

The search for synergy: Business Environment Reform and Green Growth

A practical guide for policy practitioners



Green Growth Working Group
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Feedback is welcome and should be sent to coordinator@enterprise-development.org.

The DCED is a long-standing forum for donors, foundations and UN agencies working in private sector development, who share experience, identify innovations and formulate guidance on effective practice. The Green Growth Working Group (GG WG) aims to mainstream green and inclusive growth strategies in private sector development, while advocating for the importance of private sector development when implementing green and inclusive growth strategies in other areas of development cooperation. For more information on the DCED GG WG or to view the DCED Knowledge Page on Green Growth, including an online library with hundreds of resources, please visit the DCED website at: <http://www.enterprise-development.org/organisational-structure/working-groups/overview-of-the-green-growth-working-group/>

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1 Introduction and Summary Infographic

This practical guide is addressed to policy makers and development practitioners working on **Green Growth and Business Environment** Reform. Business Environment Reform (BER) and Green Growth (GG) are both important parts of and strategies for sustainable development of emerging economies. While these two policy domains have their own core objectives and implementation strategies, there is a high potential for bringing out synergies but also to mitigate risks of trade-offs.

This purpose of this guide is to **support program designers and managers at donor agencies, policy makers, development practitioners and evaluators in leveraging these synergies and avoiding trade-offs**. The guide is meant for professionals working on BER and/or GG and those wishing to include elements and synergies in related policy areas.

This guide has three main sections and a number of annexes:

- **Section 2: Setting the Scene:** Introduction to the key concepts of BER and GG, where these areas meet and how they link to the Sustainable Development Goals.
- **Section 3: Synergies and Trade-offs in theory and practise:** What kind of synergies exist between BER and GG? What does our program review reveal about current best practises and lessons learnt of how to promote synergies and limit trade-offs between BER and GG? How can we summarize these findings in a practical tool?
- **Section 4: Tools and guidance in the program cycle:** Presents practical advice for key parts of the policy cycle and how to use the tools presented in Section 3 in practice
- **Annexes:** Presents further reading, overview of the programs reviewed and the case studies carried out, descriptions of relevant instruments with a potential for synergy, and the annotated template used to develop case studies.

This guide is part of a larger review comprising a series of empirical case studies and an extensive analysis of theory and practise of relations between BER and GG initially commissioned by the Green Growth and Business Environment Working Groups of the Donor Committee on Enterprise Development (DCED) in 2014. Those interested in more detailed account of case studies and in-depth analyses are encouraged to consult the annexes to this guide as well as the full reports and case studies developed throughout the study, available on the DCED website..

About the DCED: The Donor Committee for Enterprise Development (DCED) is the global forum for learning, from experience, about the most effective ways for creating economic opportunities for the poor by working with and through the private sector. The DCED's 22 member agencies have developed a substantial body of knowledge and evidence about effective approaches – as summarised on the [DCED website](#).

What is Green Business Environment Reform

Seeking synergies between GG and BER should be considered in the wider context of sustainable development, in particular the 2030 Agenda and the Sustainable Development Goals (SDGs).⁷ By building on these two perspectives, GBER can support better design and implementation of projects aiming at achieving SDGs.



Business environment reforms are policies, programmes and regulations that aim to reduce the cost of doing business, reduce business risks and facilitate the opening and creation of markets.

Green Business Environment Reform - or GBER - is a policy field which lies at the crossroads between Business Environment Reform and Green Growth.

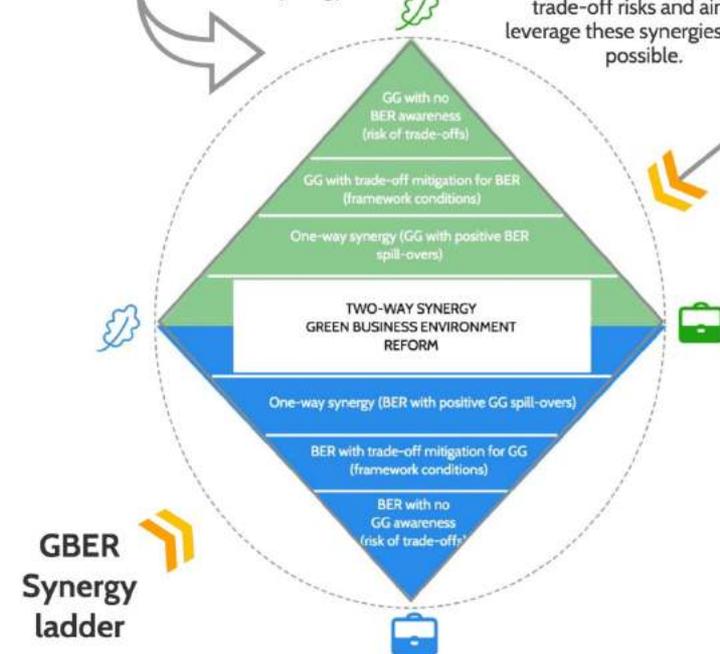
Green growth programs and policies are aimed at achieving economic growth that is environmentally sustainable.



These two main objectives, environmental sustainability and private sector development through business environment reform suffer from **trade-offs**, but can also benefit from **synergy**.

Policy makers and donors should be conscious of these trade-off risks and aim to leverage these synergies where possible.

The DCED Green Growth & Business Environment Reform Synergy Guide provides key tools to identify the potential for synergy.



8 Steps to enhancing the GG BER nexus

PROGRAMME SCOPE

- 1 Assess relevance of developing BER-GG nexus
- 2 Identify needs & define the breadth of your ambitions

PROGRAMME DESIGN

- 3 Study design and policy mix options
- 4 Earmark resources for BER-GG activities
- 5 Involve BER and GG stakeholders

PROGRAMME IMPLEMENTATION

- 6 Adopt flexible governance and management scheme
- 7 Acquire the right technical expertise

PROGRAMME MONITORING AND EVALUATION

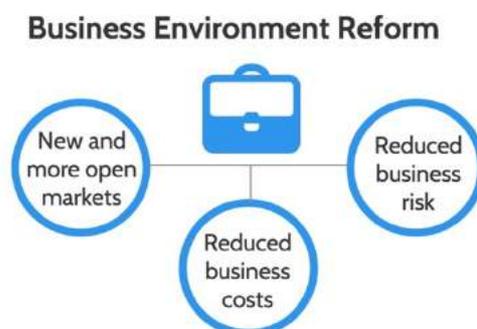
- 8 Develop BER-GG Key Performance Indicators & evaluate the BER-GG nexus

2 Setting the scene: Business Environment Reform and Green Growth

2.1 What is Business Environment Reform?

The Donor Committee for Enterprise Development (DCED)¹ defines the **business environment** a **complex of “policy, legal, institutional, and regulatory conditions” that govern business activities**. This also includes the administration and enforcement mechanisms established to implement government policy as well as the institutional arrangements that influence the way key actors operate. If one were to add the notion of ‘reform’ to this definition, BER comprises **strategies, processes and their respective enforcement mechanisms** through which business environment is improved. It is important

to keep in mind that BER is a process and not a single event. As such, one of the key conditions for success is the existence of necessary capacities among involved stakeholders to manage reforms over the long term.



Poor policy, legal, institutional, and regulatory conditions decrease the incentives of firms to invest, impose significant operational costs, and limit their ability to grow. In addition, poor business environments also tend to have a disproportional negative impact on women-owned businesses, which are more likely to remain informal².

Supportive business environments in developing countries can result in increased investment and innovation in the private sector, and the creation of more and better jobs. As a result, business environment reform is a priority for development agencies and governments as part of their efforts to ensure inclusive growth and poverty reduction.

This is achieved through three simplified strategic objectives:³

- **Reducing the cost of doing business:** to decrease operational costs and increase profits that contribute to increased investment, competitiveness and increased market share;
- **Reducing business risks:** to improve the quality of government policies and regulatory frameworks, establish stable regulatory and legal framework that reduces investment risk and builds investor confidence; and
- **Providing incentives for market entry:** to provide incentives for business to enter new markets and increase their competitiveness.

¹ DCED (2008) “Supporting Business Environment Reforms: Practical Guidance for Development Agencies”.

² DCED Donor Guidance on Business Environment Reform.

³ ibid

2.2 What is Green Growth and what types of policies support it?

There are various definitions of what is considered Green Growth (GG) in the literature as well as among DCED member agencies. DCED defines it as **economic growth that is environmentally sustainable**. More generally, GG implies an alignment between economic development, environmental protection, and social progress⁴. It aims to harness the benefits of continued economic development while preventing further damage to natural resources. It is important to note that this guide focuses on the environmental aspect of green growth, not the inclusive/social aspect which is sometimes included as part of an 'inclusive green growth strategy'. Inclusiveness and environmental sustainability have their own internal synergies and trade-offs, and are not part of the scope of this guide.



One of the assumptions underpinning GG is that environmental sustainability requires a healthy economy and a buy-in from business. The **active participation of the private sector is needed to achieve environmental goals** (e.g. mitigation of climate change, reduction of waste and toxic emissions, resource efficiency). Businesses have a key role in developing and implementing clean, resource-efficient and low carbon processes and new products and services. Engaging in GG may be a challenge especially for SMEs in the developing world, it also presents an opportunity⁵. For instance, improved resource efficiency can reduce operating costs, green sectors such as renewable energy provide new markets and sustainable sourcing of inputs decreases supply chain risks.

2.3 Where BER and Green Growth Meet

Despite having differences in scope and objectives, the concepts of Business Economic Reform (BER) and Green Growth (GG) are aligned in their emphasis of the key role of economy and business actors in achieving wider positive impacts for society and, in the case of GG, environment. Figure 1 represents the overlapping area between BER approaches and policies for GG. This is where potential synergies can be realized, referred to as GBER.

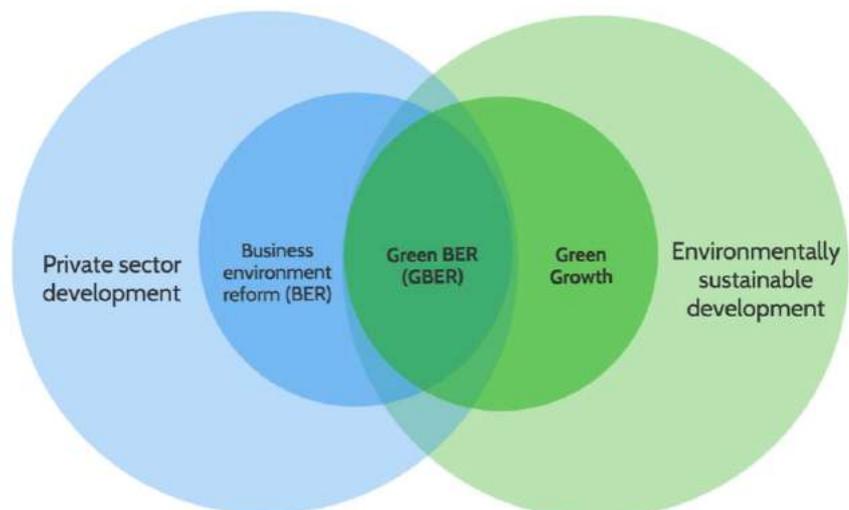


Figure 1 Positioning BER and Green Growth

⁴ Savage, M. (2014) Scoping Green Growth Challenges and Opportunities in South Asia. DFID

⁵ DCED, "Green Growth", Available at: <http://www.enterprise-development.org/page/greengrowth>

The sections before show that BER and Green Growth have different perspectives, even though in practice key objectives often overlap in the area of sustainable development. The Table below (Figure 2) shows how BER and Green Growth can complement one another. Chapter 3 focuses on potential synergies but also the risk of trade-offs in a greater detail.

Figure 2 How BER and GG perspectives are complementary

What does Green Growth bring to BER?	What does BER bring to Green Growth?
<ul style="list-style-type: none"> Green Growth programs often help to create and unlock new markets, such as clean technology, renewable energy A focus on long-term sustainability and access to resources helps to provide medium-term security for firms. Efforts towards resource efficiency lower costs and improve profitability for firms A stronger perspective on the political economy of a country, bringing in externalities and potential new economic activity on the table, not just incumbent actors 	<ul style="list-style-type: none"> BER brings a focus on structural change through regulatory and policy reform, greatly enhancing the sustainability and scalability of a GG initiative BER focuses on unlocking the resources, creativity and innovation power of the private sector, which can provide leverage for public goals BER has a strong perspective on real alignment of incentives and understanding of the pitfalls of badly designed regulation. BER can contribute to reallocating subsidies and adjusting taxes to reflect real costs to the environment, spurring GG.

Seeking synergies between GG and BER should be considered in the wider context of sustainable development, in particular the **2030 Agenda and the Sustainable Development Goals (SDGs)**.⁶ By building on these two perspectives, GBER can support better design and implementation of projects aiming at SDGs. Figure 3 below outlines selected examples of how SDGs may benefit from these synergies, even in areas outside the usual scope of BER or GG.

Figure 3 Can GBER contribute to SDGs? – selected SDG Targets

SDGs	BER	GG	GBER
2 Sustainable Agriculture	+	++	BER can align subsidies, enhance penetration of farm inputs supplies and improve market access for organic agriculture
6 Clean water and sanitation		++	S - BER can provide incentives for environmental technologies to deployed
7 Affordable and clean energy	+	++	S - BER can support developing energy markets provide favourable framework conditions for renewable technologies to diffuse and to improve access to energy S - GG can bring about better energy infrastructure ensuring stable access to affordable and clean energy
8 Decent work and economic growth	++	+	S - GG can offer new high quality jobs and sustainable growth opportunities
9 Industry, innovation and infrastructure	++	++	S - GG can provide innovative green infrastructures, processes, products and services for sustainable growth
12 Responsible production and consumption	+	++	S - BER can support developing and implementing legal frameworks supporting responsible practices (e.g. polluter pays principle)
13 Climate action		++	S - BER can support developing market incentives (e.g. carbon price) for low-carbon technologies to diffuse
14 Life below water		++	S - BER can provide incentives for environmental technologies to diffuse
15 Life on land		++	S - BER can provide incentives for environmental technologies to diffuse

⁶ <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

Legend: ++ primary focus, + relevant objective; S – synergy potential

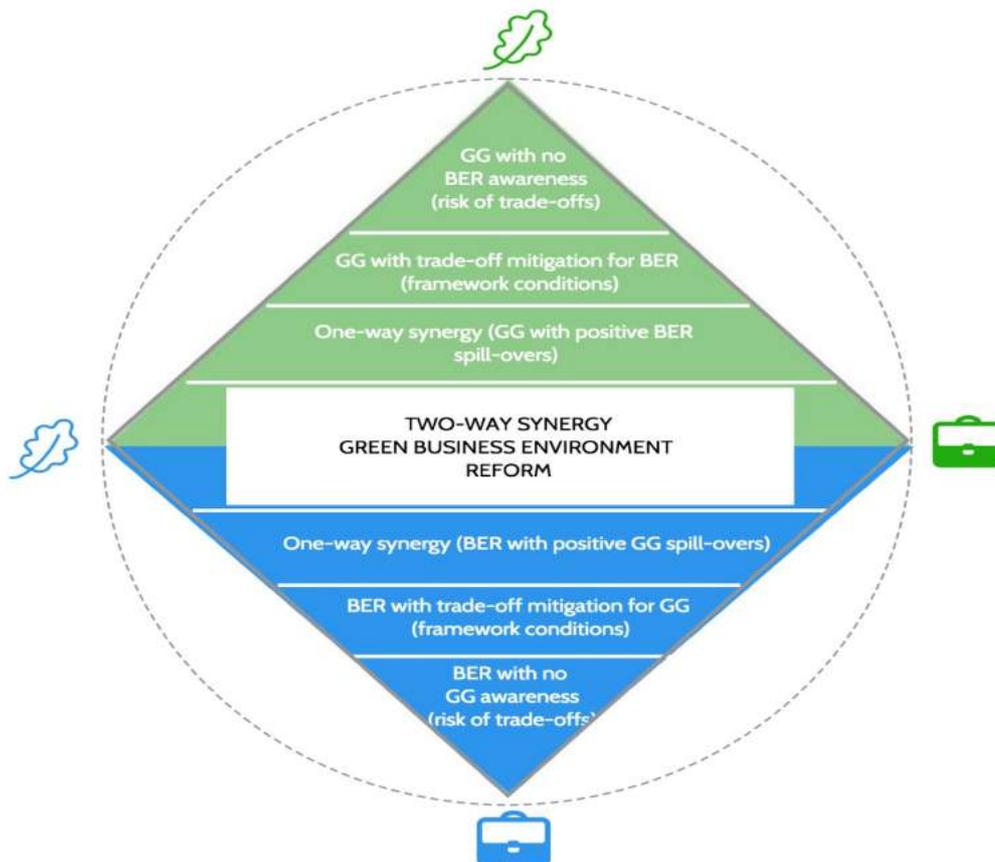
3 BER-GG Nexus: Synergies and Trade-offs in theory and practice

3.1 When BER and GG meet: Synergies and Trade-offs in theory

The previous chapter discussed how BER and GG can be defined in terms of their *objectives & impacts*⁷. When thinking about synergies between BER and GG, it is important to stress that it is crucial to think in terms of *de facto* interactions, even when expected outcomes are not *included with so many words* in the program logic. **We recognize four additive levels of coordination, together making up the ‘synergy ladder (see figure):**

- 1) No consideration (Risk of negative trade-offs)
- 2) Mitigate Trade-offs (Ensure Framework Conditions)
- 3) Positive Spill-overs (One-way Synergy)
- 4) Integrated Approach (Two-way Synergy)

Figure 4: The BER-GG Synergy Ladder



The first level describes situation in which there is **no deliberate consideration of synergy** between BER and GG. This may lead to negative trade-offs when the lack of coordination leads to conflicting objectives risking lower effectiveness of projects and programmes (e.g. overriding focus on short-

⁷ Organizing these areas by objectives is more consistent than by ‘instrument type’, as many instruments are used in either area for different purposes.

term economic growth may lead to overconsumption of natural resources leading to aggravation of environmental and social situation in medium- and long-term).

The basic level of coordinating action can focus on **mitigating trade-offs** of a specific program or policy, by including a minimums level of framework conditions. This is similar to a ‘do no harm’ principle. For Business Environment Reform programmes, this might mean including an environmental impact assessment in the program design phase, or to exclude specific particularly damaging economic activities from a program’s scope. From a Green Growth side, this might mean an ex-ante impact assessment of the costs for small businesses of new regulation, or the inclusion of SMEs in the program’s governance structure.

More ambitious, in terms of synergy, is to design for achieving **positive spill-over effects** on the other area. While programs remain primarily focused on BER or GG, they are designed to achieve a positive contribution to the other policy domain, as a ‘bonus’. For a BER program, this might mean to reform licences and permit procedures in such a way that also allows green start-ups are more likely to qualify. For a GG program, this could for instance mean that new zoning measures to protect natural capital (e.g. rainforests) are conducive to formalization and professionalization of neighbouring economic actors.

Finally, a **full integrated approach** with a synergetic design from the start is characterised by a design in which both type BER and GG objectives are pursued in a mutually reinforcing way. Examples could include an integrated landscape approach that creates new market opportunities through ecosystem service capitalisation, a shift to integrated permits and licenses that greatly reduce the regulatory burden on firms but also improve transparency and compliance of environmental standards, or improved industrial and environmental regulatory framework that leads to fair competition and better environment (e.g. polluter pays principle).

It is important to stress that raising ambitions in terms of synergy (going ‘up’ the ladder) is not always feasible, nor desirable. As such, it is not a purely normative scale, but all program designers should be encouraged to **at least consider their program’s performance in terms of synergy**.

3.2 Green Growth – BER Synergies and Trade-offs in practice:

3.2.1 Mapping of current practices

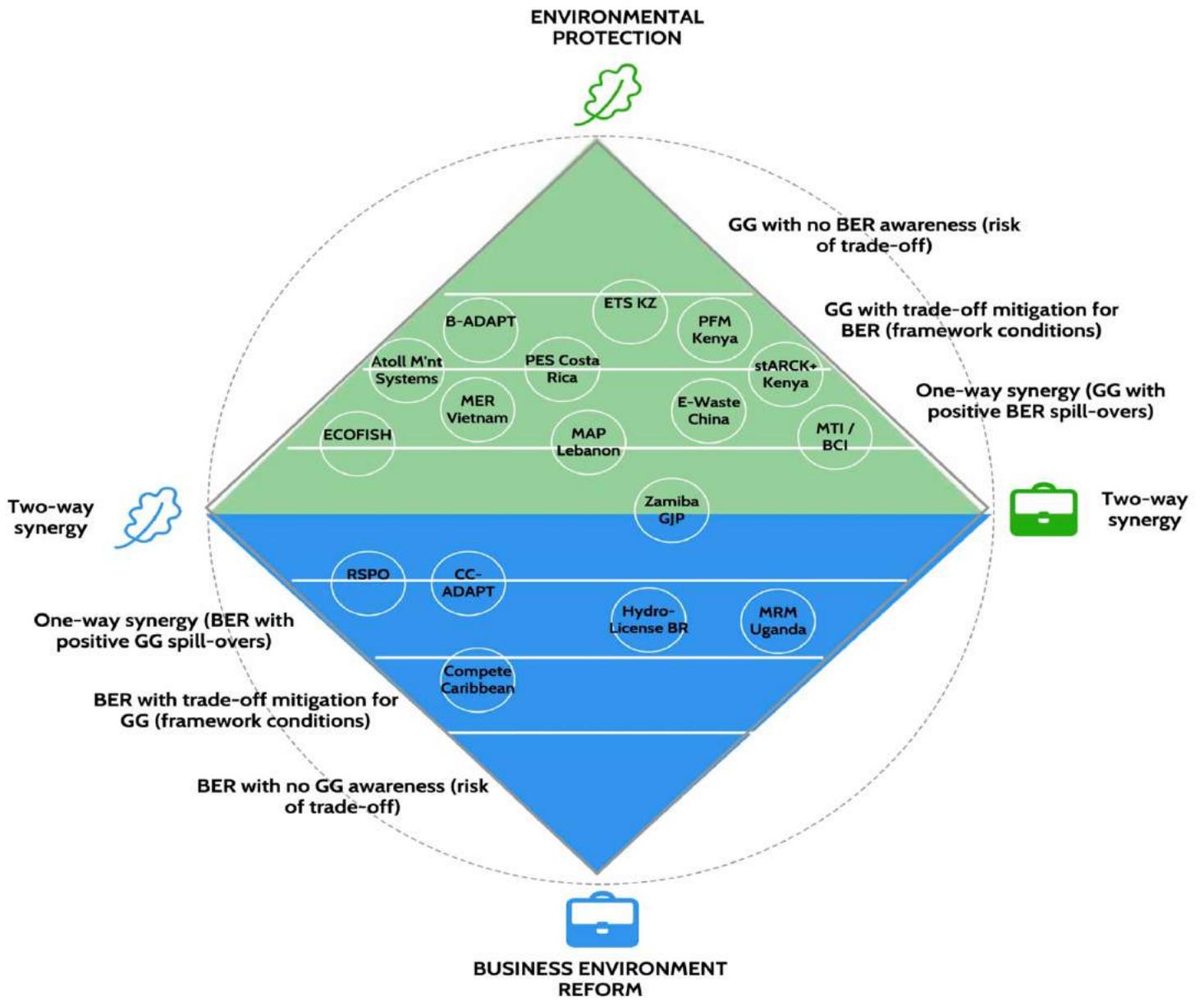
As part of a joint review, a broad analysis and mapping of current BER and GG programs was carried out⁸. These measures were also assessed in terms of their ambition in terms of the **synergy ladder** (see figure below). From this analysis, a number of key observations emerged:

- **Green Growth programs are currently more likely to explicitly incorporate BER elements than vice versa.** This is likely due to the fact that the green growth agenda has already broadened from a traditional exclusive focus on environmental sustainability.

⁸ As preparation for this guide, the study team carried out an extensive review of existing BER and GG programmes, projects and/or policies with a synergy potential. Working closely with the DCED Members, 67 relevant instruments across the globe and thematics were identified, of which 17 were analysed through interviews and desk-research, producing ‘instruments factsheets’. Subsequently, 6 cases were selected for in-depth case studies, with direct support of DCED member representatives from ILO, GIZ, GA Canada and Sida, with additional contributions from the UNDP. The results of the overall mapping analysis is presented in the Phase 1 report. Summaries of the individual in-depth case studies are available in Annex E.

- Many BER or GG programs make no explicit reference to objectives or mechanisms in the other area, but do so **implicitly**, sometimes using different language. Others make explicit references to presumed positive spill-overs without actually incorporating these into program design. This gap between explicit and implicit and de jure/de facto is striking.
- At the moment, **very few active programs exist that are truly synergetic**, but there is evidence that many new programs in this area are currently being developed.
- **Program instruments that were particularly likely to have a synergy element** include natural resource governance schemes (including payment for ecosystems); cleaner production; integrated permits/licences; green tax reform; property/land rights reform; energy efficiency regulation; waste & recycling etc.
- The visualization by using the ladder depicts a synergy-hierarchy of respective programme outcomes. Here is it merely used as a mapping tool. However, these Guidelines are also meant to encourage a more systematic analysis of the causes and effects of BER on GG, and vice versa. This should then inform a progressively more linked, if not fully integrated programme design.

Figure 5 Mapping of cases on the synergy ladder



3.2.2 Selected examples of synergy in our in-depth case studies

<p>Compete Caribbean Program (GA Canada/DFID/IDB)</p> <ul style="list-style-type: none"> • Objective: Improvement of the business environment for key sectors in 14 Caribbean countries, strengthening the innovation capacity of Caribbean firms and clusters. • Instruments: Compete Caribbean included three main pillars, including regulatory & policy reform; capacity building & knowledge sharing, and an enterprise innovation challenge fund. • Synergy & Trade-offs: While main objectives focused on the BER goals, Compete Caribbean explicitly sought to create potential spillovers and sought to prevent negative spill-overs through (ex-ante) environmental IA. • Best Practise/Lessons learnt: There is a clear need to have access to dedicated environmental specialists for a large BER programme 	<p>Zambia Green Jobs Program (UN/Gov. Zambia/MOFA Finland)</p> <ul style="list-style-type: none"> • Objective: Focused on a 'Green Jobs' approach in the construction sector, using a multifaceted intervention to create opportunities for green urban development • Instruments: Activities included the support of reform of building regulations, the development of standards, as well as training and dissemination activities • Synergy & Trade-offs: Design showed an integrated approach, leveraging BER for the promotion of new green sectors and gaining the support of the private sector. • Best Practise/Lessons learnt: Investing in a shared understanding during program design through stakeholder workshops was a success.
<p>Better Cotton Initiative (Global) (WWF, SIDA, SECO, IDH, GIZ)</p> <ul style="list-style-type: none"> • Objective: Improving the sustainability of the cotton supply chain (reduced resources uses, e.g. water). Focus on the 'biggest change' by focusing on the narrow, centralised parts of the value chain. • Instruments: Delivered through an industry collaborative platform with leading private sector players, voluntary certification, small-holder producer support. • Synergy & Trade-offs: Resource productivity improvements resulted in better profits for farmers while certified cotton production created additional market(ing) value on the consumer demand side. • Best Practise/Lessons learnt: Involvement of large multinational companies resulted in a large scale-up of the initiatives. However, the need to align with national regulatory and policy reform was underestimated at first. 	<p>B-ADAPT Cameroon (GA Canada)</p> <ul style="list-style-type: none"> • Objective: Forest preservation and income diversification of local populations in order to reduce deforestation and support climate change adaptation & mitigation. • Instruments: Activities included farmer fields schools, financial market development, input market supports. • Synergy & Trade-offs: Improved resource efficiency, better use of inputs resulting in higher field productivity increases incomes and reduces slash & burn practices. • Best Practise/Lessons learnt: use of international verified 'Model Forest' approach sped up design, but BER perspective could have been more prominently included;
<p>Payment for Ecosystem Services (Fonafio Costa Rica)</p> <ul style="list-style-type: none"> • Objective: Protection and improvement of the natural resource capital of Costa Rica through improving forest governance and stimulating reforestation. • Instruments: A mix of regulatory reforms, financial incentives for forest management and reforestation, and an eco-system services approach spanning several sectors, from agriculture, to energy generation and tourism. • Synergy & Trade-offs: Successful protection and reforestation did limit agricultural production to some extent at first, but capitalisation of the forest through tourism created a large new lucrative market for businesses. • Best Practise/Lessons learnt: Originating from a domestic drive and Using a wide stakeholder engagement approach, the PES system benefited from a high level of ownership, facilitating the transition to a new way of thinking and acting of nature preservation. 	<p>Fiscal Reform Vietnam (Min. of Planning & Investment, implemented by GIZ on behalf of BMZ)</p> <ul style="list-style-type: none"> • Objective: The goal of the development of a green growth strategy was to achieve a low carbon economy that leverages opportunities for economic development in green sectors • Instruments: A Green Growth Strategy at the macroeconomic level which was driven by the Ministry of Planning and Investment in Vietnam, supported by GIZ-experts • Synergy & Trade-offs: Strong focus on the opportunities given by sustainable consumption and cleaner production in terms of efficiencies and higher added value, as well as positive externalities. However, limited reflection on the (inherent) trade-offs with business environment. • Best Practise/Lessons learnt: Most important challenge and subsequent success of the programme was to develop a common understanding of green growth among different policy actors. A highly participatory approach and a focus on communication helped to achieve these goals
<p><i>Note: Cases are represented on the synergy ladder (see previous page)</i></p>	

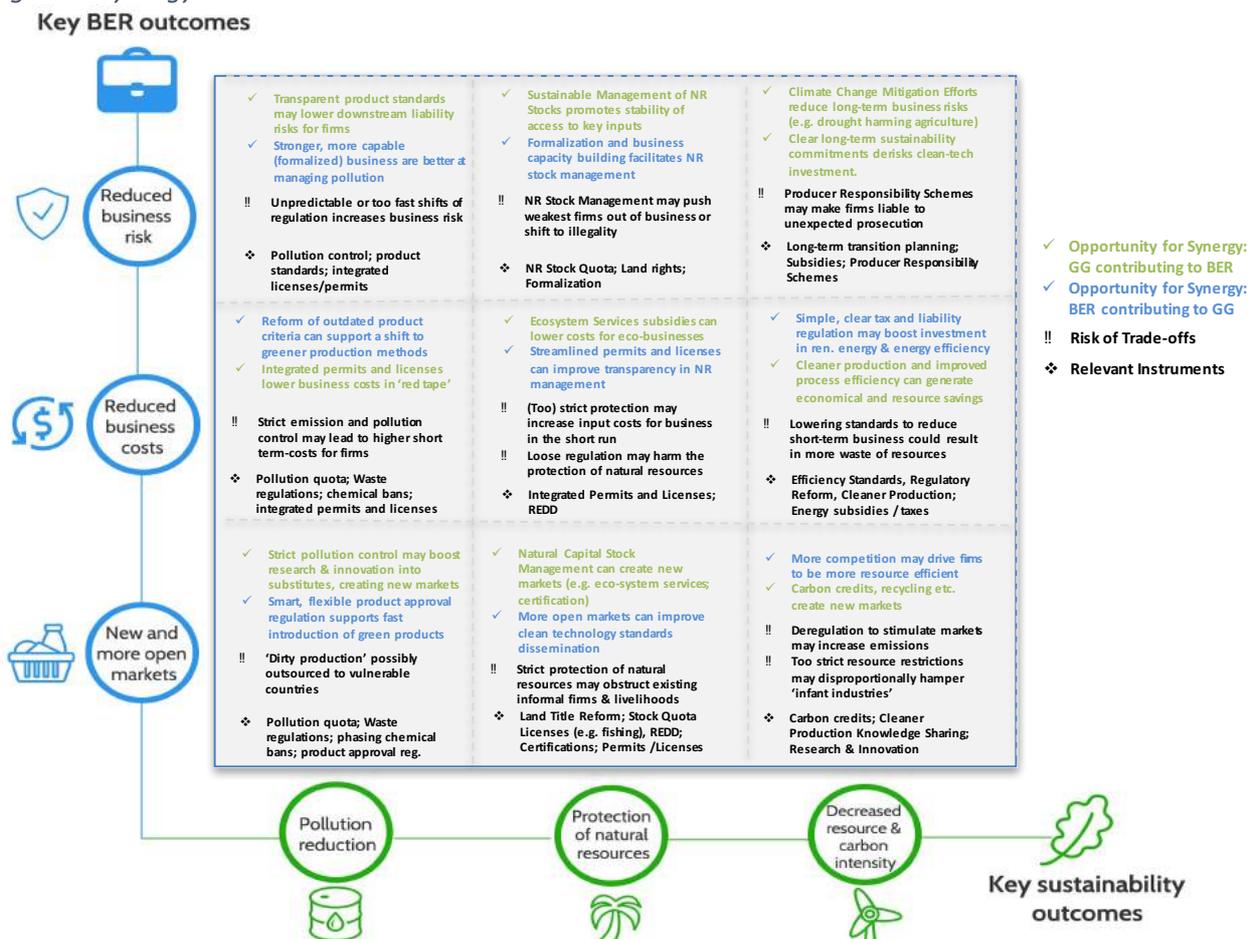
3.3 Key insights from theory & practise: The Synergy and Trade-off Map

Theory and practise show us that there is a **strong potential for better leverage of the opportunities that Green Growth and Business Environment Reform offer each other**. Our mapping and analysis of synergy and trade-offs between BER and GG in a large number of programs show that there are **many opportunities for one-way (spill-overs) and two-way synergies (integrated approach)**. Focusing on developing strong synergies has the advantage of having an attractive, positive message to which many stakeholders can relate.

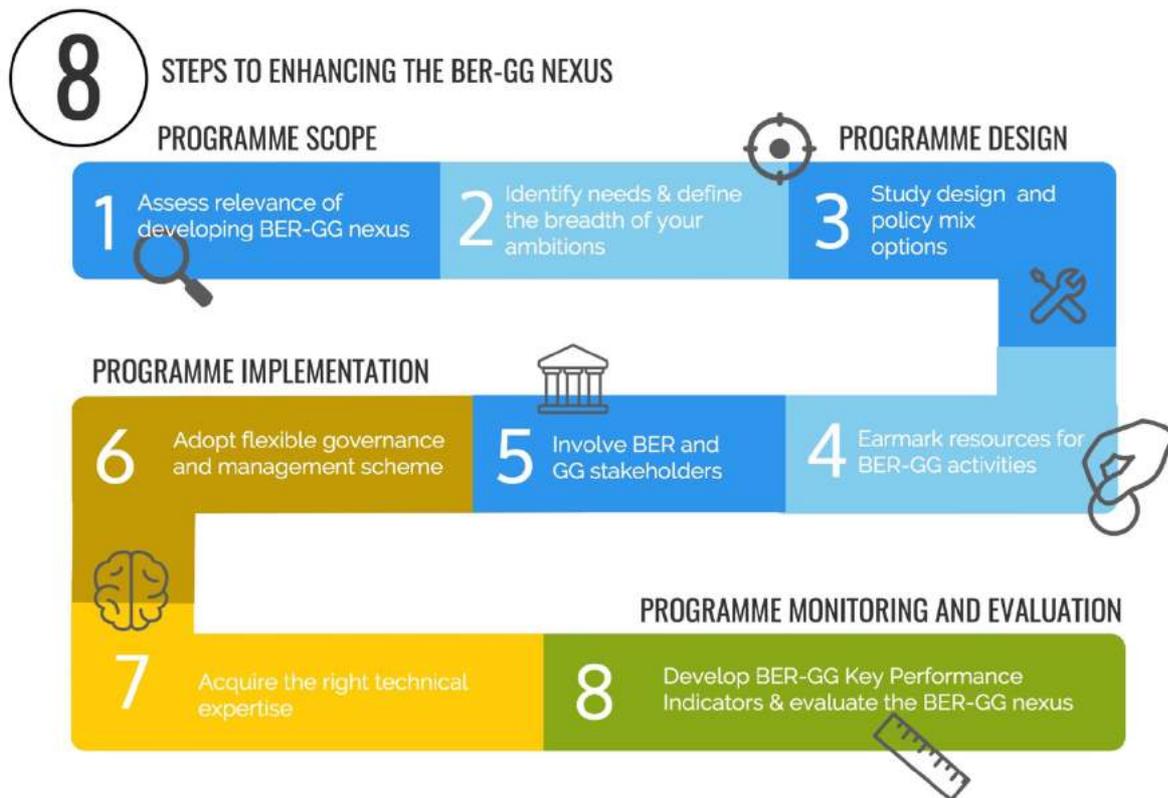
At the same time, **trade-offs are real and not always avoidable** and a full integration of objectives is not always the optimal choice. A flexibility in terms of synergy levels and an avoidance of too much (and too little) normativity would be needed. However, sometimes simple mitigation measures can address trade-offs in a substantial way and improve the overall net impact of a program – even beyond its core objectives – significantly.

The **synergy & trade-off map** presented below summarizes the main, most relevant synergies and trade-offs between key BER and key GG outcomes that were identified during our review of theory and practise. This map, which also identifies the **main relevant instruments** for achieving this synergy, can be used as a tool for program design (check-list).

Figure 6: Synergy Checklist Matrix



4 Practical implications: key considerations for program design and implementation



This section of the guide provides practical suggestions for policy makers and practitioners looking to strengthen the BER-GG nexus of their work (i.e. enhance the ‘green’ dimension of their BER work or strengthen the ‘BER’ component of their GG work). It includes guiding questions as well as key considerations to take into account during each step of the policy cycle. This guidance has been developed on the basis of the good practices and lessons learned from the case studies conducted as part of this project (cf. Appendix D). They should not be interpreted as normative guidelines for all types of programmes in the field of BER and/or GG, but rather as a set of consideration, suggestions and practical recommendations (or tips) for those aiming at a more ambitious, integrated design.

The main objective of this guidance is to allow programmes to identify what step of the synergy ladder they wish to position themselves at. It however does encourage all programmes to go beyond the ‘no-synergy’ level (top and bottom of the diamond) and to the extent possible, the ‘two-way synergy’ level (middle of the diamond).

PLANNING IS KEY !

One of the keys to enable the development of GG-BER synergies is making sure instruments and initiatives are planned and anticipated in a timely manner. Because of this, the programme design phase is crucial to ensuring the adequate conditions are established for effective cross-fertilisation takes place. Although certain measures can be taken after the programme is up and running, it is often difficult to inject the BER or GG dimension into a programme at later stages of implementation.

PROGRAMME SCOPE



1 Assess relevance of developing the GG-BER nexus as part of your policy initiative or programme



2 Identify needs & define the breadth of your ambitions



Not all programmes and initiatives need to actively pursue the goal of building a stronger BER – GG nexus. This **ambition should not be forced** into the programme, simply as a statement of political correctness.

Conducting a careful **needs assessment** in target countries / regions can help decide whether or not the programme should seek to build the BER-GG nexus, to what extent it should do so (i.e. synergy diamond levels), as well as what specific BER or GG **specific objectives** it could set out to pursue (i.e. pollution reduction, reducing business risk, etc).

If the BER-GG nexus is not relevant, programmes can still ensure the necessary measures are taken to avoid any harm is done on the opposite dimension (i.e. trade-off mitigation).



KEY QUESTIONS

- Should my programme actively pursue the goal of building the BER – GG nexus?
- What are the key BER or Green growth outcomes the programme should focus on? How do these relate to key developmental challenges in the target region / country?
- Does the promotion of BER or GG fit into the high level ambitions of my programme / programme donors / government?
- What should be the level of ambition of the programme given the institutional and technical capacities of programme managers and implementers?
- What lessons can be drawn from previous implementation cycles to help determine the breath of the programme's ambitions?



TIPS

USE THE BER-GG SYNERGY LADDER PRESENTED IN SECTION 3 OF THIS GUIDE TO THINK ABOUT THE LEVEL OF SYNERGY TO BE DEVELOPED UNDER YOUR PROGRAMME !

- The decision on whether to actively pursue the development of the BER-GG nexus can be taken with the **help of external experts and stakeholders** (i.e. BER, GG, public, private) who are knowledgeable on the subject. Bringing in external expertise could also prove useful to do some 'out of the box' thinking as to how the programme could tackle this challenge.
- Provide **explicit recognition of the GG-BER nexus in you programme's Theory of Change**, as well as the approach adopted by the programme (i.e. two or one-way synergy, trade-off mitigation).
- If building the GG-BER nexus is new to the programme (e.g. no prior experience in dealing with the issue), you should not be afraid to **'start small' or to take 'baby steps'** with the ambition of scaling their intervention in the medium-term.



If the BER-GG nexus is NOT relevant to your programme



KEY QUESTIONS

- Has the programme taken the necessary measures to ensure that no negative spill-overs on the environment or BER are generated as a result of its existence?
- Has the necessary environment or BER due-diligence analysis been conducted in order to identify potential risks and negative spill-overs?



TIPS

If a 'low or no synergy' approach is adopted, you can still mention BER or GG as a key framework condition for the programme in the Theory of Change. In order to ensure that no negative spill-overs are generated on either GG or BER you may conduct an ex-ante environmental or BER impact assessment of the programme, or environmental/BER due diligence of projects being supported.



GOOD PRACTICES

The **Zambia Green Jobs** programme decided to focus exclusively on the construction sector in order to generate tangible systemic change. This sector was selected based on a careful assessment of the specific needs of the country, and the potential benefits focusing on the sector could bring about in terms of employment, private sector development and sustainability. The choice of sector facilitated the strategic synergy between GG and BER to a significant degree given its economic significance and existence of high demand, as well as its relevance to key climate change mitigation measures

The **B-ADAPT** programme explicitly addressed bottlenecks identified in a value chain perspective, based on several agricultural product value chain studies. This is illustrated by one of its expected outputs which was to 'improve coordination into value chains and better access to markets and services for 2 000 smallholder producers'.

PROGRAMME DESIGN



3 Study programme design and policy mix options

4 Earmark resources for BER-GG activities



Opportunity for synergies
Risk of trade-off
Relevant instruments

Identifying the right types of **implementation tools and delivery options** is key to driving synergies and limiting trade-offs (e.g. the use of mandatory standards which leads certain firms to leave the formal economy). The use of dedicated policy tools is more likely to bring about more radical and lasting change. However, **no measure is too small** to enhance the link between BER and GG. As such policy gestures such as providing training to staff on BER or GG, or ensuring programme beneficiaries abide by local environmental rules and standards as a pre-condition to accessing programme support, can also make a difference.

Specific resources should be earmarked during the programme design phase to ensure that BER or Green Growth objectives are effectively pursued during the programme implementation phase (i.e. covering the costs generated from hiring additional staff or consultants, or enlarging consultation processes).

KEY QUESTIONS

- What policy instruments and delivery mechanisms are best suited for the programme to reach its intended goals ?
- Is there evidence generated through other programmes implemented elsewhere on what the best types of instruments are, in light of the objectives being pursued ?
- Have all possible design options been explored and assessed ?
- What additional expertise needs to be brought on board to effectively implement BER or Green Growth objectives and related activities ? How much is this expertise going to cost ?
- Is the programme equipped to monitor and evaluation BER or Green Growth objectives ? If not, what additional capacities need to be developed and at what cost ?
- Can the programme bear the cost linked to developing BER – GG nexus without considerably its capacity to deliver results on its core ambitions ?

USE THE SYNERGY MATRIX PRESENTED IN SECTION 3 OF THIS GUIDE TO THINK ABOUT THE POLICY DESIGN OPTIONS FOR YOUR PROGRAMME, ALONG WITH SYNERGIES AND TRADE-OFFS



Choosing what policy instruments and mixes to use in order to pursue your objectives can be done in part by looking at what other similar programmes elsewhere in the world have done. 'High potential' Green Business Environment Reform policy instruments include subsidies for positive externalities and public goods, integrated permitting and licensing, payment for eco-system services, and market information access measures.

GOOD PRACTICES

The **WWF Market Transformation Initiative** explored the use of different policy instruments and decided to settle on the use of voluntary standards. Despite initial scepticism due to a potential lack of stringency, this approach appears to be yielding positive results. The programme selected a policy tool which was immediately effective and offered the possibility of scaling, rather than immediately adopting the most ideal standards which were only likely to generate results in the medium term.

The **PES scheme in Costa Rica** is a mix of rules, regulations and rewards that invite stakeholders to respond to incentives and disincentives. The main instrument used by the programme are conditional payments which are used as an incentive to maintain and increase forest cover. However, additional complimentary instruments include property tax exemptions and land tenure measures, which were introduced as incentives for participation in the scheme, but have led to positive spill-overs in terms of BER.

5 Involve BER and GG stakeholders in the design of the programme

KEY QUESTIONS

- Which **local actors and stakeholders** can bring a fresh perspective on what the programme could achieve in terms of BER or Green Growth ?
- Are the **private and public sectors** adequately represented in the programme design phase ? Are environmental protection stakeholders adequately represented in the programme design phase ?
- Does the programme design phase **include ministries and government agencies from both the economic development and environmental protection** spheres ?

GOOD PRACTICES

The 'backbone' of the **WWF's Market Transformation Initiative (MTI)** governance scheme were the Multi Stakeholder Initiatives (MSIs) - roundtables. These are international networks of multi stakeholders and often consist of a very diverse group of constituencies around the supply chain of a specific commodity.



Donors have accumulated significant knowledge in terms of supporting GG and BER initiatives around the world, which you programme can capitalise on. Their experts and staff can provide valuable advice on how to improve the BER-GG nexus within your programme.

 **6** Adopt flexible governance and management scheme
7 Acquire the right technical expertise

Part of the programme's capacity to develop the BER-GG nexus will depend on its ability to **'learn by doing'**. Adopting a flexible governance and management scheme which is able to swiftly react to any unexpected negative outcomes, as well as to capitalise on early successes (i.e. learning) will contribute to setting in place a virtuous policy learning cycle. This may allow to update and modify the Theory of Change as you move forward in the implementation process. This is linked to the importance of monitoring and evaluation (cf. step 8).

Managing activities aimed at achieving BER-GG objectives requires **specific sets of skills and expertise**. You must ensure programme staff is capable of adequately implementing these actions. You can also bring in external expertise through procurement of external individual experts

 **KEY QUESTIONS**

- What is the degree of autonomy of the programme's main steering and management units in making substantive changes in programme budgetary lines and the programme's theory of change ?
- How often are steering bodies meeting to review programme performance ?
- To what extent can the programme's results framework be modified during its lifetime without generating concern among donors ?
- What are the skills and knowledge required to oversee the implementation of the selected policy tools ?
- Does programme staff require specific training or skills upgrading to be able to provide the necessary support to achieve GG-BER ambitions?



TIPS

The **direct involvement of donor representatives in programme governance and steering** bodies increases accountability and allows to build a relationship based on trust. This can in turn allow to (collaboratively) introduce changes to the programme without raising major concerns regarding its capacity to stay on course. In addition to building BER-GG objectives and performance indicators into the programme Theory of Change, your programme can also **develop a stand-alone document setting out the strategy it intends to follow to build the BER-GG nexus**. To the extent possible, BER-GG ambitions should be streamlined into all aspects of programme operations and implementation (e.g. project selection criteria, M&E, eligibility requirements).

 **GOOD PRACTICES**

Costa Rica's PES scheme is implemented by a dedicated agency called the FONAFIFO. The FONAFIFO is governed by a board composed of representatives from the ministry of the environment and the ministry of agriculture, public national banks and the private sector. The agency has continuously updated the programme's implementation strategy since the time of its launching. Improvements and alterations to targeting strategies (geographical and population), selection procedures, payments levels have been modified on a permanent basis, based on what could be described as a continuous feedback cycle facilitating the introduction of innovations and adaptations.

The **Zambia Green Jobs programme** regularly uses technical back stoppers from donor organisation headquarters as part of its governance and steering procedures. It also incorporated staff with hands-on private sector development experience which contributed to its capacity to get through to industry partners, as this staff understood the business perspective and spoke their language.

The Compete Caribbean programme hired an external environmental consultant who provided assistance in drafting the programme's sustainability strategy as well as in conducting project sustainability due diligence analysis. The sustainability strategy suggests mainstreaming sustainability into all aspects of the programme in order to increase environmental awareness and capacity in Compete Caribbean itself and with Caribbean governments; academia and the projects' private sector beneficiaries.

MONITORING & EVALUATION



8

Develop BER-GG Key Performance Indicators & evaluate the BER-GG nexus

Defining the right types of **Key Performance Indicators** may prove to be challenging and may require bringing on specific technical expertise on BER or GG and / or evaluation. There is always a **trade-off** to address when it comes to selecting indicators, **between the level of detail and robustness of data, and the time and resources** it may take to collect this data. As a result, the programme should seek to select indicators which can be measured and monitored at an **acceptable cost**. Given the emerging nature of 'green business environment reform' as a policy field, evaluating it may require tapping into specific expertise, which may come from outside the programme.



KEY QUESTIONS

- How is impact defined in the framework of the GG-BER ambitions of the programme?
- Can changes in GG-BER objectives be continuously measured by the programme at an acceptable cost?
- Who will be responsible for developing the M&E plan and strategy of the programme? Who will be responsible for carrying out evaluations?
- To what extent do donors expect to be informed of the programme's results in terms of strengthening the BER-GG nexus?



TIPS

Include specific evaluation questions on BER – Green Growth nexus as part of ex-ante, mid-term and final evaluations. Communicate on GG-BER results and achievements.

✓ GOOD PRACTICES

The **Better Cotton Initiative** has begun a randomized controlled trial in India to prove its impact along economic and social dimensions.

The **Compete Caribbean Programme** conducted one mid-term and one final external independent evaluations which both enquired into the environmental impact of the programme and its activities.

Appendix A Further Reading

DCED Review

- Repository of in-depth case studies: available at <http://www.enterprise-development.org/organisational-structure/working-groups/overview-of-the-green-growth-working-group/>

Other Guides & Key Policy Documents

- DCED (2008) “Supporting Business Environment Reforms: Practical Guidance for Development Agencies”
- Gray, E.; Talberth, J. (2011): Policies to Stimulate the Green Industry Transition. Paper prepared for the United Nations Industrial Development Organization. Url: <http://sustainable-economy.org/wp-content/uploads/Green-Industry-Policy-Brief-July-2010.pdf> (last request: 10.08.2015)
- Sterk, W., Mersmann, F. (2011), Domestic Emission Trading Systems in Developing Countries – State of Play and Future Prospects. JIKO Policy Paper 02/2011. Wuppertal Institute for Climate. Environment and Energy. Wuppertal.
- Savage, M. (2014) Scoping Green Growth Challenges and Opportunities in South Asia. DFID
- GIZ (2014). Environmental Fiscal Reform: <https://www.giz.de/fachexpertise/downloads/giz2014-en-environmental-fiscal-reform-case-studies.pdf>
- OECD Putting green growth at the heart of development (2013): <http://www.oecd.org/dac/environment-development/putting-green-growth-at-the-heart-of-development-9789264181144-en.htm>
- A Toolkit of Policy Options to Support Inclusive Green Growth <http://www.undp.org/content/undp/en/home/librarypage/environment-energy/toolkit-inclusive-green-growth.html>
- UNDESA (2012): A guidebook to the green economy. <https://sustainabledevelopment.un.org/content/documents/GE%20Guidebook.pdf> on 10 August 2015.
- OECD (2007): Guiding Principles of Effective Environmental Permitting Systems. Working Paper. Retrieved from: <http://www.oecd.org/env/outreach/37311624.pdf>, on 10 August 2015
- OECD (2009). Extractive Industries Value Chain. A Comprehensive, Integrated Approach to Developing Extractive Industries, The World Bank, Washington.
- OECD (2005): Guide to Environmental Fiscal Reform <http://www.oecd.org/greengrowth/green-development/34996292.pdf>

DCED On-line Policy Library: Please visit <http://www.enterprise-development.org> for an extensive repository of key policy documents, case studies, best practices and tools for development policy makers and professionals.

Appendix B Synergistic Instruments – Descriptions and Examples

Policy type	Description	Example
Subsidies for positive externalities and public goods	Introducing subsidies should encourage activities positive externalities, like innovation in green products. Subsidies can have different goals – for instance promoting energy efficiency, or supporting clean production in specific sectors. The actual subsidy instrument will need to be carefully tailored to the objective: for example, a financial transfer or grant might work better when delivered to a company for bringing a green product to the market whereas a tax break or credit might be more effective to sustain self-production of energy.	Kenya enacted the first Kenyan Renewable energy Feed-in-Tariff (FIT) which included wind, hydropower and bioenergy generated electricity in 2008 .
Reforms of subsidies driving resource depletion or reducing returns to green investments	When a subsidy reform is considered, it is essential that the expected short term effects – which are more likely to be a negative impact on production, consumption and employment – are weighted against the positive effects of levelling the playing field and reducing barriers to entry for green inputs and products on investment and technological change, which are likely to offset the former in the long term . Harmful and distortive subsidies can drive over-exploitation of natural resources, like in the case of fisheries, while reducing the returns of green investments, like in the case of subsidies to fossil fuels.	After several efforts, in 2005 and 2008 Indonesia successfully undertook two large fuel-price hikes and removed its fuel subsidies for large industrial consumers. .
Integrated permitting & licensing – including permits, licenses, certifications and standards	Integrated permitting and licensing allows to replace a number of individual licenses or permits with a single license or permit to consistently pursue a socially desirable goal such as climate change or protection the environment. There are three types of permits and licenses in the context of Green Growth include emission trading (e.g. to reduce the level of air pollution); tradable permits approaches for various resources, such as water supplies, water quality and fisheries; and land use, building and business licenses (e.g. communities that want to promote green industry may require, as a condition for obtaining a construction permit that their operations will be housed in facilities that meet the highest standards for green buildings).	In Ethiopia, environmental permits are required for any discharge into water bodies, collection and disposal of solid or hazardous waste, and for operating businesses that cause air or water pollution.
Property rights	Assigning property rights on specific resources responds to the idea that the right holder will have an incentive to protect and use the resource sustainably. Property rights are the heart of the institutional arrangements for the management of natural resources like water, land and forests. In these contexts, property rights can take the form of private property, common property or state property. These settings contrast to the lack of ownership and control which is referred to as open access.	Nepal introduced a Nepal Forest Act and Forest Rules to ensure the conservation of forests by various activities including improving land titling
Tradable permit schemes & Payment for eco-system services schemes	Tradable permit schemes and payment for eco-systems services schemes aim at establishing and administrating rights while creating the markets for their exchange. In a payment for ecosystems services scheme, “the user or beneficiary of an ecosystem service makes a direct payment to an individual or community whose land use decisions have an impact on the ecosystem service provision” ..Pollutant emissions are the most common object of a tradable permit schemes: permits are issued for the emission of the pollutant and allowed for trade, so that a common price creates an incentive to reduce abatement costs while these are equalised across the economy .	Costa Rica established a Payments for Environmental Services (PES) scheme in 1997 where landowners receive transfers in exchange for protection and sustainable management of forests, reforestation and regeneration.
Market information access	Instruments promoting access to market information are necessary so that a society takes responsible actions for the environment (e.g. management of natural systems, greening high impact sectors, influencing financial flows) . Under this large hat, the initiatives having a stronger BER components are education and training schemes, which aim at providing green economy skills; corporate environmental reporting, which aim at giving visibility to the actual environmental impact; and standard certification schemes, which help green producers being recognised in the market by environment-conscious consumers.	In Namibia, the Community Based Natural Resource Management (CBNRM) programme supports community-level management and monitoring of grass, veld products, wildlife and small-scale tourism. It also helps build institutional capacity for common property resource management .
Good governance	Public governance, which includes the effective capacity for formulating, monitoring, enforcing and evaluating Green Growth policies, is key for the success of BER/GG policies. This includes, in particular, developing policies to improve regulatory quality (e.g. ability to formulate sounds environmental policies), government effectiveness (e.g. improving capacity for enforcement of environmental policies), and voice and accountability (e.g. ensuring stakeholder participation, particularly at the local level, in the management of natural resources). In addition, there is also a key role to play by the private sector. When public governance is weak, the role of co-regulation or self-regulatory activities by industry, public-private partnerships, and voluntarism by individual enterprises is another route to ensure Green Growth.	Kenya introduced Participatory Forest Management (PFM) as a result of pressure from local forest-adjacent communities and civil society organizations
Taxes and charges on negative externalities	Corrective taxes are used to address the fact that individuals and firms do not take into account environmental damage or resource depletion in absence of property rights. The tax incorporates these impacts into a price. Similarly, a tax or levy can be imposed to recover the costs of the services provided by the government, such as water supply or waste management.	South Africa introduced a carbon tax Africa to reduce GHG by 34% in 2020 and 42% by 2025.

Appendix C Overview of Programs Reviewed

Name of Programme * In-depth Case Study Available	Country	Donor(s)	Type of program
Compete Caribbean Programme* (CCP)	17 Caribbean countries	GA Canada, DFID, IDB	Business Environment Reform, Private Sector Development, Cluster & Innovation Program
Green Jobs Zambia* (ZGJP)	Zambia	ILO, MOFA Finland	Comprehensive reform of the Zambian construction sector using a sustainability opportunity perspective.
Market Transformation Initiative, Better Cotton Initiative* (MCI-BCI)	World wide	SIDA, SECO, IDH, GIZ (on behalf of BMZ)	Developing a model for a sustainable supply chain in cotton and implementation using a voluntary certification scheme with key industry players.
B-ADAPT*	Cameroon	GA Canada	Productivity improvement program for the agriculture sector to combat deforestation.
Vietnam Macro-economic reforms (MER Vietnam)	Vietnam	GIZ (on behalf of BMZ)	Macroeconomic (fiscal) reforms to support the switch to a green economy in Vietnam.
Payment for Ecosystem Services (PES)	Costa Rica	FONAFIO (local)	Protection and improvement of natural resources program using a payment for ecosystems approach.
Round table for Sustainable Palm Oil	Indonesia	UNDP	Value-chain based approach that works with private and public actors to address sustainability issues in the palm oil sector.
Atoll Ecosystem Management & Coral Reef Conservation	Maldives	UNDP	Ecosystem Management Approach, Ecosystem Services Revenue generation
Ecosystems Improved for Sustainable Fisheries (ECOFISH)	Philippines	USAID	Fish stock management tools, capacity building, public-private partnerships
Revolving Water Fund	Philippines	USAID, JICA	Creation of revolving fund, utility credit system, public-private partnership
Congo Basin Forest Fund (REDD +)	DRC	NORAD/DFID	REDD+ fund that invests in preventing deforestation and support alternative livelihood creation
Medicinal and Aromatic Plants (MAP)	Lebanon	UNDP	Supporting the development of responsible aromatic plant industries
Environmental licensing scheme for hydropower	Brazil	National Government	New regulation that introduction environmental requirements for new hydropower projects
Participatory Forest Management (PFM)	Kenya	National government, MTN	Support of participatory forest management approaches
E-waste disposal fund	China	National government	Development of a tax-based removal fee on electronic product to fund electronic waste processing
Petrochemical industry in Emission trading scheme	Kazakhstan	National Government	Introduction of an ETS for the petrochemical industry
Mineral resource governance and capacity building	Uganda	AFDB, WB,	Capacity building project to improve (sustainable) exploitation of the mineral resources in Uganda
Kick-starting new products and business services for corporate climate change adaptation and energy efficiency measures in India	India	National Government/GIZ (on behalf of BMZ)	Creation of a new credit product to support energy efficiency initiatives, financial sector capacity building
Overgrazing in pastures, land degradation	Kyrgyzstan	UNEP	GEF-based land policy reform, training of pastoralists.
System of tradable Permits of Pollution in Santiago de Chile	Chile	National government	Nation-wide pollution trading scheme.
Strengthening Adaptation and Resilience to Climate Change (stARCK)	Kenya	DFID/NORAD	New national policies, management of a fund that support climate-adaptation efforts.

Appendix D In-depth Case Study Summaries

Payments for Ecosystems in Costa Rica

Faced with a strong deforestation rate which endangered the existence of one of its most important natural resources, Costa Rica began building a strong policy framework around reforestation, forest management and forest protection in the early 80s. These efforts have allowed the country not only dramatically decrease deforestation rates, but also to gradually regain the forest coverage in the it had lost. One of the key pieces in the policy mix developed by the country is the Payments for Ecosystem Scheme (PES) introduced by the Forestry Law in 1996.

The programme is a mix of rules, regulations and rewards that invite stakeholders to respond to incentives and disincentives for reforestation. Through the programme Costa Rican private landowners receive financial incentives from a fund financed by the government, private and international public donors, in exchange for ecosystem services in the form of forest protection, commercial reforestation, agroforestry, sustainable forest management or regeneration of degraded areas. The programme addresses an environmental externality by collecting taxes from polluters and by channelling them to agents protecting the environment. The programme is structured around four ecosystem services: capturing and storing atmospheric carbon, protecting water sources, conserving biodiversity and safeguarding scenic beauty.



The Costa Rican PES scheme represents one of the earliest payment schemes introduced globally. As such it is one of the most known and cited examples of forest protection measures implemented in a developing country context. The program has undergone significant changes and evolutions over time, as it has adapted to changing economic, political and social realities. Adaptations have been possible thanks in part to the flexibility of the management and governance structure, but also because of the relative autonomy of the managing body – the FONAFIFO.

The 1996 Forestry Law creating the PES programme sets out to achieve environmental, conservation, social and economic goals. In spite of this, there appears to be no explicit link between the social and economic objectives included in the law, the specific activities implemented by the programme, and its result and impact indicators. In other words, despite being clearly identified as priorities, the social and economic ambitions of PES cannot be clearly traced within its intervention logic beyond the general objectives stage. No explicit reference is made by the programme or the Forestry Law to BER or investment climate. However, there are several components of the programme which represent a direct tie to BER and investment climate, and private sector development more generally. These include the provision of payments provided to program participants, property tax exemptions for participants, as well as the guarantee of squatter eviction; and the requirement that PES participants have no outstanding debts with the national social security system (FONAFIFO, 2009). There is an additional intended impact of the programme which is of direct relevance to the Business Environment: protecting and regenerating forests can significantly reduce environmental and natural risks and hazards, which may have a direct impact on the stability of markets and the capacity to conduct business.

No policy trade-offs are explicitly recognised by the programme. Perhaps the most important of these is the trade-off stemming from the protection of forest-covered lands vs. the creation of economic activity and jobs

through agricultural activities performed on these lands. Existing evidence however points to the fact that the negative impact of PES on economic activity and jobs is limited. An additional trade-off between the programme's environmental, social and economic objectives often materialises in the programme's targeting strategy. Historically a significant proportion of the PES programme was captured by larger properties, many of them held by legal entities or foreign nationals. Whether this fulfils the programme's mandate to support small- and medium-scale farmers is debatable.

Based on this, it can be said that the programme was designed on the principle of 'co-benefits' between green growth and private sector development objectives. Some of the objectives and principles upon which the programme was designed to relate directly to intended outcomes of BER such as improving tax policies and administration, enabling access to finance, and improving land titles, registers and administration. However, there is no explicit recognition of the importance of these measures in improving the business environment of key sectors such as forestry, agriculture and eco-tourism, and no attempt has been conducted to measure the impact of the programme on this front.

Better Cotton Initiative

With population and consumption growing rapidly, for the planet to be able to sustain the need for food, fuel, fibres and other raw materials a more sustainable way is needed for producing these commodities. In response to this growing concern in 2009, the World Wide Fund for nature (WWF) launched its Market Transformation Initiative (MTI), aimed at more sustainable production and trade of "soft" commodities. The MTI focuses on fifteen commodities with the greatest impacts on biodiversity, water and climate, particularly in the most important places for conservation. The overall objective of the MTI



is for 25% of the global production of WWF's fifteen priority commodities to be meeting credible standards by 2020. Due to the large scale of this initiative, this case study focused on the value chain for Cotton in particular.

The main route through which changes have been made in the cotton value chain is through the Better Cotton Initiative (BCI), which was formed as part of a roundtable with representatives from NGOs, academia, governments and industry. Large retailers in particular play a large part in making the BCI successful. The MTI ToC emphasizes the middle of the supply chain, focusing on the 300-500 companies that control the majority of trade in commodities rather than attempting to persuade more than 7 billion consumers to change their behaviour, or engage 1-2 billion producers directly to change their production methods.

The main approach used by the BCI was voluntary certification. This was a general approach used across all MTI value chains and was not specific to national policies of the implementation countries. The programme design focus for the MTI was business environment reform, mainly through creating standards, the use of certification and small-holder producer support. The WWF's key strategy for the cotton supply chain was to focus on how to achieve the biggest change possible, rather than the most stringent and ideal change. The BCI was very much an initial 'test of the ToC' for MTI. It was one of the earlier initiatives looking at market transformation with quite an innovative model for getting businesses to change their behaviour.

Looking at MTI and BCI outputs, outcomes and impacts, it is easy to identify that Green Growth objectives are central to the programme. At the same time, the programme's approach hinges on the improvement of the Business Environment for the production and distribution of cotton through new market structures and lower business costs. There is a strong interaction between BER and GG in this programme, however, the opportunity to combine BER and GG was only implicit at the onset of BCI in 2005, when the impact of the programme was largely about reducing environmental and social impacts at farm level. It was realised later in the programme that the MTI and BCI was also resulting in more profit for farmers and could be a means through which to help an economy (and communities) grow in an environmentally sustainable way. Social and human rights outcomes and impacts were assumed to be achieved indirectly through the certification processes. With the beginning of Phase 2 of funding for cotton in 2014 however (funded by Sida), the programme became more strategic about the synergies and trade-offs between GG and BER.

BER and GG are interacting primary objectives and therefore we can refer to BCI as an integrated BER-GG approach. This does not mean that BCI has realised all the potential synergies and trade-offs between BER and GG. Rather, there are even greater ambitions from Sida to reinforce the synergies and factor in the trade-offs, especially from the perspective of the smallholder farmers of cotton who are greatly affected by BCI.

Some key lessons have been learned through the implementation of BCI. The WWF have learnt that the level of change needed cannot be achieved simply through working with business. Governments still have a lot of influence so there is a need to look at the whole system to make sure it moves together. In addition, significant impact takes time. Initially the WWF had hoped things would move faster but it has taken 10 years to get to the current point where things are moving fast. In order to get results, consistency and persistence is required.

More generally the MTI have learnt that in other commodities there may be trade-offs, e.g. restrictions in how commodities need to be produced to enter the market could be bad for a developing countries economy. For cotton however, the standards are currently voluntary and preliminary evidence suggests that it is actually resulting in lower costs to farmers and therefore higher profit. Nonetheless, more could be done by the implementers to understand potential trade-offs and factor them in the project design.

An overall lesson that can be learned for NGO's through the BCI is that in order for an approach to be successful they need something that will work and scale up rather than the most ideal standards. This has been shown through the BCI where the voluntary standard approach has proved to be effective in a space where government regulation might not have been.

Compete Caribbean

In 2009 the Department for International Development of the United Kingdom (DfID) and the Canadian International Development Agency (CIDA, now Global Affairs Canada) partnered with the Inter-American Development Bank (IDB) to design a programme that would enhance the competitiveness of the Caribbean region by means of support to Private Sector Development and Competitiveness. The Compete Caribbean (2010- 2016) provided technical assistance grants and investment funding to support productive development policies, business climate reforms, clustering initiatives and Small and Medium Size Enterprise (SME) development activities in the Caribbean region. The ultimate goal of the Programme was to contribute to the increase in the standard of living and quality of life, and the enhancement of the competitiveness and economic growth of the 15 independent CARIFORUM countries. One of the specific objectives of the programme was to contribute to an improved enabling environment for business development, trade and integration. In addition, a focus on gender equality, women's economic empowerment and environmental sustainability were also considered important for the programme delivery.

Unsurprisingly, the programme's theory of change is heavily geared towards improving the business environment in the Caribbean region, and improving conditions for competitiveness and innovation. Despite the explicit recognition of the need to ensure positive synergies between these ambitions and environmental objectives at the strategic level; environment-specific indicators were not included in programme's theory of change, nor are they reflected in the programme's result matrix. As a result of this, instead of adopting a pro-active approach to ensure that the business environment support also leads to positive environmental spill-overs (i.e. generating positive synergies), the programme has for the most part only taken the necessary measures to ensure that its work does not cause harm to the environment (i.e. avoiding potential negative trade-offs).



In spite this, the program did take tangible steps in order to ensure environmental concerns are woven into its implementation mechanisms. The three main sources of environmental actions included in the design of the programme are the adoption of a sustainability strategy laying out the general vision and approach of the program vis à vis environmental concerns, the use of environmental selection criteria to identify supported projects, and providing some degree of technical assistance to projects and programme staff on environmental issues via a specialized environmental consultant. In addition, programme ensured any potential negative trade-offs between its Business Environment Reform (BER) and Private Sector Development (PSD) activities were managed and eliminated by conducting systematic environmental reviews and assessments of all of the projects it provided funding to.

The final external evaluation of the programme found that the programme managed to deliver on most of its expected targets in terms of outputs, outcomes and intermediate results. The programme can thus be considered to be a success, as relates to its 'mainstream' ambitions and objectives in the field of BER and PSD. However, the programme's contribution to environmental and sustainability-related objectives is more limited. Based on this, it can be said that the programme was designed on the principle of an 'co-benefits approach' between green growth and private sector development objectives, but ended up being in practice closer to a 'mutual recognition' level.

One of the key lessons learned from the Compete Caribbean programme is that there is indeed wide recognition of the fact that BER and PSD can be successful drivers of environmental protection. In addition, there is increasing interest within the policy-maker and donor community to continue strengthening the nexus between both fields, through international development programmes. However, it's not enough to simply state intentions and recognise the existence of synergies at the strategic level. It's necessary for programmes of this nature to translate high-level strategic ambitions into concrete commitments which they will be made accountable for, when it comes ensuring BER/PSD initiatives also lead to positive environmental results. In order to do so, specific steps should be taken to adequately acknowledge synergies and trade-offs as part of programme theories of change, results frameworks and key performance indicators. This requires a detailed understanding of the specific environmental challenges being faced by the region, which could be potentially mitigated by means of the programme's core activities.

B-ADAPT Cameroon

Implemented in 2013-14 under the Canada Fund for African Climate Resilience, the “Eco-Agricultural Business for the Adaptation to Changes in Climate” (B-ADAPT) project sought to enhance and diversify income and food security among vulnerable populations of southern Cameroon where two Model Forests are active – Model Forests of Dja and Mpomo and Campo-Ma’an. It did so by engaging men and women farmers and local entrepreneurs in 11 communes of the area in experiments with new agricultural techniques and forest-based enterprises, and providing access to necessary inputs, financial services and market infrastructure. It also introduced new organizational practices, including the formation of farmer field schools (champs école) around which groups of farmers worked and learned together. The project was run by the NGO Cuso International in cooperation with the African Model Forest Network.

The project addressed some deeply interlinked economic and environmental challenges. Firstly, the rural populations of the Model Forests of Dja and Mpomo and Campo-Ma’an largely rely on agriculture for their livelihoods and are thereby vulnerable to climate change. Secondly, the private sector is weak in that it is characterised by small-scale agricultural production oriented to subsistence rather than to sell produce in the market. Land and labour productivity is low due to the extensive agricultural methods practiced. Thirdly, these populations live in one of the world’s greatest rainforests, which provide global environmental services such as carbon sequestration, biodiversity conservation and soil and water protection. The rainforest is subject to deforestation and soil degradation from unsustainable economic production practices such as slash-and-burn subsistence farming.

In the face of these challenges, B-ADAPT was designed on a Private Sector Development (PSD) approach in order to realise co-benefits between environmental sustainability, economic development and security of livelihoods in a rural economy context. The expected synergies were: a) to discourage dangerous slash-and-burn practice by demonstrating economic benefits of biofertilisers and new seeds; b) to reduce land use and pressure on forests by improving resource efficiency; c) to reduce pressure on forests by diversifying income sources away from land-intensive activities; d) to incentivise protection of the forest by showing the value of non-timber forest products. Based on the results of the project’s evaluation, B-ADAPT succeeded in reaching some 2,000 poor and vulnerable smallholder farmers in the two Model Forests and achieved a significant impact for them in terms of production volumes, yields, market participation and, possibly, incomes. Measures of the environmental impact, e.g. in terms of lower deforestation rates, were not stated impacts and thus were not captured.

Despite not being explicitly designed as a BER project, B-ADAPT had an impact on the business environment. Most notably, B-ADAPT supported the creation of new market structures like value chains among producers, encouraged the formalisation of enterprises and strengthened the long-standing governance structures of the Model Forests. It is possible that the project could have benefitted from integrating more BER elements in the design, for example through analyses of the legal framework governing companies’ registration or of the environmental regulation for forest-protection. In addition, while the project cooperated with the public sector, it did not take a role in improving the functions of the public sector in the promotion of sustainable business.

Zambia Green Jobs Program

The Zambia Green Jobs Programme is a partnership initiative between the Government of Zambia and several UN entities, including International Labour Organisation (ILO), the United Nations Environment Programme (UNEP), the Food and Agriculture Organisation (FAO), the United Nations Conference on Trade and Development (UNCTAD and the International Trade Centre (ITC). The programme is funded by the Finnish

Ministry of Foreign Affairs and its implementation is led by the ILO. The main objective of the Zambia Green Jobs Programme (2013-2017) is to 'promote more and better jobs for inclusive and green growth in sectors where goods and services can be produced with an environmental benefit'.

The Zambia Green Jobs programme is a multifaceted intervention spanning three main objectives that each contribute to the final intended impact of sustainable enterprises and decent green jobs. The first main pillar (the 'meta-level') is aimed at changing mind-sets and attitudes in towards an increased appreciation of green construction. The second main pillar (meso-level) is aimed at promoting an enabling business environment that allows sustainable private sector development. Finally, the third pillar is focused on the creation of sustainable micro, small and medium sized enterprises (MSMEs) that create decent green jobs.



In terms of policy instruments, we can see that the ZGJ programme utilised various instruments that have a high synergy potential. On the environmental protection side, the ZGJ program was mostly focused on renewable energy in an urban context, but also covered natural resource protection components, in particular the protection of forest (with timber as a critical input for construction) through the focus on sustainable forestry. Additionally, the programme focused on providing market information (through awareness campaigns, development of guidelines etc.), and also aimed at creation specific licences for sustainable forestry. The programme also focused for a large part on supporting regulatory reform for supporting sustainable development.

It is too early to already draw conclusions in terms of outcomes and impacts of the Zambia Green Jobs Programme. The first results are encouraging, especially in terms of the level of engagement of the private as well as public sectors with the programme. Furthermore, a number of successful demonstration units for sustainable homes have been introduced, which are now being taken up by the private sector on a larger scale. On the public side, ZGJ has supported the launch of a new Green Building Standard, and has supported various regulatory reforms (still pending). Finally, 701 MSMEs were trained in sustainable practices in the forestry sector for timber building materials.

There seem various options for **transferring the programme model** in general as well as the specific good practices and lessons learnt (see next section). In general the programme has shown that it is possible to mobilize public and private sector on supporting a 'Green Jobs' approach that brings together sustainability and business environment reform, where both bring strategic leverage for the other area. The detailed case study offers insightful good practices and lessons learnt.

Vietnam Macro-Economic Reform

Green growth (GG) and business environment reform (BER) are parallel processes happening in Viet Nam. Green growth is largely understood as a restructuring of the economy to use resources more efficiently and raise competitiveness while meeting sustainability goals. It thus has implicit implications for business, in particular as regards new market opportunities in the renewable energy sector. However, there is no formalised framework addressing both GG and BER together. This case study looks specifically at the Green Growth Strategy of Vietnam, approved in 2012, with the threefold aim of promoting low carbon growth,

greening production and greening lifestyles. The Strategy has been successful at fostering a common understanding of green growth in Viet Nam. Current challenges relate to moving from strategy to implementation and developing appropriate measurement metrics and financial mechanisms to this end. GIZ – on behalf of the German Federal Ministry for Economic Cooperation and Development - has supported the Strategy with its own programme on macroeconomic reform in Viet Nam and has had particular success with capacity building and training. Examples of GIZ activities to support green growth in Viet Nam are also presented and evaluated.



UNDP: Green Commodities Programme



UNDP and partners have been supporting the national government in setting up the Indonesia Sustainable Palm Oil Platform, known as FoKSBI since 2015. FoKSBI is a multi-stakeholder forum that receives input and provides recommendations and activities to support national sustainable palm oil development. As part of FoKSBI, stakeholders ‘co-create’ solutions as part of a National Action Plan, which results in broader ownership, greater trust between sector actors, and an increased adoption of sustainable palm

oil practices. Activities include support for improved environmental monitoring and promotion of certification practices, increasing small farmer productivity by providing training on Good Agricultural Practices, and working with the government to consider regulatory reforms. The UNDP Indonesia Palm Oil GCP programme works directly at the interface between economic growth and environmental sustainability as a neutral advisor and facilitator. Due to the main drivers behind the programme, the awareness of the difficult trade-off between private sector development and the protection of natural resources (tropical forests) as well as climate change mitigation is inherent in the programme. The programme seeks to utilize selected business environment reform strategies such as improving value-chain governance and monitoring, and supporting efforts to increase sustainability certification. As such, the programme demonstrates relatively high levels of synergy between business reform and green growth, albeit that the sustainability objectives are more dominant. The latter is shown through the fact that there are a lot of activities that fall more under non-BER green growth activities, such as farmer training. Lessons so far include the critical importance of an overall shared strategic (National Action Plan) and regulatory framework to guide the difficult balancing act between business and environmental objectives in a specific sector in a coherent and sustainable way.