

## TERMS OF REFERENCE

THE DONOR COMMITTEE FOR ENTERPRISE DEVELOPMENT GREEN GROWTH WORKING GROUP (GGWG)

### POLICY BRIEFS ON THE ROLE OF TRADE AND MSME DEVELOPMENT TO DRIVE JUST TRANSITION'

#### A. PROJECT BACKGROUND AND OBJECTIVES

(Provide a description and context of the project and identify the most important deliverables)

##### BACKGROUND

The Donor Committee for Enterprise Development (DCED) is a forum for multilateral and bilateral development institutions and foundations working in private sector development (PSD), who share experience, identify innovations and formulate guidance on effective practice. In 2011, the DCED set up a Green Growth Working Group (GGWG) as a response to an emerging interest in integrating green growth concepts in PSD. As a long-term goal, the GGWG aims at mainstreaming green and inclusive growth strategies in PSD, while advocating for the importance of PSD when implementing green and inclusive growth strategies. The medium-term goal is focused on knowledge sharing, dissemination and pooling of technical resources.

In recent years, there has been a shift in the policy landscape concerning the intersection of trade and climate change. Governments have increasingly recognized the urgent need to address the environmental externalities of trade, while at the same time using trade as a tool to promote the transition to more sustainable and inclusive production systems. An increasing number of trade-related green policies are emerging worldwide, **aiming to promote sustainable production and trade practices in local and global value chains**. These initiatives encompass a wide array of issues, ranging from environmental issues and GHG emissions to social and human rights considerations.

A critical component of this evolving landscape is the role of trade-related green policies in supporting the private sector in developing countries. For instance, trade policies can create incentives for MSMEs to adopt green technologies, e.g. through subsidies. Another example, trade agreements affect MSMEs to access new markets by reducing tariffs or trade barriers for sustainable goods and services. Green industrial policies often include financial support to promote strategic green industries such as renewable energy and climate-smart agriculture.

Beyond direct support to companies, trade-related green policies are also enacted in the form of regulations, such as product standards and certifications, aimed at greening exports to large Western markets. Navigating this complex landscape poses significant challenges for MSMEs. Exporting or export-ready MSMEs, particularly in developing countries, may lack the technical, managerial and financial capacity to comply with new regulations. Failure to comply with these requirements can result in constrained market access and the exclusion of MSMEs from global supply chains. In addition to regulatory requirements, green specifications and criteria may also be imposed by multinational corporations adopting voluntary sustainability standards (VSS), exerting an extra burden on suppliers.

In this context, it is important to consider the **trade-offs** that trade-related green policies create **for MSMEs**. On the positive side, compliance with green regulations can facilitate access to new markets, especially in regions with high demand for sustainably produced goods. It can attract new investments and partnerships as more investors prioritize sustainability in their portfolios. MSMEs also have access to a whole new range of support, ranging from tax rebates to grants or loans to capacity building services specifically designed to help them go green. On the negative side, trade-related green policy frameworks can create compliance costs that strain the limited resources of MSMEs, potentially threatening their competitiveness. Balancing these trade-offs is crucial for MSMEs as they navigate the increasingly green global trade system.

To better understand how donors and development practitioners can effectively provide support to partner countries in driving a Just Transition through trade and MSME development, the DCED Green Growth Working Group (GGWG) created a dedicated sub-group (hereafter referred to as the 'Task Force'). Through this assignment, the Task Force will examine how recent trade-related green policies **policies targeting the private sector** can support **MSMEs in developing countries** to manage these trade offs and deliver on the Just Transition. Key trade offs include how to balance new opportunities in sustainable markets against any barriers (e.g. technology uptake) and increased compliance costs.

This Task force will take due account of and build on the work of the DCED Business Environment Working Group (BEWG) workstream examining new environmental regulations and their implications for developing countries (which is expected to deliver preliminary results by end-October 2024). While this contract will be fulfilled through the World Bank, this task force (made up of representatives from ITC, ILO and the IKEA Foundation) will steer the contractor in the delivery of this assignment.

#### **OBJECTIVES**

To review a selected number of trade-related green policies (3 to 4) with the aim to respond to the following questions, which may be adapted depending on the final policy selection:

- How are/were MSMEs and their workers in developing countries impacted by the policy (challenges and opportunities)?
- Are explicit provisions made or support envisaged for MSMEs and their workers in the policy? If yes, which?
- What have been the key implications for environmental sustainability, job quality and job creation for MSMEs as a result of the policy?
- What kind of green market opportunities can MSMEs seize as a result of the policy?
- How does the policy help reduce the regulatory burden (e.g. compliance)?
- How does the policy help promoting the Just Transition?
- How were the voices and concerns of MSMEs and their workers considered during the development of the policy?
- Were structures and institutions that represent MSMEs and their workers consulted during the development of the policy?
- What kind of support systems should be in place for the deployment of this policies in support of MSMEs?
- What are the implications of the policy for enterprise development initiatives?

## **B. SCOPE OF WORK**

(Describe the type of consulting work that will be required indicating particular areas to be covered, expected level of detail to be accomplished and qualifications)

The consultants are expected to review 3 to 4 trade-related green policies with the aim to respond to the questions included in Section A (Objectives) to inform the development of a series of policy briefs (see Section C). For that, the consultants are expected to conduct research on potential trade-related green policies to be reviewed, propose to the Task Force a selection of policies to be reviewed, engage and discuss with the Task Force on the final selection of the policy frameworks as set out in Section C.

Certain parameters have been defined for policy selection, with pre-selected parameters highlighted in bold (tentative):

1. **National** vs. bilateral vs. multilateral policies (e.g. MEAs, FTAs, green tariffs etc.),
2. Requirements (e.g. EUDR, CSDDD) vs. **support mechanisms for export ready MSMEs (e.g. green industrial policies in exporting countries),**
3. Policies implemented in developed vs. **developing countries,**
4. Type of policies - pure trade policy (e.g. tariffs) vs. **trade-related policy measures** (e.g. financial support, material specifications),
5. **Policies regulating exports to or imports into (e.g. unfinished goods for processing),**
6. Cross cutting: Geography, sector, topic - sectors that are important for MSMEs and have a strong potential for the green and just transitions

The consultant(s) will deliver three policy briefs presenting case studies from relevant sectors meeting the following criteria:

1. Concern for MSME employment in developing countries
2. High environmental impact (or greening potential)
3. Strong trade dimension, i.e export-oriented

Each policy brief will focus on one sector. Examples of good “candidates” include energy, agriculture, extractives and low-skilled manufacturing. Wherever possible, the case studies should represent different geographies (e.g. Sub-Saharan Africa, Southeast Asia) looking at developing countries that are trading powerhouses in the sectors of interest or are home to emerging green industries.

The consultants are expected to conduct a scoping exercise of priority sectors, present the findings and discuss with the Task Force for the final selection of sectors. Based on the findings, countries will be identified jointly by the Task Force and the consultant(s).

### **QUALIFICATIONS:**

Ideally, consultant(s) should have recent and extensive knowledge of and experience in the following areas: international trade, trade policy, labour policy, private sector/MSME development, just transition, application of trade principles in the solution of sustainability challenges

### C. DELIVERABLES/SPECIFIC OUTPUTS EXPECTED FROM CONSULTANT

(Description of the deliverables, delivery schedules, and acceptance criteria for the deliverables)

The contractor will be responsible for completing the following tasks:

1. Set out the proposed concept at a kick-off meeting with the Task Force. The concept and meeting agenda should be shared with the Task Force at least 5 days prior to the meeting. It can be largely based on the proposal that the bidder will submit as part of their bid for this assignment. This meeting will be key in terms of expectation management and expected scope of the assignment.
2. Perform a literature / desk review and potentially interviews with relevant stakeholders on national green policies and sectors, as set out in Section A. Create a longlist of sectors and related national green policies that fit the parameters identified in section B and fit as case studies. Propose, at the same time, relevant countries for each sector.
3. Together with the task force, agree on 3-4 sectors and national green policies. Obtain the relevant information for the case studies (and in addition to the previously conducted desk / literature review) through conducting interviews with relevant stakeholders potentially including but not limited to government representatives, donor agencies, implementing agencies (projects, incl. consultancies in case of outsourced activities), institutions in LMICs.
4. Based on the final compilation, develop policy briefs (3 in total) examining how the selected national green policies help MSMEs manage the green trade offs and deliver on the just transition in respective countries, as discussed in section A. Each policy brief should answer the questions outlined in Section A (Objectives).
5. Present the first draft of the policy briefs to the task force to collect feedback. At least two feedback loops are envisaged, and one or two virtual feedback sessions will be held with the task force.
6. Submit the final product and present it at a webinar with the main audience being employees of DCED members (potentially wider audience possible). The product shall be submitted to the GGWG in English language and with a finalized text and structure ready for layouting and subsequent publication. A writing style guide will be shared with the contractor, which should be followed. Layout and publication will be the responsibility of the GGWG. However, the contractor will need to consider how the final product shall be structured and designed.
7. The policy briefs shall not only consist of running text, but also bullet points, text boxes, tables, checklists, graphics, diagrams and other illustrative approaches. The final structure will be discussed and jointly decided upon by the contractor and the task force. The overall length of each policy brief shall not exceed 10 pages. Also, a read deck (PPT format) shall be prepared, consisting of and highlighting the main findings, including graphics, etc.
8. The assignment shall be completed within six months of contract start date. Selected milestones are to be achieved by the dates during the contract term as indicated in the table below:

Milestone	Deadline
Kick off meeting	ASAP after contract start

Conducting desk review	~1 month after contract start
Conducting case studies	~2 months after contract start
Writing first drafts of policy briefs	~3 months after contract start
Presentation and review of first drafts	~3 months after contract start
Submission of final draft	~5 months after contract start
Preparation and presentation at webinar	~5 months after contract start

#### **D. SPECIFIC INPUTS TO BE PRESENTED BY THE CLIENT**

The task force will put out a call to all GGWG members to share their organization's current and past work/thinking in this area including reports, studies, policies, upcoming events, known networks/info sources, etc.

The DCED Secretariat will provide a writing style guide and example formatting templates.

**The sub-group will also compile a list of resources to share with the consultant, including:**

KEY REFERENCES:

Deere Birkbeck, C. (2021), Greening International Trade: Pathways Forward. Global Governance Centre and the Forum on Trade, Environment & the SDGs (TESS): Geneva.

<https://wedocs.unep.org/bitstream/handle/20.500.11822/36281/GITPF.pdf>

#### **E. SPECIAL TERMS & CONDITIONS / SPECIFIC CRITERIA**

1. While the contract will be fulfilled through the IFC, the body for overseeing this work is the Donor Committee for Enterprise Development Green Growth Working Group Task Team on The Role of Trade and MSME Development to Drive a Just Transition, made up of representatives from ITC, IKEA Foundation and ILO.
2. Budget: US\$35,000
3. Proposals should include the CVs of those consultants who would carry out the work.
4. Proposals should include any relevant reports previously produced by the consultancy, or links to such reports if they are available online.
5. Proposals should include World Bank vendor ID if available.