances and REDD+ offsets in international carbon markets**

Voluntary offsets in international carbon markets provide an interesting illustration of the alliances between the state, market and society in sustainability transformations, specifically relevant to the financialization of nature. Financialization here refers to 'how the financial system itself has become a centre of redistributive activity, drawing into financial circulation aspects of life that previously lay outside it' (Fairhead, Leach and Scoones 2012). In other words, financialization or commodification reflect how nature is being linked to a tradeable commodity in a financialized world, for instance, as a critical precondition for the emergence and operation of green offset markets (*ibid.*). A good example in this respect is the development of the mechanism prompted by deforestation and forest degradation known as REDD+ under the 1992 United Nations Framework Convention on Climate Change (UNFCCC).

The purpose of REDD+ is to provide developing countries with a financial incentive to reduce their level of deforestation and forest degradation, and to increase their forest carbon stocks (International Climate Initiative 2012; REDD+ 2015). REDD+ is based on 'results-based finance' (RBF) principles, whereby finance is an *ex-post* reward conditional upon a reduction of forest-based emissions as to incentivise recipient countries to take the necessary actions towards transition to a low-deforestation pathway (KfW 2015). As such, there are different possibilities for establishing REDD+ systems, which vary particularly in terms of their scale and financing. In 'national' approaches it is expected that governments will receive payments linked to emissions reductions across the whole forest estate, whereby finance could either come from selling emissions reductions into global carbon markets or from public international funds. On the other hand, in 'project-based' approaches it is expected that those implementing the projects will receive payments linked to emissions reductions in the project area, through selling carbon credits into global carbon markets (Peskett and Brodnig 2011). It should be noted, however, that the REDD+ RBF programmes under the UNFCCC have been agreed relatively recently, and do not provide operational levels of detail.

Accordingly, these RBF programmes open the door for a wide range of state–market–society alliances under the umbrella of accelerating sustainability and climate change mitigation. Examples of these alliances include the climate-related memorandums of understanding (MoUs) signed by the California governor's office with Acre (Brazil) and Chiapas (Mexico), as well as the carbon deals and alliances

in Hurungwe in Zimbabwe through the Kariba REDD+ project (Dzingirai and Mangwanya 2015). Although in most of these cases the implementation of REDD+ is integrated into national biodiversity action plans, green economy strategies, and the global fight against climate change, the 'alliances' created behind them are open to question. In these alliances, the state is often viewed as creating a government-facilitated territory, yielding rights for polluting companies to grow in a weak regulatory environment on the one hand, while capital plays a key role in favouring corporate actors at the expense of the participating countries of the global South on the other. In this respect, the alliances created in international carbon markets between non-governmental organisations (NGOs), brokers, conservation entrepreneurs, big private banks, transnational firms, greenhouse gas (GHG) credit traders, and the state, are often described as 'forcing polluters to buy more credit to make more pollution' (McAfee 2016).

Luttrell *et al.* (2013) further indicate that 'REDD+ is heavily loaded with a wide range of expectations on outcomes beyond carbon emission reductions, and expectations that lie behind the diversity of rationales concerning who should benefit from REDD+'. As a result, one of the key questions that has arisen in the context of this debate surrounds which actors have the right to exploit the benefits of GHG emissions reductions in REDD+, and the associated rights to international payments. As carbon is stored in trees and land, in many cases the answer will entail an understanding of rights over the resources and services they provide, often included in the widely used but normally poorly defined term 'carbon rights' (Peskest and Brodnig 2011). These rights can also vary based on a range of benefit-sharing rationales including legal rights, emissions reductions, stewardship, cost-compensation, facilitation and pro-poor rationales (Luttrell *et al.* 2013). Who decides what value to be attributed to these carbon rights, however, often remains unclear within the architecture of this financialization process.

Amidst all the existing ambiguity, emissions reductions from REDD+ projects are already created and traded within voluntary carbon markets. Most offsets are undertaken on a voluntary basis by corporations for PR purposes, or by conservation charities, and in some cases for speculation. Offset buyers include various corporate actors such as eBay, Walt Disney, Credit Agricole and Microsoft, amongst others. With the participation of corporate actors from industrialised nations, the REDD+ mechanism is viewed as one that allows corporate emitters to buy more credit by paying rent to the state for the use of atmospheric carbon sinks to make more pollution in the global South. In this respect, a key critique of market-based mechanisms is that it allows emitters to *pollute more* if they pay for activities *elsewhere* that store carbon or prevent GHGs, hence resulting in a legitimised 'right to pollute'. Another critique of the REDD+ mechanism is that in these voluntary markets, there is an oversupply of projects *vis-à-vis* offset buyers, thus resulting in low prices of forest offsets in the 'global carbon

market' based on the simple economic rule of demand and supply. Accordingly, prices of forest offsets on global carbon markets remain too low to pay for the desired conservation efforts. As such, as long as there is no global 'cap', the supply of offsets will exceed demand and prices will stay too low to pay for much conservation.

Consequently, in a financialized modern economy, it is important to critically examine these state–market–society alliances in accelerating sustainability under REDD+. Doing so is essential in order to ensure that those implicated in the accumulation of value are not also those implicated in the attribution of value itself, whereby value of the commodity is constructed and co-produced within the architecture of its financialization (Fairhead *et al.* 2012). Otherwise, these alliances created under the RBF programmes may not necessarily positively contribute to a pathway of 'just sustainabilities'.

### **3 Green transformations and African renewable energy initiatives**

In terms of state, market and society alliances for green transformations, debate often arises between the priorities of environmental sustainability on the one hand, and equality, social justice and inclusion on the other. Green transformations in this sense do not just imply a shift towards green or sustainable technology that can deliver on environmental objectives; rather the politics shaping transformations such as towards renewable energy also implicate issues of access, use and equity in these processes (Scoones, Leach, and Newell 2015). In African countries for instance, questions of renewable energy require consideration of pro-poor access to electricity, as well as inequalities, and affordability in energy supply.

In this respect, there are two dominant paradigms overtaking the issue of green transformations and electricity access in Africa. The first is a traditional paradigm that claims that Africa cannot afford the luxury of providing renewable energy due to its high cost. This view is well expressed by an African official as follows: 'We don't have the luxury of saying that electrification should only be done with green electricity. Our villages are desperate for electricity, they don't care whether the electrons are green, purple, or black' (Tenenbaum *et al.* 2014 in Pueyo 2016). Based on this view, governments tend to move towards fossil fuel for electricity generation, thus abandoning green transformation opportunities. An alternative, optimistic paradigm on the other hand claims that access to renewable energy is possible in Africa despite the many challenges related to high initial investment cost. Multiple challenges also remain, which require functioning states, including regulation, domestic finance, regional cooperation and credible off-takers, as well as coherent planning of centralised and decentralised power.

But even when adopting the optimists' views about green transformation, trade-offs exist between 'greening' and 'accessing' electricity in Africa (Pueyo 2016). There is still an ongoing struggle between large-scale infrastructure schemes – even those providing renewable energy – which often exclude the poor, *vis-à-vis* decentralised pro-poor solutions

facilitating access to affordable clean energy sources. Kenya is a good example to illustrate the tensions between these two approaches to green transformation in the energy sector. Electricity generation in Kenya comes from both renewable and non-renewable sources: the former accounts for about 72 per cent of the total electricity, most of which is hydro and geothermal, while thermal energy from fossil-fuel sources accounts for most of the rest of the country's energy supply (Spratt *et al.* 2016). It is worth noting, however, that solar power in Kenya is mainly from off-grid, so it is not included in these estimates. As such, given the traditional approach based on the government's conception of energy production as dependent on large-scale infrastructure, only 30 per cent of households have access to grid electricity. In this sense, despite the government's efforts towards green transformation manifested in a larger share of renewable energy supplies, the question of access for the country's poor and marginalised communities remains problematic.

By contrast, pro-poor solutions provided by civil society, and external funding to promote 'off-grid' access to solar energy, have achieved quite different results, reaching around 60 per cent of electricity access across the country. At present, access to electricity in Kenya is driven by five solar segments: solar home systems, standalone institutional photovoltaic (PV) systems, telecoms and tourism, mini-grid and large-scale grid-connected PV systems. This green transformation in Kenya's solar PV market has evolved through different phases, involving diverse alliances between state, business and citizens. Such alliances have formed through financing (albeit from external sources) and technological innovation, which in turn have supported policy and market innovations leading to enhanced access to renewable energy by a larger base of the country's poor.

As such, the diverse solar PV segments in Kenya can be considered to add up to the most transformational of the country's low-carbon energy developments, not because they are the most widely used but because of the way they have transformed access to energy by the poor. In this respect, this transformative alliance has entailed 'sequential' evolution of technologies, markets and policies. Alliances in accelerating sustainability have thus challenged traditional political, economic and social structures, while creating a more just and sustainable pathway towards green transformation.

#### **4 Conclusion**

State–market–society dynamics unfold differently in different contexts, through specific forms of alliance. The REDD+ example reflects how alliances associated with accelerating sustainability may establish new green markets, thus installing a model of financialization of nature, whereby 'those exerting power over the markets play them with loaded dice' (Fairhead *et al.* 2012). On the other hand, the Kenya example shows us how low-carbon transformation in Africa is subject to the political economy of the tripartite relationship between state, markets and society. Variation in progress in both examples often depends on the technical, institutional, financial, and above all, political will to



achieve the desired progress. The social and political negotiation of sustainability transformations will therefore always be complex and contested, compounded by uncertainties, ambiguities and forms of ignorance (Stirling 2008) around patterns and trends in environmental change. Attention to how alliances form, and the specific ways they emerge in different contexts, nevertheless generates the possibilities of lesson-learning across issues and places, towards building pathways to sustainability that also work for social justice.

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