



Green Industrial Policy

05 June 2024 – DCED Annual Meeting

Dr. Karin Wedig (giz), Lead Sector Project Sustainable Economic Development
on behalf of BMZ Division 411 Sustainable Economic and Financial Systems

giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

On behalf of



Federal Ministry
for Economic Cooperation
and Development

Why Green Industrial Policy ?

Most **partner countries** are **least responsible** for climate & biodiversity crises, but are **most affected**.

All countries must reduce GHG and increase resource efficiency: **common but differentiated responsibilities**

Partner countries need to „**grow green**“ to participate in future markets.





Defining green industrial policy



What is Green Industrial Policy?

- Use of **traditional IP instruments** (e.g., subsidies, tax incentives, purchase commitments, state-owned enterprises, R&D support, protective regulations) on green sectors and/or sectors that can be transformed green.
- Green IP goes beyond traditional instruments: **market failures** are more serious + **high degree of technological uncertainty** + **climate crisis puts time pressure**.
- Government creates **profit opportunities in clean technologies** whilst withdrawing profit opportunities in polluting technologies. *See report led by IDOS, 2017, “Green Industrial Policy - Concept, Policies, Country Experiences”.*
- Political economy: Green IP provides alternative and complement for **difficult to enforce carbon pricing** schemes.



Benefits of green industrial policy for partner countries

1. Contribution to **decarbonisation agenda** (Paris Agreement)
2. **Pro-poor growth**
 - Domestic value and jobs through RE / green mineral production
 - Circular economy: More labour, less capital- and resource intensive
3. Anticipate market trends + potential for **leapfrogging**
4. **New markets and structures**
 - New energy-intensive industry clusters in countries with good RE endowments
 - Counteract anti-poor distributional effects
 - Inclusion of disadvantaged groups → holistic approach needed (e.g. TVET systems)



Typical arguments against (green) industrial policy

Bureaucrats are bad at „**picking winners**“



→ misleading: green IP about **coordinating market actors to solve sector-specific market failures**. Smart polices use market mechanisms to ensure efficiency (e.g. tendering of subsidies for RE).

Even when markets fail, government interventions may make things worse (“**government failure**”)



→ Relevant: applies to any policy. Policy design can prevent political distortions and capture: level of **embedded autonomy** of government vis-à-vis economic actors, checks and balances, use of competition and market mechanisms to determine subsidy levels, etc.



Green industrial policy trends in partner countries



- Implementation of sustainable business practices depends on **forward-looking economic benefits** → focus on **job-creation**
- **Focus on RE production** where endowments are good
 - Increase access to electricity, for households and (S)MEs
 - Build-up of industrial clusters using green hydrogen
- Focus on **resource efficiency** (high import prices, **water scarcity**...)
- **Agri-processing** for export and domestic food production
- **Critical minerals** to power domestic and world's clean energy agenda



Social dimension of green industrial policy

- German cooperation promotes holistic focus on **social-ecological transformation of economic systems**.
- **IP for social-ecological transformation:** contribute to **job creation** and **social inclusion** → economic growth that protects environment and people.
 - **Ecological goals** effectively **captured** by green industrial policy.
 - **Social goals not yet well addressed:** IP needs to **actively counteract** negative distributional effects caused by structural changes in the economy.





Social dimension of green industrial policy –

example of women's economic empowerment

- Gender equality and WEE can support green IP
- Green IP can **contribute to gender equality and WEE.**

However, targeted policy action needed:

- changes in industrial structure create **new risks** for different groups of people, including by gender.
- emerging research on how **green IP impacts disadvantaged groups** (esp. women, but also LGBTQIA+, ethnic minorities, people with disabilities, etc.)
- discrimination against women embedded in society → IP may **replicate existing discrimination**, if not specifically addressed.

→ **Green IP needs to address social-ecological transformation of economies**



Gender approaches in industrial policy measures

DC measures can contribute to social dimensions of green IP, deliver on **Germany's Feminist Development Policy** and contribute to **gender-related outcomes** of “3R” framework:

Rights

DC can contribute to removing **legal barriers** to women's participation in green industrial sectors and strengthen **decent work**

Resources

... enhancing **intangible resources** or **skill endowments**, particular in *STEM*, that allow women to compete for green jobs.

Representation

... to increasing **women's awareness of and participation in industrial policy making**
... to **increasing women's labour force participation** and reducing economic and hierarchical segregation of women in the industrial sector → **change social norms**

The Investment Climate Reform (ICR) Facility



- The ICR Facility is **demand based** and offers targeted, short-term **TA for business environment improvements**.
- Funding: **€22.75m** of which €20m from EU, €2.5m BMZ, €0.25m British Council
- **Target groups** are e.g. ministries, business associations, development finance institutions in most countries in **Africa**, the **Caribbean** and the **Pacific**.
- Focus on promoting Business Environment Reforms that enhance WEE.
- ICR Facility
 - offers expertise for business environment and investment climate improvement initiatives
 - provides expertise to national and subregional development finance institutions
 - supports knowledge exchange, e.g. via [ICR4WEE Conference](#) with session on gender-sensitive industrial policies

Co-funded by the European Union



Implemented by



- **2015:** Ministry of Commerce, Industry and Trade of Eswatini formulated **first Industrial Development Policy**.
- **2022:** request to assist in formulating a **revised evidence-based Industrial Policy** to improve **the local investment climate** and to **attract more FDI**.
- **Objectives:** a **more inclusive policy**, enabling the business environment to create **better quality jobs** and ensuring significantly improved livelihoods of **women and youth**
- **Approach:**
 - Various **national stakeholder consultation workshops** with government and private sector representatives
 - concerted effort was made to ensure that consultation workshops were **gender-balanced** and that **organizations representing women businesses** were present to ensure that their needs and interests were well captured

Supporting Green Industrial Policymaking in Jordan

Innovating



- National Circularity Roadmap for Jordan
- Textile Waste Sorting and Transfer Guidelines
- Water Footprint as Part of the Environment Impact Assessment
- Circularity Hub for Spent EV Batteries

Recognising



- National Ecolabel Scheme
- RECP Auditor Scheme

Sharing Awareness



- Green and Sustainable Finance, ESG
- Carbon Emission Market and Trading
- Circularity in Industry



The Hashemite Kingdom Of Jordan
Ministry of Industry , Trade and Supply



Thank you very much for your attention!

SV Nachhaltige Wirtschaftspolitik (NaWiPol)

Dr. Karin Wedig
Head of Project
Berlin, Germany
Tel.: +49 30 338424-498
karin.wedig@giz.de