DCED

The Donor Committee for Enterprise Development

Donor Support for Green Industrial Policies

Approaches, Case Studies and Lessons Learnt

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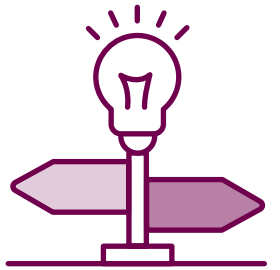

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1. Introduction and Purpose

About this study

- The need for a fundamental transformation in economic systems is driven by various challenges like climate change, environmental degradation, poverty, and inequality. The transformation includes greening and decarbonising existing sectors and fostering new green sectors while ensuring social inclusive gender justice, creating green jobs, and supporting workers impacted by the transformation.
- Governments recognise and put hope into Green Industrial Policies as means to promote and accelerate greener growth and increase competitiveness, in complement to other policy areas that are addressing social and environmental challenges.
- Different approaches and tools to support governments in their pursuit of Green Industrial Policies have been designed and tested by development agencies worldwide. This study maps and classifies the different approaches, as to derive and share lessons learnt, and to provide an overview that makes it easier to select suitable approaches to support governments.
- While the review of secondary literature has been an important pillar in framing this study, the major source of information has been consultations with experts and practitioners. In particular, a total of 40 interviews provided valuable insights into the approaches, lessons learnt, and best practices that donors are following in promoting and implementing Green Industrial Policies across various geographical and sectorial contexts.

DCED GREEN GROWTH WORKING GROUP

The Green Growth Working Group (GGWG) of the Donor Committee for Enterprise Development (DCED) was established in 2011 as a response to the increasing interest in linking Green Growth concepts and Private Sector Development (PSD) strategies. Its goal is to support donors in their efforts to enable the private sector to generate environmentally sound, resource efficient and climate friendly growth whilst contributing to poverty reduction and employment creation.

The GGWG offers knowledge and guidance to its members, focusing on the collection as well as dissemination of successful experiences and lessons learnt on green growth activities.

Case studies

The study is based upon and accompanied by 8 case studies from different geographies.

Where possible, interventions from different donor organisations supporting governments in implementing Green Industrial Policy have been combined.

The link to the Just Transition has been considered in all case studies.

Hint: Click the tabs to get to the topics

Hint: When you are in approaches section, jump back to the different intervention levels

How to navigate this document

This study is designed as an easy-to-browse document, which allows to navigate through the different chapters and sections throughout the document by using a set of tabs, links, and panels.

- You can always **go back** and forth between the different **approaches** by using the **icons** on the right of the **upper menu bar**.
- At any point in the document, you can **go back** to the **table of contents** or to the **case studies/approaches** by using the **buttons** on the left of the **upper menu bar**.
- **Internal links** can be accessed to navigate through the document.
- **Clicking** on the **reference numbers**[1] leads you to the full list of references.

Click to go to the next slide

Click to go back to the table of content

Click to go back to the previous slide

Target Group, Objectives and Limitations

Who is this study for?

Donors seeking an overview of how others are addressing support for governments interested in implementing Green Industrial Policies.

Development Practitioners – in particular those working in the field – looking for inspiration and trying to get an overview of approaches to support Green Industrial Policy in their work, by better understanding the lessons others have learnt while supporting Green Industrial Policies.

This study does:

- Show how donors can support the development and implementation of Green Industrial Policy, not only focusing on the support of Green Industrial Policy itself, but also related interventions that benefit from or can lead to a sound green industrial policy
- Classify donor interventions and approaches with regards to Green Industrial Policy and seeks to identify good practices and lessons learnt
- Show how donors have linked their support to Green Industrial Policy to the Just Transition.

This study does not:

- Provide an exhaustive analysis of what a good Green Industrial Policy consists of or how countries can implement Green Industrial Policy.

2. Green Industrial Policy — Definition and trends

What is Green Industrial Policy

Industrial policy involves anticipating long-term trends in technology and market development and providing incentives to adapt the structure of a national economy to leverage these changes.[1]

Given the increasing impact of environmental challenges like climate change on economic development, incorporating environmental and social dimensions into industrial policymaking is crucial for achieving a green transformation.[2]

Green Industrial Policy (GIP) specifically includes policies that foster the greening of existing industries and the creation of new green industries. Green Industrial Policy helps reduce environmental degradation and improve resource efficiency, essential for achieving long-term sustainability and resilience. **Altenburg and Rodrik (2017)**[2] define GIP as: "comprising any government measure aimed to accelerate the structural transformation towards a low-carbon, resource-efficient economy in ways that also enable productivity enhancements in the economy."

Examples for Green Industrial Policies as used in this document include[2,3]:

- Targeted support to boost productivity and enhance competitiveness in sectors and industries that represent more sustainable alternatives
- A variety of sectors: Not only industry and manufacturing, but also agriculture, energy, and services
- A variety of instruments: from economic (subsidies, credit guarantees, public investment, public procurement, and trade measures) to wregulatory (licenses, compliance monitoring) to voluntary actions

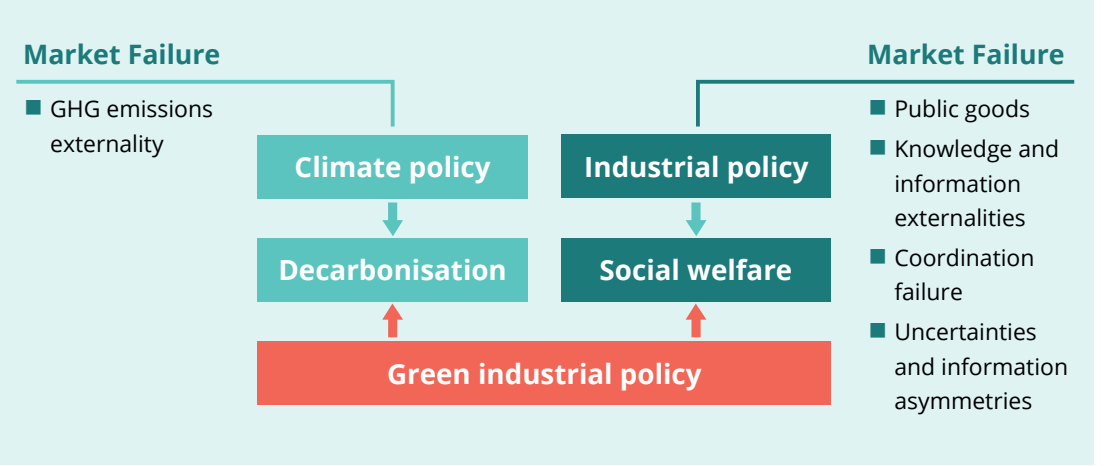
A key challenge for GIP is addressing both the classic market failures related to industrial policies and those specific to greenhouse gas (GHG) emissions in climate policies.

On the one hand, the classic market failures associated with industrial policy include public goods, knowledge and information externalities, coordination failures, uncertainties, and information asymmetries. On the other hand, the GHG emissions market failure in climate policy is primarily related to the externalities of GHG emissions. GIP combines climate policy, aimed at decarbonisation, with industrial policy, which is focused on promoting social welfare.[4]

The green transformation, driven by GIP, aims to ensure economic and social benefits alongside environmental improvements. It encourages industries to adopt greener practices and anticipate technological and market trends that promote sustainability. For example, firms can gain competitive advantages by differentiating their products via green labels, developing new green products, achieving productivity improvements that offset environmental protection costs, and benefiting from knowledge spillovers during the innovation process.

Moreover, green transformation can create employment benefits by creating new jobs in the environmental goods and services sector while decreasing employment in industries being phased out due to their environmentally harmful effects.[2,5,6,7]

Key challenge for GIP: address both classic market failure and the GHG emissions market failure

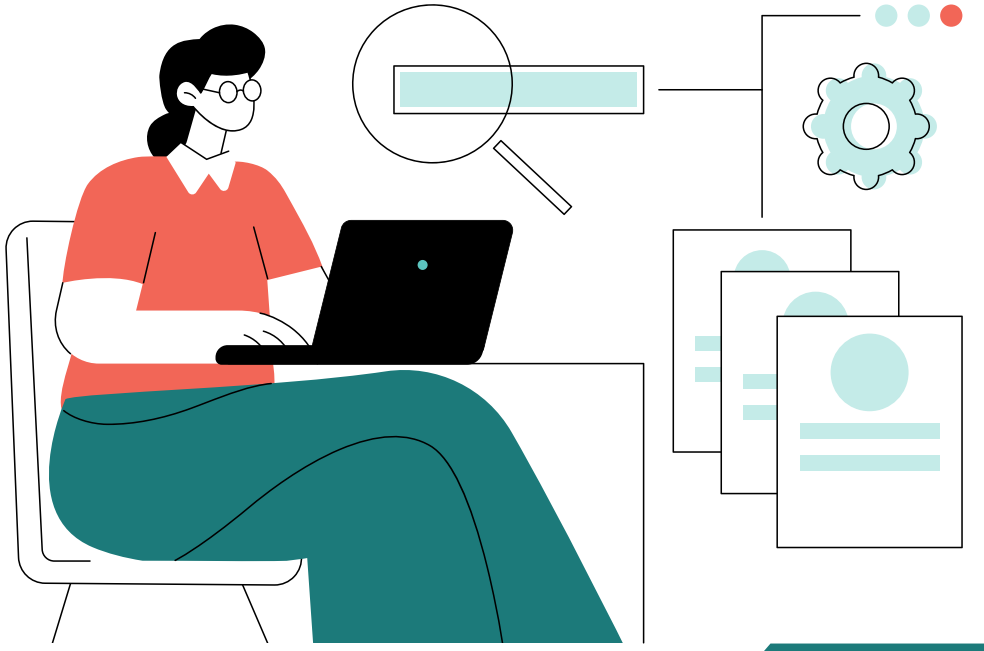


Adapted from Tagliapietra 2020

To pursue the green transformation of the economy, governments must design policies and regulations that are stringent enough to incentivise compliance and innovation, predictable enough to attract long-term investments, and flexible enough to adjust to changing circumstances, especially to new technologies.

In this sense, it has proven useful to understand Green Industrial Policy as a set of policies that cuts across different dimensions[9]:

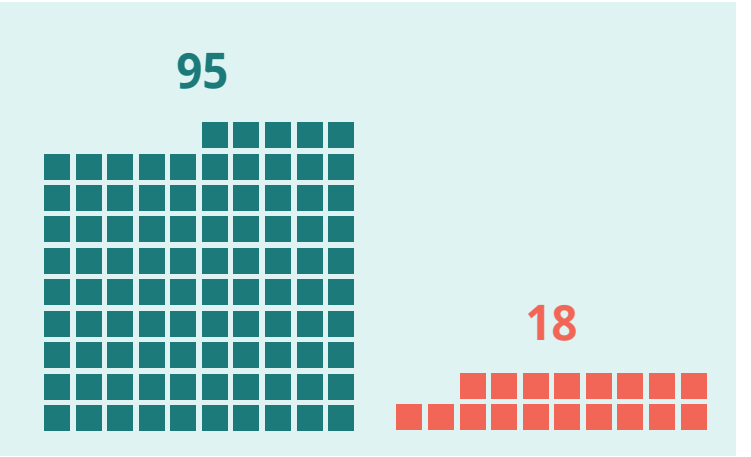
- Firm-level sustainability or production, providing incentives for firms to improve resource efficiency in their production processes and supply chain
- Research and Innovation, with a focus on policies promoting green innovation and the development of low carbon industries, through for example government support for R&D, innovation and technology deployment
- Consumption (including a transformation of the productive structure, as to green consumption by promoting low-carbon manufacturing and innovation), with the objective to shift consumer behaviour primarily through demand-side policies, such as Green Public Procurement
- Labour market policy as an important cross cutting aspect for the Just Transition, including re- and upskilling



Main trends in Green Industrial Policy

- Research shows that Green Industrial Policies are needed to achieve Net Zero ambitions. They help to tackle the barriers hindering decarbonisation, such as access to finance, access to skills and infrastructure, regulatory barriers for entrants, lack of demand for green products, etc.[10,11]
- The COVID-19 crisis, rapid technological advancements as well as recognising the need for a green transition have led to a renaissance of industrial policy, placing it prominently on the global political agenda.[11]
- This development is mainly led by industrialized countries (see graphic)[12] Across OECD countries, green industrial policy expenditures rose from 0.22% of GDP to 0.24% between 2019 and 2022.[13]

The rise in industrial policy is primarily driven by high-income economies



5x more IPs are implemented by high-income, highly industrialized economies

Examples

US CHIPS ACT: USD 52.7B in 2022–2032 to develop semiconductors

EU CHIPS ACT: USD 43B in 2023–2030 to develop semiconductors

Source: UNIDO elaboration based on Juhász et al. (2023), IDR 2024

Status of and main trends for GIP

- Emerging and low-income countries, with their comparatively less productive and competitive manufacturing sectors, are already at a disadvantage compared to advanced economies. Without strategic industrial policies, these countries risk falling further behind in the global production landscape, also in light of the impact of industrialized countries' own GIP on these countries (e.g., the impacts of EU's Carbon Border Adjustment Mechanism).[24]
- Especially developing countries have to balance scarce public budgets with competing priorities (net zero, social infrastructure, military expenses) and other challenges such as higher costs in public debt, inflation etc., where the political will to invest in the green transition may fall short.[25]
- Green Industrial Policy can help to avoid a possible standstill in investments by encouraging a transition that not only supports environmental, but also industrial competitiveness and social objectives.
- Post COVID recovery packages are often linked to Green Industrial Policy, both in OECD as well as in non-OECD countries and donors have linked recovery packages to the Green Transformation, such as the World Bank with its Green Recovery Initiative.

Trends in Green Industrial Policy

Trend: Focus on innovation

Innovation is a critical aspect for greening industry and an important factor for Green Industrial Policies, especially in emerging countries. A range of options is available to the government, closely linked with the stage of market development. Examples of focusing green industrial policy on the development of low carbon technology mainly exist from industrial and bigger emerging economies, such as the US, the EU, China, Brazil and India. One example is the recent development of China's policies related to renewable energy. Its policy for the wind sector led to an accumulation of technological capacities by combining local content requirements, with support for R&D, as well as supply and demand side policies.[9]

However, the focus on innovation and value-added activities pose a particular challenge for many smaller emerging economies and for low income countries, because capacities and financial resources are insufficient, risks are high, and bigger economies such as industrialized or BRICS countries start from a different point. This leads to a risk of technology concentration and increasing breach between countries that have the capacities and resources to promote a more technologically advanced green transition and those that lag behind.[9] Development cooperation agencies can play an important role in supporting especially smaller countries in defining their competitive advantages, e.g. based on cost structures in manufacturing, specific relevant niche products, as well as targeted support to increase capacities and develop competitive advantages.

Trend: Focus on circular economy

The ever increasing use of raw materials, with no absolute decoupling of resource-use from economic growth in sight, is putting increasing pressure on both the environment as well as the economy, making the transition to a circular economy a priority for many countries. The EU, as well as a number of emerging countries are including the promotion of a circular economy into their industrial policies, using the concept as one of the strategies to green their industries. Examples include the **Seychelles**, Serbia or Kosovo, which all have included a priority axis on circular economy in their recently adopted industrial policies.

Trend: The Just Energy Transition in connection with place-based industrial policy

There is a rise in place-based industrial policies, focusing on targeting strategic investments in regions that are affected by the adverse economic impacts associated with the shift from fossil fuel-based to more sustainable industries.[12] Examples include the European Union, focusing on structurally disadvantaged regions or the Coal Phase Out Act in Germany, targeting the remaining coal producing regions. But also developing and emerging countries are starting to focus their attention on regions affected by the phasing out of, for example coal, as is the case in **South Africa** and its Just Transition Framework.

3. GIP and the Just Transition

Just Transition as an instrument for Green Industrial Policy

The International Labour Organization (ILO) defines Just Transition as *"greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind."* [14]

- A well-managed Just Transition ensures that the shift towards an environmentally sustainable economy is a driver of job creation, social justice, and poverty eradication.
- Transformation processes impact and are impacted by, gender norms in society. Green Industrial Policy is not automatically inclusive and may contribute to increasing gender inequality and poverty. Gender roles and biological differences mean women and men face different vulnerabilities, risks, and impacts of environmental changes resulting from current economic patterns. A focus on phasing out polluting industries leads to job losses, possibly leaving already vulnerable population behind.
- The integration of Just Transition principles in GIP is critical to ensure that the benefits of the green transformation are equitably distributed and support workers and communities affected by the shift from polluting industries to sustainable alternatives.
- Interventions and policies must be developed in a way that ensures maximised benefits and minimised costs to the poor and most vulnerable while policies and actions with irreversible negative impacts must be avoided following a Do-No-Harm approach.[15,16]

Key factors to take into account

Stakeholder Engagement and Social Dialogue Formats

Social dialogue involves negotiation, consultation, and information-sharing among governments, workers, and employers (tripartite social partners). It is essential for building trust and consensus among all parties. Given that Just Transition strategies must be adaptable to different contexts, and there is no "one size fits all" approach, social dialogue ensures the concerns of those most affected by the transition are integrated into decision-making processes. **Collective bargaining** is a key element for incorporating environmental provisions into labour agreements, enabling workers and employers to cooperate and conform to new environmental regulations. This is particularly important for managing the labour impacts of decarbonization, such as potential job losses or industry transformations. By involving affected groups, social dialogue ensures transition strategies remain fair and inclusive as economies work toward achieving net-zero emissions. To date, however, collective bargaining plays a minor role only in many emerging and low income countries.[17]

Skills Development

Focusing on upskilling and reskilling workers, especially those transitioning from fossil fuel-dependent sectors, is necessary to support economic resilience. Therefore, a skills-needs assessment system may be required to identify the capabilities required in green sectors.[15]

Key factors to take into account

A gender sensitive approach

Essential for ensuring that women and marginalised groups are not left behind in the global shift to low-carbon economies. Climate change and environmental degradation disproportionately affect women, especially those from vulnerable and marginalised communities, including Indigenous women, ethnic minorities, women with disabilities, and LGBTIQ+ individuals. These groups often have less access to decent work, land, natural resources, finance, and technology, which limits their ability to build resilience as well as to participate in the green transition. As a result, women are at greater risk of being excluded from the benefits of a green industrial policy. To support women's participation in the green transition, gender-responsive budgeting, planning, and legislation are crucial. UN Women (2023)[20] emphasises the need for targeted policies that accompany industrial policy and increase women's economic opportunities. Additionally, promoting skills training for women, especially in sectors dominated by men, and ensuring equal access to green jobs are key strategies for addressing labour market inequalities. Furthermore, enhancing access to funding for gender-responsive climate actions and improving the tracking of gender-related outcomes in climate finance is essential to achieving a truly inclusive and equitable transition.[19,20,21,22,23]

A data driven approach

A data-driven approach is increasingly recognized as essential for guiding Just Transition policies. Collecting and analysing disaggregated data on job creation, skill requirements, and social impacts is crucial for ensuring that the transition to a green economy is both socially and economically beneficial. Although much of this work is still in its early stages, it is vital for developing informed and effective strategies that support a Just Transition for all.[15]

Cross Cutting Aspect: The Case for a Just Transition

This study reflects the relevance of systematically including Just Transition aspects by integrating information in each **approach** and **case study** by providing specific boxes and information for each case study and approach.

Approaches

Relevance of the Just Transition, including gender equality and women empowerment, as well as inclusivity of vulnerable groups.

Case Studies

Linkages and / or integration of gender equality, women empowerment and inclusivity of vulnerable groups.

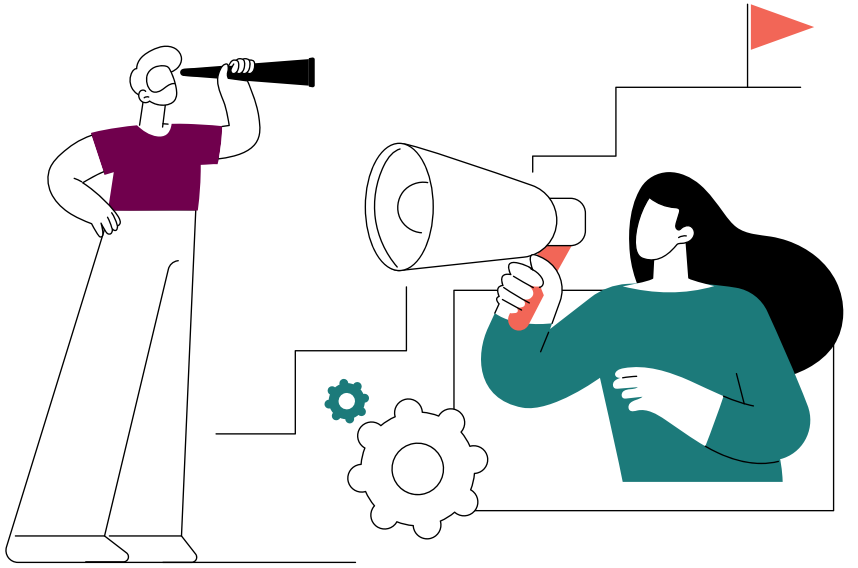
Case studies with a strong Just Transition angle:

- Just **South Africa**
- Industrial Policy Development in **Argentina**

4. Approaches for supporting Green Industrial Policy

Green Industrial Policy support

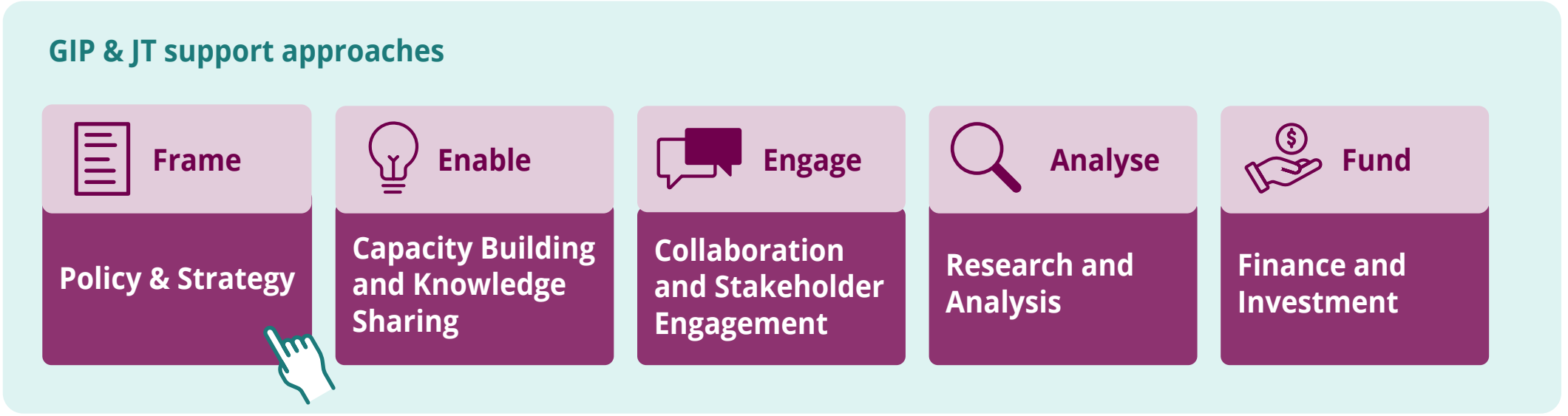
- Donors, such as World Bank, GIZ or UNIDO, are increasing their efforts to support partner countries that are engaging in industrial policy, especially supporting a green and Just Transition angle to underscore the urgency of ecological and social sustainability.
- While not all support activities are labelled as Green Industrial Policy, there are a number of opportunities to include greening of industries and the economy as a whole into policies and strategies, creating the necessary regulatory and enabling environment for the Green Transition.
- Avoid one-size-fits-all: To increase impact, Green Industrial Policies have to be adapted to the existing social, environmental and economic situation of a country, as well as to capabilities for enforcement and implementation. The policy mix and instruments to be applied vary significantly from country to country.
- The focus of donors should be on supporting partner governments to define their unique selling points and to enable them to implement a policy mix suitable to their unique situation.



Approaches for supporting Green Industrial Policy

The following section describes the different approaches donors use, often in combination, to implement their GIP support. Subsequently, overlaps and complementarities between these approaches, as well as GIP links to other policy areas, are carved out.

The approaches can be clustered into five categories:



Policy and Strategic Advisory

Providing **policy and strategy advisory and technical assistance** to promote green industrial policies addresses the need for effective framework conditions that facilitate a sustainable industrial transformation. By offering expertise in policy formulation, strategic planning, and regulatory framework development, donor organisations can help governments integrate their sustainability objectives into their industrial development planning. This approach bridges capacity gaps within governmental institutions, supporting them in the design of policies and strategies that encourage green industries, technologies and practices.

Target Group

Ministries

responsible for industry, environment, energy, finance, employment and social equity, planning

Regulatory agencies

responsible for environmental protection, labour, standards

Policy analysts and advisors,

individuals within government institutions who develop and analyse policies

Purpose and Objective

Purpose:

- Assist partner countries in formulating and implementing effective green industrial, socially just policies and related strategies

Objectives:

- Enhance policy coherence and integration of environmental and social considerations into industrial strategies
- Support regulatory frameworks that encourage green technologies and practices
- Facilitate the transition to a low-carbon economy while promoting economic growth

Type of activities

- Support in policy development – developing strategies, roadmaps, frameworks, and action plans for GIP
- Support in developing regulatory instruments such as regulations, standards, and certifications to promote green practices; institutional and legal/ regulatory reforms
- Support in areas like green budgeting and environmental assessments, integration of social dimensions to ensure policies consider social equity, labour standards, and community impacts
- Recommendations for specific policy instruments (e.g., taxes)
- Access to technical assistance, connecting policymakers with technical resources and funding opportunities

Policy and Strategic Advisory

Links to gender and Just Transition

Ensure that policies, strategies, and regulation

- promote social inclusion through the design of policies that take into account vulnerable groups, and promote fair labour practices and equity
- foster economic diversification through new (green) industries and a green transformation of existing businesses that make use of sustainable practices without downsizing the labour market, fostering skills and job opportunities for green markets, processes, and products/ services
- engage relevant stakeholders, for instance involve communities and workers, in design and planning to address their needs and concerns
- mitigate negative impacts and potential adverse effects, e.g., on workers/communities

Links to other approaches

ENABLE
Complement to ensure the availability of knowhow and skills for building effective framework conditions for the green economy transition.

ANALYSE
Develop policies based on evidence and actual needs.

ENGAGE
Important element to promote inclusive and just policies and to mitigate potential adverse effects and unintended consequences in policy formulation.

FUND
Supports building the technological and institutional capacity for GIP development and implementation, for TA, to facilitate the industries' access to green finance.

Strengths and Limitations

- Adapts international good practices in GIP supporting tailored policies that meet specific national needs
- Builds institutional capabilities for policy development
- Contributes to the creation of a conducive environment for green investments and technologies

- External advice may not fully align with local conditions if not properly adapted
- Dependence on external advisors may reduce local ownership and commitment
- Changes may face opposition from entrenched interests or lack political will.
- Requires significant time, funding, and human resources to support policy development
- Little influence over implementation and enactment of policies as implementation depends on capacities and resources of external parties

Capacity Building and Knowledge Sharing

Building capacity and sharing knowledge enables individuals, institutions, and communities in partner countries to effectively design and implement GIP. This approach focuses on enhancing skills and disseminating best practices and lessons learnt, supporting continuous learning and innovation. Providing training, developing educational materials, and facilitating information exchange, can help build the foundational expertise necessary for successful GIP development and adoption. Knowledge sharing enables stakeholders to learn from peers and global experiences, adapt solutions to local contexts, and collaborate on common challenges.

Target Group

Ministries

responsible for industry, environment, energy, finance, employment, planning

Regulatory agencies

responsible for environmental protection, labour, standards

Policy analysts and advisors,

including individuals within government institutions who develop and analyse policies

Other actors

such as private sector actors, intermediary organizations that provide relevant input for GIP

Purpose and Objective

Purpose:

- Enable stakeholders to adapt and apply GIP effectively in their local contexts.

Objectives:

- Enhance the skills, knowledge, and competencies of stakeholders involved in GIP
- Strengthen institutional and human capacities to design and implement GIP
- Facilitate the exchange of information and best practicesh

Type of activities

- Information exchange platforms such as digital platforms, conferences, and forums for sharing knowledge
- Capacity building for a wide range of related activities such as (i) GIP and strategy development, training programs to develop policy documents and strategies, (ii) implementing reforms, (iii) Green Public and Circular Procurement:
- Showcasing best practices such as case studies, study tours, and demonstrations of successful initiatives
- Technical assistance on developing learning and training publications, support in creating educational materials
- Development of guidance materials, manuals, toolkits, and guidelines for practitioners
- (Online) training courses, E-learning modules and virtual training sessions
- Promoting cooperation between institutions from industrialized countries and emerging and low income countries to build capacities

Capacity Building and Knowledge Sharing

Links to gender and Just Transition

- Promotion of inclusive skill development
- Increase the understanding that marginalized groups must be taken into account in GIP development and have access to training opportunities
- Enabling local populations to participate in and benefit from GIP.
- Increase resilience by strengthening capacities to adapt to economic and environmental changes.
- Knowledge sharing on social safeguards, disseminating practices that protect workers' rights and communities during transition phases

Links to other approaches

FRAME
Capacity building enhances the ability to develop and implement GIP

ANALYSE
Training on data collection and analysis improves evidence-based decision-making, while research and analysis support more effective capacity-building

ENGAGE
Facilitates effective participation by informed stakeholders

FUND
Financial support to develop and roll out capacity building and information sharing initiatives, while capacity building may be necessary to effectively utilize financial resources provided

Strengths and Limitations

- Can build long-term capacities beyond project lifespans
- Empowers local actors to take charge of GIP initiatives and increases ownership
- Encourages adoption of new ideas and technologies, promoting innovation
- Knowledge exchange increases mutual understanding and improves communication and cooperation among stakeholders

- Requires significant investment in time and funds
- Success depends on participants' engagement and institutional support
- Risk of trained individuals leaving positions (brain drain)
- Cultural and language barriers may affect the effectiveness of training and knowledge transfer
- Difficult to quantify capacity building outcomes

Collaboration and Stakeholder Engagement

Collaboration and stakeholder engagement to promote green industrial policies facilitates inclusive and participatory processes for effective policy development and implementation. By actively involving – or encouraging the involvement of – a diverse range of stakeholders, donor organisations can help to ensure that GIP initiatives are well-informed, broadly supported, and tailored to the specific needs and contexts of the country. This approach seeks to foster partnerships, to enhance coordination, and to build consensus, increasing the legitimacy, transparency, and sustainability of GIPs and enabling collective action toward transitioning to a green economy.

Purpose and Objective

Purpose:

- Facilitate cooperation and dialogue among various stakeholders to ensure effective design and implementation of green industrial policies

Objectives:

- Promote inclusive participation in policy-making and implementation processes
- Enhance coordination among government entities, private sector, civil society, and communities
- Build consensus and shared ownership of GIP initiatives

Target Group

Ministries

industry, environment, energy, finance, planning

Regulatory agencies

responsible for environment, labour, standards

Civil society and academia

NGOs, advocacy groups, labour unions, Think Tanks, research institutions

Private sector organisations

such as businesses, industry associations, investors in green technologies

Finance sector

including banks and investors

General public and communities

community leaders, indigenous groups

Type of activities

- Provide support in multi-stakeholder dialogues such as public-private dialogues, roundtables, conferences and establishment of other exchange platforms
- Public-private cooperation, i.e., partnerships between government and private sector organisations
- Inter-ministerial cooperation, facilitating coordination among different government ministries, departments, and agencies
- Cross-institutional information flow and monitoring, establishing systems for sharing information and tracking progress

Collaboration and Stakeholder Engagement

Links to gender and Just Transition

- Ensures that all affected groups, including marginalised communities and workers, have a voice in the transition process
- Addresses the equal and fair distribution of benefits and burdens, promoting social justice
- Facilitates discussions on labour issues, job creation, and social protection
- Increases acceptance and support for GIP by involving those directly impacted
- Reduces resistance and potential conflicts by acknowledging and addressing diverse interests and concerns

Links to other approaches

FRAME
Stakeholder engagement informs and enriches policy advice with diverse perspectives, promotes inclusive and just policies, and mitigates potential adverse effects and unintended consequences in policy formulation

ANALYSE
Stakeholder inputs can enrich analyses, identify research needs and validate findings

ENABLE
Collaboration provides opportunities for mutual learning and capacity enhancement

FUND
Partnerships can unlock funding opportunities and resource mobilisation through collaborative efforts and synergies

Strengths and Limitations

- Policies developed with stakeholder input are more widely accepted and sustainable, enhancing legitimacy
- Diverse insights lead to more comprehensive and effective policies
- Leverages the resources and expertise of multiple stakeholders
- Collaborative environments foster creativity and innovative solutions

- Building consensus among diverse stakeholders can delay decision-making, and differing interests can lead to disagreements or impede progress
- Requires significant effort to coordinate and facilitate engagement activities, and managing numerous stakeholders with varying agendas can be challenging
- Dominant groups or interests might dwarf marginalized voices, affecting fairness
- Maintaining ongoing participation and interest over time may be difficult

Research and Analysis

Supports the development, implementation, monitoring and evaluation of GIP by providing evidence-based insights and data-driven recommendations. Involves conducting and support in conducting studies and assessments, and developing analytical tools to understand the current state, opportunities, and challenges related to green industrialisation. By generating robust data on topics such as green jobs, market trends, environmental impacts, climate risks, and policy effectiveness, policymakers and stakeholders will be equipped with the necessary information to make informed decisions. Research and analysis enhance the effectiveness and sustainability of GIP initiatives by helping to forecast future scenarios, to measure progress and success, and to identify lessons learnt and best practices.

Target Group

Ministries

Government agencies and ministries

Policy analysts and researchers

including individuals within government institutions as well as research organisations, think tanks and academia

Purpose and Objective

Purpose:

- Inform the development, implementation, and evaluation of green industrial policies by providing evidence-based insights and data

Objectives:

- Generate knowledge on environmental, economic, and social aspects of green industrial development
- Identify opportunities, challenges, and potential impacts of GIP initiatives
- Develop and provide tools and methodologies to assess and monitor progress
- Support policymakers and stakeholders with data-driven recommendations
- Facilitate informed decision-making and strategic planning

Type of activities

Provide support in

- Conducting research such as green jobs potentials, market analyses, impact assessments, trend and scenario analyses, economic modelling, spatial analyses, and technology assessments, e.g., evaluating green technologies' feasibility and scalability
- Creating indicator frameworks, assessment tools, monitoring tools, and other tools for decision support, e.g., in gathering and supplying data, and in providing models and methodologies to inform policy choices
- Policy monitoring and impact evaluations, analysing effectiveness of existing policies

Research and Analysis

Links to gender and Just Transition

- Research helps understand how GIP affects employment, income distribution, and social equity
- Identifying potential negative impacts on communities and proposing solutions (risk mitigation)
- Data on vulnerable groups guides the creation of inclusive policies
- Tracking progress towards a Just Transition and adjusting strategies accordingly (monitoring and evaluation)
- Providing information that enables informed participation in decision-making (link to stakeholder engagement)

Links to other approaches

FRAME
Research findings inform policy advice and strategy development, aiding in policy formulation

ENGAGE
Research processes often involve stakeholder participation and consultation to enrich and validate research

ENABLE
Research outputs can be used for training and educational purposes

FUND
Data on market opportunities and risks informs investment decisions and funding allocations. At the same time, funding is a necessary means to conduct research.

Strengths and Limitations

- Evidence-based decision making and policy formulation enhances the quality and effectiveness of policies
- Uncovers areas for investment, innovation, and growth in green industries
- Anticipates challenges and potential negative impacts, helping to mitigate risks
- Can increase transparency, providing data to hold stakeholders accountable
- Contributes to the global body of knowledge on GIP and sustainable development

- Lack of reliable data and poor data quality can limit the explanatory power of research
- Can be resource intensive, requiring significant time, expertise, and financial resources
- Findings may not always translate into policy changes due to political or institutional barriers (implementation gap)
- Fast-paced environmental, socio-economic and technological changes and developments may outdate research quickly

Finance and Investment

The promotion of GIP can be supported by funding projects, offering loans, and facilitating investments that drive sustainable industrial transformation. This approach addresses the financial barriers that often hinder the implementation of GIP initiatives. By supplying necessary capital through mechanisms like project funding and policy-based loans or by promoting the development of local capital markets, donors enable governments and private sector entities to undertake green projects, adopt clean technologies, and implement policy reforms. Financial support can also leverage additional investments from other sources, amplifying the impact of donor contributions. The approach aims to ensure that adequate financial resources are available to support GIP and green industrial transformation.

Target Group

Ministries

Government agencies and ministries

Local banks

and microfinance institutions

State-owned enterprises

implementing large-scale projects

Private sector entities

such as businesses and investors engaged in green industries

Academic and other research institutions,

including CSOs/NGOs, implementing funding research projects

Purpose and Objective

Purpose:

- Provide financial resources that enable the implementation of green industrial policies and projects

Objectives:

- Address financial constraints that limit GIP development, adoption and implementation
- Catalyse investments in green technologies, infrastructure, and industries
- Support policy reforms through financial incentives and conditionalities
- Leverage additional funding from private and public sources
- Reduce financial risks associated with green investments

Type of activities

Provide support in

- Financial support (lending) – tied to policy reforms or results, e.g., Policy-Based Loans, financing specific expenditures, disbursement against achievements
- Grants and loans to reduce investment risks (e.g., blended finance mechanisms)
- Guarantees and risk-sharing, i.e., providing guarantees to make green projects more attractive
- Grants or loans for subsidies and/or financial incentives such as tax breaks, rebates, or feed-in tariffs, matching grants
- R&D, including project funding such as grants or investments for specific green projects and research
- Development of local capital markets (e.g., green bonds)

Finance and Investment

Links to gender and Just Transition

- Support to vulnerable groups by funding initiatives that create green jobs and support communities affected by industrial shifts
- Ensuring equitable access to finance, e.g., SMEs and marginalized groups' access to financial resources
- Tying financial support to the adoption of socially inclusive GIP measures
- Reducing regional and/or economic disparities by supporting place based industrial policies in regions or sectors with structural disadvantages or affected by the shift towards a green economy.
- Direct financing towards social safety and retraining programs for displaced workers.

Links to other approaches

FRAME
Financial support can facilitate GIP processes and be contingent on policy reforms advised by donors

ENGAGE
Financial incentives can encourage partnerships and stakeholder participation

ENABLE
Capacity building and knowledge sharing can be supported through funding directed towards training programs and educational initiatives

ANALYSE
Providing resources for studies and data collection to inform GIP. At the same time, research and analysis builds evidence-base for funding decisions

Strengths and Limitations

- Provides leverage to incentivise or influence policy reform
- Enables policy implementation and enforcement
- Leverages additional investments, attracting private capital through co-financing and risk mitigation
- Promotes investments in new industries and technologies, stimulating growth
- Large funding can scale impact and lead to economic, environmental and social benefits

- Loans can increase national debt burdens if not managed carefully
- Donor-imposed conditions might not align with local priorities
- Smaller countries might struggle to access funds due to complex requirements
- Potential for funds to be misused or not reach intended projects
- Subsidies and incentives might distort markets and have adverse impacts
- Reliance on external funding might undermine local initiative and sustainability

Complementarities of approaches

- Often, the approaches cannot be clearly distinguished from each other but are overlapping in parts. Policy advisory, for instance, relies heavily on research and analysis. Research outputs are also frequently used as educational materials in capacity-building programs, while capacity-building activities can include training on research methodologies. Another example are stakeholder engagement processes, which often involve knowledge sharing and some form of capacity-building components to ensure all participants can contribute effectively.
- Such overlaps also indicate the complementary character of and potential synergies between the different approaches. The intertwining of activities demonstrates how each approach can reinforce and enhance the others in promoting GIP. It also indicates that the approaches are most effective when integrated, as they collectively address the complex challenges of supporting GIP. Recognizing and making use of these complementarities can increase effectiveness and optimize resource use.

	Policy & Strategy	Capacity Building & Knowledge Sharing	Collaboration & stakeholder Engagement	Research & Analysis	Financial & Investments
Policy & Strategy	–	Identifies GIP capacity gaps/ needs/input to training content	Informs stake-holders on GIP efforts	Guides research focus; relies on evidence from research	GIP reforms may incentivize/enable funding
Capacity Building & Knowledge Sharing	Enhances ability to develop and implement GIP	–	Improves stake-holders' ability to engage	Disseminates research findings; includes training in research methods	Improves fund management skills
Collaboration & stakeholder Engagement	Provides input for policy advices; increase policy acceptance	Facilitates joint learning, identifies training needs/ reveals capacity	–	Informs research needs and data gaps	Attracts funding for collaborative projects
Research & Analysis	Provides evidence for policiy advices; informed by policy needs	Generate knowl-edge to be shared; identifies capacity gaps	Involves stake-holders in partici-patory research; informs stake-holders	–	Identifies finance needs; informs financial analysis
Financial Support	Enables develop-ment and imple-mentation of GIP	Fund capacity-building initiative; enhances fund utilisation	Encourages collaboration through funding; supports joint projects	Funds and incen-tivises research activities	–

Overview of complementarities and synergies between approaches

Complementarities of approaches

In practice, these complementarities are leveraged by the different donor organisations and their GIP support initiatives in LMIC. Donors apply different approaches individually but often benefit from their specific strengths through some form of cooperation or coordination with other donors to combine the different approaches.

In **Egypt**, for instance, GIZ, UNIDO and the World Bank aligned their Eco-Industrial Parks (EIP) promotion activities. With support from government institutions under the Ministry of Trade and Industry and a mix of analytic work, technical assistance, capacity building and stakeholder collaboration and engagement, GIZ supported the Industrial Zone Authority and UNIDO concentrated on the symbiosis on the level of the enterprises, while the World Bank was especially supporting the government in relation to how to govern and regulate the Industrial Zones.

This example also blurs the boundaries between and benefits from the complementary effects of policy support and support of private sector development, work on micro-level and meso-level to inform the macro-level. Several donors highlighted the importance of applying such a multi-level bottom-up (from micro to macro) approach.

An example for a more macro-level focused promotion of GIP combining different approaches is the work done by the Agence Française de Développement (AFD) in Colombia. The team adapted a modelling approach to the country context for assessing macro-economic consequences (e.g., understanding climate shocks on agriculture and on inflation, also regarding costs and benefits of adaptation measures) jointly with different national stakeholders such as the central bank and the finance ministry.

Combined with advice on how the government can manage its strategy, the aim was to make sure that the country appropriates the model, capacitating the government to adapt the model to its needs and make use of it in its specific context.

Links between GIP and other policy areas

- Green Industrial Policies are not working in isolation. For instance, environmental and energy policy objectives such as preserving natural resources and reducing GHG emissions, are at the very core of and directly related to GIPs' intention to facilitate the shift to an environmentally friendly (green) economy.[26] GIP also seeks to increase competition as a driver of green innovation and to eliminate market failures hindering a green economic transition (e.g., by internalizing externalities).[27] At the same time, it risks market distortion, for instance by supporting inefficient companies, distorting competition.[28]
- Recognizing the connections between GIP and other policy areas, thus, is essential for the effective design and implementation of GIP. Donor organisations observe, however, that governments are not always aware of these links. Instead, the green economy transformation often bears the stereotype of being relevant to and in responsibility of specific ministries only, especially the Ministry of Economy or the Ministry of Environment.
- Aware of this challenge, donor organisations tend to provide holistic support to governments in designing GIP. The extent and scope to which other policy areas are explicitly taken into account when promoting GIP, in turn, depends especially on the specific country and support context and mandate.
- Donors provide both sector-agnostic and sector-specific support. The latter, by definition, puts a stronger focus on policies and regulations of a selected sector (e.g., waste water, transport, renewable energy). At the same time, certain policies, such as those pertaining to the promotion of innovation, Just Transition, and environmental protection, generally seem to be treated as cross-cutting, vertical items.

- To facilitate alignment of different policies, donor organisations' approaches to promote GIP mostly include support of inter-ministerial cooperation and facilitation of coordination among different government ministries, departments, and agencies as well as cross-institutional information flow, as the case studies show.
- There also seems to be common ground among donors for the need of engaging a broad spectrum of other stakeholders. This includes consulting or actively involving private sector actors, civil society organisations, and local communities in GIP processes, which helps mitigating potential conflicts arising from competing interests, such as those between environmental objectives, industrial growth, and social policies addressing employment concerns and social equity.
- Donors report that governments of the partner countries often assume that, following free market principles, the private sector is managing the green transition without dedicated policy support. However, insufficiently addressing market failures might hamper or delay the desired economic transition.[29] Without conducive framework conditions, investors, for instance, might be hesitant to switch to greener business models as they often bear higher investment risks.

- Approaches donor organisations take to provide support to overcome such market failures include promoting finance tools that share risks and encourage investments or by supporting the phase out of harmful subsidies. Furthermore, research and analysis is a key approach for donors to help to identify market constraints and market distortions related to GIP and the promotion of specific sectors. In **South Africa**, for example, the biomaterial market was identified as a promising sector, but dedicated research conducted helped showing potential conflicts with the feedstock market. To name another example – The Government of **Indonesia**, specifically the Ministry of Finance, bears concern about the impacts of EU's Carbon Border Adjustment Mechanism (CBAM). Donor organisations, therefore, helped to understand the dependencies of the different country regions in terms of resources destined for foreign markets (e.g., nickel) that are more exposed to import policies of the target region.

- Additionally, it is important to avoid market distortions that might be inflicted by the donors' GIP promotion activities. In the context of financial support, for instance, lending amounts tend to become bigger. Accordingly, more scrutiny is needed to avoid adverse effects such as misdirected financial resources. A specific example of unintended consequences refers to building and using business development services capacities in **Egypt**. Aiming to build a market for business development services, donors involuntarily created less favorable conditions, as business development services providers preferred to target the donors rather than the private sector.

5. Success factors and lessons learnt for donor interventions

Success factors and lessons learnt

A set of often similar learnings emerged from the analysis of the different case studies. They can be classified into i) lessons related to the processes and approaches used by donors, ii) lessons related to the integration of green and Just Transition aspects, as well as iii) lessons with regard to the ambition of a Green Industrial Policy. The following chapter provides an overview of these lessons.

Supporting integrated approaches to GIP

The combination of support for different technical, environmental, social as well as economic aspects allows to advance a green industry and leads to improved coherence of such policies. This includes specifically combining aspects of industrial policy with the support of technical regulations for environmental aspects as well as relevant aspects of labor policy, including the need for re- and upskilling.

Sound diagnostics, either done by the country itself, or supported by donor organisations (e.g., through the diagnostics work done by the World Bank or the macroeconomic analysis undertaken by AFD), has proven to be an important entry point to define a long-term vision and strategy at the country level.

Additionally, the support of relevant value chains affected by aspects of Green Industrial Policy is crucial, and that it is beneficial to link the support on the macro level to activities on the meso or even micro level, as to create more coherent and evidence-based policies.

Matching the ambition of the support with national implementation priorities and capacities

GIP is highly context specific. Effective GIP initiatives are based on tailored approaches and sensitive to each country's development stage (e.g., low-income countries, emerging economies) as well as to its unique political and socio-economic contexts. Donors acknowledge the diversity in development stages and political contexts but still see challenges in their ability to adapt programs flexibly to meet country-specific needs.

Country-driven demand and local ownership are key, ensuring that programs align with local needs and existing demand to increase adoption and long-term viability. Thus, there needs to be a match between the aspirations of both donors and national governments.

Implementation as well as sustainability of the support provided depend on the implementation capacities of the national government. The evaluation of one country's Green Economy programme, for instance, showed that during the first phase, despite intensive support, only 30% of activities had been implemented. The lessons learnt from this first phase are now being integrated into the drafting process for a new Green Economy programme.

Especially emerging and low-income countries suffer from limited fiscal space, and all activities must be clearly aligned with country priorities. It may be possible to piggyback on existing priorities of the government, supporting those aspects that are related to GIP. In the **Philippines**, for example, the policy based loan had not been framed as a loan to support the development of a GIP – however, an ex-post analysis shows that the content and scope of the supported policies related to a sustainable post-COVID recovery are very much in line with the principles of Green Industrial Policy, addressing important challenges, such as the high cost of energy, the limited fiscal space as well as the impact that natural disasters and pollution are having on the economy.

Developing capacity builds the foundation for successful implementation

No matter what donors have been working on, if on supporting specific policy actions or on supporting the overall Green Industrial or Green Economy Framework – capacity building and technical assistance to policy makers and implementing agencies was always perceived as a key necessity for successful implementation.

In the case of the **Philippines**, for example, the technical assistance accompanying the relevant trigger points of the Policy Based Loan was a key factor for success. Relevant government units are often short-staffed and do not have the capacity to undertake additional assessments. To reach the best possible outcome, it is important to undertake any capacity building efforts in a collaborative way based on the needs and priorities of the partner government.

Especially for complex topics, it can also help to support the establishment of technical support structures, e.g., by training local consultants or experts on complex methodologies such as has been done for the Green Economic Modelling in **Kyrgyzstan**. Additionally, high staff turnover in some government agencies or changes in government remain a challenge for implementation and make it important that continuous support and training is offered to all implementing partners.

The development of strategies to support the institutionalization of the knowledge created in government structures has been identified as another key success factor. It has helped to keep partners engaged, as well as to advance activities despite important changes in leadership or government.

Inter-agency and Inter-ministerial collaboration are key for success

Supporting green industrial policy is a highly interdisciplinary endeavour that requires stakeholders from different ministries and agencies (e.g. Ministry of Trade and Industry, Ministry of Finance, Ministry of Environment, Ministry of Economy) to collaborate. At the same time, public sector institutions often work independently from each other, and the different strategies, policies, and regulations related to GIP might not be aligned or even contradictory (e.g., with regards to Green Procurement rules vs. standards for the acquisition of electric vehicles), while the absence of clear roles allocation among regulatory bodies and a lack of coordination platforms limit the effective exchange of knowledge and collaboration among entities responsible for GIP. Encouraging inter-ministerial collaboration by finding common positions and lobbying for integration has proven crucial in a number of the cases analysed.

In **Egypt**, for example, ensuring everyone understood the case around the implementation of energy efficiency standards has helped to create the necessary buy-in from all relevant agencies. Even though the government changed various times throughout the process, the fact that different agencies were on board facilitated the necessary continuity and ultimately led to successful adoption.

Additionally, strengthened collaboration between ministries related to setting up green industrial policy measures can also lead to improved cooperation in other fields, as was the case in the **Seychelles**, where improved coordination also led to more collaboration outside of the industrial policy domain.

Increasing ownership and buy-in through participatory approaches

Inclusive, bottom-up (micro level to macro level) design helps the success of GIP support. Successful programs emphasise stakeholder inclusion across levels (national, subnational) and sectors (private, public, labour organizations), which also benefits the Just Transition dimension. They also follow bottom-up solutions rather than imposing top-down.

Projects concurred that integrating all relevant stakeholders from an early stage is key to create ownership and buy-in. To make industrial policies work, they have to be useful for stakeholders and take into account different views and priorities. A highly collaborative process for developing relevant policy measures, based on the needs of the different stakeholders and especially the private sector, thus, are key for success. Without involving businesses early on, policies risk being ineffective and inaccurate, limiting their success and hindering implementation.

Private sector and MSME engagement can also help to stimulate broader green transitions. Support for MSMEs, for entrepreneurs and for the meso-level has shown to drive awareness but also to reveal regulatory gaps that could support green growth if addressed. At the same time, balancing direct SME support with broader systemic impact remains a challenge, i.e., focusing to accelerate the green transition on a wider scale is more promising than narrow SME support.

Various engagement formats, such as public private dialogues, stakeholder engagement platforms or other engagement processes are suitable. Several rounds of engagement might be necessary and using a participatory approach takes time and effort, which needs to be accounted for, when planning a donor intervention. Keeping all actors engaged and committed is a marathon, not a sprint and allowing sufficient time to create trust and commitment also helped to increase acceptance and enforcement of policies and regulations.

A coordinated approach between all donors is key

Many donors have a similar agenda related to Green Industrial Policy but put a different focus in implementation. At the same time, they have different complementary strengths.

Therefore, work with partners needs to be harmonized based on exchange – experience has shown that systematic coordination and exchange between the different donors supporting governments in their endeavours to implement green industrial policy are key to avoiding overlaps and competition. Yet, effective and structured coordination remains limited.

In countries with an organised coordination structure, such as in the implementation of PAGE, an existing partnership between various UN agencies, this complementarity worked very well.

In other countries, existing personal relationships between personnel from donor organisations were key to facilitating the exchange. Overall, ideally, the government is taking over the role of coordinating efforts by different donors to make it less dependent on personal relationships, to ensure all activities are based on country needs, and to avoid redundancies.

Using evidence-based analysis for decision making and communication

A strong analytical basis is key, but it also remains one of the significant challenges, as data is often unavailable or limited in quality. The sector is heavily reliant on tacit knowledge, which so far proved challenging to formalize. In many countries, strategies and plans are developed based on assumptions and estimates. There is little awareness of the importance of data-driven development, which hampers the design of evidence-based strategies. Departments of Statistics require capacity building and support to collect more accurate data on relevant topics and trends. Additionally, if data is available, it is often not disaggregated by gender and other vulnerable groups, which makes it more challenging to argue for and ensure the integration of Just Transition aspects into GIP.

Where it was possible to develop evidence-based decisions, it has helped to create the necessary buy-in from different stakeholders, as a strong analytical base is a precondition for defining the right and differentiated key messages, as well as creating the necessary awareness of the costs and benefits of the transition. In the STEP project in Egypt, the use of science-based data allowed to decide which technology to focus on, as well as to decide on the rollout of the implementation of the decree (including timing and modalities) that would provide the best possible effects on the economy and the environment.

Responding to low awareness for Just Transition principles through additional capacity development and support

The inclusion of Just Transition principles, as well as aspects of gender, is increasing in importance and an angle that is often prominently supported by donor organizations. However, awareness for the relevance of including Just Transition and gender aspects into industrial policies remains low in most partner countries. Therefore, continuous support is required to assure an adequate reflection of this topic in the development and implementation of GIP. Such support can take the form, for instance, of ensuring that relevant groups are included into stakeholder consultations, or of providing technical expertise such as through external experts.

In **Argentina**, PAGE used a mapping of societal actors and their relationships and streamlined the results in tripartite and tripartite-plus dialogue processes in order to set-up the Roadmap for a Just Transition in Argentina. This included the set-up of formal mechanisms for advising implementation of national policies at diverse levels, aiming to assure the effectiveness of a Social Dialogue as a process that enables concrete policymaking.

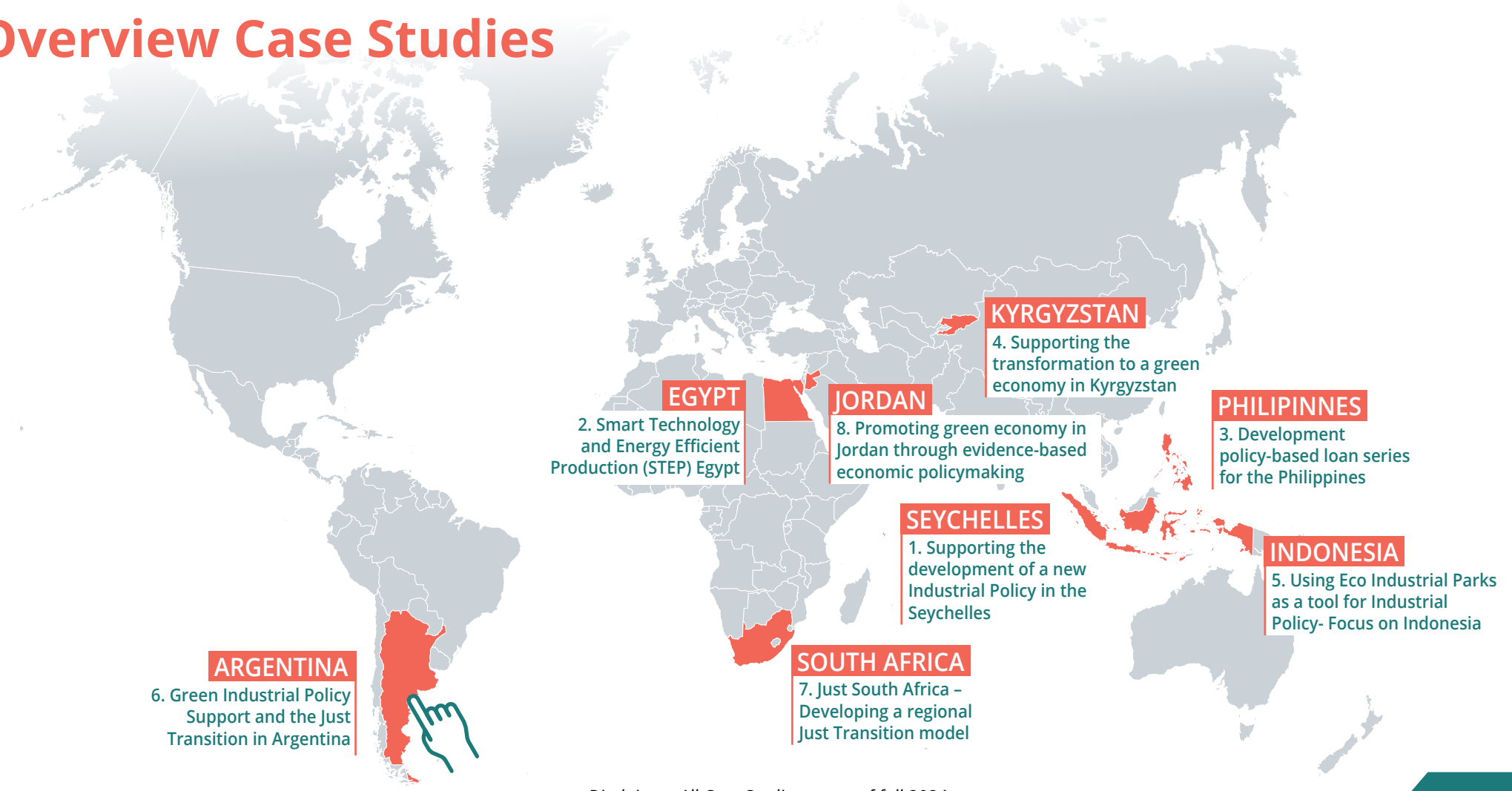
Peer Learning and regional exchange is key especially for smaller countries

Exchange between policy makers provided an important forum for the exchange of good practices and lessons learnt and led to smoother processes related to policy making. Especially for smaller countries with high regional integration, a regional approach towards the promotion of Green Industrial Policy can lead to additional benefits.

Nevertheless, it is important to recognize that the conditions in the different countries vary significantly and that approaches, therefore, have to be adapted to the local contexts, taking their specific needs into account.

6. Case Studies

Overview Case Studies



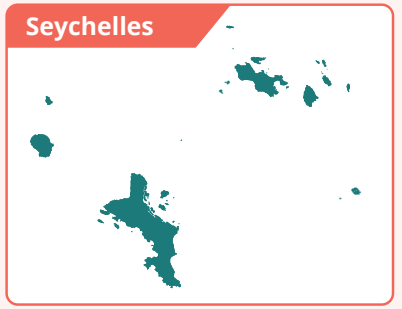
Disclaimer: All Case Studies are as of fall 2024.

1. Supporting the development of a new Industrial Policy for the Seychelles 1

Context

With tourism as the major economic sector, the Seychelles are extremely vulnerable to external shocks and the pandemic clearly showed the dangers of overrelying on one single sector. Therefore, it was decided to develop a new industrial policy, focusing on the diversification of economic growth, the creation of decent and safe work, the creation of local added value, as well as the development of a green and circular economy.

The policy's development was led by the Ministry of Investment, Entrepreneurship and Industry (MIEI). It conducted a comprehensive industrial diagnosis and held extensive stakeholder consultations with representatives from civil society, the private sector and public institutions. The policy was presented to cabinet and adopted in September 2023.



Support agencies

The ICR Facility, co-funded by the European Union (EU) and the Organisation of African, Caribbean and Pacific States (OACPS) under the 11th European Development Fund (EDF), together with the German Federal Ministry for Economic Cooperation and Development (BMZ) and the British Council.

Approach

Policy and Strategy Advisory

- Strategic and technical support to the drafting team of the industrial policy.
- Advisory with regards to the integration of aspects related to green economy and Gender

Capacity Building and Training

- Training in industrial policy design and development using the EQuIP (Enhancing the Quality of Industrial Policies) methodology through a predecessor project.

Collaboration and Stakeholder Engagement

- Support in the implementation of consultation processess to collect quality inputs, as well as generate buy-in from relevant stakeholders.

Just Transition and Gender Aspects

- Consultations with women groups have been an important part of the policy development process and yielded recommendations on how to more systematically integrate the needs of women into the industrial policy.
- Impacts on women are expected through the promotion of diversification towards higher value-added manufacturing

1. Supporting the development of a new Industrial Policy for the Seychelles 2

Lessons learnt

To include a gender focus into the industrial policy required capacity development and technical support

Continued support to advise on the inclusion of gender into the design of the industrial policy and accompany the process throughout was required, as awareness with regards to the topic was still low.

Data availability as a major challenge for policy development

A comprehensive exercise to collect disaggregated data was undertaken, however data limitations were the main challenge. Therefore, recommendations have been made to improve the quality of available disaggregated data specifically for the manufacturing sector.

A participatory approach leads to ownership and buy in

The implementation of a participatory approach led to high ownership which is expected to facilitate the successful implementation of the strategy. The fact that the Ministry was well capacitated was another important ingredient to the success, as well as enabling the overall participatory policy development process.

Outcomes

- The policy has already influenced the design and review of programmes. For example, currently, the Ministry is reviewing a grant scheme to align to the new industrial policy. Further, it has been used to feed into informing curricula development for technical and vocational training programmes.
- The action plan of the policy has been fed into the M&E Framework of the Ministry.
- The fact that the development of the policy was done in active cooperation with other Departments has overall improved the cooperation among the Departments on other activities, such as the International Trade Zone.

Links

Full case study

EQuIP website

Excursus: EQuIP Tool Kit

Objective of the Tool Kit

To have a clear understanding of

- the economic performance and trajectory of the sector;
- how inclusive it has been in terms of providing productive and decent jobs for men and women
- the extent of the sector's impact on the environment, and whether there have been effective efforts to limit these.

Objective of the Tool Kit

The EQuIP toolkit (developed by GIZ and UNIDO) provides practical guidance to policy makers in developing countries on how to define an evidence based industrial policy.

It consists of a set of analytical tools, covering all three aspects of inclusive and sustainable industrial development, namely economic, social, and environmental outcomes. While rather focusing on traditional, rather then Green Industrial Policy, it does include specific tools to green an industrial policy and to integrate both green as well as inclusive aspectes in a transversal manner.

Two main approaches used throughout the EQuIP diagnostic guides are

a. benchmarking the performance of the country in question with that of other countries, and
b. examining trends over time, in addition to the most recent situation.

Both are undertaken to help policy practitioners in assessing the country's performance and identifying gaps/points of concern that can help to identify the priorities for an industrial police.

Links

EQuIP website

Tool 6

Gender equality in manufacturing

Tool 7

Industry and Environment

2. Smart Technology and Energy Efficient Production (STEP) project in Egypt 1

Context

In 2015, Egypt encountered a severe energy crisis, with rising demand and escalating costs of long-standing subsidies, which had been in place since the 1970s. As part of economic reforms, the government initiated a gradual reduction of these subsidies, adversely impacting the private sector's competitiveness due to its reliance on subsidized energy. Inspired by the transformational effects of energy efficiency policies observed in Korea, Egypt introduced similar policies to reduce industrial costs, lower carbon emissions, and foster private sector growth. In collaboration with the IFC, the focus was set on high-efficiency motors. The 2020 Ministerial Decree 463/2020 enforced motor labelling and higher energy efficiency standards, allowing only IE3-efficient motors for import since 2022 to support Egypt's transition to a greener economy.

Support agencies

At Egypt's request, the IFC launched the Smart Technology and Energy Efficient Production (STEP) program to reduce industrial energy use and support local energy-efficient manufacturing. Partnering with Egypt's Ministry of Trade and Industry (MoTI) and affiliates, the six-year project concluded in 2022.

Approach

Policy and Strategy Advisory
- Long-term support for decree establishment and enforcement.

Capacity Building and Training
- Training with Danish and Korean expertise for standards adaptation.

Collaboration and Stakeholder Engagement
- 40 consultations engaging 950 stake-holders to build consensus and address energy-efficient motor benefits.

Research and Analysis
- 14 reports supporting energy savings, with impact analyses guiding efficient motor standards.

Financial support and Investment
- Established labs, grants, and loans for energy-efficient technology investment.

Just Transition and Gender Aspects

The project focused exclusively on economic and environmental aspects.

2. Smart Technology and Energy Efficient Production (STEP) project in Egypt 2

Lessons learnt

Use evidence-based analysis for decision-making and communication at all times

Science-based analysis guided motor efficiency choices and tailored stakeholder messaging, fostering buy-in for E3 motor benefits.

Accompany the implementation of policies with technical assistance for the affected value chain

Technical support, capacity building, and low-interest loans promoted market readiness for motor replacements and local manufacturing.

The engagement of all key stakeholders from the beginning is key

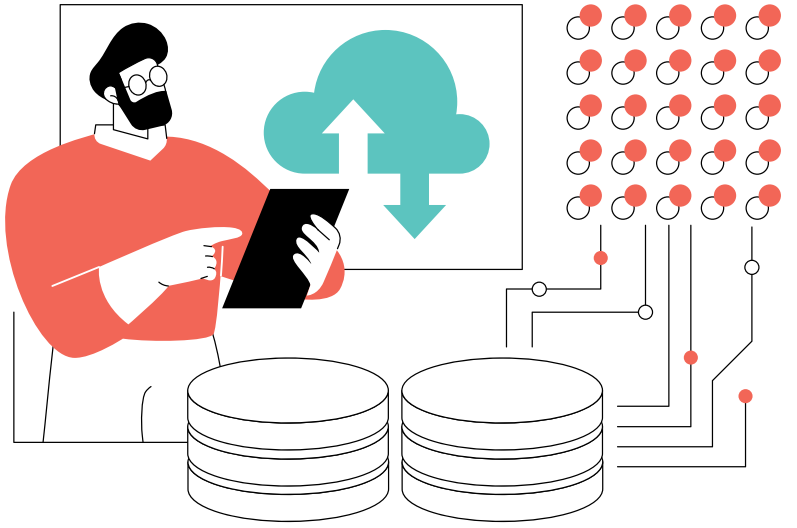
Early stakeholder involvement built trust, ensuring the decree matched Egypt's needs.

Encourage inter-ministerial and inter-agency collaboration

Collaboration among MoTI, Export Import Control, and Industrial Control agencies secured understanding and continuity, vital to the decree's success despite government changes.

Outcomes

- $150M+ created in private sector savings
- 1.1M+ metric tonnes saved in greenhouse gas emissions
- 2,100+ GWh of energy savings generated
- $70M+ in private-sector led investments and mobilization of cross-border capital to create energy efficient technology manufacturing



Links

Full case study

3. Development policy-based loan series for the Philippines

1

Context

The COVID-19 pandemic caused a sharp economic downturn in the Philippines in 2020, with a nearly 10% GDP contraction, rising poverty, and record-high unemployment. In response, the government initiated post-pandemic recovery efforts, focusing on accelerating private sector investment and improving climate resilience. Given uneven recovery across sectors and worsening global exports and financial conditions, careful medium-term fiscal consolidation is essential. The government aims to achieve 50% renewable energy in total power generation by 2040 and has enacted the Extended Producer Responsibility Act, requiring large enterprises to recover up to 80% of plastic packaging waste by 2028.

Support agencies

The World Bank's Development Policy-Based Loan supports the Philippines' recovery. It focuses on economic growth and environmental protection and addresses market competition, infrastructure, and low foreign direct investment. Technical assistance is provided by ADB, USAID, UNDP, and UNOPS.

Approach

Policy and Strategy Advisory

- The World Bank collaborates with departments like DTI and DENR to support renewable energy and Extended Producer Responsibility (EPR) laws and reforms.

Capacity Building and Training

- Korea-supported training and exposure visits enhance EPR implementation.

Research and Analysis

- Reports like the Country Climate and Development Report guide PBL priorities and support DENR on EPR impacts.

Financial support and Investment

- The Development Policy Based Loan offers budget financing for economic recovery, growth, and environmental protection, with disbursements linked to prior actions.

Just Transition and Gender Aspects

The integration of gender into EPR legislation, as well as related capacity development and analytical approaches, for example with regards to the impacts of EPR on vulnerable communities, were a key concern for the government during the implementation.

3. Development policy-based loan series for the Philippines

2

Lessons learnt

Although the activities financed and supported can be considered as approaches fostering a Green Industrial Policy, they have not been framed as such

The loan was framed as post-COVID recovery support, identifying critical policy actions to address high energy costs, fiscal constraints, and environmental challenges.

Accompany the deployment of the Policy Based Development Loan with strong technical assistance and a collaborative approach.

The PBL's success relied on continuous technical assistance and close collaboration between the World Bank and government units to address capacity gaps and achieve key milestones.

Encourage inter-ministerial and inter-agency collaboration

Successful PBL implementation depends on strengthened coordination between DoF, DENR, and DTI to align actions and overcome capacity challenges.

Links

Full case study

Development Objective Overview

World Bank Project Detail

Press Release World Bank

Philippines Country Climate and Development Report

4. Supporting the transformation to a green economy in Kyrgyzstan

1

Context

Kyrgyzstan, a lower-middle-income country, relies on climate-sensitive sectors like agriculture and resource extraction. Economic and climate vulnerabilities have prompted a shift toward a green economy. In 2018, the 'Concept of Kyrgyzstan as a Green Economy Country' was adopted, followed by a National Programme (2019–2023) aligned with the SDGs. Key frameworks like the National Development Strategy 2040 and the five-year program (2021–2026) aim for sustainable, inclusive growth and resource protection. Industrial development is prioritized, with a Strategy for Sustainable Industrial Development. The upcoming Green Economy Development Program (2024–2028) will build on these efforts, integrating gender considerations.

Support agencies

Kyrgyzstan joined the Partnership for Action on Green Economy (PAGE) in 2016, with UNEP, ILO, UNDP, UNIDO, and UNITAR supporting its green economy efforts alongside GIZ to promote green policies and industry greening.

Approach

Policy and Strategy Advisory

- Supported key tools like the Green Economy Model (GEM) for impact analysis and the Green Economy Development Programme with ILO's guidance.

Capacity Building and Training

- Training includes GEM, Green Jobs Model skills, green economy courses, and State Development Bank support.

Collaboration and Stakeholder Engagement

- PAGE hosts the Green Economy Forum and supports the Green Economy Committee to enhance public-private cooperation.

Research and Analysis

- PAGE and ILO led studies on green job skills and sectoral impacts, guiding informed policies.

Just Transition and Gender Aspects

ILO integrated the Just Transition dimension, including the decent work agenda and social protection, and raised awareness among government bodies, workers, and employers. In the 2024–2028 Green Economy Development Program, currently in budget costing, UNDP supports gender mainstreaming across all sectors.

4. Supporting the transformation to a green economy in Kyrgyzstan 2

Lessons learnt

Capacity development for government officials and demand creation for GEM

Ongoing training, demand creation, and institutionalizing knowledge are vital to sustain GEM and GJAM amid high ministry turnover.

Ensure awareness and understanding of the cross-sectoral character of green transition and GIP

Encouraging a unified view of the green economy's scope across ministries is key for cross-sector collaboration.

Systematic exchange and coordination between the different donors is key

Government-led coordination of donor efforts and private-sector integration enhances GEM and GIP success.

Outcomes

- It was shown that the work on different levels (macro, meso, micro) improved the bottom-up communication between private sector and the policy level in that green transition-related needs and concerns of businesses are being captured by business associations and communicated by the latter towards the government.

Links

PAGE in the Kyrgyz Republic

Strategy for sustainable Industrial Development

Full case study

5. Global Eco-Industrial Park Programme – Focus on Indonesia

1

Context

Eco Industrial Parks (EIP) are an industrial policy tool to attract investment, drive growth, reduce environmental impacts, and promote green industries. EIPs support manufacturing upgrades, national development, and industrial sustainability. UNIDO, GIZ, and the World Bank have developed an International Framework for EIP, guiding stakeholders from policymakers to companies. Industrial policy is key to overcoming barriers like regulatory issues, limited enforcement, and socio-economic and technological constraints. Governments play a vital role by creating incentives, favorable market conditions, and enforcing regulations.

Indonesia

Support agencies

The Global Eco-Industrial Parks Programme (GEIPP), funded by UNIDO and SECO, enhances resource productivity and improves the economic, environmental, and social performance of businesses in Colombia, Egypt, Indonesia, Peru, South Africa, Ukraine, and Viet Nam.

Approach

Policy and Strategy Advisory

- Supported MoTI in creating national EIP regulations and indicators linked to industrial zoning.

Capacity Building and Training

- Trained 864 individuals in policy, establishing the Inter-Ministerial Forum.

Collaboration and Stakeholder Engagement

- Established a 5-year Inter-Ministerial Forum with 11 ministries for biannual meetings on topics like Circular Economy, involving private sector input for regulatory development.

Research and Analysis

- Mapped environmental regulations, noting policy gaps in social performance for industrial estates.

Just Transition and Gender Aspects

The topic of industrial areas has a Just Transition angle, involving job creation, skills development, community health, buffer zones, shared resources, and social aspects like working conditions and gender. Nethertheless, GEIPP's Just Transition and gender equlality work focused more on the industrial zone level than on policy integration.

5. Global Eco-Industrial Park Programme – Focus on Indonesia

2

Lessons learnt

Collaborative engagement is key

Early, diverse stakeholder engagement and semi-formal solution discussions ensure inclusive policies. Transparent communication fosters trust and shared ownership, boosting success.

Capacity building as a foundation

EIP training for policymakers fosters a sustainable environment and adapts to government changes.

Regulations, enforcement, recognition, and support

EIP requires strict environmental regulations, clear guidelines, and supportive policies, including training and financial incentives.

Peer learning to advance policy making

GEIPP's cross-country exchanges share best practices, smoothing policy processes. Tailored approaches for each country's conditions are essential for success.

Links

Full case study

6. Green Industrial Policy Support and the Just Transition in Argentina

1

Context

Argentina, the third-largest economy in Latin America, is rich in natural resources, including energy, gas, and lithium, providing opportunities for renewable energy. Its diversified industrial structure and educated workforce support high-tech manufacturing and innovation. Despite a faster-than-expected post-pandemic recovery, challenges such as high inflation and macroeconomic imbalances persist, eroding purchasing power and limiting sustainable growth. The Argentina 2030 Productive Plan, launched in 2023, focuses on green economy strategies, including circular economy policies and recycling cooperatives. The National Green Jobs Programme promotes green job creation aligned with Just Transition principles. Under Javier Milei's government, priorities include economic liberalization, reduced state intervention, and the "Regime for Incentivisation of Grand Investments," reshaping green strategies in emerging sectors.

Support agencies

PAGE (ILO, UNDP, UNIDO) and GIZ, funded by Germany, supported Argentina's green industrial strategy. PAGE and GIZ trained 700 SMEs on energy efficiency, circular economy, and renewable energy. Piloted on-site SME assessments, funded by EU All-Invest, were delivered through the Industrial Union.

Approach

Policy and Strategy Advisory

- PAGE and GIZ supported the Productive Plan and the first Green Jobs Statistical Report, showing 12% of registered workers are in green jobs.

Capacity Building and Training

- A Sustainable Industrial Development Platform was established to provide SMEs with capacities for green industrial practices.

Collaboration and Stakeholder Engagement

- Stakeholder consultations, tripartite-plus dialogues, and sectoral roundtables aligned industrial and labour policies with Just Transition goals.

Research and Analysis

- Studies on waste streams, fiscal reforms, and decarbonization informed industrial policy, labour adaptation plans, and circular economy strategies.

Just Transition and Gender Aspects

Argentina's Green Transition integrates Just Transition principles by aligning decarbonisation efforts with industrial development. The Productive Plan creates jobs to offset declines in polluting sectors while addressing territorial and gender inequalities, ensuring equitable economic growth and environmental sustainability.

6. Green Industrial Policy Support and the Just Transition in Argentina

2

Lessons learnt

Have a clear strategy on how to achieve sustainability of the support, especially if national priorities change.

PAGE developed a phase-out strategy, organizing partner events to ensure continuity despite shifting government priorities.

Integrating support for economic, environmental, and social policies and regulations contributed to the creation of a more coherent industrial policy.

Support for diverse aspects enabled the Green Jobs and Just Transition Roadmap, integrated into sectoral plans and NDCs.

Social Dialogue has been a crucial aspect to shape the industrial policy.

Tripartite-plus dialogues mapped societal actors and established mechanisms to implement national policies effectively, supporting a Just Transition in Argentina.

The way forward

Many PAGE impacts are rooted at subnational and local levels, which are key to implementing critical infrastructure and regulations for localizing industrial clusters. The Federal Council of Investments and the Compact of Mayors Against Climate Change provide instruments to ensure continuity and sustainability. Strengthening industrial relations among enterprises, industrial parks, and municipalities is essential for advancing local renewables (especially bioenergy), circular economy, and industrial symbiosis. Provinces, now tasked with financing and implementing infrastructure, need support for investments in sectors like lithium, oil and gas, and transport. Opportunities include developing green investment criteria, rotary funds, and financial services through partnerships with provincial banks.

Links

Full case study

7. Just South Africa – Developing a regional Just Transition model

1

Context

Climate change intensifies South Africa's long-standing challenges of poverty, unemployment (over 33%), and inequality. The country's heavy reliance on coal, which supplies 70% of its energy, has significant health repercussions, especially in low-income communities, worsening social inequalities. South Africa's National Development Plan 2030 and Just Transition Framework envision an environmentally sustainable, climate-resilient, low-carbon economy and just society by 2030. The Department of Trade, Industry, and Competition aims to drive sustainable growth, create green jobs, and promote structural change. However, despite alignment in policies related to renewable energy, energy efficiency, and waste management, the green economy is still more of an add-on in industrial policy, with significant support directed toward energy- and carbon-intensive sectors.

Support agencies

The Decarbonised Economy for South Africa (Just SA) project, is implemented by GIZ, NBI, TIPS, WWF, and the Mpumalanga Green Cluster Agency (MGCA), in partnership with the Ministry of Forestry, Fisheries, and the Environment. Funded by Germany, Just SA supports a just energy transition across all levels of government.

Approach

Policy and Strategy Advisory

- Just SA advises the government on industrial and labor policies promoting a just, decarbonized economy and supports Mpumalanga's Green Economy Transition Plan.

Capacity Building and Training

- Just SA builds capacity at all levels, offering training for officials on green economy and Just Transition concepts, providing tools for policy application.

Collaboration and Stakeholder Engagement

- Just SA supports PCC's dialogues with communities, labor unions, and businesses and collaborates with IKI JET for best practices in Just Transition.

Research and Analysis

- TIPS leads research, providing insights to support vulnerable workers and economic diversification in Mpumalanga's coal regions.

Just Transition and Gender Aspects

Just SA's implementation of the Just Transition Framework focuses on diversifying economic opportunities in coal-dependent regions, with emphasis on financing, policy development, and SME economic diversification.

7. Just South Africa – Developing a regional Just Transition model

2

Lessons learnt

Just Transition policies are most effective if they are embedded in subnational development plans for local impact.

Embedding Just Transition policies in Integrated Development Plans of municipalities and regional plans is essential for maximizing local impact, as shown by initial training outcomes.

Sub-national coordination, monitoring, and evaluation of JT activities require strong technical capacities and mandates on the sub-national level.

Effective subnational coordination needs robust technical capacities; in Mpumalanga, the MGCA coordinates Just Transition activities but requires strengthened capacity to fulfil its role effectively.

Links

Full case study

GIZ- Supporting South Africa towards a Just Transition to a decarbonized economy

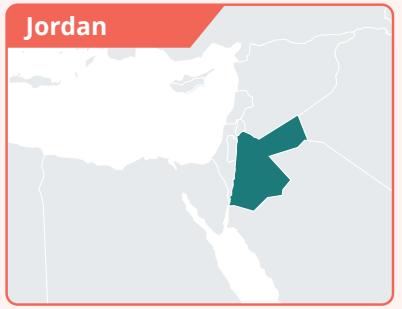
IKI – Just SA

TIPS – Just Transition Knowledge Portal

8. Promoting Green Economy in Jordan through evidence-based economic policymaking 1

Context

Jordan's industrial sector contributes 23.7% to GDP and employs 267,000 workers. Key subsectors like mining and manufacturing face challenges such as low growth, resource scarcity, and limited compliance with international standards. The Economic Modernization Vision 2033 aims to strengthen high-value industrial activity and accelerate sustainable growth. The Royal Court monitors the vision, holding ministries accountable for progress, with efforts led by the Ministry of Environment (MoEnv) and the Ministry of Industry, Trade, and Supply (MoITS).



Support agencies

The Green Action in Enterprises project (GAIN), funded by Germany and implemented by GIZ, supports sustainable production in textiles, plastics, and food processing. Partners include the Jordan Chamber of Industry, Royal Scientific Society, EDAMA, and the Jordan Renewable Energy and Energy Efficiency Fund (JREEEF).

Approach

Policy and Strategy Advisory

- GAIN supports Jordan's first Circularity Roadmap, the Green Manufacturing Plan, and certification schemes such as the National Ecolabel. It also aids the Women's Economic Empowerment Unit.

Capacity Building and Training

- Over 400 professionals were trained, and 110 manufacturers received support to enhance competitiveness and environmental standards.

Collaboration and Stakeholder Engagement

- GAIN supports interministerial collaboration and public-private dialogues, including the Jordan Chamber of Industry.

Research and Analysis

- GAIN conducted studies, developed guidance for resource efficiency, and published success stories.

Just Transition and Gender Aspects

The GAIN project promotes the principles of a Just Transition by supporting the government in ensuring inclusivity and "leaving no one behind." A key component of this effort is advancing gender equality, with GIZ supporting the Women's Economic Empowerment Unit at the Ministry of Industry, Trade, and Supply.

8. Promoting Green Economy in Jordan through evidence-based economic policymaking 2

Lessons learnt

Better Data

Accurate data collection is crucial to inform evidence-based strategies and improve monitoring and evaluation efforts.

Encourage Increased Intragovernmental Alignment

Public institutions require stronger alignment and communication to prevent duplication or contradictions and ensure seamless implementation of green policies.

Improved Government-to-Business (G2B) Engagement

Engaging businesses early ensures policies are feasible, effective, and scalable, enabling better implementation and replicability across sectors.

Outcomes

- Over 110 manufacturers benefited
- 8 green business cases for investment developed
- Over 400 professionals capacitated in green industrial practices and circular economy principles
- Green production in more than 80 industries supported
- GAIN advised 8 green industrial policy instruments
- 9 technical and financial support lines developed for manufacturers

Links

Full case study

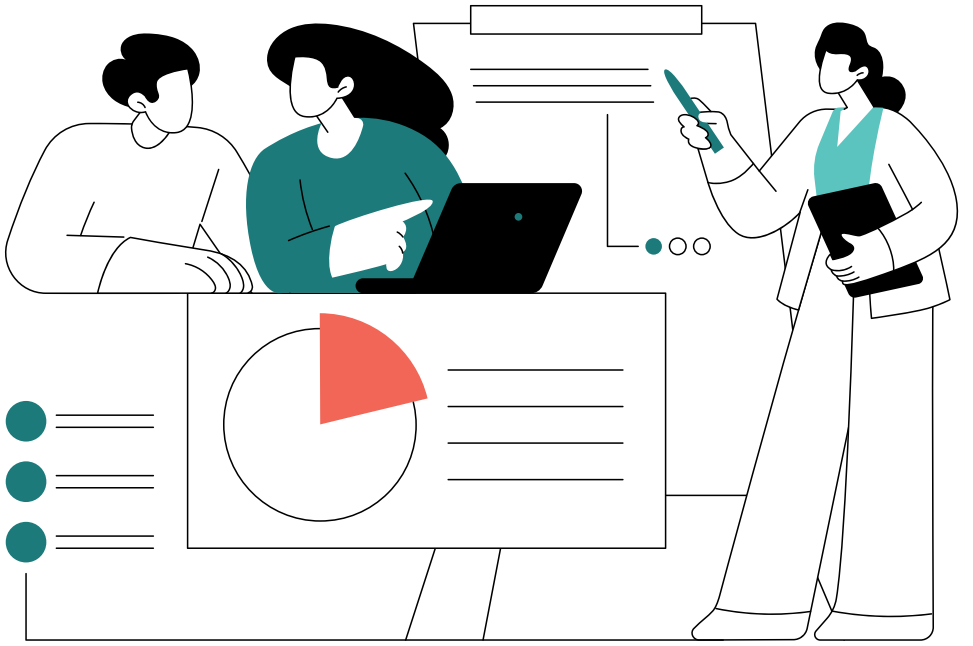
GAIN Jordan

7. Recommendations and Conclusions

Conclusions

- Green Industrial Policy has gained significant relevance in recent years and continues to grow in importance. An analysis of donor contributions revealed a wide range of actions related to Green Industrial Policy that are not explicitly framed as such.
- Just Transition as a cross-cutting aspect is gaining traction, but, with a few exceptions, implementation is still very much dependent on donor support. However, also for donors the Just Transition aspect is often not the main focus and understanding varies depending on the project and approach used. Additional capacity development and support are often needed to help countries systematically integrate gender and other Just Transition considerations into Green Industrial Policies.
- Donors have developed comprehensive support programmes, complementing each other and using a mix of approaches to promote the development of Green Industrial Policy. However, gaps remain in supporting the implementation of Green Industrial Policy, particularly in translating policy into action to advance the Green Transition. High turnover among government staff and competing regional strategies, for instance, hinder policy implementation. Better tools and frameworks to support countries in translating policy into action are required to ensure continuity
- Larger funding allocations for GIP initiatives require careful monitoring to prevent misuse and ensure that financial benefits reach intended beneficiaries. This also includes efforts to phase out subsidies that may hinder green transition goals.

- In countries where more than one donor supports Green Industrial Policy, donor coordination often depends on personal relationships and priorities. More comprehensive and systematic coordination mechanisms and exchange programs, as well as joint development of approaches that leverage the complementary experiences of donors – such as through the EQuIP Toolbox or the International Framework for Eco-Industrial Parks – should be strengthened.
- Collecting evidence on the potential impacts of the different approaches donors are using is essential for promoting effective Green Industrial Policy programmes. Because programmes and projects supporting Green Industrial Policy are often part of larger initiatives, measuring their direct impacts can be challenging. The DCED could play a role by initiating discussions on suitable monitoring and evaluation methods or by collecting impact data and success stories across its member organisations.



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On behalf of
Federal Ministry for Economic Cooperation and Development

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