

Flourishing Scotland Project Report, January 2017

Introduction

The Flourishing Scotland project was implemented by Scottish Environment LINK's Economics Group, with a grant from Friends Provident Foundation, between Jan 2014 – Dec 2016. There are number of published outputs from this project which are linked to the relevant sections of these web pages and listed here ([link](#)).

Context and background to the project

LINK members became increasingly aware of the importance of engaging in economics as environmental objectives and concerns were often being sidelined by economic policies. In 2011 LINK established its Economics Group, aiming to influence the economic debate in Scotland and in 2012 LINK commissioned a report to articulate the network's position with regard to its view of a successful Scotland. The report, [Environment and the Economy, Helping Scotland to Flourish](#) challenged the Scottish Government regarding its emphasis on sustainable economic growth and GDP. Other pieces of work of particular relevance to the context of the project include the [report](#) by the Commission on the Measurement of Economic Performance and Social Progress by Stiglitz, Sen and Fitoussi, and [Shifting the Dial](#) and [More than GDP: Measuring what matters](#) by Carnegie UK. In 2007 the Scottish Government adopted the National Performance Framework, an outcomes based approach providing both aspirations to guide policy development and indicators against which to measure progress. In 2013 a Government led roundtable was set up to review the National Performance Framework on which LINK was invited to sit. The Flourishing Scotland project emerged in this space, to enable the LINK Economics Group to work to improve the NPF and increase its profile and effectiveness and to influence Scottish economic debate. The main areas of work were

- Our Narrative on the Environment and the Economy ([link to page](#))
- National Performance Framework and beyond GDP ([link to page](#))
- The Circular Economy ([link to page](#))
- Thinking about transition ([links to page](#))

List of Flourishing Scotland Project outputs

Published briefings/reports/evidence/consultations

- *Environment and the Economy: Helping Scotland to Flourish* (2012)
- *Scotland and the Carbon Bubble* (2014)
- *Revising Scotland's National Performance Framework* (2014)
- *A Revised NPF: Ideas for structure and indicators* (2015)
- *The Circular Economy: Implications for the Environment Movement* (2016)
- LINK response to *Making Things Last: consultation on a more circular economy* (2016)
- *LINK EG comment on EU Circular Economy Package* (2016)
- *LINK response to APD consultation* (2016)
- Comment on Draft advice on net economic benefits and planning (2016)
- LINK Briefing on the Economy (2016)

- Letter in support of Scottish Renewable's call for sustainable Energy Innovation Centre (2016)
- Evidence to Economy, Jobs and Fair Work Committee (2016)
- Consultation response to City Region Deals (2017)

Press releases and articles

- Regular press releases that coincide with GDP figure release
- Blog: *Does GDP measure what really matters* (2015)
- Friends of the Scotsman article: *The Government should learn that happiness is not all about money* (2016)
- *SE LINK welcomes Scottish Government Indicators for assessing the state of our environment* (2016)
- *Circular Economy policies should target cuts in resource use* (2016)
- Blog: *A Sustainable and Low Carbon Scottish Economy: views from LINK Economics Group conference* (2016)

Internal reports for Economics Group and LINK members (available on request)

- *GDP and its flaws*
- *Sustainable development and its relationship to other concepts*
- *NPF/Scotland Performs and related areas*. This paper covers the broader context of the National Performance Framework and other initiatives that seek to assess wellbeing and sustainability.
- *Economic policies and LINK*. This paper looks at a range of economic policies and instruments and how they affect the environment and discusses areas where LINK taskforces are engaging in economic debates.
- *Ecosystem Services and Natural Capital: what they are, applications and concerns*.
- *Biodiversity Offsetting: a discussion paper*
- *Using the National Performance Framework*
- *Approaches to Economic Analysis*
- *Business engagement – experiences and lessons*

Workshops/conferences

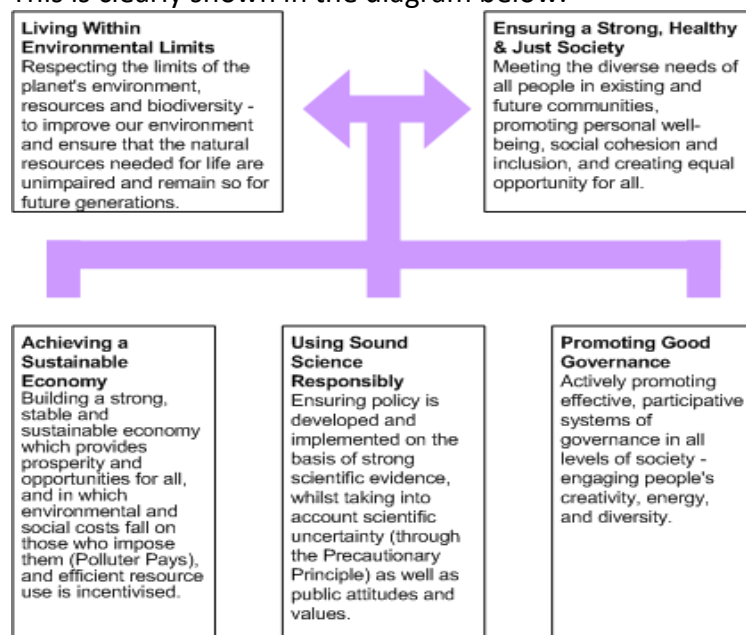
- ***Economic Policy and the Environment: Opportunities for LINK***, Feb 2015. This workshop was mainly for LINK members and explored the range of interfaces between economic policy and LINK activities and looked specifically at whether and how the concepts of ecosystem services and natural capital might be useful tools to LINK members. Agenda and slides can be accessed at [Economics Policy and the Environment – Agenda and slides](#)
- ***Tools for Transition: Filling the investment gap***, Dec 2015. This event was for interested organisations/individuals as well as LINK members. Presentations discussed the investment needed in order for Scotland to transform its economy and various ways in which that investment might be raised. Agenda, note of meeting and slides can be accessed at [Tools for Transition – Agenda and Slides](#)
- ***A Sustainable and Low Carbon Scottish Economy: What needs to change and how***, Nov 2016. Presentations covered the impact of current production and consumption patterns and what is wrong with the way we view and run our

economy. A panel discussed the opportunities and constraints in moving towards a sustainable economy in Scotland and breakout sessions looked at some of the approaches already being used that can help steer our economy towards one that is more sustainable. Conference report, agenda and slides are available (add links).

Our Narrative on the Environment and the Economy

The relationship between our economy, wellbeing and the environment - The principals and hierarchy of Sustainable Development.

Our economy is a means to wellbeing and needs to operate within environmental limits. This is clearly shown in the diagram below.



Taken from: *One Future Different Paths - The UK Shared Framework for Sustainable Development*

This hierarchy and the relationships between our economy, wellbeing and the environment need to be reflected in the way in which policy areas interact with each other. In Scotland, the Economic Strategy sits above other policy areas, contravening the above and is often viewed as an ends in itself, forgetting its purpose of contributing to wellbeing or the imperative of remaining within environmental limits.

We are not living sustainably and are breaching environmental limits.

Research by [Oxfam](#) shows that in Scotland we have broken six of the nine planetary boundaries; air quality, phosphorus cycle, ocean health, nitrogen cycle, land use change and climate change. Human induced climate change is widely recognised and international efforts are underway to address it. Recent [work](#) by James Curran worryingly shows that biomass decline means that carbon sequestration rates have begun to fall; exacerbating the climate change impact of carbon emissions.

Our economic system is part of the problem. It is not environmentally sustainable and it is driving environmental degradation.

Since the 1970s many Western governments, particularly the USA and UK, have been pursuing a particular form of capitalism, neoliberalism, under which the role of the market and the benefits of free trade are elevated and the function of the State is reduced. This extreme free market thinking is one of the main causes of environmental degradation. The economic system has demanded a steady rise in the throughput of raw materials and has coincided with accelerated environmental impact and can be directly linked to human induced climate change. Our quest for continuous economic growth, fuelled by a culture of consumption, means that we are consuming three times our fair share of natural resources.

Our economic system is also not very good at increasing wellbeing for the majority.

Inequality has increased with many people not feeling any benefit from economic growth, explained by [Maxton, G \(2016\)](#). What is more, [evidence](#) shows that economic growth is not linked to increases in life satisfaction once a certain level of GDP per capita is achieved.

We need to manage our economy differently.

The economic system needs to both recognise that it relies on a healthy and robust environment, and that economic activity should produce socially useful goods and services and provide decent jobs and fair incomes. The concept of a Circular Economy has gained interest recently. A more circular and sustainable economy has the potential to generate [jobs](#) and [economic activity](#) as well as reduce [environmental impact](#). Economic decisions need to be informed by environmental impact and work around natural capital is developing approaches to do this, such as the [Natural Capital Protocol](#). After all, as Stern's well known review of the Economics of Climate Change tells us, it will cost society much more to mitigate the effects of climate change than to reduce our carbon emissions to sustainable levels.

We need different measures of progress.

We also need to use different indicators to measure progress or success. Currently Gross Domestic Product (GDP) is widely seen as synonymous with success, but GDP only assesses levels of economic activity, or how busy the economy is. It takes no account of whether it is socially desirable activity or the affect it is having on the environment. As Simon Kuznets, the creator of GDP, said *'Distinction must be kept in mind between quantity and quality of growth, between its costs and return, and between the short and the long term. Goals for more growth should specify more growth of what and for what.'* Joseph Stiglitz: *'Any good measure of how we are going must also take account of sustainability.'* The New Economics Foundation have [worked](#) on refining key indicators needed to reflect the different elements of progress and they suggest: good jobs, wellbeing, environment, fairness and health.

We need the Government to take action to manage a just transition.

There needs to be a strategy, with associated investment plans and skills development, to ensure that an active and planned approach is taken to moving the economy to one that is low carbon and sustainable.

Economics as a discipline needs to be reinvigorated with alternative and new thinking.

There is a growing movement, particularly amongst university student groups, such as [Manchester](#), which is challenging the orthodoxy. Kate Raworth's new book: Doughnut

Economics, explores this territory and suggests seven ways in which economics needs to change.

LINK's Economics Group developed a Briefing (link) on the Economy and Environment for advocacy.

National Performance Framework and 'beyond GDP'

Background

The [National Performance Framework](#) (NPF) was developed by the Government in 2007 and updated in 2011 and 2016. It is a tool to support the delivery of the Scottish Government's Purpose and priorities and is based on delivering outcomes that improve the quality of life for people in Scotland. It is considered an innovative tool that can be used to guide and evaluate policy and encourages partnership working across government. It is also seen as a 'beyond GDP' initiative, as it includes a number of targets and indicators covering different aspects of society, the environment and the economy. A background paper on the NPF and related areas is available here. (need to publish this paper for public – currently members only)

The Framework sets out the Government's *Purpose*, supported by 8 high level *Purpose targets*, and *National Outcomes*, which together describe the Government's aspirations for Scotland. Fifty five *National Indicators*, covering areas such as health, justice, environment, economy and education with associated measures provide a means to assess progress. For example, by looking at the NPF, we can see that employment has been returning to pre-recession levels during the last three years, but underemployment rose between 2014 and 2015. The condition of protected areas has improved over recent years, but access to local greenspace has not.

The 2013 – 2016 review of the NPF

In 2013 a roundtable was established to oversee a revision of the NPF, on which LINK sat. It focused on three areas: engagement in parliament; presentation and awareness; and indicator coverage and public participation. LINK was involved in the subgroup looking at indicator coverage. The review was delayed significantly due to the Scottish independence referendum in 2014, concluding early in 2016.

During this period there were several developments to the NPF:

- The Outcomes approach was put into legislation in the Community Empowerment Scotland Act, 2015; ensuring it had longevity.
- Scorecards were developed to give Committees more performance information to be used in scrutinising draft budgets.
- A significant amount of time was dedicated to reviewing the indicator set which resulted in 5 additional indicators being published in 2016:
 - Reduce underemployment,
 - Reduce the proportion of employees earning less than the Living Wage,
 - Reduce the pay gap (gender),
 - Improve access to local greenspace,
 - Increase natural capital.

In addition, the *Solidarity Purpose Target* (which assesses income levels and income inequality) was improved, now using the Palma ratio to assess income inequality.

Although this review process concluded in 2016; the Scottish Government Performance Unit see improvement as an on-going process. There is an environmental indicator group, on which LINK sits, continuing to work on the development of environmental indicators. At the end of 2016, the roundtable reconvened under Derek Mackay, the new Cabinet Secretary for Finance and the Constitution, to oversee the review of Outcomes, as required under the Community Empowerment Act. At the time of writing this report, the public and stakeholder consultation phases of this review have been undertaken and their analysis is awaited.

LINK's position

LINK produced three briefings on the National Performance Framework. [Revising Scotland's National Performance Framework](#) (2014) was signed up to by 35 civic society groups from the social and environmental sectors. It called on the review to tackle the *Purpose Statement* and to recognise that economic activity is only one of several means to a flourishing Scotland. [A Revised NPF: ideas for structure and indicators](#) (2015) suggested that the NPF could be based on the principles and hierarchy of Sustainable Development. Finally, [Briefing on the National Performance Framework](#) (2017), a joint briefing between LINK, Oxfam and STUC, called for the review of *Outcomes* to include consideration of the *Purpose Statement*; for the NPF to be used more; and for investment in better data.

Scottish Environment LINK has the following position with regard to the NPF.

1. We welcome the NPF as an outcomes approach and a beyond GDP initiative.
2. We take issue with the wording of the Purpose Statement. *'The Purpose of the Scottish Government is to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth'* has been influential. All public bodies have been tasked with increasing sustainable economic growth. First, sustainable economic growth is only one means to *a more successful country, with opportunities for all to flourish*. There are other means, such as sustaining and improving ecosystem health, which should get equal attention. Additionally the term *sustainable economic growth* is somewhat confusing and much of the economic growth that is promoted is not environmentally sustainable. The Scottish Government's approach to delivering their *Purpose* is set out in *Scotland's Economic Strategy*, giving this supremacy over other strategies. This is totally at odds with the hierarchy of sustainable development, which puts living within environmental limits and societal wellbeing as the overriding aims, to be delivered through sustainable economic activity, good governance and sound science.
3. The NPF needs to be used more. Its use in developing coherent policy is of fundamental importance – departments and agencies must ensure their policies, as well as contributing to *National Outcomes* relevant to their area of work, are not undermining others.
4. There needs to be increased investment in data so that the indicators can be further improved. This is especially needed in the case of data to support environmental and

resource use indicators. For example, we do not have data to adequately assess ecosystem health or our consumption of raw materials.

Raising awareness about the limitations of GDP

In parallel, LINK has been raising awareness amongst the public about the limitations of GDP growth as an indicator of progress and the importance of other metrics. We issued a number of press releases (with some uptake) and articles (go to articles tab at bottom of [LINK economics group page](#)).

Reflections

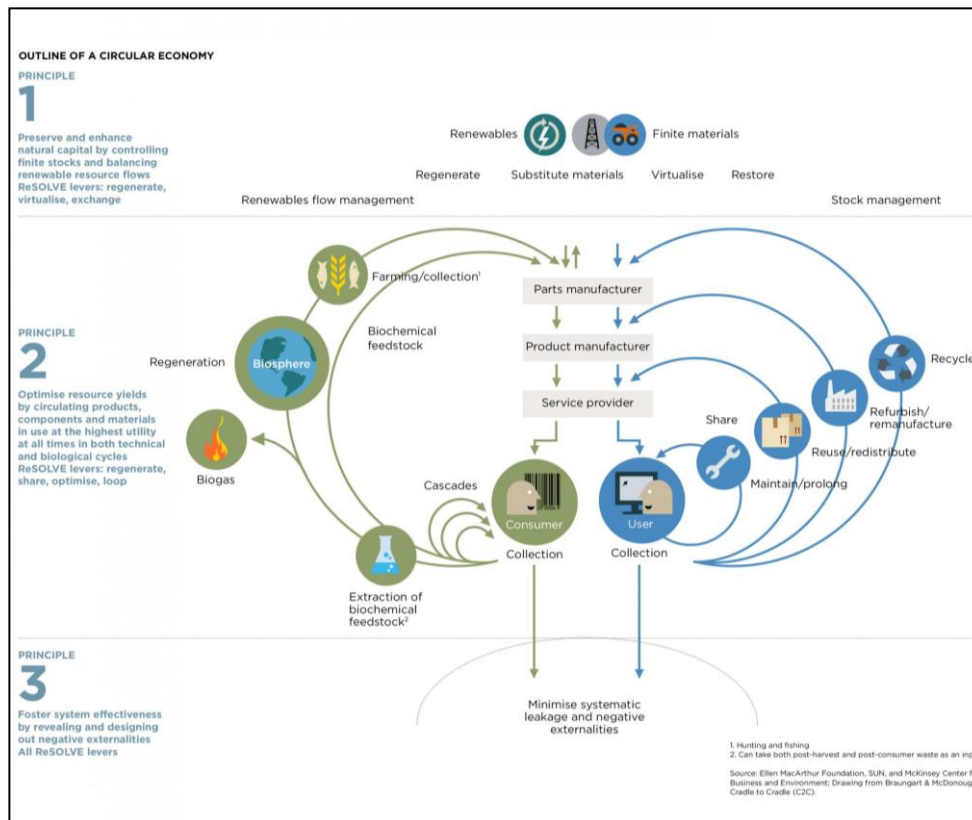
Ultimately, the results of the review (2013 – 2016) were somewhat disappointing. This was despite widespread support for LINK’s position and a real will from within the Scottish Government Performance Unit to improve the framework and to get it used more. Significant gaps remain in data and data quality, which severely hampers the ability of the framework to include comprehensive indicators, especially on the environment. The fact that the review did not include the *Purpose Statement* and that *Sustainable Economic Growth* has pervaded so much policy as a principle aim, is disheartening. LINK will continue to press for this to be reviewed and are asking for the current review of *National Outcomes* to consider the *Purpose Statement*, arguing that a new *Purpose Statement* should be derived from the new *National Outcomes*, once they have been developed.

In terms of increasing use of the NPF by Scottish Government, public agencies and by the Parliament; there has been some progress, but it has been rather piecemeal and faces challenges in some areas. Some SG departments, such as Justice and Regeneration and Housing, have embedded an outcomes approach into their policy development and it has been adopted by a number of agencies and publicly funded organisations. Although Committees welcomed the scorecards to use in budget scrutiny, they have tended to focus on a few indicators of their choice. Also, the presentation of the budget makes it difficult to assess against the NPF.

We were pleased to get some uptake of our press releases highlighting the limitations of GDP and noticed that, in general, there is increased interest in the press in wellbeing measures.

The Circular Economy

A circular economy (CE) is an alternative to a traditional linear economy (make, use, dispose) in which we keep resources in use for as long as possible, extract the maximum value from them whilst in use, then recover and regenerate products and materials at the end of each service life. The concept has been embraced by the EU and in Scotland, with Scottish Government winning a global award in 2017 for its work.



This diagram taken from Ellen MacArthur Foundation is widely used to show how the circular economy works.

The Scottish Government published its strategy on the circular economy, [Making Things Last](#) in 2016 and the concept is a significant part of the Manufacturing Strategy (2016) and mentioned in the Economic Strategy (2015). The circular economy features in the draft Climate Plan (2017) with regard to driving emissions reduction in business and industry. The Government agency, Zero Waste Scotland, is leading circular economy work in Scotland, with many reports and resources on their [website](#).

Circular Economy policy development

The Scottish Government requested LINK to contribute to the development of circular economy thinking in Scotland. LINK commissioned a study, [The Circular Economy: Implications for the Environmental Movement](#) which informed our response to the SG consultation on a more circular economy (2016). The resulting SG strategy on the circular economy, [Making Things Last](#), reflected some of our input and gave more emphasis to the environment.

LINK's position on the circular economy

LINK's report, [The Circular Economy: Implications for the environment movement](#), informed our position on the circular economy:

- LINK welcomes the Scottish Government's commitment to pursue a CE as a step in the right direction;
- The main aim of a CE should be a reduction in the impact that our economy has on natural resources and associated biodiversity;

- The material footprint (or raw material consumption) should be adopted as a key indicator;
- There should be comprehensive application of the concept across all areas of the economy;
- Policies and actions needed to move us to a more circular economy should be spelled out, committed to and resourced.

Reflections

The opportunity to engage in development of the SG CE Strategy was a valuable learning exercise and it is pleasing that some of our points were reflected in the SG final strategy. There is a Government commitment for a Circular Economy Bill in this parliament. It will be important that environmental NGOs press for overall reduction in natural resource consumption as part of this bill. Current targets in *Making Things Last* are to reduce waste and increase rates of recycling. Whilst these aspirations are positive, there is a concern that overall consumption of raw materials, and the associated environmental degradation, could still continue to rise without the target to reduce resource consumption.

Thinking about transition

LINK organised two events to explore how we might make a transition to an economy that is low carbon and sustainable. The first of these specifically looked at the investment gap and how investment into infrastructure and enterprises that offer social and environmental returns might be increased. Papers can be found [here](#). The second event was a larger conference organised in partnership with RSA Scotland and the David Hume Institute and included contributions from MSPs as well as individuals involved in policy and business. A conference report and other papers can be found [here](#) and a blog [here](#).

Member organisations are carrying out various work to push for changes in the economy. Friends of the Earth Scotland is focussing on divestment and investment, [campaigning](#) for pension funds to divest from fossil fuels and instead invest in enterprises that offer social and environmental returns. [Scottish Wildlife Trust](#) is working with the business sector, using the Natural Capital approach to encourage them to factor their impact and reliance on the environment into decision making. WWF Scotland has worked on encouraging Government to put capital investment into low carbon infrastructure, through [Scotland's way ahead](#).

Reflections

The events we organised were extremely well received. They were particularly successful in bringing diverse audiences together and in providing thought provoking content, and enhanced our own, as well as other's, understanding of the territory in which we are working. They bolstered our reputation with organisations and individuals outside the environmental movement and formed the basis of, and strengthened, relationships. These relationships need to be maintained and built on to further our work. The conference resulted in useful material which can be referred to in future briefings and papers. We have not had the capacity to follow up either event with specific pieces of work.