Final Report

GREEN GROWTH AND PRIVATE SECTOR DEVELOPMENT: STOCKTAKING OF DCED EXPERIENCES

for the Donor Committee on Enterprise Development Green Growth Working Group

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DCED

The Donor Committee for Enterprise Development

DISCLAIMER

The report does not represent the official views of the DCED or its member agencies. Comments are welcome and should be sent to the DCED at Coordinator@Enterprise-Development.org.

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The Donor Committee for Enterprise Development (DCED) is a gathering of 23 funding and inter-governmental agencies working for sustainable poverty alleviation through development of "the private sector" – the businesses, small and large, that provide the bulk of employment and economic prosperity worldwide. [2]

[1] http://encludesolutions.com/

[2] http://www.enterprise-development.org/page/ggwg.

PREFACE

Achieving green and inclusive growth will need a strong alliance between governments, the private sector and civil society. Recent trends – such as the emerging threats of climate change or the outcomes of the Rio+20 conference – have leveraged the worldwide demand for green growth approaches to sustainable development. The Rio+20 conference clearly acknowledged that the private sector needs to be a key part of this solution. Development agencies working in the field of private sector development can foster new approaches for green and inclusive growth in their work and support for emerging and developing economies.

The Donor Committee for Enterprise Development (DCED) formed a Green Growth Working Group (GGWG) in 2011 as a response to the emerging interest in linking green growth concepts with in Private Sector Development strategies (PSD). The DCED Green Growth Working Group aims to support donors in their efforts to enable the private sector to generate environmentally sound, resource efficient and climate friendly growth whilst contributing to overall development goals such as poverty reduction and job creation.

This report takes stock of environmentally sound, resource efficient and climate friendly PSD initiatives among DCED members. The report informs a longer term process of developing guidance for implementing green growth in different areas of PSD. It also offers policy makers in developing countries the various experiences in and tools for designing and implementing inclusive and green PSD programs.

The report is the result of knowledge sharing among the members of the working group, and across other DCED working groups, to facilitate policy coherence in the approaches taken across the different thematic foci of DCED members and to guide future work of the group. The report also aims to inform a wider audience of the activities of the agencies involved and how they can best contribute to universal development that is green and inclusive.

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LIST OF ABBREVIATIONS

ABPP	African Biogas Partnership Programme
AFD	The Agence Française de Développement
BDS	Business Development Services
BMZ	The Federal Ministry for Economic Cooperation and Development
CIC	Climate Innovation Center
CSA	Climate Smart Agriculture
CSR	Corporate Social Responsibility
Danida	Danish International Development Agency
DCED	Donor Committee for Enterprise Development
DFID	Department for International Development
DGIS	Directorate General for International Cooperation
EC	European Commission
ESCO	Energy Service Company
EX-ACT	EX-Ante Carbon Balance Tool
FAO	Food and Agriculture Organisation of the United Nations
FLEGT	Promotion of Green Economic Development
GEF	Global Environment Facility
GGF	Green for Growth Fund
GGWG	Green Growth Working Group
GHG	Greenhouse Gas
GIZ	The Deutsche Gesellschaft für Internationale Zusammenarbeit
IDRC	International Development Research Centre
IFC	International Finance Corporation
ILO	International Labour Organisation
KfW	Kreditanstalt für Wiederaufbau (A German government-owned development bank)
KOICA	Korea International Cooperation Agency
MEET-BIS	Mainstreaming Energy Efficiency through Business Innovation Support
MfFA	Ministry for Foreign Affairs
MSE	Micro and Small Enterprise
MSME	Micro, Small and Medium Enterprises
MTI	Market Transformation Initiative
Norad	Norwegian Agency for Development Cooperation
OECD	Organisation for Economic Co-operation and Development
PAGE	Partnership for Action on Green Economy
PPP	Public Private Partnerships
PSD	Private Sector Development
PSDP	Private Sector Development Programme
RTAP	Rural Transit Assistance Programme
SDC	Swiss Development Cooperation
SEQS	Social and Environmental Quality Standards
Sida	Swedish International Development Corporation Agency
TNC	Trans-national Corporation
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNIDO	United Nations Industrial Development Organisation
UNITAR	United Nations Institute for Training and Research
WWF	World Wildlife Fund

EXECUTIVE SUMMARY

In recent years, it has been increasingly recognised that much of current economic growth is environmentally unsustainable. It is widely agreed that economic growth should aim for improving the quality of life in the short run, without undermining it in the long run.

The private sector is the primary engine of economic growth in most countries, and will therefore have a critical role in promoting environmental sustainability. Donor agencies can also play a supporting role. Encouragingly, environmental considerations are included in an increasing number of donor interventions related to promoting economic growth. There is also a large and growing portfolio of private sector development (PSD) interventions that specifically aim to support the transition to a green economy.

For this stocktaking assignment, DCED member agencies were invited to share information on some of their green PSD projects. The 120 intervention examples that were shared[3] illustrate that development agencies address a wide range of themes and use a diverse set of approaches in their promotion of green growth.

This is partly because there is a variety of factors and drivers influencing companies' decisions to make green investments or change practices towards environmentally friendly behaviours. Cost savings, market/buyer requirements and CSR can encourage companies to take up green business operations and investments. The financial sector can enable these investments, and also support entrepreneurs with green business ideas. Governments can promote green growth, through regulation or awareness raising. Donor programmes typically try to influence one or several of these green growth drivers. The diversity of approaches also stems in part from the diverse aspirations of donors and interventions. There is no single, commonly agreed definition of "green and inclusive growth", which likely reflects the relatively short existence of the concept. Indeed, both the concept of green growth and approaches to it are still very much in an experimental stage – hence research and capacity development is currently ongoing within many DCED member agencies.

Key approaches taken by DCED member agencies can broadly be distinguished into four categories. A large number of initiatives for green market and value chain development (or "creating green growth") exist in tandem with targeted approaches focussing on improving the resource-efficiency and environmental practices in MSMEs or multinational corporations, ("greening growth"). Agencies typically also support these efforts with access to finance initiatives and reforms to public policy that take a green perspective. It appears that most agencies acknowledge the relevance of each of these approaches, with some looking for active synergies by building broader platforms to convene stakeholders. Some early lessons are emerging on what may constitute risks and good practices for many of these approaches; several agencies have also developed a number of practical tools which can support the design and implementation of programmes using these approaches.

However, there are steps that can be taken by donors to make their green private sector development interventions more effective. The current diversity in aspirations can lead to complementary outcomes. Interventions which exploit the green growth opportunities existing within current framework conditions are matched with interventions which aim to change these very conditions to reach different, i.e. greener, development paths over time. Yet in this light it is important for donors to clarify their long term aspirations for separate short term interventions,

[3] AFD, BMZ/GIZ/KfW, Danida, EC, FAO, Finland MfFA, IDRC, IFC, ILO, The Netherlands MfFA, OECD, Sida, UNDP and UNIDO have submitted projects for this review

and consider the potential trade-offs which may follow from these interventions whilst seeking opportunities to maximise 'win-win' scenarios. Another key example, where the DCED GGWG could have a significant role, is in the sharing of organizational models between members. Green growth approaches and tools are currently adopted in many areas within DCED member agencies, but there is little understanding of how to coordinate these efforts. The DCED GGWG may also be well positioned to play a role in the process of development of joint guidance for monitoring and evaluation, which would both improve the quality of green growth interventions and strengthen the concept of green growth itself.

INTRODUCTION

A multitude of initiatives, networks and organisations have adopted the concept of 'green growth' in recent years, in particular following the 2012 Rio+20 Conference on Sustainable Development. New and innovative concepts and approaches to green growth have been designed and tested in the field. In this context, the GGWG decided to contract an external organisation to take stock of different members' environmentally sound and climate friendly private sector development initiatives over the past three years. The objective of this stocktaking report is to provide insight into the main trends related to green private sector development, identify different approaches to green growth in PSD initiatives, and point out emerging lessons.

DCED member agencies were requested to submit a selection of ten green growth projects. Projects were submitted by the following agencies:

- *AFD*
- *BMZ/GIZ/KfW*
- *Danida*
- *EC*
- *FAO*
- *Finland MfFA*
- *IDRC*
- *IFC*
- *ILO*
- *The Netherlands MfFA*
- *OECD*
- *Sida*
- *UNDP*
- *UNIDO*

The 120 intervention examples that were shared by the above agencies[4] are not a representative sample of green PSD work. They do however illustrate the breadth of themes and the wealth of innovative approaches that are being applied in the field of green growth. Information submitted on the projects varied from one-page summaries or website descriptions, to full project documents. A more detailed analysis of the type of project received can be found in Annex 2 of this report.

Structure:

The *first chapter* of the report sets the scene by considering how a 'green growth' approach differs from other private sector development strategies of DCED members. The chapter also introduces the main terms and definitions that are used in the remainder of the report, and outlines the approach taken to the stocktaking exercise.

Chapter two provides an overview of the key dynamics in the field of green growth which emerged from review of the 120 interventions from 14 member agencies that were submitted.

The *third chapter* of the report provides maps the different approaches to achieving green growth which are being taken by DCED member agencies, and provides emerging lessons related to these.

The *fourth chapter* explores the tools which have been made available by DCED member agencies for green growth programme assessment, design and results measurement.

Finally, the main conclusions are summarized and recommendations are made.

[4] The following member agencies have not submitted projects for this study: Canada DFATD, ATA, DCED, IFAD, MasterCard Foundation, Norad, SDC, UNCTAD.

1. SETTING THE SCENE: DEFINITIONS OF KEY CONCEPTS

Although 'green growth' has been adopted as a key priority of many DCED member agencies, its definition is not always clear. As a first step, this chapter considers how a 'green growth' approach differs from other private sector development (PSD) strategies of DCED members, and introduces the main terms and definitions used in the remainder of the report.

Private sector development initiatives

Private sector development comprises the many approaches that promote access to higher incomes, employment, products or better services for the poor through private businesses – large and small. Typical approaches include reform of the business enabling environment, market and value chain development, or partnering with individual companies. More detailed explanations of these approaches can be found on the DCED's 'Private Sector Development Approaches' Knowledge Portal.

Green Growth

Climate change, environmental degradation and resource scarcity will—and already do— put business models, jobs and economic growth increasingly at risk. Thus, a business-as-usual scenario represents a major threat to reducing poverty and achieving economic development in the long term. Green Growth approaches aim to harness the benefits of continued economic development while preventing further damage to natural resources, and adapting to changing conditions; all DCED member agency definitions of Green Growth share this concept.

However, there are also notable divergence points:

- Some agency definitions include a stronger emphasis on the transition to a **green economy**. Danida for example defines green growth as "*the process by which the current economy can make the transition to a sustainable green economy.*" [5] In many cases, agencies define a green economy as the ultimate goal of green growth. The definition of a green economy, according to the European Commission, is "*an economy that can secure growth and development, while at the same time improving human well-being, providing decent jobs, reducing inequalities, tackling poverty and preserving the natural capital upon which we all depend*"[6].
- A second variant introduces the theme of **inclusiveness** to the definition of a green economy. The definition of inclusive growth, according to the OECD, is "*economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms*[7]*, fairly across society*"[8]. Poorer segments in society are likely to suffer disproportionately from climate change, environmental degradation and resource scarcity. While many green business options have the potential to foster and sustain broad-based growth, some agencies such as SDC and Danida[9] stipulate that this does not happen automatically. Inclusive green growth approaches explicitly look at ways to achieve this.

[5] Danida, A Greener World for All, NEC Strategy, 2013

[6] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Rio+20: Towards the Green Economy and Better Governance, 2011

[7] Non-monetary terms include educational attainment, health conditions and employment opportunities, which have become important determinants of growth and well-being.

[8] OECD Workshop on Inclusive Growth, 2013

[9] Danida Green Growth Guidance Note, 2014

- Most definitions do not explicitly mention **biodiversity**, but a small number explicitly stress the importance of its preservation as part of natural capital.

Many DCED members interviewed as part of the stocktaking expressed that their agency has not (yet) established a formal definition of green growth. Various reasons for this were articulated, ranging from reluctance to introduce new concepts to agencies not having reached internal agreement on the definition.

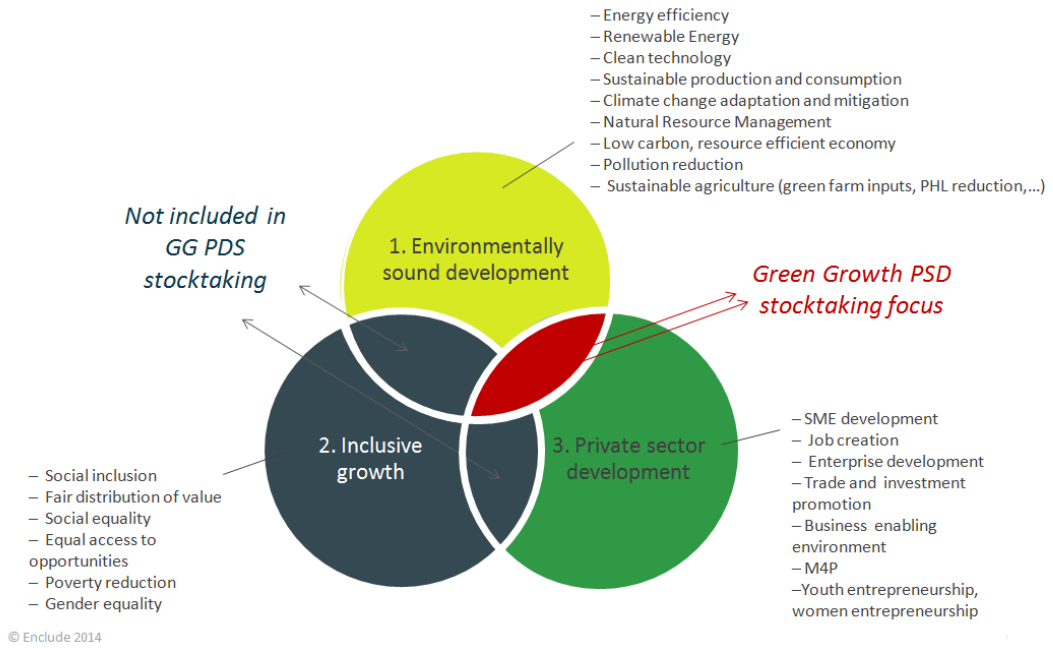
In the interest of setting clear parameters for this stocktaking, **this report uses the OECD definition of green growth** as published in the 2011 report "Towards Green Growth":

Green growth means fostering economic growth and development while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies. To do this it must catalyse investment and innovation, which will underpin sustained growth and give rise to new economic opportunities[10].

The figure below illustrates the working definition used in the report. The red circles indicate the two categories of interventions that are being classified as green growth following the working definition, namely;

- private sector development that is environmentally sound, and
- private sector development that is environmentally sound *and* focuses on inclusive growth.

Figure 1: Graphic representation of Green Growth definition for the stocktaking



[10] OECD Towards green growth, 2011

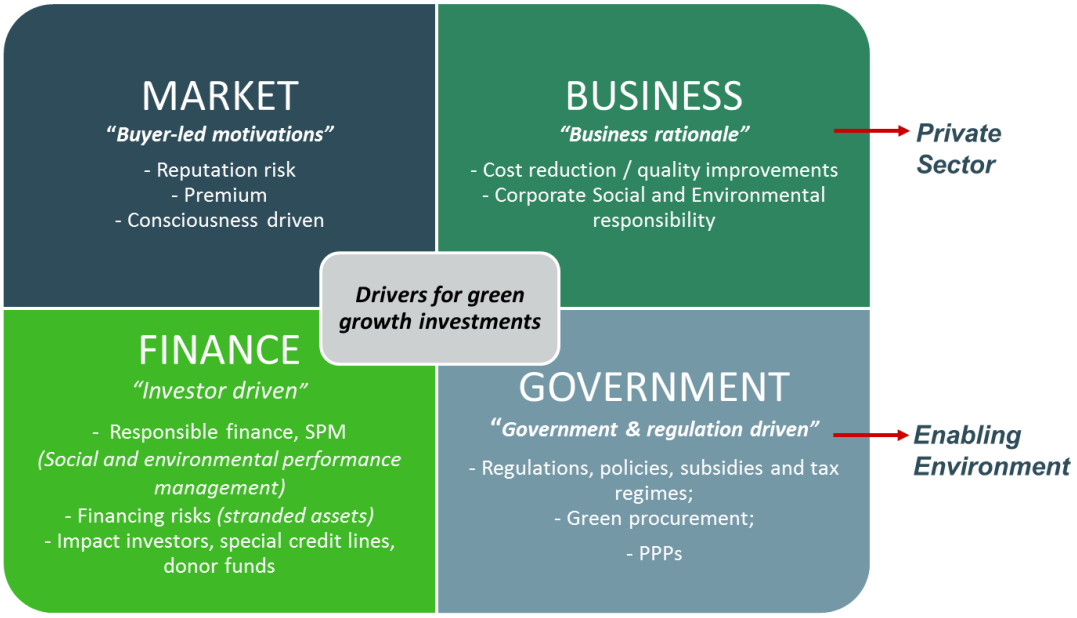
2. DYNAMICS OF GREEN GROWTH

This chapter provides an overview of the key dynamics in the field of green growth which emerged from analysis of the 120 interventions, from 14 member agencies, that were submitted. It describes the drivers which can encourage the private sector to operate in a more environmentally sustainable manner and which can be influenced by donor agencies; the different roles of private sector actors in green growth projects; and the different aspirations of donor agencies when implementing green growth projects. The positioning of green growth within donor agencies is also discussed.

2.1 Drivers of private sector investments

For private sector actors to dedicate time and resources to operating in a more sustainable manner there has to be a clear business case demonstrating the payoff of these actions. The following section elaborates on the key drivers for private sector investment in green growth identified in the stocktaking and that can be influenced by donor agencies. As shown in Figure 7, these can broadly be categorised into four types of drivers: 1) the business, 2) the market, 3) finance and 4) government policy.

Figure 2: Drivers of Green Growth



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2.1.1 *Business-level drivers*

Green growth can have its own **business rationale** based on the economic benefits a green investment may provide to a business, in the short or long term. Many projects reviewed put forth a business rationale for investments in green technologies or products such as investments for energy and water efficiency, sustainable land use and forestry, and recycling and waste management.

Within the business rationale there are two key aspects that the stocktaking suggests are the most important to businesses, namely (i) cost savings, and (ii) corporate social responsibility considerations.

Cost-Savings
There are myriad opportunities for businesses to **save costs through implementation of resource efficiency measures**. Many investment opportunities in clean(er) technology and even relatively simple behavioural changes have a short payback time and proven economic benefits
For example, the MEET-BIS project in Vietnam, funded by EU SWITCH Asia programme, assists suppliers of energy efficient technologies (such as solar water heaters, energy efficient lighting, variable speed drives) in reaching SMEs in specific sectors. The IFC Lighting Africa off-grid solar initiative similarly develops markets that will make affordable solar lighting accessible to people who are not connected to grid electricity as an alternative to more expensive fuel-based lighting.

CSR
Corporate Social Responsibility (CSR), defined as the responsiveness of businesses to stakeholders' legal, ethical, social and environmental expectations, has generally been a pragmatic response to consumer and civil society pressures. These have mainly been focused on trans-national corporations (TNCs) serving markets in the North, but often operating in countries in the South. However, the business community is also increasingly recognizing the strategic value of being more responsible and beginning to align products and business relationships accordingly, in particular through supply chains. In addition, there are enterprises that promote green products or services as part of their core business. To businesses that recognise the importance of corporate social responsibility for long-term profitability, CSR considerations create an internal business case or driver for the private sector to invest in green growth.

There are several other donor-funded projects that work on strengthening the business case for sustainability by engaging with top executives at transnational companies to develop new green approaches and insights. Other projects have focused on encouraging various private sector actors to come together and develop a longer term vision on sustainability issues related to a specific business sector or supply chain. This '*platform approach'* is further elaborated on in Section 3.1.2.

2.1.2 Market Drivers

Secondly, **markets** can be a key driver for businesses and producers to improve their green performance. Buyer demand can produce positive market incentives, such as premium prices on certified products. Negative market incentives may also exist, such as 'naming and shaming' companies, or excluding suppliers that cannot adhere to minimal social and environment management standards defined by a buyer or an industry.

In the projects that were part of this review, market incentives were important drivers in a selected number of sectors or supply chains. In these sectors and supply chains, there is growing consumer awareness and also increasing realisation among international brands and traders of the importance of sustainable practices for the long-term availability of natural resources. These developments are taking place in sectors such as agriculture and tropical timber and in international textile and garment chains. Green supply chain management initiatives are also emerging around consumer goods, metals and electronics.

Some of the green growth interventions reviewed focus on creating awareness around green issues and the business case for sustainability with stakeholders, including consumers, governments and businesses. These interventions often focused their awareness raising efforts on European stakeholders and had a second component working with stakeholders on the supply end – including farmer cooperatives, NGOs and local governments – to build knowledge and capacity in green approaches and standards.

2.1.3 Financial drivers

The **financial** sector can be a driver for change, or indeed a barrier to it. ***Access to finance*** for clean energy or clean production technology is still quite limited, often due to a lack of

experience or technical/sector competence on the part of financial institutions; one major implication is that this can prevent SMEs from being able to invest in such technologies. Yet microfinance institutions, commercial banks and development banks are increasingly aware of the importance of ***environmental performance***. These institutions recognise the business risk of financing unsustainable operations and often require that their clients not only comply with government policies, but also with voluntary codes of practice and international best practices.

2.1.4 Government as Driver

International regulations, such as the EU regulations on traceability of agricultural produce or energy efficiency targets for certain industries, incentivise businesses to invest in greener operations. National policies, such as tax rebates for energy efficiency, are also important in moving businesses towards greater resource efficiency. Most green growth projects have a component that supports governments in the development of green growth strategies, which are elaborated on in section 3.1.3.

Some interventions tackle different drivers of green growth simultaneously, while other focus on a single driver – as further elaborated in section 3.

2.2 The role of the private sector in change

This section of the report looks at the different roles the private sector plays in green growth interventions, and the types of private sector actors that are typically encouraged to take on various roles.

2.2.1 Role of the private sector in green growth interventions

The role of the private sector varied greatly within the green growth projects that were surveyed. Businesses may be buyers or suppliers of green technologies or services, but can also act as green business enablers and influencers of policies and (informal) rules. In other words, a business can take the role of a market actor, a market enabler or a market influencer.

Table 1 : Role of the Private Sector in Green Growth interventions

Green market actor: Procure green products and services; produce and/or sell green products and services;
Green market enabler: Provide infrastructure, BDS, information, finance or related services that enable green markets;
Green market influencer: Lobby and influence policies; Influence, underwrite and implement voluntary standards

Source: Enclude

2.2.2 Type of private sector actors

In addition to playing a wide range of roles in green growth projects, the types of businesses involved varied greatly in terms of size, age, capacity, capital base, and other variables. All these factors influence businesses' ability and willingness to invest in green growth.

The main types of businesses encountered in the stocktaking were

- Large corporations
- Micro, small and medium enterprises (MSMEs) as green technology and service suppliers (including start-ups)
- MSMEs as buyers of green technology and services

Large corporations

One cluster of green growth interventions reviewed partnered with multinationals. In these cases, companies were typically to adopt environmentally sustainable practices, for example through the development of voluntary standards or introducing new measures to green their supply chains. Corporations were also engaged as technical experts, and as channels for reaching and disseminating information to farmers or consumers. Another recorded benefit of partnering with corporations was that it often increased the visibility of interventions[11].

MSMEs as green technology and service suppliers
A second cluster of interventions focuses on new business opportunities for MSMEs as suppliers of green technologies and services. This includes demonstration projects; clean technology business incubators such as the InfoDev Climate Innovation Centres; and supply chain development projects such as the African Biogas Partnership programme. Business opportunities for *green services* include offering new or adapted business development services or enabling energy service companies to offer financing in combination with green technologies.

SMEs as buyers of green technology and services
A third cluster of projects focuses on SMEs as buyers of green technologies and services. As explored above, a key element of these projects is demonstration of the business case – often the cost savings to be gained from incorporating energy efficiency measures into business plans. Other incentives may include business continuity, as green technologies and services may make them more equipped to respond to climate change and extreme weather, or better able to fulfil buyer or government requirements with respect to sustainability.

2.3 Aspired change

The drivers for green growth and private sector actors which donors engage with in green PSD interventions is affected by the type and level of change to which they aspire. This section of the chapter highlights the differences and commonalities in aspirations of donors which emerged from the stocktaking, related to:

- Economic growth or environmental protection as the entry point of an intervention
- Types of socially inclusive effects that can be achieved with green growth PSD interventions
- How far green growth interventions aim to work towards a green economy

2.3.1 Economic growth or environmental protection – what is the entry point?

While some projects' core objective is to promote PSD in ways that adapt to or mitigate climate change, other projects take environmental protection as the entry point and aim to preserve natural resources without limiting economic growth. Although both approaches will lead to greener growth, their foci and values are very different.

[11] More information on observed benefits and limitations of partnering with large corporations are elaborated on in section 3.1.2

Box 1: Example: Economic Growth vs. Environmental Protection as entry point to programme design

An example of a project that is primarily focused on *economic growth* is the GIZ Private Sector Development Programme (PSDP) in Egypt, which aims to create jobs by supporting SME growth and innovation capacity. The project document posits that PSD can only be sustainable when resource efficiency is promoted. The project combines support to PSD with measures to raise awareness of practical measures companies can take to improve their resource efficiency. The project also supports the introduction of selected green technologies to the market.

An example of a project where the starting point was *environmental protection* is the intervention of AFD in the Congo Basin (Central African Republic, Cameroon, Congo, and Gabon). The rationale of this project is to transform forest exploitation practices to sustainable forest management based on a tool called the "sustainable forest management plan" (FMP). This tool, which incorporates a 30-year logging contract between the concession holder and the state, conforms to conservation standards for forest ecosystems and addresses the social and economic aspirations of the state, local communities and concession holders. According to the external evaluation, the intervention marked a fundamental shift in the area of forestry management: states and loggers employed new skills and resources (managers, management consultancies), and used negotiation and consultation among major stakeholders (forest administrations, local communities, NGOs, private sector, etc.) to identify local needs and introduce processes and tools for planning and evaluation.

Read more:
http://psdp-egypt.info/
http://www.afd.fr/lang/es_ES/home/publications/Videos/interviews/gestion-forets-congo

When projects rely on collaboration among diverse partners, the harmonisation of the initial goals, assumptions and expected outcomes at project inception is of key importance (see also Box 2). Mutual understanding of different stakeholder perspectives can be of critical importance to identifying the set of potential win-win scenarios.

Box 2: Evaluation of Market Transformation Initiative (MTI)

The MTI is a global initiative of the World Wildlife Fund (WWF) for transforming markets towards greater sustainability of natural ecosystems and diversity, which receives support from Sida. MTI engages with actors along supply chains for 15 different commodities seen as critical for environmental and natural resource protection worldwide. The MTI works to initiate, develop and improve standards for more sustainable production, while also supporting key producers of each commodity to certify their production and encouraging major buyers to buy certified products. The MTI also works with producers to build their capacity and prepare them for certification.

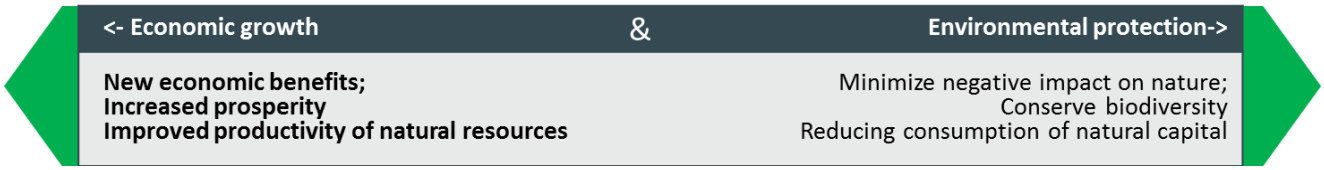
Despite the MTI's clearly defined goals, the evaluation found that the key partners, WWF and Sida, have different expectations concerning the results that the initiative will achieve. Sida has an expectation that MTI will contribute to Sweden's development goal of improving living conditions for people in poverty. WWF has a long-term emphasis on environmental conservation. As such, the main focus of MTI is the promotion of the certification systems, and its main interest is in the resulting environmental benefits. Social and human rights impacts are assumed to result indirectly from the certification processes.

Source: Evaluation of the Market Transformation Initiative (2014)

It should be noted that amongst the green growth interventions reviewed in this stocktaking there were many projects where economic and environmental objectives are very well integrated, delivering a win-win outcome in which both environmental and economic objectives are being achieved. Equally, however, environmental protection programmes such as the work of AFD featured above may be linked to economic growth processes, but cannot necessarily be

considered as working towards private sector development. It is useful to map these programmes for a fuller understanding of work towards a greener economy, but the core focus of the Green Growth Working Group is green private sector development.

Figure 3: Economic growth versus environmental protection



Source: Adapted from "*Het echte groene groei boekje*", Triple E, March 2014

2.3.2 Green and Inclusive Growth

A number of 'green' projects have a *specific focus on creating employment and income opportunities for the poor or disadvantaged groups.* The green growth component of these interventions often relates to job creation in resource efficient and low-carbon sectors, developing markets for environmentally sustainable products and creating awareness of resource efficient practices that result in improved wellbeing and/or cost savings for the target group. It is important to note that, as in the case economic vs. environmental starting points, a focus on inclusivity may mean a trade-off in terms of environmental impact and vice-versa.

Box 3: Interventions with Explicit Focus on Inclusive and Environmental Outcomes

There was an explicit focus on both green *and* inclusive activities for 41 of the interventions reviewed (34% of the overall review). Examples of green and inclusive interventions include:

- ***Youth employment in resource-efficient brickmaking:*** The ILO's Youth Employment for Sustainable Development project in Kenya engages youth unemployment in public works. The aim of the project is to create and develop some 130 micro and small enterprises (MSEs) owned by young men and women who will be trained in labour intensive infrastructure development and maintenance as well as the use of resource-efficient cobblestone paving and "do-nou" brickmaking technologies.
- ***Water partnership for clean textiles***: The "Bangladesh Water PaCT: Partnership for Cleaner Textiles" initiative seeks to bring about sustainable, positive environmental change for the Bangladesh textile sector, its workers, and surrounding communities, and to contribute to the sector's long-term competitiveness. Whilst the textile sector is a pillar of the Bangladesh economy – in 2012 revenues of around $21.5 billion contributed nearly 80% to export earnings and created jobs for nearly 4 million people – it is also one of the leading contributors to the country's water scarcity and pollution challenges.
- ***Access to clean energy:*** Through the UNIDO/UNEP/GEF project, 'Renewable energy-based electricity generation for isolated mini grids in Zambia', three rural mini grids based on solar, biomass and small hydro power technologies are being set up to enhance national manufacturing capacity based on renewable energy technologies. Partnerships have been stimulated through the involvement of communities, investors and businesses. At the same time, the project is contributing to the establishment of a legal, institutional and policy framework to promote further deployment of renewable energy. Access to energy enables the spread and uptake of information and communication technology in rural areas, thereby providing a green solution for bridging the digital divide, i.e. ensuring universal access to modern technologies.

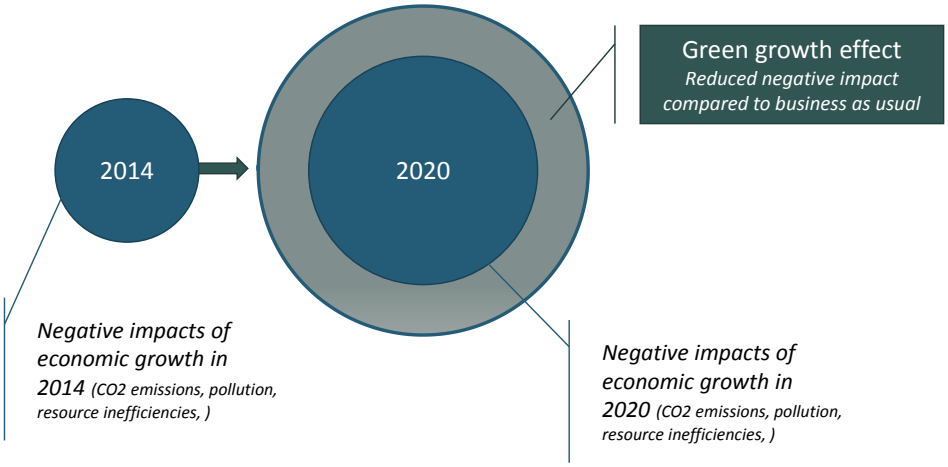
2.3.3 Transition to a green economy

A third point of divergence which emerged in the stocktaking is related to the degree to which projects aspire to effect a transition to a green economic system. Some interventions exploit the green growth opportunities that exist within current framework conditions through mitigation and adaptation, whilst others aim to change these conditions to reach different development paths. For example, the Partnership for Action on a Green Economy (PAGE), a joint programme by UNEP, ILO, UNDP, UNIDO and UNITAR, has a clear long term vision of sustainable

transformation of national economic structures in 30 countries. Page aims to: "*shift investment and policies towards the creation of a new generation of assets: clean technologies, energy and resource efficient infrastructure, trade-driven growth that promotes environmental protection and social inclusiveness, well-functioning ecosystems, a skilled labour force with green jobs driven by strong institutions and good governance.*" It is important to highlight that these different types of interventions are complementary, in helping to create greener growth both now and in the future.

In either case, it is also important to realise that green growth interventions have a green effect compared to the business-as-usual scenario but do not necessarily offset negative environmental impacts of economic growth, as illustrated in the figure below.

Figure 5: Green growth compared to business-as-usual – a rough illustration



2.4 Green Growth within the DCED GGWG organisations

Commitment to green growth continues to grow amongst DCED member organisations. However, the theme is often spread over different departments of these organisations. The GGWG members who participated in the stocktaking all expressed the opinion that the themes of green growth and private sector development are both relevant to multiple departments in their organisation.

Development cooperation departments that make funding decisions where green growth considerations tend to be most important include:

- Private sector development
- Rural Development and Agriculture
- Environment and Climate Change
- Infrastructure (most mentioned are drinking water supply, irrigation, energy and roads)
- Geographical departments

In addition to development cooperation departments, Foreign Economic Relations departments and departments/ministries promoting the national private sector abroad can play a significant role, as can embassies – especially in cases where intervention programming has been decentralised.

The fact that both green growth and private sector development are part of different portfolios and departments within DCED member organisations may catalyse mainstreaming of green

growth within the agency and avoid ‘silos’. However it may also pose challenges with respect to internal coordination.

Where green growth targets, responsibilities and expertise within donor organisations are spread over different departments, learning will typically be fragmented: a number of GGWG members highlighted the need for increased capacity at different levels of their organisations to identify specific opportunities for mainstreaming green considerations. Moreover, ‘holistic’ green growth approaches and opportunities may be overlooked because they do not fit into the more ‘narrow’ or specialist mandates of these separate departments.

3. APPROACHES TO GREEN GROWTH

3.1 Approaches to green private sector development

Now that we have seen which factors can drive green PSD, and that donors can strengthen these, the next key question is *how* donor agencies can best deliver their support, in line with their aspirations. This section maps the most common approaches to achieving green grown amongst DCED member agencies, and provides emerging lessons in how to pursue these approaches. However, it is important to highlight that this stocktaking does not provide any evidence on which approaches offering better 'value for money' than others.

3.1.1 Green Market and Value Chain Development Approaches

Market development approaches typically focus on achieving large-scale sustainable impact by catalysing improvement of the functioning of the market, rather than only targeting individual market actors. A green perspective on a market development approach may range – depending on the aspirations of the donor – from limiting the impact of economic operations on the environment to developing markets in a way intended enable a transition to green growth.

Similarly, green value chain approaches aim to improve functioning of a selected value chain by looking for the barriers and opportunities at each level of the value chain, from direct actors (sellers and buyers), to supporters and the influencers (in the business enabling environment). It is then possible to address multiple, specific bottlenecks to increased production and incomes.

Examples of interventions with green market or value chain development approaches include the UNIDO Sustainable Product Manufacturing (Leather products, Lifecycle Analysis applied to business competitiveness and carbon offsetting in Agro-export industries), the (BMZ/GIZ) tourism sector programme Promotion of Green Economic Development (ProGED) in the Philippines, the IFC programme Improving Productivity and Promoting Clean Energy in the Poultry Sector in Bangladesh, and the African Biogas Partnership Programme (ABPP), elaborated on in the box below.

Box 13: The African Biogas Partnership Programme (ABPP)

The African Biogas Partnership Programme (ABPP) is working to build a commercial biogas sector in six African countries. Since its start in 2009, it has realized the construction of 15,000 biogas installations that provide households with clean energy, organic fertilizer, and a safer and healthier living environment.

The ABPP builds on SNV's successful work in Nepal, where 250,000 domestic biogas plants have been installed in the past 20 years, and on other national biogas programmes such as those in Vietnam (123,000 plants), Cambodia (15,000 plants), and Bangladesh (20,000 plants). In 2009, SNV, Hivos, and DGIS launched a partnership to introduce a similar programmatic approach to the development of national biogas markets in six African countries. The ABPP aims at constructing 70,000 biogas plants in Ethiopia, Kenya, Tanzania, Uganda, Senegal and Burkina Faso. An equally important goal is to create a viable biogas sector, where it is commercially attractive for local companies to sell, build and maintain biogas plants.

Programme design

In each country, a local partner (a ministry, semi-governmental organisation, or NGO) is supported to implement the programme at the national level. This model is replicated at the local level where local "implementing partners" promote the programme and the benefits of domestic biogas in rural areas. Payments to implementing partners are driven by output, a figure based on the number of biogas digesters built.

Hivos acts as international fund manager from the office in Nairobi. SNV provides technical assistance and capacity building services in the six countries. DGIS contributed € 30 million to the ABPP between 2009 and 2014. In order to support the creation of an enabling environment for the biogas sector to flourish, training is provided for private companies and local organisations as well as for national and local programme coordinators, who are enrolled in management and leadership programmes. In addition, the programme supports local vocational training by sponsoring a course on biogas in the curriculum. Local banks or micro-finance institutions are engaged to provide loans for biogas installations and for the masons or contractors. Training is also provided to local development organisations on the application of bio-slurry in agriculture. Lastly, the potential users of the plants receive awareness training about how this new solution could benefit them. Once they invest in a plant, they receive simple training on how to operate and use it. In most countries, half or more of the users trained are women.

The benefits of biogas systems

Domestic biogas plants convert animal manure and human excrement, through a microbiological process, into combustible methane gas. This biogas can be used in gas stoves in a clean and modern kitchen. Cooking on biogas is smokeless and much less risky for health than cooking on firewood. It can also be used for lighting. The availability of biogas relieves women and children from spending hours a day collecting fuel wood. The effluent of the conversion process, bio-slurry, is more fertile than the manure that went into the installation. It is easy to collect and can boost farmers' agricultural productivity.

In Africa, the price of a domestic biogas plant is between US$ 600 – 1000. To support farmers in buying biogas plants, the ABPP provided subsidies from one quarter to a maximum of one third of the total cost - higher subsidies are thought to distort the market. The ABPP also supports the creation of credit facilities via banks, micro finance organisations or cooperatives.

Read more:
http://www.africabiogas.org
http://www.snvworld.org/en/sectors/renewable-energy/about-us/africa-biogaspartnership-programme

Key lesson

- ***Farmers' realities do not always fit value chain approaches***
  Most small agribusinesses depend on not one, but several commodities for their livelihoods, and apply crop rotation schemes. Making the business case for these enterprises to green

their production of one commodity could lead to mono-cropping, which depletes land fertility. A focus on one commodity, rather than the agribusiness as a whole, may mean that opportunities for more comprehensive and sustainable greening of agriculture are missed. One possible and emerging alternative to this is the 'landscape approach', where the natural asset base (land and water resources) has a more prominent role in the scope of the project.

Box 14: Landscape approach in Zambezi valley

Danida's Zambezi programme focuses on the coordinated use of water in and around the Zambezi River. The project aims to promote better management of water resources as a prerequisite for further economic development. Limited water resources are hampering economic development, because they are limiting production in sectors such as agriculture and tourism. The programme also works to support increased productivity and incomes in these sectors, by integrating these aspirations into their interventions and identifying win-wins.

Source: "Integrated Water Resources Management Strategy and Implementation Plan for the Zambezi River Basin"; Sida/ DANIDA, Norwegian Embassy Lusaka April 2008

3.1.2. Influencing Private Sector Standards and Practices

a) Targeted Approaches

Promoting greener operations of MSMEs:

Demonstrating the financial benefits of certain investments or behaviours, can be both the sole target of an intervention and a critical feature within market and value chain development approaches – including the aforementioned African Biogas Partnership Programme, which provides training to MSMEs on how biogas plants could benefit them.

Box 7: Selling clean technologies to SMEs: selling the benefits

MEET-BIS Vietnam (Mainstreaming Energy Efficiency through Business Innovation Support – Vietnam) was a project funded by the European Commission as part of its SWITCH Asia Programme. The programme promoted sustainable production and consumption in Asia. The project ran from 2009 until the end of 2013, and focused on developing the supply chain for clean technology products for SMEs in northern Vietnam.

Market research of MEET-BIS indicated that the main deterrent for SMEs to invest in energy and water efficient products that have a healthy payback time was not the cost, but lack of awareness and trustworthy information on the potential cost-saving benefits of energy and water saving technologies. MEET-BIS therefore partnered with clean technology providers to develop new marketing and sales models targeting SMEs, and built the capacity of business sector organisations to help promote energy efficiency.

In MEET-BIS's experience, these communication efforts, combined with improvement of product quality, provided the necessary encouragement for investment in energy and water efficient technologies. Requirements from international buyers could also act as a key driver for SME investment in clean technology, especially in the garment industry. Government legislation requiring SMEs to carry out green operations was further driver, but only when legislation was enforced or perceived as likely to be enforced in the near future. SMEs in markets with high uncertainty were often reluctant to make long term investments, irrespective of the payback time.

An example of a project aiming to stimulate cost-saving behavioural changes is the ILO Greener Business Asia project, where workers are being made more aware of the environmental implications of their actions and how they can contribute to the protection of natural resources whilst saving money (for more information see the case study in annex 1 of the report).

Key insights into how to mobilise businesses to invest or act upon cost-saving opportunities which arose from this stocktaking exercise include:

- ***The need to communicate proven benefits:*** Where cost savings are a major benefit or investment driver, MSMEs prefer to have guarantees or at least to see an externally validated study showing that cost savings could be attained.
- ***Limited investment capacity of MSMEs hampers green investment capacity:*** Despite the relatively short payback time of a number of investments, MSMEs often lack the financial capacity for investing.
- ***Risks are part of the equation, and so are other opportunities:*** MSMEs in markets with high uncertainty are often reluctant to make investments, irrespective of the payback time. MSMEs in high growth markets often prefer investing their time and money in opportunities with a higher return on investment, and therefore have limited interest in cost saving measures. These findings have important implications for the markets in which approaches targeting MSMEs are likely to be most effective.

Capacity building interventions may also be required to enable businesses to take up greener operations. An example of this is the GIZ MSME umbrella programme in India[12], which combines raising awareness of both the risks and cost saving opportunities presented by climate change with support to service providers who offer training in adopting resource efficient business practices.

Awareness-raising amongst corporations:

Another strand of interventions target high-profile corporations, typically focussing on making the business case for CSR.

Box 8: The case for CSR: Corporate Image and Economic Benefits

The United Nations Industrial Development Organisation (UNIDO) "E-waste management in Cambodia" programme was launched in 2009. Its objective was to create employment opportunities and encourage more effective e-waste management in the country. The project budget of USD 1,350,000 was funded by the Republic of Korea through the Korean International Cooperation Agency (KOICA) East Asia Climate Partnership (EACP) and Samsung Electronics – as part of the company's CSR strategy.

E-waste is the fastest growing stream of waste in Cambodia, and Samsung is a leader in consumer electronics and ICT products in the country. The programme supports vocational training in repair services and e-waste treatment in the form of technical workshops, curriculum development exchanges, training of trainers and study tours for disadvantaged youth, local trainers and experts from the private and public sector.

In addition to financial resources, Samsung contributed technical know-how through the provision of experts and equipment. While the programme aligned with Samsung's CSR strategy, it also presented a compelling long-term business case for the company. The development of strong local supply chains is of strategic importance to Samsung in Cambodia, whilst further strengthening Samsung's image as a responsible corporate citizen in the region. Moreover, investing in capacity building improves customer service.

Main lessons in promoting CSR:

- ***Projects with multinational corporations can have high visibility***, which in some cases enabled projects to catalyse other initiatives and influence policy makers.

[12] For more information, please refer to the case study document.

- ***Scalable impact requires a business case beyond CSR.*** Stand-alone initiatives where the main driver for investment was firms' CSR strategy could achieve significant green outcomes within the scope of the project. However, experiences with these types of projects have shown that in order to reach scale, or leverage other corporate resources (such as knowledge, networks and distribution capacity), there should be a business case beyond the CSR rationale.

b) Industry-wide or sectoral approaches

Platform approach

Another approach which involves engaging with transnational corporations is to develop platforms in which various actors come together to develop common, longer term visions on sustainability issue, typically related to a specific business sector or supply chain.

Platforms can operate as independent entities, or be housed within existing public or non-profit institutions. Some key functions of a platform include acting as a focal point for stakeholders, spreading knowledge, and catalysing collective action and systemic approaches. Platforms can channel the resources and capabilities of many players to effectively address market failures or governance gaps, to achieve a greater scale and address systemic challenges, or to mobilise private capital or innovative funding mechanisms (ODI, 2012). As such, platforms can also be used as instruments in other approaches.

A notable example related to green growth is the Alliance for a Green Revolution in Africa – a partnership working across the African continent to develop practical solutions to significantly boost farm productivity and incomes for the poor, while safeguarding the environment. Other platforms are focused on improving socially inclusive, environmental and human rights performance in specific sectors, for example the World Banana Forum, and the Green Industry Platform (GIP) which are elaborated on in Box 15.

Box 15: Examples of Platform approaches

The **Green Industry Platform** operates at a global scale focusing on industrial sectors. It is a high-level, multi-stakeholder forum which aims to catalyse, mobilize and mainstream action on Green Industry worldwide. It provides a framework for bringing governmental, business and civil society leaders together to secure concrete commitments and action in support of this agenda, i.e. *greening the manufacturing process* and *creating green industries for production of goods and services for domestic use or export*.
http://www.greenindustryplatform.org/?page_id=2

Another example of a platform is the **World Banana Forum**. This initiative brings together all value chain actors, including producers and their organisation, trade unions, coops, retailers, traders, public agencies, governments, research institutions and civil society organisations. The mission of the Forum is to inspire collaboration between stakeholders, leverage pragmatic solutions to improve the banana industry. Achieving industry wide consensus on best practices regarding environmental impact and sustainable production is goal of the forum, which also addresses other workplace issues including gender equity,
http://www.fao.org/economic/worldbananaforum/wbf-aboutus/en/

There is a potential risk that international platforms experience challenges in achieving local impact. Perhaps for this reason, there is also **an emerging trend of platform organisations setting up local offices** in countries or regions where they want to achieve impact at scale.

Box 15: Examples of Platform approaches (cont.)

A third example that is often mentioned as a success story of sector self-regulation is the development of a **Code of Practice in the Ethiopian horticultural sector**. The development process of the Code of Practice (2006 to date) involved a number of activities, implemented under the flag of the sector organisation the EHPEA, the Ethiopian Horticulture Producer Exporters Association. The Code of Practice covers five "topic areas", namely staff management, environmental management, production management, community relations and legislation and enforcers. One of the success factors of the Code of Practice for Sustainable Flower Production was the introduction of a "graduation" concept, providing recognition to companies whose sustainability effort are beyond the 'bronze' compliance level. In 2010, EPHEA introduced two additional levels of compliance, Silver and Gold, as higher standards to recognize the significant progress already made by some members in implementation of sustainable production practices and to guide the

Box 9: IDH Lessons on Standards and Certification Schemes

The Sustainable Trade Initiative (IDH) is a platform for public and private partners to work and invest together in social and environmental aspects of supply chains. The initiative has promoted certification mechanisms such as Utz Certified (coffee, tea), the Better Cotton Initiative (Cotton) and ASC (aquaculture). The organisation is supported by the Danida, the Netherlands Ministry of Foreign Affairs and SDC.

According to IDH, voluntary standards have worked as powerful mechanisms to trigger initial improvements supply chains. By linking the end-market to the producers, standards have initiated a process of continuous improvement. Farming systems and labour practices are being upgraded to fulfil consumer requirements; information systems and third-party verification have been introduced to demonstrate compliance; and premiums and other market commitments incentivize producers to invest.

The IDH recognises that standards and certification mechanisms are powerful, but also that they have limitations. Firstly, standards need to ensure their **continued credibility**. Secondly, standards must become **more based on performance and real data**. Currently, in most cases, certification only assures that some good practice is in place and has been checked. It does not tell us much about real impact on business performance – though BCI in cotton is a positive exception, as is ASC in aquaculture. With credible measurement, investment can be allocated accurately and change accelerated.

Thirdly, there is the issue of the **proliferation of standards**. For brand manufacturers and retailers who deal in thousands of products and ingredients, it is impractical that each of these to go through the same multi-stakeholder standard-setting process as has been done in sectors like soy and palm oil. Companies should be able to work with a formally recognized "bandwidth" of standards.

(Source: IDH, Proposal 2014-2020, Netherlands Ministry of Foreign Affairs)

Multi-stakeholder approach

A multi-stakeholder approach typically engages not only with corporations, but other stakeholders including consumers and businesses, to develop green 'standards' which have broad-based support. In interventions taking this approach, awareness raising efforts on the importance of environmental sustainability in business operations are often focused on stakeholders in developed countries. There is also typically a second component working with stakeholders on the supply end, including famer cooperatives, NGOs and local governments, to build knowledge and capacity around green operations and standards using the targeted interventions for MSMEs explored above.

Key lessons relating to the development of standards and certification schemes:

- ***Standards and certification schemes can have unintended effects***
  Standards or buyer requirements around green or sustainable practices can create barriers for SMEs, and especially for small companies and smallholder farmers which lack the knowledge and capital to meet them. They can thus have an unintended negative effect on the participation of these small businesses in greener activities.

- ***Proliferation of standards***
  The number of voluntary standards and green labels continues to grow. While this trend demonstrates that green growth is being embraced by the private sector, it also underlines the risk of 'green washing'. Standards systems need to innovate to continue to be relevant for further scaling and mainstreaming, while strengthening their credibility and further developing measurement systems to capture farm-level impact.

3.1.3 Public Policy Initiatives

Most green growth projects have a component that supports governments in the development of green growth strategies, builds government capacity for implementing green growth policies and programmes or influences governments to mainstream green considerations into policies, regulations, tax regimes and procurement mechanisms. A significant share of these projects is focused on regulatory frameworks, and assisting countries with emerging green growth policy issues

Box 11: Different approaches to influencing of policy frameworks

An example of a project that aims for improvements in the regulatory framework is the joint initiative of the Forestry Department of FAO and FAO's National Forest Programme Facility. This programme seeks to **integrate climate change considerations into national forest programmes** (NFPs) or forest policy frameworks. It promotes a new approach for policy makers to develop strategic goals and respective actions to integrate climate change into forest policies and strategies, legislation, and institutional frameworks. It also suggests ways to improve and develop 'enabling factors': forests and climate change-related capacities, financial arrangements, research and information, and communication systems.

This approach is the product of a thorough consultative process with active engagement of countries and experts. The expectation is that this intervention will enable climate change aware private sector investments in the forestry sector by lowering the threshold to access required investment capital and through a more conducive investment climate.

An example of a more facilitative approach to making changes in the regulatory framework is the UNDP project '*De-risking Renewable Energy Investment.*' The project has produced a tool to support policy decision-making with quantitative comparisons of different public instruments and their expected impacts. The framework is built upon the idea that one of the main challenges which must be addressed to scale up renewable energy technologies in developing countries is to lower the relative financing costs. The tool that was developed demonstrates to policy makers what mix of public instruments can address investor risks, and quantifies how they can reduce financing costs. This will then lead to an improved investment climate for renewable energy solutions.

Another approach is to influence policy makers through demonstration. For example, the Malaysian-Danish Environmental Cooperation programme has supported the building of two energy efficient office buildings. The pilot building demonstrated that it was possible to reduce energy consumption by almost 50% through a combination of innovative technologies and architecture. This has received great recognition from the government of Malaysia, and has contributed to the establishment of a new Energy Information Bureau, introduction of energy related subjects in university courses, and new building by-laws and standards for energy efficiency in government buildings.

Main lessons

The investment decision must come from the private sector in order to achieve significant greening of local economies. **The government's role is to create an enabling environment that makes these investments possible and attractive.** Instruments for policy makers can range from providing information to facilitating development of voluntary standards and from setting

compulsory targets to developing and enforcing green regulations. The most effective category is likely to depend on the degree of control the government aims to exert, the capacity of the private sector, and available resources, as is elaborated upon in the table below.

Table 2: Benefits and challenges of different policy instruments

	Command and control	*Market based*	*Voluntary*	*Information*
Description	Compulsory standards, bans	Setting benchmarks or compulsory targets	Encouraging market actors to take the initiative in developing solutions to the problems policy makers wish to solve	Government itself or independent bodies set up by government can act to pro-actively share information and raise awareness
Benefits	Predictable results	Leaving it up to the industry to figure out what is the best way to achieve the target enables private sector innovative capacities	Stepping aside and letting the industry take the lead, or providing a framework or benchmarks for those that wish to participate in the voluntary initiative.	Need for authorities information on best practices, payback times on green investments, etc.,
Challenges	May stifle innovation; Depending on gvt. enforcement capacity	Depending on private sector investment and innovation capacity	Depending on private sector investment willingness to cooperate	Unpredictable outcomes

Source: Adapted by Enclude from UNIDO "Green Industries; Policies for green industry" May 2011

3.1.4 Access to Finance Initiatives

Improving access to finance is an important and widely-used strand of green growth interventions. Different models exist to make use of finance as a driver of green growth; three common approaches currently used by donor agencies are outlined below.

Green credit lines

One common approach is the use of *green credit lines*. For example, AFD has several projects of this type, where dedicated credit lines for green investments are being made available through local banks for onward lending to businesses that wish to invest in renewable energy (RE) and energy efficiency (EE) projects. A specific example is the RTAP project in Kenya, which is providing green credit lines for businesses that want to invest in RE and EE technologies (see case study on RTAP in Annex 1). In this project, credit lines coupled with Technical Assistance was shown to be an effective means of scaling-up new investment technologies and stimulating demand for the energy efficiency and renewable energy solutions. Local banks acquire the required capacity to finance the EE and RE markets, resulting in more projects and an additional source of income for the banks.

Green Investment Funds

Another channel for increasing the availability of funding for green investments is *investment funds.* For example, the Green for Growth Fund (GGF) in Southeast Europe is the first specialized fund to advance energy efficiency and renewable energy in Southeast Europe, including Turkey. A Luxembourg-based investment fund initiated by the European Investment Bank and KfW Entwicklungsbank, GGF is a public-private partnership established to reduce energy consumption

and CO_2 emissions. GGF provides refinancing to financial institutions to enhance their participation in the EE and RE sectors and also makes direct investments in non-financial institutions with projects in these areas. The activities of GGF are supported by a technical assistance facility.

Climate Innovation Centres
A further type of project channelling financial resources to the private sector is *Climate Innovation Centres* (CICs) (WB/InfoDev/Danida/DFID). This is a model to promote green growth by accelerating locally developed solutions to climate change adaptation and mitigation. The global initiative aims to establish 30 national CICs, which will deliver financial services including access to equity and loans. An example is the CIC in Kenya, which offers financing and other services (consultancy, coaching and business development services) to grow a network of climate innovators and entrepreneurs. By working with banks and the private sector, the CIC will provide opportunities to expand the country's agriculture, energy, transport, and health and water infrastructure to serve the needs of a growing population through environmentally sustainable means.

Box 10: Financial institutions investing in the forest sector to develop due care procedures

FLEGT stands for Forest Law Enforcement, Governance and Trade. The EU's FLEGT Action Plan was established in 2003. It aims to reduce illegal logging by strengthening sustainable and legal forest management, improving governance and promoting trade in legally produced timber.

One component of the programme works with financial institutions investing in the forest sector to develop due care procedures, raise awareness amongst financial institutions and build their capacity to assess risks related to financing forestry companies that do not comply with buyers' voluntary codes of conduct and government policies on sustainable forestry.

Source: http://www.euflegt.efi.int/flegt-action-plan

Main lessons

- **Merely making a credit line available is often not sufficient**. Capacity building is needed, as knowledge and skills at financial institutions need to be developed. In some cases, TA is also needed to help applicants develop bankable proposals. Earmarked green funds/credit lines are therefore often combined with a technical assistance facility.

- **Financial incentives should not be seen in isolation from the financial institution that is to roll them out**. Financial institutions need to recognise the business case. Environmental monitoring systems in financial institutions can be useful tools for tracking the impacts of financial products delivered.

4. TOOLS FOR GREEN GROWTH

DCED members have created numerous tools to aid green growth programme design, assessment and results measurement, many of which can be accessed online. A selection of these is described below. In addition, other organisations such as the United Nations Environment Programme and Green Growth Development Platform and Green Growth Knowledge Platform have created and reviewed useful tools which can be accessed online. See for example:

- http://www.unep.org/climatechange/Tools.aspx
- http://www.greengrowthknowledge.org/resource/tools-delivering-green-growth.

4.1 Green intervention design

The starting point of many green growth interventions is to look for green private sector development opportunities; new tools have been developed by DCED members help identify these. These tools often focus on the meso or macro level, assisting the design of development strategies for sectors, landscapes or countries. However, a number of tools reviewed were developed to identify direct opportunities for businesses.

The table below provides an overview of some of these tools encountered.

Tool	Description
Danida Climate Change and Green Growth Screening Note[13]	Danida has developed a Climate Change and Green Growth Screening Note, which is a checklist to assist programme managers to assess the risks, and also the opportunities, for Climate change and Green Growth within a programme.
ILO 'Methodologies for assessing green jobs'[14]	Different methodologies are available to assess the employment *potential* that green policies can offer. They include inventories, surveys and employment factors, input-output analysis and Social Accounting Matrices and Computable General Equilibrium models. The selection of which tools are most appropriate for carrying out a study is largely dependent upon the questions that it sets out to answer.
GIZ CP4Dev[15]	CP4Dev has been developed as a comprehensive tailor-made support package for institutions in developing countries. GIZ support in the context of CP4Dev includes process facilitation for integrating climate change aspects into development planning, participatory development of a methodology and material, extensive capacity building and support for follow-up, learning and quality control of adaptation.
GIZ ValueLinks Manual[16]	ValueLinks is the name given to a systematic compilation of action-oriented methods for promoting economic development with a value chain perspective. It provides essential knowledge on ways to enhance employment and the income of micro and small-sized enterprises and farmers by promoting the value chains

[13] http://amg.um.dk/en/~/media/amg/Documents/Technical%20Guidelines/Guidelines%20for%20programmes%20and%20projects/Tools%20and%20templates/Climate%20Change%20and%20Green%20Growth%20Screening%20Note.docx

[14] ILO Policy Brief, February 2013: http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_176462.pdf

[15] http://www.climateplanning.org/tools/climate-proofing-development

[16] file:///C:/Users/cm/Downloads/valuelinks_manual_en.pdf

	they are operating in. The ValueLinks manual is intended for use by development projects or by public agencies promoting specific agribusiness, handicraft or manufacturing sub-sectors of the economy. The emphasis is on the product markets that offer opportunities for the poor. It is currently being updated to include a more explicit focus on 'green' value chain opportunities.

4.2 Environmental performance standards for private sector development projects

This section looks at the different tools that have been developed and are being used within GGWG member organisations to assess, monitor and evaluate the green aspects of private sector development programmes.

Environmental and social performance and quality standards

All DCED member organisations interviewed as part of the stocktaking include social and environmental risk assessment or quality standards as part of their entry-level assessment procedures when initiating a private sector development intervention.

The majority use the IFC Performance Standards on Environmental and Social Sustainability[17] to guide their project assessment and implementation.

These standards are regularly updated to reflect new trends and thinking on environmental risks.

Box 16: Overview of IFC Performance Standards on Environmental and Social Sustainability

The eight Performance Standards establish standards that the client is to meet throughout the life of an investment by IFC:

- Performance Standard 1: Assessment and Management of Environmental and Social
- Risks and Impacts
- Performance Standard 2: Labour and Working Conditions
- Performance Standard 3: Resource Efficiency and Pollution Prevention
- Performance Standard 4: Community Health, Safety, and Security
- Performance Standard 5: Land Acquisition and Involuntary Resettlement
- Performance Standard 6: Biodiversity Conservation and Sustainable Management of
- Living Natural Resources
- Performance Standard 7: Indigenous Peoples
- Performance Standard 8: Cultural Heritage

Source: http://www.ifc.org/wps/wcm/connect/115482804a0255db96fbffd1a5d13d27/PS_English_2012_Full-Document.pdf?MOD=AJPERES

In 2010, the IFC Performance Standard Three was updated to include not only pollution prevention, but also resource efficiency related to the use of raw materials, water and energy. In March 2014,[18] UNDP launched a consultation on its draft Social and Environmental Standards which were subsequently revised and approved for roll-out by the end of 2014. The standards put human rights, gender equality and environmental sustainability at their core and outline seven project-level standards (including standards related to biodiversity conservation and sustainable natural resource management, pollution prevention and resource efficiency, indigenous peoples, climate change mitigation and adaptation, among others).

[17] http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability/Sustainability+Framework/IFC+Exclusion+List/

[18] http://www.undp.org/content/undp/en/home/operations/social-and-environmental-sustainability-in-undp/feedback/

Table 3: Examples of S&E Standards

Organisation and name of standard	Environmental / green dimensions monitored
UNDP's Social and Environmental Standards[19]	- Biodiversity Conservation and Sustainable Natural Resource Management - Climate Change Mitigation and Adaptation - Pollution Prevention and Resource Efficiency
IFC performance standards	- Assessment and Management of Social and Environmental Risks and Impacts in development projects - Resource Efficiency and Pollution Prevention - Biodiversity Conservation and Sustainable Natural Resource Management

Green risks and opportunities to be assessed

Most environmental quality or performance standards currently do not include checks on interventions or investments' potential to generate positive environmental impacts.

However, a number of organisations are beginning to develop these opportunity assessments. For example, KfW's Environmental, Social and Climate Change Assessment includes a systematic review of risks and 'chances' (opportunities). The environmental assessment includes an assessment of "potential to improve environmental quality, conserve resources and foster ecological sustainability". Sida and the FAO also explicitly include a scan for "opportunities for better management of natural capital and climate risks" in their processes, as illustrated in the table below.

Table 4: Examples of risk assessment tools

Organisation	Tools description
KfW Environmental, Social and Climate Change Assessment Systematic Review of Risks and Chances	**a) Environmental assessment:** Firstly, potential adverse effects of a strategy or measure upon the following endpoints are analysed: - People, including human health, - Fauna, flora and biological diversity, - Soil, water, air and landscape, - Cultural and other material assets, and - Linkages among the above-mentioned endpoints. Secondly, the potential to improve environmental quality, conserve resources and foster ecological sustainability is analysed. **b) Climate assessment: (added in 2011)** Climate proofing: The purpose of assessing and considering climate adaptation issues is to ensure that the envisaged development results of the strategy or measure are not jeopardised by the anticipated impacts of climate change. A further purpose is to analyse whether adaptive capacity in the partner country can be boosted within the context of the strategy or measure. (…) It also considers the extended period of results beyond the formal duration of the strategy or measure. On this basis, options for increasing the adaptive capacity of target groups or ecosystems are developed and implemented. Emission saving: The purpose of assessing and considering mitigation aspects is to avoid significant greenhouse gas emissions and tap greenhouse gas reduction potential. (…) options for contributions to greenhouse gas reduction are developed and where appropriate – taking account of their development-policy effectiveness and their costs – they are integrated into the strategy or measure.
Sida	Sida has a system for administrating contributions called TRAC. TRAC provides general questions to ensure that environment and climate change risks and opportunities are considered in the inception phase where a pre-appraisal is made,

[19] Public Comment Draft: 3 March 2014

	throughout the project (including in the in-depth relevance assessment) and in the follow up phase. Questions have to be answered to advance further in the preparation of the contribution. TRAC does not specifically include questions that use the green growth/green economy terminology. However it stresses the importance of considering opportunities for stronger results through better management of natural capital and climate risks. Furthermore it contains supporting texts that make reference to opportunities arising from green growth.
FAO EX-ACT[20]	The EX-ACT (EX-Ante Carbon Balance Tool) is a tool jointly developed from three FAO divisions (TCS, TCI and ESA1) and is aimed at providing ex-ante estimations of the impact of agriculture and forestry development projects on GHG emissions and Carbon (C) sequestration, indicating the effects on the C balance

Exclusion lists

Out of the 14 organisations that submitted data for this review, only a few have their own exclusion lists related to environmental or green criteria. Most organisations do, however, have a long standing policy of steering away from projects with significant environmental risks.

Finland has its own exclusion list.[21] The Netherlands MfFA applies the exclusion list of development bank FMO[22] to its private sector development programmes[23].

There is also a trend towards excluding brown technologies. The box below, for example, illustrates growing concern about using public financing for nuclear power plants, coal-fired power plants or large hydro-dams. These debates are influencing the policies and financing activities of development finance organisations such as IFC.

Box 17: Exclusion lists for brown technologies

There is increasing discussion amongst multilateral and bilateral aid organisations on whether development cooperation should be used to provide (preferential) financing for brown technologies, such as power generation through coal-fired power plants.

Finland has, for example, excluded the use of development cooperation funds in financing nuclear and coal power or large dams. The Netherlands also recently announced that it will join with the U.S., the U.K., Denmark, Finland, Iceland, Norway and Sweden in ending public financing for any new coal-fired power plants overseas, except in rare conditions when other technological options are not available.

Source: Bloomberg BNA http://www.bna.com/netherlands-joins-bid-b17179889127/

4.3 Green M&E indicators

As discussed in the previous chapters, green growth interventions use a large variety of different approaches and interventions at different levels; the theory of change is often not clearly or explicitly articulated. As a result, indicators tailored to the measurement needs of the programme often don't exist; nonetheless, there is a wide variety of indicators in use, and a list may be useful as examples of what might be appropriate for each programme (for more information on articulating and using theories of change to measure results, see the DCED's Standard for results measurement).

[20] http://www.fao.org/tc/exact/ex-act-home/en/

[21] http://www.finnpartnership.fi/www/tiedostot/Liikekumppanuustuki/ehdot/en/ExclusionList1.1.2014.pdf

[22] FMO=Dutch Development Bank

[23] http://www.fmo.nl/exclusion-list

Some important efforts have already been undertaken to develop instruments to assist organisations/staff with the selection of indicators in their green growth projects. For example the OECD has developed a preliminary selection of indicators on the basis of existing work in the OECD, other international organisations, and in member and partner countries (OECD, 2011)[24]. UNIDO has launched a project to establish a set of indicators to monitor green growth in the Latin America and Caribbean (LAC) region. The indicators are based on the OECD Green Growth measurement framework and draw from UNEP's prior experience with environmental indicators.

Figure 4: Overview of Green Growth indicator groups and topics covered

1	The environmental and resource productivity of the economy	• Carbon and energy productivity • Resource productivity: materials, nutrients, water • Multi-factor productivity
2	The natural asset base	• Renewable stocks: water, forest, fish resources • Non-renewable stocks: mineral resources • Biodiversity and ecosystems
3	The environmental dimension of quality of life	• Environmental health and risks • Environmental services and amenities
4	Economic opportunities and policy responses	• Technology and innovation • Environmental goods and services • International financial flows • Prices and transfers • Skills and training • Regulations and management approaches
	Socio-economic context and characteristics of growth	• Economic growth and structure • Productivity and trade • Labour markets, education and income • Socio-demographic patterns

Source: OECD, 2014

In addition, some measurement systems for specific types of environmentally focused interventions are being developed. For example, AFD has developed an instrument for quantifying emissions and can estimate the reduction of greenhouse (GHG) emissions generated by the project's finances[25]. The tool is based on a very large baseline data set, which is used to estimate emissions avoided by a project, regardless of the country and the project area.

Another example is FAO's contribution to the development of a set of sustainability indicators specifically for bioenergy, in the context of the Global Bioenergy Partnership. To support the contribution of bioenergy to sustainable development, the development and deployment of modern bioenergy should be based on principles reflected in a common set of sustainability indicators that can be applied by individual countries or communities.

Whilst the above comprise an important preliminary step towards identifying common indicators of green growth, feedback from project evaluations and a number of GGWG members suggests that more explicit guidance on the selection of indicators appropriate for different types of interventions could be helpful. Especially in interventions where there may be a trade-off between economic, socially inclusive and green outcomes, guidance to monitor performance and signal potential unintended effects would have the further benefit of *improving the overall quality of the interventions*.

[24] http://www.oecd.org/greengrowth/48224574.pdf

[25] http://www.afd.fr/home/projets_afd/AFD-et-environnement/changement_climatique/Mesures_Impacts_Climat

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Green growth is a topic of growing interest and support in private sector development programmes. The review of 120 green growth PSD projects among the DCED Green Growth Working Group member agencies demonstrates the wide variety of approaches, models and tools that are being used worldwide.

This stocktaking has provided valuable insights into the current diversity in aspired types and drivers of change, in addition to the diversity in actual intervention approaches and tools. This wide variety of approaches to green growth stems in part from the diversity in the aspirations of donors and interventions – a diversity which can in fact lead to complementary outcomes. Interventions which exploit the green growth opportunities existing within current framework conditions are matched with interventions which aim to change these very conditions in order to reach different, i.e. greener, development paths over time. In this light, donors need to clarify their underlying long term aspirations for separate short term interventions, and consider the potential trade-offs which may follow from these whilst seeking opportunities to maximize 'win-win' scenarios.

Clearly, this diversity is also related to the fact that there is not a single, commonly agreed definition of "green and inclusive growth" among the surveyed agencies. This is probably a reflection of the relatively short existence of the concept and the limited knowledge and understanding among staff and partner countries. In a sense, the concept and approaches are still very much in an experimental phase, hence the ongoing research and capacity development within many of DCED member agencies.

The stocktaking proposes a mapping of green growth perspectives using drivers of green growth, the role of the private sector and the aspired change, or intended outcome, as parameters. The emerging picture shows no particular predominance or trend in the approaches, but rather reveals the complexity of the concept.

The same is reflected with regard to practical approaches that agencies adopt to implement green growth strategies, with a large number of initiatives for green market and value chain development (or "creating green growth") in tandem with programmes to make existing operations of business and corporate behaviour more climate-friendly and resource efficient ("greening growth"). Whilst many efforts are directed at the private sector, most agencies incorporate approaches and tools to reform public policy, acknowledging the key importance of enabling policies and regulations.

Importantly, it appears that most agencies acknowledge the relevance of each of these approaches, with some looking for active synergies by building broader platforms to convene stakeholders. It will be important to facilitate the co-existence of different models of interventions whilst looking for ways to enhance their eventual convergence.

One impeding factor may be the impression of rather scattered organizational models that is gained from this review of agencies. Green growth approaches and tools are adopted in many parts of the organizations, with only some having created a central unit or programme for coordination. It seems too early to assess whether this is already the evidence of successful mainstreaming or the reflection of more or less autonomous adoption of greener ways of undertaking conventional programmes. Here, the role of the DCED could be significant, sharing lessons of organizational development strategies among its members, perhaps including the

ways organisations with a purely environmental mandate are beginning to embrace private sector focused strategies.

In this context, it may also be useful to focus future work on a more narrow selection of the approaches which are felt to be most relevant to the work of DCED GGWG members, in order to enable more evidence-based exchanges on lessons learnt and better understanding of good practice.

Further recommendations based on the insights of the stocktaking are as follows:

- ***Develop joint M&E guidance:*** Green growth is a broad theme, and a variety of indicators is needed. However, practical guidance on selecting indicators and some level of standardization on indicators would be useful, both for improving the quality of green growth interventions and for strengthening the concept of green growth itself. The DCED GGWG could further explore if it is positioned to play a role in this process.

- ***Prevent proliferation of standards:*** More insight is needed into the potential role of donor coordination in preventing the proliferation of (voluntary) green standards.

- ***Develop mutual understanding and aligning of goals:*** An important ingredient for effective green growth PSD interventions is working partnerships. However, when projects rely on collaboration among diverse partners, the harmonisation of the initial goals, assumptions and expected outcomes at project inception is of critical importance. Mutual understanding of different stakeholder perspectives can be key to identifying the set of potential win-win scenarios.

- ***Systematically review of risks <u>and</u> opportunities:*** The review revealed most donors' social and environmental quality or performance standards traditionally focus on the assessment and mitigation of environmental risks. Green growth however is not only about risks; it is about pro-actively seeking synergies between green and economic opportunities. Environmental quality or performance standards need to be updated to include checks on whether interventions or investments are implementing best practices to enable their potential to improve environmental quality, conserve resources and foster ecological sustainability.

- ***Develop tools to overcome the limitations of internal organisation:*** Green growth targets, responsibilities and expertise within donor organisations are often spread over different departments. The advantage to this is that it allows green growth to be mainstreamed into existing environmental, socially inclusive or private sector development interventions and approaches. The associated risk however is that learning will be fragmented, and that 'holistic' green growth approaches and opportunities may be overlooked because they do not fit into the more 'narrow' or specialist mandates of these separate departments. Regular reports and other outputs of the GGWG can empower its members to take initiative in sharing knowledge and insights to inspire their co-workers, and share best practices.

- ***Bring together and share tools:*** New tools have being developed by DCED members to identify green private sector development opportunities. These tools often focus on meso or macro level, assisting with the design of development strategies for sectors, landscapes or countries. However, also a number of tools were developed to identify actionable opportunities for businesses. The DCED GGWG could develop an overview of these tools, to share knowledge and prevent duplication of efforts.

- ***Address lessons and knowledge gaps:*** As experiences in green growth interventions are still young, and it is difficult to make statements about the effectiveness of the various approaches, it is recommended to perform another review in 3 years' time, perhaps with a more evaluative emphasis.

Annex 1: Case Studies

1. **RTAP East Africa (AFD)**
2. **MSME Umbrella program India (GIZ)**
3. **Greener Business Asia (ILO)**
4. **CAMBio (UNDP)**

Case Study 1

Energy Efficiency and Renewable Energy Regional Technical Assistance Programme (EE/RE RTAP) in East Africa

'Supporting and Financing of renewable energy & energy efficiency projects in East Africa through the local banking system'

Facts and figures:	
Programme objective	Foster sustainable energy use in East Africa
Type of support provided	Concessional financing (also grants) and technical assistance (capacity building, training, feasibility studies)
Programme budget	55 million €, including external financing of technical assistance and lines of credit (grants and concessional finance to the tune of 2.6 million € in technical assistance and 30 million € in lines of credit)
Theme	Green finance of energy efficiency (EE) and renewable energy (RE)
Sector	Energy, Agribusiness, manufacturing and hospitality sectors
Programme duration	2011 – 2014 phase I, Phase II under contracting
Programme consortium	Kenya Association of Manufacturers (KAM), EU-Africa Infrastructure Trust Fund (ITF), Agence Française de Développement (AFD)
Key Partners	Kenyan Ministry of Energy, Energy Regulatory Commission (ERC) and Kenya Power (KPLC)

Introduction and context

A large share of the East African population is not connected to the electricity grid. Domestic energy is mainly provided by firewood, charcoal and kerosene. As a result the region experiences deforestation and rising greenhouse gas emissions. Renewable energy will mitigate these impacts while reducing the costs of energy.

The Governments of Kenya, Tanzania and Uganda have the objective of increasing the share of renewable energy resources and to promote energy efficiency on a large scale. In order to support these countries, the "Agence Française de Développement" (AFD) is involved in a regional programme with two main components:

- *Credit facilities* to provide banks with the necessary long term financing to overcome the financial barriers met by project sponsors. To date, two banks in Kenya have signed a credit facility with AFD; one in Tanzania and one in Uganda are about to sign. Overall, these banks will receive lines of credit totalling about USD 80 million ;
- A *Regional Technical Assistance Programme,* to incubate viable and bankable projects, provides technical and financial support at critical stages of project development, to increase the knowledge and the expertise of the stakeholders (sponsors, banks, consultants, equipment providers).

www.cti.co.tz/rtap

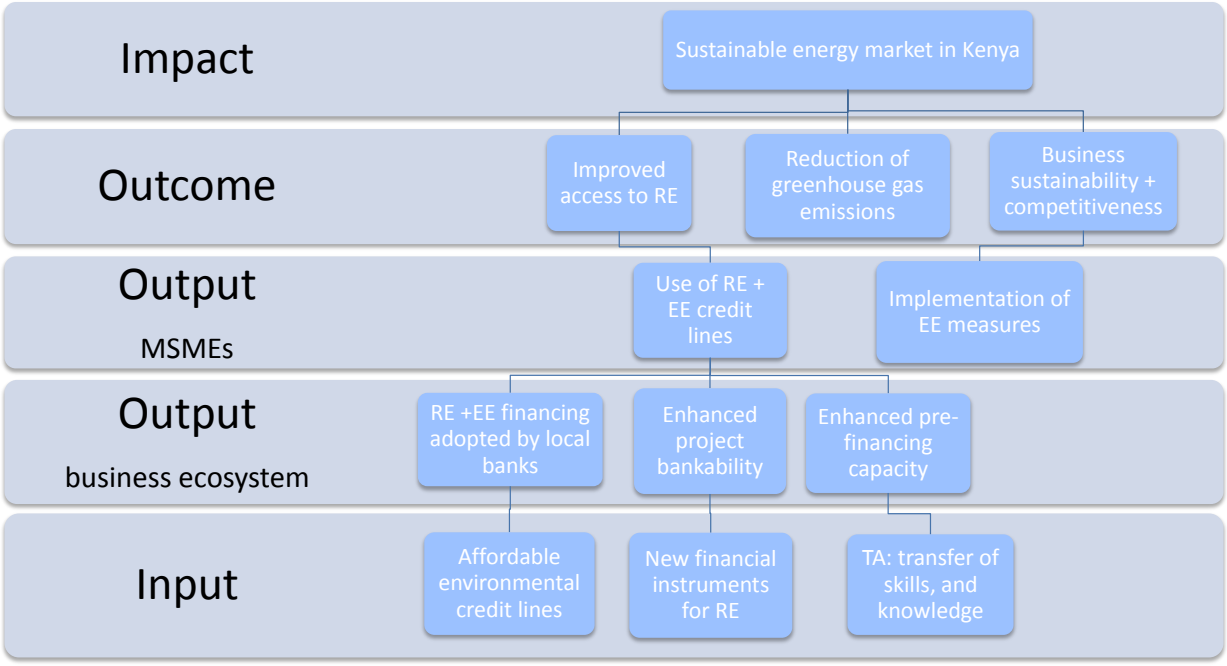
The RTAP technical assistance budget totals 2,6 million EUR. An additional 2 million EUR was approved by the ITF in June 2013. The implementing agency of the RTAP is the Kenyan Association of Manufacturers (KAM).

The disbursement of the credit line is well advanced in Kenya (USD 26 million disbursed and additional USD 13 million committed). The deployment of the programme in Tanzania and Uganda is still in an early stage. Most of the project description below is based on the experiences in Kenya.

Most of the projects supported by RATP are medium-scale Renewable Energy investment projects ranging from ca. 0.5 MW – 10 MW, as well as eligible projects in energy efficiency improvements focus on agribusiness, manufacturing and the hospitality sectors.

Description of the intervention

The result chain below illustrates the synergies between the energy efficiency (EE) and renewable energy (RE) project components for Kenya. It shows how in this project the provision and facilitation of a more secure power supply and costs reduction due to a lower energy bill are major contributions to increased business sustainability and competitiveness.



The technical assistance supports the financial and technical feasibility of the EE and RE projects. The transfer of skills to local experts and, most of all, the local partner banks, is designed to enable an infectious multiplication of the projects throughout the entire region, i.e. the up-scaling of the initial programme intervention.

The technical assistance and capacity building activities focus on the enhanced knowledge and skills of four main groups:

1. *Project staff*, typically people from KAM: day to day management responsibilities;
2. *Project sponsors*: market players, mostly industries or industry service providers having influence over the decision of investing in energy efficiency or renewable energy facilities (pre-financing capacity);
3. *Bank officers*: credit officers ensuring the bankability of projects eligible for the lines of credit;
4. *Energy auditors*: certified energy auditors (experts able to assess energy savings and related results - energy, environmental and climate change impact).

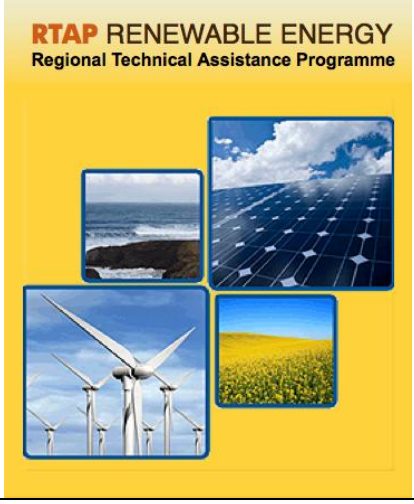
The role of local banks is crucial for the success of the project. The project supports the banks in diversifying their revenue streams by making EE and RE financing a standard business model. A total of 30 Million Euros (as environmental credit line) have been availed to the two banks (Co-operative /Bank of Kenya and CFC Stanbic) for onward lending to local investors and businesses that wish to invest in renewable energy and energy efficiency projects.

Examples of common energy efficiency (EE) projects and renewable energy (RE) projects

EE Retrofit projects

- ✓ Lighting
- ✓ Heating and Cooling (HVAC)
- ✓ Refrigeration
- ✓ Premium Efficiency Motors

Common projects:
Variable frequency drive on non-HVAC pump and fan motors, energy recovery ventilators and economizers and day lighting controls.



RE Retrofit projects

- ✓ Solar cooling
- ✓ Roof PV
- ✓ Solar water heating
- ✓ PV Street lighting
- ✓ Farmer biogas unit

Common projects:
Biogas generator or small hydro projects eligible to the Feed-in Tariff.

The indicators of programme success relate to four topics:

1. *Energy impact*: amount of RE fed into the grid, amount of electricity saved on the demand side, amount of peak reduction, amount of fossil fuel saved (KWh) and wood fuel saved (equivalent trees) through EE and RE investments;
2. *Environment and climate change impact*: reduction of greenhouse gas emissions (tonnes equivalent of CO2);
3. *Financial impact*: amount of credit line disbursed and total investment amount of the projects financed (including equity);
4. *Economic development impact*: increase of energy access, improved quality of supply and other social economic impact (job creation, etc.).

Green Growth Approach

Business drivers for investment in EE and RE are in place, but lack of access to finance hampers market development

There is a clear business incentive for manufacturing enterprises to get access to renewable energy, since the supply is more secure, more stable and cheaper compared to wood or kerosene for example. Also energy efficiency measures often have a clear business case, reducing the cost of doing business, with a demonstrated return on investment. However, to implement such measures, upfront investments need to be made by MSMEs, who are often capital constrained. Affordable environmental credit lines set up by the project enable enterprises to make a start or increase their use of RE or EE measurements.

Aspired change: Transition towards a green economy

This programme aims at mobilizing the private sector to successfully achieve the energy policy goal of increasing the share of renewables in the national energy mix. Renewable energy and energy efficiency will also contribute to a more secure power supply and a lower energy bill, thereby boosting the regional dynamic towards a competitive “green energy”.

Beyond the project: Banks willingness to finance energy efficiency and renewable energy investments

The improved capacity to finance EE and RE projects is expected to expand the local energy market. For example, a few mini-hydro projects can demonstrate the viability of the technique and its local applications. As a consequence, the financial institution gains experience and authority, and thus can build a network of reliable energy auditors and project sponsors. In this

manner, with the skills, knowledge and experience acquired through the programme, the Co-operative Bank of Kenya is already financing mature RE and EE projects independently.

Inclusiveness and green growth: Green investments lead to long-term socio-economic benefits

Reduction of greenhouse gas emission, deforestation and use of kerosene are environmental outcomes of the programme. These outcomes have further socio-economic results, such as improved safety and health conditions at workplaces. Increased access to affordable renewable energy eventually leads to improved living standards and higher life expectancy. The programme also contributes to increased employment opportunities, thanks to increased electricity consumption, while small family enterprises create green jobs in the renewable energy sector.

Lessons and Critical Success Factors

Setting up environmental credit lines in Kenya has been a pioneering experience. The programme focuses on a wide range of sectors; such as agribusiness (tea, coffee, dairy e.g.) manufacturing and hospitality sectors. Some lessons from the project are as follows;

- *Credit lines coupled with Technical Assistance: an effective means of scaling-up new investment technology:* The dual concept has proven to be successful in scaling up new investment technologies and stimulating demand for the energy efficiency and renewable energy solutions. Local banks acquire the required capacity to finance the EE and RE markets, resulting in more projects and an additional source of income for the banks.
- *Cooperation between engineers and financial actors:* Open communication is key between the technical and financial actors. People with different expertise tend to work in parallel instead of together. Technical assistance has underscored open communication, and physical meetings, and has developed trust, essential ingredients for the success of the programme.
- *Improvement of local infrastructure to ensure long-term effect*: Training of the project sponsors, bank officers and energy auditors is key to the success of the credit lines. Once local capabilities to support the energy markets are established, the programme can be phased out.
- *Operational systems and methods for the inception phase*: Though the programme succeeded in setting up the required administrative framework (e.g. manual of procedures and policies, list of short term experts) to identify projects (portfolio includes about 100 projects) and provide support to different stakeholders, the intensity and duration of the efforts required to get the programme started (e.g. amount of support provided, identification of numerous sponsors and potential projects, burden of elaborating the necessary documentation and making the whole process operational) were not sufficiently anticipated.

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Case Study 2

Promotion of climate change adaption in the Indian Private Sector (part of GIZ MSME Umbrella Programme India)

Facts and figures:	
Project objective	Improving the capabilities of MSMEs to enhance the climate change adaptive capacities of the Indian economy and society.
Type of support provided	Technical Assistance (capacity building, advisory services, networks)
Project budget	Additional funding for CC: EUR 300.000 to date. (Umbrella programme: 9.210.000 EUR (10/2010 – 12/2014))
Theme	Green SME development / green BDS
Sector	Multiple sectors (e.g. textile, metalworking, pulp and paper, chemical, brick) in India
Project duration	2011-2014 (MSME Umbrella Programme India: 2010-2014)
Project consortium	GIZ, Indian Ministry of Micro Small and Medium Enterprises, Small Industries Development Bank of India (SIDBI)
Key Partners	Local service providers, associations and business intermediary organisations

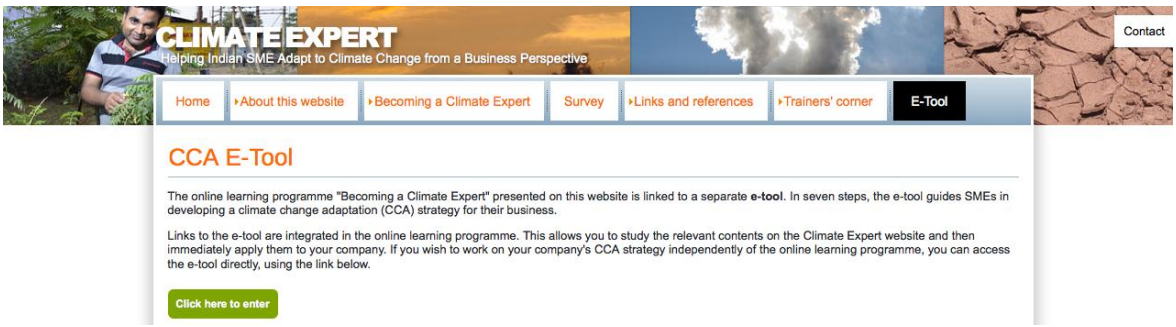
Introduction and context

The Umbrella Programme for the promotion of MSMEs in India was set up in 2010 with a focus on building a Business Development Services (BDS) market to improve the Business Climate. In 2011 additional funds were allocated to integrate climate change adaptation in the project.

The project aims at improving the capabilities of MSMEs to enhance the climate change (CC) adaptive capacities of the Indian economy and society. A range of climate-related services for MSMEs is provided through introduction of new and innovative services into the market. Responsible business practices and strategic decision-making of the private sector to adapt to climate change is promoted and the resilience and business continuity of MSME strengthened. Examples of CC-related services are assessments on climate change sensitivity and an online tool to develop a climate change adaptation strategy (illustrated in the box below).

The activities are part of GIZ's MSME Umbrella Programme India, which seeks to improve the business and investment climate for MSMEs in India, and were supported by GIZ's Sector Project on Private Sector Development.

climate-expert.in



The project studied the impacts of climate change on MSMEs in the textile and metalworking sectors, two severely affected and MSME-dominated sectors in India. Pilots and trainings have also been conducted in other sectors such as the pulp and paper, chemical, pharmaceuticals and brick industry. Buildings, manufacturing processes and infrastructure of these companies are impacted by increased extreme weather events such as more hot days or heavy rainfall. Also indirect impacts on the supply chains and markets, including rising energy and raw material prices or change of demand in response to climate change effects, distress businesses.

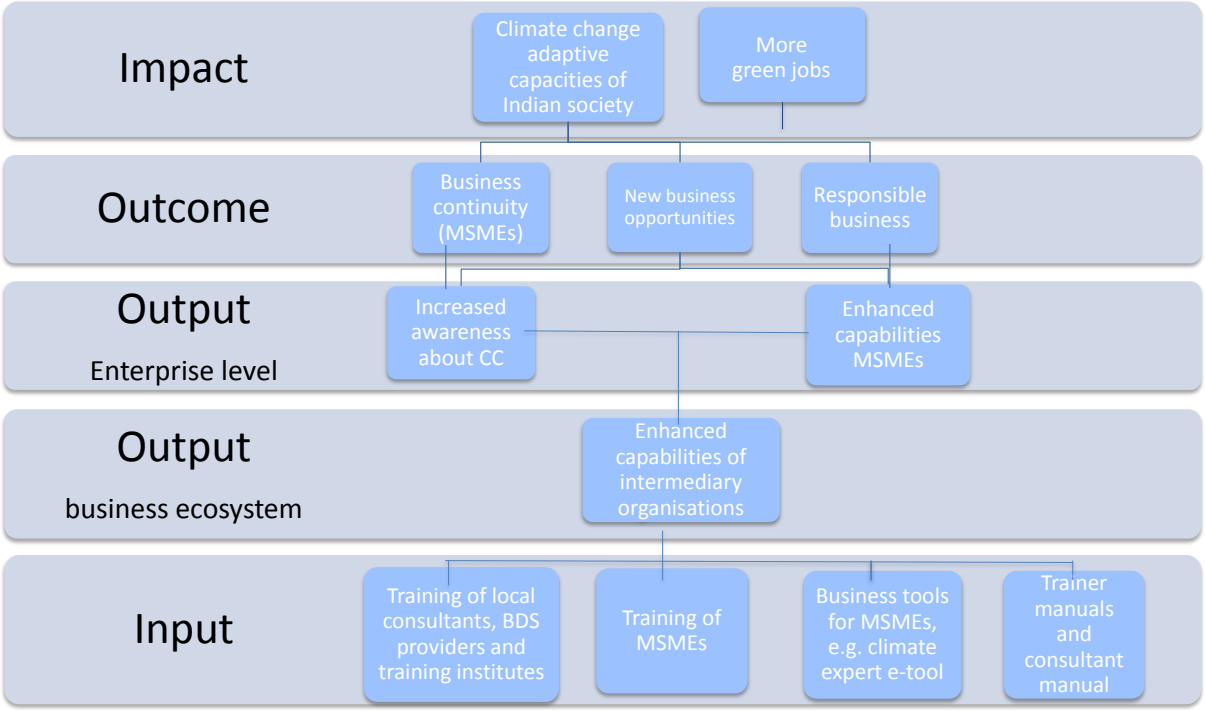
As climate change impacts appear quicker and stronger than expected, this provided an extra impulse for MSMEs to invest in 'green' measures that impact climate change adaptation or mitigation, as well as on the business competitiveness.

Resume of climate change adaptation programme for MSMEs in India

- Creating awareness of climate change related challenges and opportunities for MSMEs
- Development of (online) business tools and trainer/ consultant manuals
- Strengthening local consultants and other private sector service providers
- Creating local networks and service provision on climate adaptation measures

Description of the intervention

The simplified result chain illustrates how the main activities and outputs of the project lead to its intended impact. The development of business tools and manuals for trainers and consultants together with actual training of local consultants, BDS providers and intermediaries are the two main paths to achieve increased awareness of MSMEs on climate change.



The pathway in the result chain leads from MSMEs who become more aware on the effects of climate change on their business and who learn what practical measures they can take, to the actual implementation of these measures and thereby make the overall society more climate change resilient. These investments will also create green jobs.

The target group are MSMEs in sectors severely affected by climate change. MSMEs already face existing challenges including resource strain and infrastructural problems. Climate change plays a catalytic role in the urgency for MSMEs to adapt to a changing environment.

The main approach focuses on enhancing the competencies of intermediaries, such as service providers, to offer services related to climate change adaptation (business risks and opportunities). The project provided only initial partial seed funding for awareness-raising, capacity development, training and pilots-assessments in order to guarantee the self-sustaining character of the services at the market (financial sustainability). Since the intermediaries take it up as a business case the long-term effects of the project are ensured.

Green Growth Approach

A business case and changing demand in addition to regulatory change: a mixed approach

There are three main drivers of change in this project:

- Regulations from the government;
- Interest of the MSMEs in the business case of new business opportunities and cost saving measures;
- Market and buyer requirements.

Government regulation, for example regarding raw material use (such the use of fly ash as the main input material for the production of bricks), has an impact on long-term investment consideration for MSMEs. Obvious costs savers are measures that reduce the use of energy and water, and lessen wear and tear on machines. New business opportunities arise for (suppliers of) manufacturing MSMEs in the form of new products (and markets) and in the consultancy service sector. In a global supply chain the requirements on compliance growing year by year from the demand side are mostly from international consumers on building requirements, energy efficiency measures and work safety, as is the case of the textile sector.

Aspired change: Resource efficiency and climate mitigation
The main green effect of the programme is MSMEs implement measures to reduce the consumption of energy and in this way contribute to reducing global CO_2 emission. An example is the installation of an advanced water system enabling the reuse of water, as the water table due to climate change is decreasing every year. The company hence has to adapt to possible water shortages in the future (see box below). Through such measures MSMEs in the textile and metalworking sector among others also invested in resource efficiency.

Case example: Cost savings through a measure for risk reduction

Adaptation measures for reducing risks often strengthen competitive advantage as well!

Water reuse at metal factory Milestone, Naroda Industrial Estate

Risk reduction: reduced vulnerability to gaps in water supply

Gains in competitiveness: cost reductions through reduced water needs

Results of trainings on business competitiveness and CC are likely to go beyond the project
As part of the initiative local consultants, BDS providers and training institutes were trained to use the developed Climate Change Adaptation (CCA) tools, such as economic assessment tools. Business service providers were selected based on their willingness and readiness to integrate climate change adaptation services in their (existing) service portfolio. As part of the selection process, the project invited potential service providers to submit proposals with innovative business model ideas to conduct a new series of trainings on CCA, which would be (only) partly subsidised by the German Development Cooperation. The winner was selected based on a number of key criteria such as best business model on how to conduct these trainings, leverage of additional funds from other sources, biggest impact and previous activities in the area of CCA.

Inclusive green growth

Particular MSMEs are seen as crucial for enhanced capabilities to climate change of the Indian society and economy. People with less economic sources are generally more vulnerable to climate change. MSMEs tend to have a strong link with their social surroundings, communities or business partners, and therefore negative as well as positive activities can easily impact their neighbouring communities.

Moreover the project also contributes to the creation of more green jobs, in the manufacturing industries as well as in the business related service sector.

Lessons and Critical Success Factors

- *Integrated approach of benefits for MSMEs*: If climate adaption and mitigation are translated into practical measures with a clear benefit for MSMEs, MSMEs are willing to invest. The project proved that there are 'low hanging fruits'; measures with a short payback time that are relatively easy to take for MSMEs, but that were not taken because of a lack of awareness. Therefore integrate climate adaption and mitigation measures (such as reducing the carbon footprint and mitigation through resource efficiency as a reaction to resource scarcity and higher prices due to climate change) into an integrated overall strategy process for MSMEs.

- *Business service providers can play a key role.* There is a strategic synergy between getting a company ready to withstand climate change impacts and increasing its overall competitiveness, as pointed out by the economic assessment tools. This is a great opportunity for the cross selling of services by consultants. A strong link with business development services and a market for climate change adaptation services has been created.

- *Enhanced capacities of business service providers*: The new economic assessment tools have proven to be successful. They demonstrate a market entry point for service providers. Additionally, training needs to be developed showcasing market entry opportunities to offer services climate change adaptation. The network of multipliers further needs to be strengthened. There is a demand for more capacity building in other areas related to the promotion of climate change adaptation such as strategy development and identification of new sources of finance for climate change adaptation activities.

- *Communicate proven benefits for MSMEs*: Especially when targeting MSMEs is important to highlight the business case of a green investment. Where cost saving was a mayor benefit or investment driver, MSMEs preferred to have guarantees or at least see an externally validated study that proved that the cost saving could be attained. Another reason for MSMEs is improved reputation of the enterprise through implementation of climate change adaptation measures. Indian MSMEs in global value chains exporting to western markets are advised to implement CCA measures. BMOs and associations can play an important role in promoting climate change adaptation and mobilizing their members.

- *Investment capacity of MSMEs*: Despite the relatively short payback time of a number of climate change adaptation measurements, MSMEs lacked financial capacities for investing. For MSMEs financial capacities for investing in climate change adaptation measures can be an impediment.

- *In many industrial sectors there are opportunities to control pollution and improve climate change adaptation capacities.* Various sectors are affected by climate change and face similar problems. It is hence important to link climate change adaptation activities with increased business competitiveness and to integrate it in the overall business strategy of a company. This way the feasibility of the tools can be ensured.

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Case Study 3

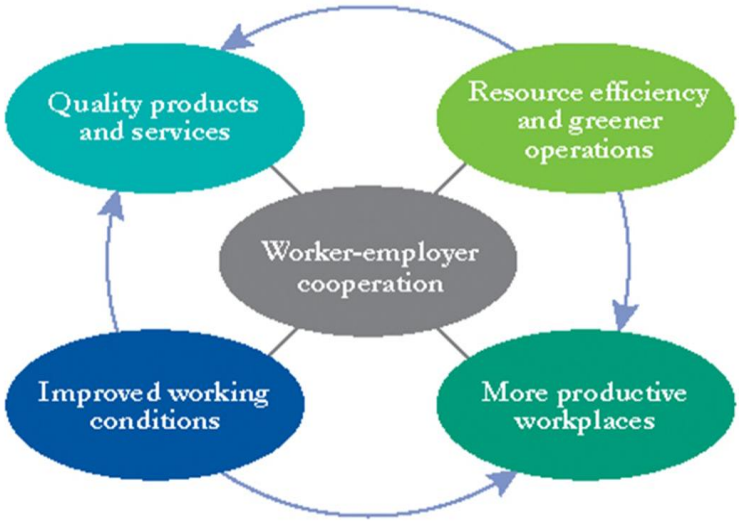
Greener Business Asia - ILO

Facts and Figures	
Project objective	Strengthen support systems for enterprises to improve their triple bottom line and provide green jobs.
Intervention Type	Technical assistance (capacity building, platforms, policy influencing)
Budget	US$ 1.9 million ($1.26 million phase I and $640.000 phase II)
Theme	Green jobs
Sector	Tourism (Thailand), Tourism and Automotive (The Philippines)
Duration of Intervention	55 months (31 of months phase I and 24 phase II)
Project consortium	Government of Japan, ILO (GBA is part of the Global Green Jobs Initiative)
Key Partners	Ministry of Labour and Employment, social partners (employers' organisations, workers' organisations), technical and academic institutions, industry organisations and BDS providers

Introduction and context

The project aims to strengthen support systems for enterprises to improve their triple bottom line (people, planet and profit) and provide green jobs. Enterprises (in the tourist accommodation in Thailand and in the automotive industry in the Philippines) are the crucial link for a transition towards a more sustainable economy in the 'Greener Business Asia' (GBA) project.

The people-centred approach of this project stands out, illustrated by the figure below. In order to achieve sustainability benefits on enterprise level GBA's entry point is the staff and managers of the companies. Real change comes from motivated staff and managers working together in teams. The enterprise-training program brings together staff and managers to learn practical knowledge and tools to improve their workplaces and business operations. The topics include environmental management and resource productivity issues, but also continual improvement and joint problem solving, occupational health and safety and quality standards. The integrated approach of the training means that enterprises secure results in their triple bottom line. The green aspect of the project is fully integrated with the aim of enterprise improvement.



Workers and employers in Thailand and the Philippines in the tourist accommodation and automotive sectors are the targeted beneficiaries of the project. Typical green challenges in these sectors are reduction of the amount of waste and diminished use of water and energy. The employees and employers are involved via their membership of workers' and employers' organisation. The project builds the technical capacities of relevant government agencies and BDS providers in delivering the enterprise-training program through Training of Trainers workshop and coaching.

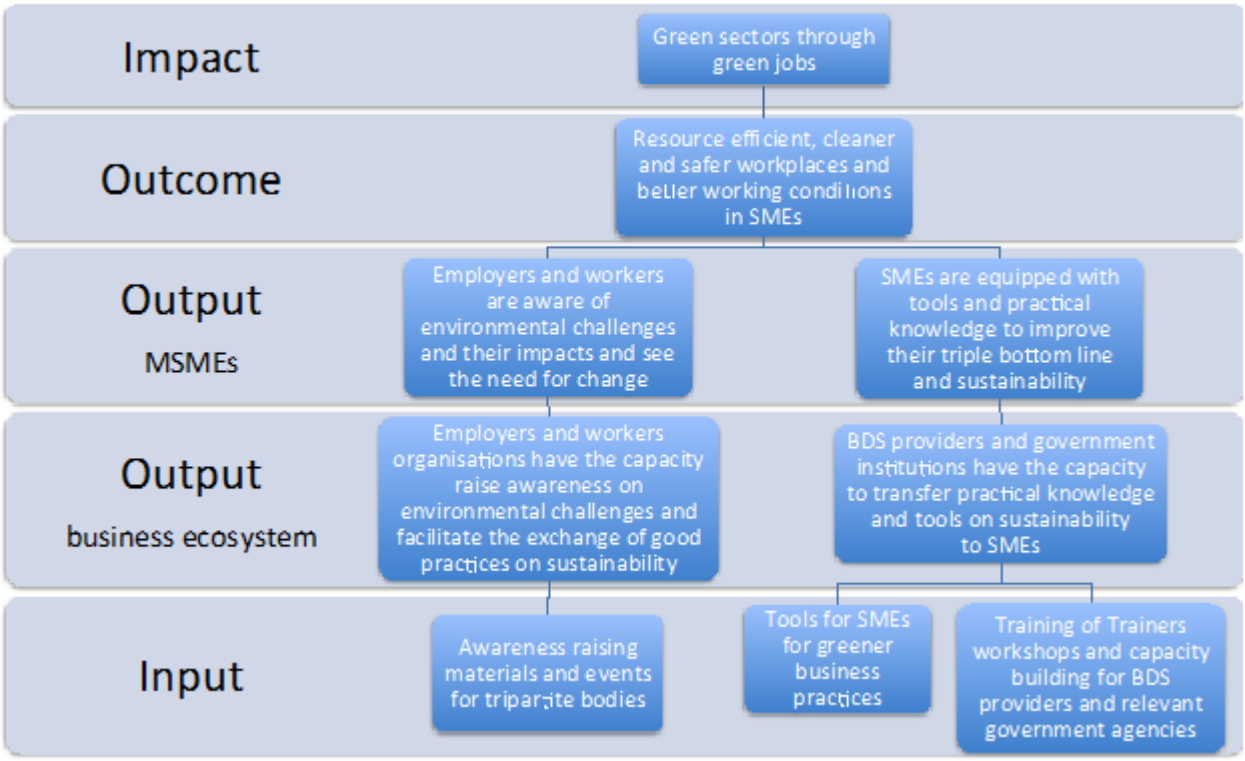
Resume of GBA:

- Workplace cooperation for effective change (people-centred approach)
- Integrated approach to enterprise improvement (people, planet and profit)
- Focus on concrete changes (implementation)
- Emphasis on the business case (driver)

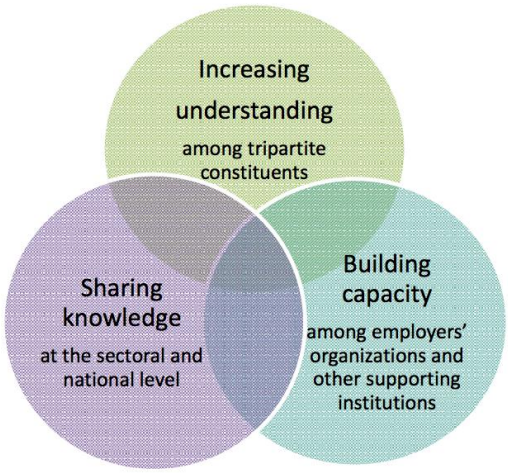
Green Jobs – definition used by ILO
"Jobs are green when they help reduce negative environmental impact ultimately leading to environmentally, economically and socially sustainable enterprises and economies."
Source: http://www.ilo.org/global/topics/green-jobs/news/WCMS_220248/lang--en/index.htm

Description of the intervention

One part of the project focuses on training of trainers and workshops for BDS providers which contribute to local organisations disseminating knowledge on greener enterprises and jobs. Awareness raising material and events for tripartite bodies promote the same output on business ecosystem level. So far hardly anything surprising. The *green innovation* in the approach lies the content of the training. These two inputs together with tangible tools for entrepreneurs support them to *green* their business strategy. This will result in reduction in the use of water and energy, to set up or improve waste management and to integrate health and safety in the daily routine.



This all contributes to increased awareness of enterprises on the challenges and opportunities of sustainable business practices and green jobs and the integration in their business strategies.



The other part of the project makes use of existing networks that workers and employers already have. Via trade unions, green jobs and social dialogue is promoted and via employers organisations the opportunities of greener practices are discovered. This results in enhanced capabilities for the implementation of sustainability aspects and green jobs at the enterprise level.

Key indicators to measure the progress of the project towards its impact on greening the identified economic sectors are: the amount of workers and employers who obtained access to additional support in the field of green jobs and sustainable enterprises in terms of information

and technical resources; the number and gender of participants of constituents'[1] initiatives for awareness-raising and information-sharing on green and decent jobs at the workplace and enterprise sustainability; number and gender of representatives from constituents and enterprise support institutions trained on GBA enterprise tools. In addition to these indicators, formal plans and strategies by constituents and BSOs to utilise knowledge products and GBA enterprise tools beyond the project and documented changes related to triple A implemented by enterprises joining the programme signify change connected to GBA.

Green growth approach

Business rationale and market incentives: a mixed approach

Mutual interests make it worthwhile for private and public partners to participate in the project. The evident business case, cost reduction and more efficient use of resources, exemplified by existing results from the first phase (serving as demonstration projects) make it easier for entrepreneurs to make their considerations. The aim is to find win-win situations. Stakeholders see their stake and thus their role. For example, capacity building is the mandate of the tripartite and BDS providers.

Inviting guests to contribute to resource conservation efforts is also highly important. Emphasis was put on straightforward content on the card.

GBA is effective in pollution control and resource efficiency

Results on pollution control and resource efficiency are evident, as explained before. The focus of the enterprise programme so far is SMEs. They are mainly reached via existing networks, such as trade unions, employers' organisations and local (tourist) associations. In this way a natural selection of participants is created. Only the smallest (micro) tourist accommodations, having different types of operations and different needs, are less often members of these organisations. Clients of the SMEs are actively involved; through communication material (see above) they become more aware of environmental issues and can act at the same time. So far suppliers are not motivated to reduce their environmental impact.

Long-term impacts thanks to integral people-centred approach and established networks

When the GBA project will be finalized (end of 2014) a network will be established, which will work on the continuation and further advancement of the aims initialized by the GBA project. At the national level the counterparts (government agencies and BDS providers) will continue to utilise the methodology and training resources as part of their enterprise training offer. Some of the institutions have already committed to this with signed MoUs. At local level networks of local tourism associations will continue to facilitate exchange of good practices among businesses and aim to expand the number of active members. Concluding, the long-term impact has potential thanks to the locally established partnerships.

[1] ILO Constituents are governments, employers' organisations and workers' organisations.

Example of the results for enterprises:

- ✓ Better worker-manager cooperation, with well-functioning joint worker-manager teams
- ✓ Safer and better organized workspaces
- ✓ 30 % energy savings
- ✓ 42% reduction in food waste
- ✓ 18% reduction in laundry expenses

Inclusiveness and green growth: mutually reinforcing

Social and environmental changes are truly intermingled in this project. The project encourages (sustainable) change in the long-term through its people-centred approach. The environmental benefits and improvement in working conditions can be seen as an outcome. Yet the results related to ecology an aimed outcome of the project. This project sets an example of an integrated approach of actual benefits for people, planet and profit. By involving the staff, that is worker-employer cooperation, in further improving the business operation the company will, in random order (since the one enforces the other):

- operate in a more resource efficient way: reduction of water and energy use;
- improve the quality (and quantity) of products and services;
- have more productive, safe and healthy workplaces;
- have improved working conditions.

This fosters business sustainability and competitiveness, better performance of the company and greener jobs. Yet it is questionable whether this approach is applicable to the entire tourist accommodation. Especially independent micro and small accommodation enterprises are difficult to reach with this method.

Lessons and Critical Success Factors

- *Facilitate workplace cooperation and joint problem solving*: A first step in workplace cooperation and teambuilding is taken during the training. It is a requirement that the managers joining the training send at least three to five employees during three training days. The created mutual respect and openness then need to be further integrated in the business operation. Thanks to the workplace cooperation the workforce can address solutions entailing environmental issues, efficiency and new business opportunities.

- *Highlight shared concerns and the business case*: Resource productivity and environmental issues are an effective entry point to attract interest of enterprises and workers and foster a wider process of improvement. These issues are easily seen as shared concerns.

- *Investment capacity*: The approach works well in growth oriented sectors where there is additional investment capacity. Although in most investments the return on investment is clear, some investment capacity is a prerequisite.

- *Promotion, right partners and sound communication:* It works well when partners have a mandate corresponding to their role. Tailored and practical guidance to social partners is important to allow them to leverage their strengths and develop concrete strategies for sustainability. Good complementary partnerships in this case between MSMEs, employers' organisation, trade union, sector association, government and PSD providers, last. The development of such a network and consequently sharing of knowledge are important. Promotion of (the advantages of) this network is crucial and often undervalued. Though without promotion, no dissemination of insights. Also be aware to spend enough time to explain the approach, to ensure commitment and raise the right expectations of the business manager who needs to be willing (enthusiastic) to send his staff to the training.

- *Choose a sector with high potential results and sufficient attention span*: GBA has worked better in the tourism accommodation than in the automotive industry. The first sector has been more successful because of two plausible reasons. Substantive gains (including on energy and water conservation) can be made when not so much training and support has been available so far on the issues the programme covers. In addition, due to infrastructural challenges and lack of policy support the automotive industry in the Philippines the sector organisations focused on these macro issues.

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Case study 4

CAMBio - Central America Markets for Biodiversity

(UNDP - Green Commodity Programme)

Facts and Figures:	
Target objective	Mainstream biodiversity conservation and sustainable use within micro, small, and medium-sized enterprise development and financing.
Type of support provided	Technical Assistance (capacity building, platform, advisory services)
Project budget	US$ 27.545 million
Theme	Biodiversity friendly investments in MSMEs
Sector and country	Forestry and agroforestry systems, agriculture, silvopastoral systems, sustainable tourism, sustainable fisheries and aquaculture in Central America (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua)
Project duration	7 years: 2007 – 2014
Project consortium	Central American Bank for Economic Integration (CABEI), Global Environment Facility (GEF), United Nations Development Program (UNDP)

Introduction and context

The project aims to mainstream biodiversity conservation and sustainable use within micro, small, and medium-sized enterprise development and financing.

The Central American countries only represent 0.5% of earth at a global level, however they shelter 7% of the land species. About 12% of the region's territory is under some kind of protection for its biodiversity conservation. Population growth and low levels of income of the Central American population have increased human pressure over the natural resources of the region and its biodiversity, creating a negative connection between conservation and development.

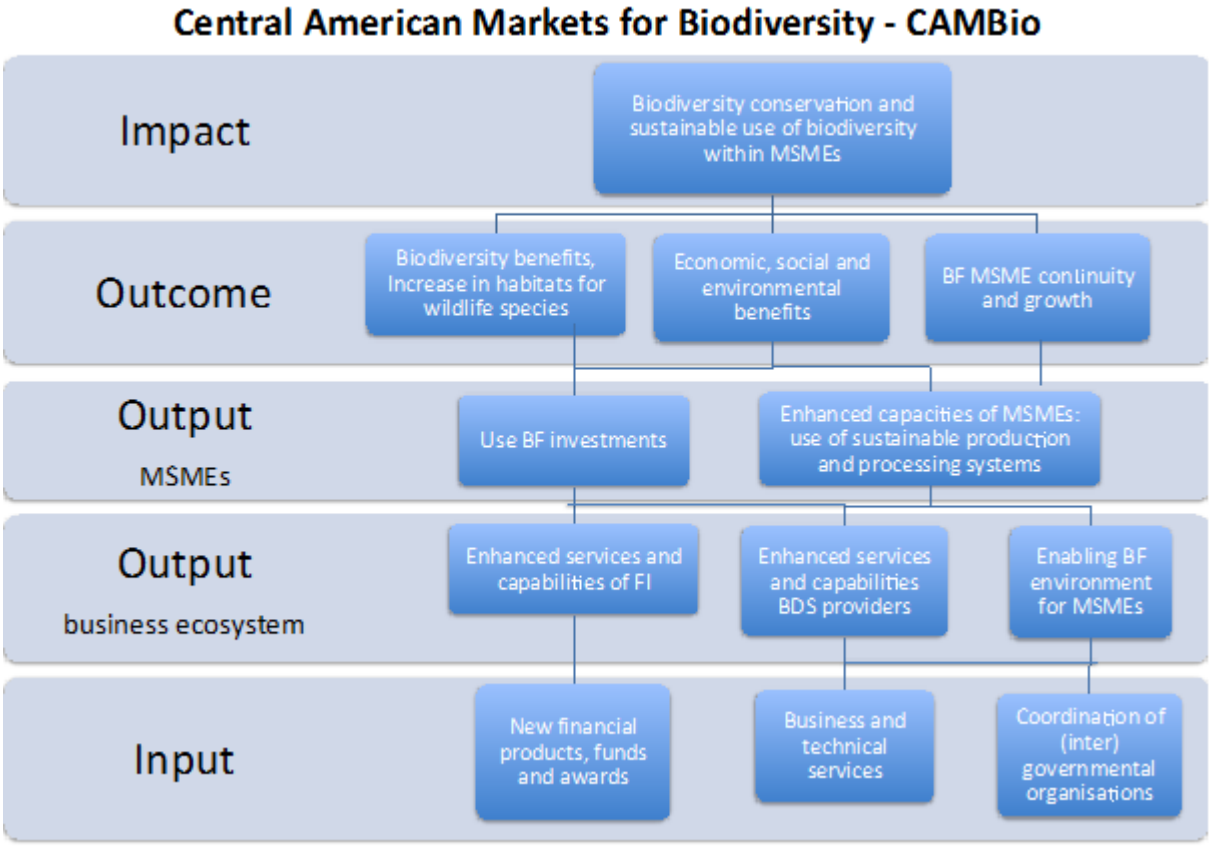
The selected sectors all have a direct link with their natural environment. By incorporating it, including its biodiversity, in the products and services of MSMEs long-term development and environmental protection is generated. Related investments can positively impact biodiversity. The project works closely with, and helps to bring together, three important service-provider networks.

- First, the region's financial sector network: namely the Central American Bank for Economic Integration (CABEI) and select members of its extensive network of financial intermediaries (FIs). They develop and extend new financial products that can generate substantial increased lending to biodiversity-friendly (BF) MSMEs.
- Secondly, the potential BF MSMEs and BDS providers, they ensure that MSME investments are made efficiently and in a manner that maximizes economic, social and environmental benefits.
- Lastly, the governmental and inter-governmental institutions, including the relevant ministries and the Central American Commission for Environment and Development (CCAD), found a regional co-ordinating structure, to promote an enabling environment that encourages BF-MSME growth over the medium and long run.

Resume of CAMBio:

- Focus on agro sectors: Forestry and agroforestry systems, (organic) agriculture, silvopastoral systems, sustainable tourism, sustainable fisheries and aquaculture
- Synergies between biodiversity conservation and business case for MSMEs
- Cooperation between financial institutions, integral development associations and MSMEs
- Combine financial incentives with enhanced capacities

Description of the intervention



In order to reach the aimed impact of biodiversity conservation and sustainable use of biodiversity within MSMEs CAMBio developed several paths. The input is divided in three main categories, illustrated in the simplified result chain above. Key in this project is the synergies between the first two incentives: increased knowledge and financial tools. Thus the technical assistance is combined with BF credit lines.

- One track focuses on the financial route to create biodiversity benefits: new financial products have been developed together with collaboration structures between the financial institutions (FI). This resulted in low costs interest rates, long term of the loans and the development of the Bio Award. This works well as an incentive for the achievement of biodiversity indicators and best management practices at the farms. It helps to change the minds of the financial institutions and producers towards green financing. The credits are provided to MSMEs by such IFIs as banks, microfinance companies, credit unions and cooperatives
- The second path fosters the capacities of BF-MSMEs and BDS providers to ensure that MSME investments are made in efficiently and contribute to maximize the profit of the MSMEs and their impact on their surroundings, both socially and environmentally. Training the IFIs and the MSMEs in the use of eligibility tool, credit and risk analysis and the CABEI website platform is one of the ways to improve the capacities of BDS providers and MSMEs.
- The third way emphasizes the importance of an enabling environment for BF MSMEs by removing obstacles to finance business or including (fiscal) incentives.

The number of loans to BF MSMEs, quantity of MSMEs that can demonstrate a benefit for biodiversity because of received assistance, the number of MSMEs that access new markets (additional value) as a result of BF investments and the amount of new initiatives started that establish incentives for the development of BF MSMEs are used as indicators.
This all comes together in the conservation of biodiversity and growth and continuity of BF MSMEs, hence driving positive impact in the productive landscapes of Central America in a sustainable way.

Green Growth Approach

Business rational and investment related drivers: a mixed approach
Both the business rationale and the financial sector play a core driver role in greening the MSMEs.
Prices are higher for BF products. However more important are the higher yields. A number of farmers have mentioned that they are less affected by climatological phenomena as a result of their soil and water conservation practices and water. They also state that in crops like coffee, the effects of diseases as rust are diminishing. In addition thanks to the technical assistance farmers have more information to make better decisions and use better storage options. Consequently the producers receive better prices for their crops from traders. New BF financial products including concessional funds, development-related micro finance and the Bio Award altogether combined with technical assistance are part of the mixed approach CAMBio utilises to achieve its goal. During the first phase it was aimed to influence the government to include fiscal BF incentives for MSMEs. Due to too little results CAMBio decided to focus on business rational and financial drivers.

Greening agro-related sectors
The project fosters sustainable development by incorporating biodiversity into the strategy of (intermediary) financial institutions and MSMEs and focuses on seven agro-related sectors. The incentives developed and combined in the project promote the development of green sectors. Developed technical assistance targets individual MSMEs, intermediary FIs and sector initiatives.

Ambiguous impacts beyond the CAMBio project
On the one hand tangible results on e.g. soil improvement (and prevention of soil erosion) or reforestation (agro-forestry projects in the coffee and cardamom sectors in Guatemala), enforced with sustainable economic results for the farmer, are achieved by increased knowledge and credit opportunities and turn out in long-term results. In case the driver has been a business rational or a single investment, the results will continue and the possible financial obstacles, as written below, are not applicable.
On the other hand without extra funding certain costs would be an impediment for the farmer to continue or further develop BF investments. The current financial structure of funds paying for technical assistance and the Bio Award e.g. provide the farmer with the opportunity to make BF investments (acquire a certificate). Therefore MSMEs need to identify local alternatives for additional TA and the IFI fund in case continuation is impossible without these services. IFIs need to seek non- reimbursable resources for TA associated with credit, especially those that have opened green credit lines.

Example of a long-term effect
"After this initiative, the Bank has established green energy-related MSME programs, as well as programs focusing on agribusiness and entrepreneurship." Sergio Avilés, CABEI Finance Manager

Inclusiveness and green growth: focus on environmental aspects

The project rather focuses on green aspects. The objective is to reduce negative impacts on biodiversity, evidently contributing to human well-being. Also in the process of certifying a MSME social aspects are included. Social benefits relate to a better quality of life of producers and their employees by higher yields, transforming the products, adding value to the value chain and increasing incomes. In addition the project tries to include both women in the process of obtaining loans. No specific indicators are set with regard to social aspects.

Lessons and Critical Success Factors

Crucial aspects for the success of the CAMBio project are:

- *Link technical assistance with green loans:* providing green loans is something different because of higher risks due to the dependency on weather circumstances and environmental disasters. Therefore it is important to develop tools to measure the green benefits. By providing training and technical assistance the skills of the executives of the financial institutions were changed and enforced
- *Biodiversity-monitoring tool:* It must be stressed that the innovative aspect of the project is related to the green loan system, linked to the biodiversity-monitoring tool. The tools for eligibility for the lending process and the monitoring tools for biodiversity can be set up in other sectors as well. The measurement and monitoring of green benefits is key since it makes the benefits tangible.
- *Engage the community and highlight the business case:* measure, communicate and invite for responsibility. To emphasize the effects of the project for the local community and its resources. Therefore monitoring the impact in general and specifically on biodiversity is critical in order to be able to highlight the impacts of the project on biodiversity. When the urgency and benefits are clear, ownership of the stakeholders will grow. Also on beforehand it is crucial the obtain knowledge of the local demand. Local consultation with potential clients via participative methods contributes to a successful start of a project.
- *Collaboration and synergies between the credit programme and the technical assistance:* directly link funds, micro finance and technical assistance. In this way BF MSME services and capabilities are enhanced. The synergies generate knowledge, introduce good BF practices, permit access to better markets (e.g. because of certified coffee) and result in improved income of the farmers. It is vital that the different banks, IFIs and MSMEs collaborate and trust each other otherwise the synergies would diminish.

> Critical success factor
> *"After more than three years, the model has been more than validated: the concessional funds, the development-related micro finance plus TA associated with the credit make up a Triangle of Success. The program would not work if one of those elements were missing."*
> Fátima Fonseca, FDL, Nicaragua

- *A premium as incentive to drive the MSMEs and IFIs to adopt BF sustainable practices:* the BioAward appeared to be a good way to make payments on loans or expand the cultivation areas with the application of BF practices. Resulting in benefits for both the IFIs and MSMEs. The project's norms establish that 70% of the Bio Award is granted to the producer and the remaining 30% to the IFI. It is important to make sure that benefits of this prize merely go to directly involved BF practices. This is done by verification of compliance of BF indicators.
- *Bordered geographic distribution of beneficiaries*: because of the combination of credits, funds and technical assistance a greater concentration of the receivers is preferred. In this way it is easier to facilitate knowledge sharing, distribute technical assistance

providers and their activities, such as visits and exchanges of best practices between producers. In addition the impact on biodiversity increases, BF structures will come into existence.

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Annex 2: Overview of Green Growth interventions reviewed

Overview of Green Growth interventions reviewed

For this stocktaking assignment, DCED member agencies were requested to share some of their green growth projects.

This chapter provides an overview of the general characteristics of the 120 projects and programmes from 14 member agencies[1] that were submitted. It shows the diversity of the agencies' green growth portfolios. Projects were submitted by the following agencies:

- *AFD*
- *BMZ/GIZ/KfW*
- *Danida*
- *EC*
- *FAO*
- *Finland MfFA*
- *IDRC*
- *IFC*
- *ILO*
- *The Netherlands MfFA*
- *OECD*
- *Sida*
- *UNDP*
- *UNIDO*

Canada DFATD, ATA, DCED, IFAD, Mastercard Foundation, Norad, SDC and UNCTAD have not submitted projects for this stock take.

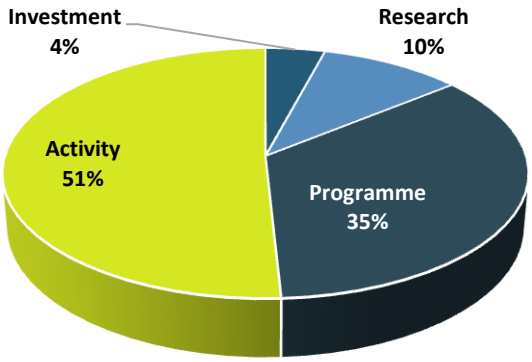
Information submitted on the projects varied from one-page summaries or website descriptions to full project documents. However, few reports on progress to date / initiatives that include external evaluations were received. Find the full list of projects is added in Annex 5.

The 120 intervention examples that were shared by the agencies[2] are not a representative sample of the green PSD work. It does however illustrate the breadth of themes and the wealth of innovative approaches that are being applied in the field of green growth. Reviewing the experiences to date underscores the fact that the topic has gained considerable importance in recent years.

Intervention type

Interventions have been categorized as 'programme' (a long-term set of related projects managed in a coordinated way); 'project' (a temporary activity with clear targets); 'financial investment' (in an enterprise, infrastructure, fund); or 'research' activity. We can see in Figure 3 below that the vast majority (51%) of the interventions in this review are projects, while 35% are programmes.

Figure 1: Types of green growth interventions



[1] The following member agencies have not submitted projects for this study: Canada DFATD, ATA, DCED, IFAD, Mastercard Foundation, Norad, SDC, UNCTAD.

[2] AFD, BMZ/GIZ/KfW, Danida, EC, FAO, Finland MfFA, IDRC, IFC, ILO, The Netherlands MfFA, OECD, Sida, UNDP and UNIDO have submitted projects for this review

Most of the projects reviewed were multi-year initiatives ranging from two to four years. The sample also included longer interventions (7 years and up) with multiple phases. Of the 120 submissions, 53% of the projects were still ongoing at the time of the stocktaking and 28% had ended.

Looking at the type of support provided within the interventions (figure 4), the majority provided support in the form of Technical Assistance (TA) (56%). Another share of projects combined TA with grants (including subsidies) or financing for green investments. Around 20 projects out of 120 provided grants intended to initiate and stimulate green markets. Included in these projects were TA facilities, credit lines, subsidies for green products such as biogas digesters or solar water heaters, and tree planting subsidy schemes.

Of the 120 initiatives, 12 are exclusively providing a form of financial support (credit, subsidies, grants). Some of these connect to complementary projects of other agencies in the field. This demonstrates that a significant proportion of interventions work to improve multiple aspects of the enabling environment for PSD, as well as the recognition that private sector cannot be seen in isolation from its environment. Under the theory that a variety of gears in the ecosystem must engage in order to create sustainable impact, many interventions apply a mix of interventions and support to the enabling environment.

Figure 3: Type of support provided

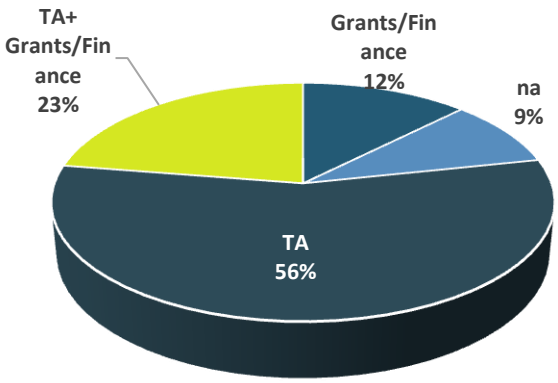
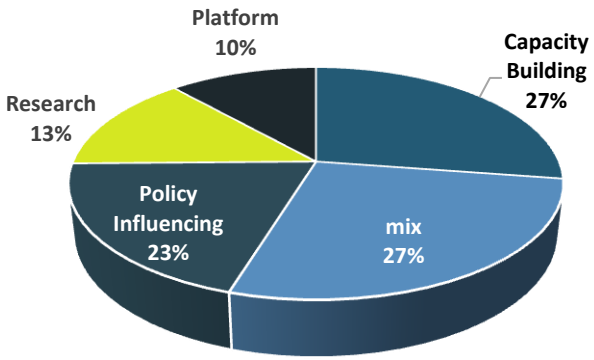


Figure 2: Forms of Technical Assistance provided



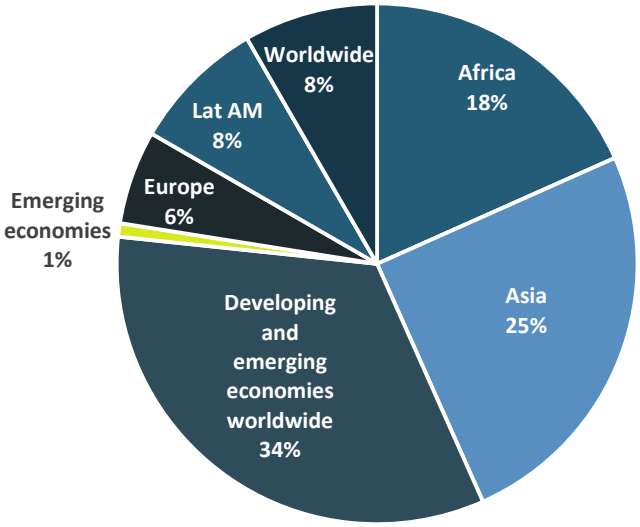
For projects that provide Technical Assistance (TA), a closer look reveals that a significant share (27%) has a strong focus on capacity building activities, such as training and advisory services, mainly directed at businesses or business service providers (Figure 5). This also includes the development of tools for businesses, such as the UNIDO project focused on developing *Enterprise-Level Indicators for Resource Productivity and Pollution Intensity*, where a guide has been developed specifically to promote and support the implementation of renewable energy and clean production practices and technologies in SMEs in developing and transition countries.

One fifth of the technical assistance was directed at policy level, and contains efforts to improve the policy environment. Twelve percent of the TA had the form of knowledge sharing, creating platforms or promoting lobbying activities and awareness raising. A considerable share of the projects used a mix of these forms of TA.

Geographical Spread

A large share of the interventions (34%) does not have a specific country or regional focus but rather targets developing countries and emerging economies in general, or even all countries worldwide including OECD countries (8% of the interventions). From the projects that do have a specific regional focus, most interventions take place in Asia. For country specific interventions, the most common locations were Indonesia, Uganda, Kenya and Bangladesh.

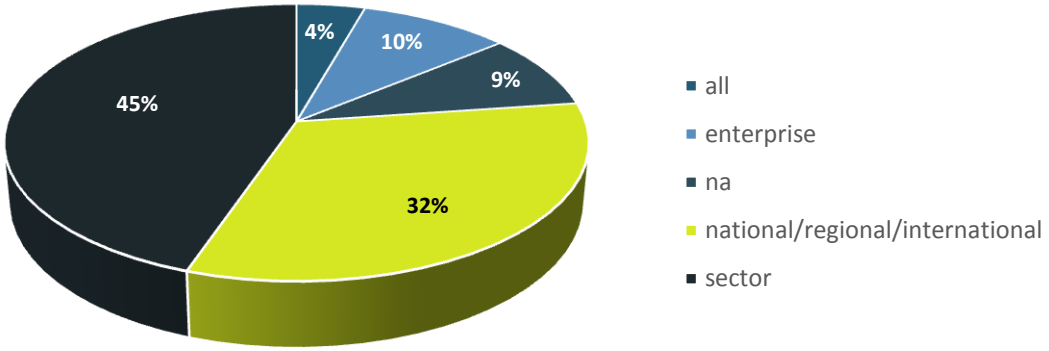
Figure 4: Regional Focus of Projects (% of total projects)



Intervention level

In the wide-ranging collection of green growth interventions reviewed in this stocktaking, differences can be observed with respect to the level at which these interventions are taking place. Projects can provide support activities directly to the private sector (enterprises) or they can reach the private sector by supporting macro-level changes such as sector interventions or national support systems.

Figure 5: Level of Intervention



The majority of the interventions (77%) target the sector, national, or even regional or international level. As the figure illustrates, 45% of the interventions are focused at a sector level, and only 10% of the interventions target enterprises directly[3]. This tendency illustrates that a considerable share of interventions aim to create an enabling environment (at meso or macro level) for the private sector that stimulates its development in a way that it contributes to green growth.

[3] Note, however, that large programmes may contain projects that intervene on the micro level and do target enterprises directly.

Box 1: Macro level interventions in Vietnam

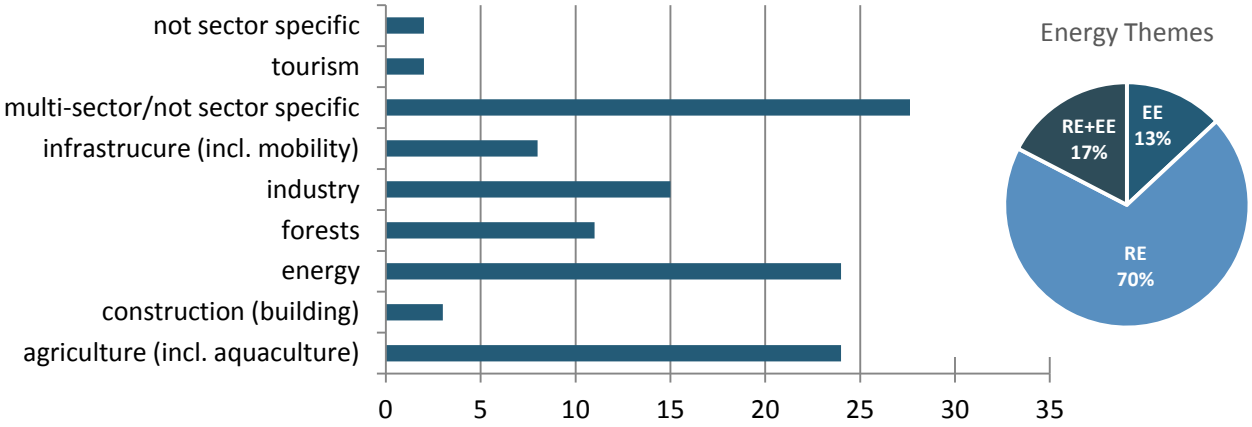
Policy Advice for Environment and Climate Change (PAKLIM); The Macroeconomic Reform Programme of GIZ aims to strengthen market-oriented institutions in Vietnam. The objective is to better prepare selected (semi-)governmental institutions to stimulate environmentally-friendly socio-economic development. In particular, the programme focuses on institutions responsible for development planning, public finance and managing the financial system, as well as macroeconomic governance.

Sector and Thematic Focus

Twenty-six percent of the projects in this review are not specifically dedicated to one sector (Figure 8). For example, they might research projects and studies (e.g. see Box 2 on the OECD project to develop indicators of local transition to a low-carbon economy.) They can also combine several sectors and include other themes, such as energy and agriculture.

For the remaining interventions, there is a clear concentration of projects that are focused around the energy and agriculture (including aquaculture) sectors. Most of these projects focused on greening agriculture, with 20 interventions devoted to the topic. Of the 'greener agriculture' projects, the most common intervention elements had to do with Climate Smart Agriculture (CSA), environmentally sustainable agricultural commodities and sustainable sourcing[4].

Figure 6: Sector Focus in Green Growth Projects



Most projects in the energy sector promote Renewable Energy (RE) solutions including off-grid energy access (70%). Thirteen percent of these projects are devoted to increasing Energy Efficiency (EE).

Box 2: Non-sector specific interventions

Measuring the potential of green growth: Indicators of local transition to a low-carbon economy

This OECD project defined indicators at regional/local levels that over time could inform the transition to low-carbon economic and industrial activities, addressing the two aspects of the green growth economy: fostering job creation and economic development in new areas of growth and sustainable development

http://www.oecd.org/cfe/leed/lowcarbon.htm

Other sectors often targeted in the green growth programs are infrastructure (roads, irrigation and drinking water, mobility) and forests. For the latter, conservation is the most important

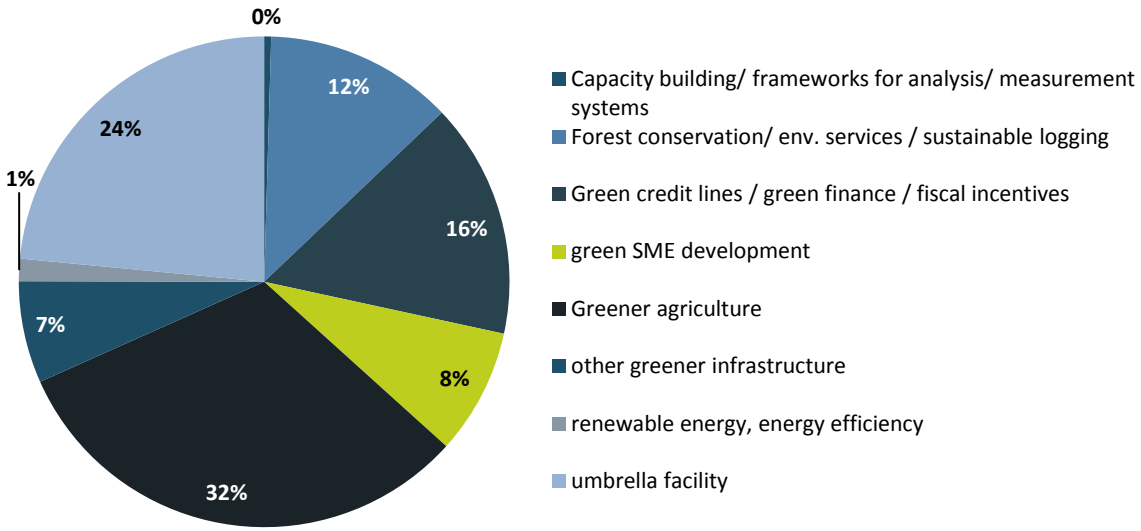
[4] EE=Energy Efficiency, RE= Renewable Energy

theme, as in the FAO's "Joint initiative of Integrating Climate Change Issues into National Forest Programmes" which assists countries in addressing emerging policy issues related to forests and climate change.

Budget spent by theme

Only 43 of the 120 submitted interventions contained clear information on budgets. Not surprisingly, the 'Greener Agriculture' theme had the highest reported total budget value and the second highest average budget value per intervention. The 'Umbrella Facilities' were the least frequent thematic approach, but had the highest average budget value. All of the umbrella facilities are ongoing worldwide programs except for EC's SWITCH Asia (which has already ended) and all 3 ongoing facilities support a TA component.

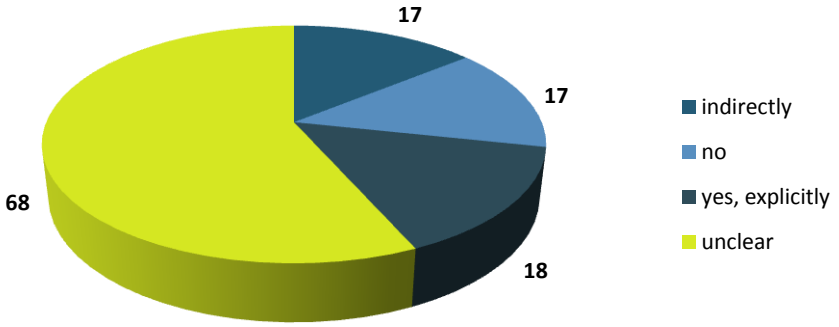
Figure 7: Budget Spent by Theme



Focus on SME Development

For the majority of the projects, it was difficult to identify whether they included a specific focus on SME development in their strategies. For 18 out of 120 projects, there was a clear and explicit focus on SMEs, and 17 projects indirectly incorporated SME development in their strategies (see Box 4).

Figure 8: Specific Focus on SME Development



Box 3: Indirect contribution to SME development

The Global Environment Facility (GEF) aims to address global environmental issues while supporting national sustainable development initiatives. As the largest GEF portfolio manager in the UN system, UNDP-GEF works in seven flagship areas, each with links to private sector development. These include: biodiversity, climate change mitigation, climate change adaptation, international waters, land degradation, chemicals and cross-cutting capacity development. Although UNDP-GEF financed projects are executed by national governments, international agencies and NGOs, and are not designed purely as private sector development programmes, most involve direct engagement with the private sector in ways that ensure inclusive green growth.

Annex 3: List of Projects

Green growth stocktake - list of initiatives received

#	Organisation	project name
1	AFD	Appuyer la recherche sur la captation et le stockage du CO2 Soutenir le Central Energy Fund dans ses actions de lutte contre le réchauffement climatique RTAP Kenya Urban development - "Affordable Housing" Program in Nigeria Environmental lines of Credit- Turkey- Construction de petites centrales hydrauliques en Chine Développement durable de l'habitat en Chine Soutien aux entreprises turques pour leurs investissements favorables à l'environnement Protéger les points chauds de la biodiversité Protéger les récifs coralliens Tourisme durable dans le parc national de Méru Bassin du Congo : gestion durable des forêts AFD and Sustainable rainforest management
2	BMZ/GIZ/KfW	Financial system development for green investments via funds: Green for Growth Fund, Southeast Europe (GGF) Forests and Climate Change Programme (FORCLIME) Promotion of Green Economic Development (ProGED) , Philippines Policy Advice for Environment and Climate Change (PAKLIM) Green Innovation, Green Business Services, Green Growth, Egypt Factsheet on Macroeconomic Reform Programme, Vietnam Renewable Energy Programme: Development of the Indonesian RE Sector in the Framework of Green Economy Climate Change Adaptation for MSME in India (factsheet) Irrigation infrastructure for Agriculture, Bolivia Access to Energy Infrastructure, Uganda Regional Economic Development (RED)
3	Danida	Energy Efficient brick production Bangladesh Natural Resources Management and Livelihood Programme (DFIAD and DANIDA) Energy Efficiency in the public and private sector programme in indonesia Climate innovation Center Kenya Mango plant Malindi (part of the Natural Resourc eManagement Programme) Low energy office buildings - Malaysia (part of The Malayisan-Danish Environmental Cooperation Programme) Natural Rural Renewable Energy Programme Climate investment Fund Global Green Growth Institute (GCCI) Biotrade Facilitation programme
4	DGIS	Agricultural Smallholder Adaptation Project (ASAP), climate smart agriculture - bemo Sustainable Land and Water Programme PPP Horticulture Ethiopië (flagship project) AFRICA BIOGAS PARTNERSHIP PROGRAMME-proposal PHASE II (2014 – 2017) IDH, the Sustainable Trade Initiative (flagship project) Mainstreaming Agricultural Risk Management- An Overview of the World Bank's Agricultural Risk Management Team's (ARMT)- Mozambique-Agricultural Sector Risk Assessment PaCT Bangladesh (flagship project) AFRICA BIOGAS PARTNERSHIP PROGRAMME - highlights 2012 Consultative Group on International Agricultural Research (CGIAR) -bemo IFC -Sustainable Business Advisory EU Forest Law Enforcement, Governance and Trade/FLEGT Action Plan IFC South East Asia Water Partnership & CABI mentioned in email from DGIS -
5	EC	Uganda's commercial tree-planting fund for the commercial sector Resource Efficiency and Eco-innovation in developing and emerging countries (REEcIN) : project implemented by UNEP/DTIE. As an alternative we are also supporting the initiative SEED SWITCH Asia
6	FAO	Greening the Economy with Agriculture (GEA) Sustainability Assessment of Food and Agriculture system (SAFA) Climate smart agriculture (CSA) - sourcebook Ex-Ante Carbon-balance Tool (Ex-ACT) World Banana Forum SAVE FOOD – Global initiative on Food loss and waste reduction Energy-Smart Food for people and climate (ESF) Programme Save and Grow approach Joint initiative of Integrating climate change issues into National Forest Programmes GBEP (Global Bioenergy Partnership) sustainability indicators for bioenergy Technical report-Bolivia project "INTEGRACIÓN DE PRODUCTORES ANDINOS INDÍGENAS A NUEVAS CADENAS DE VALOR NACIONALES Y MUNDIALES"
7	Finland MfFA	The 10 Year Framework of Programmes on Sustainable Consumption and Production Partnership for Action on Green Economy (PAGE); a joint program with UNEP, ILO, UNIDO and UNITAR. Andean Regional Forestry Partnership; Energy and Environment Partnership with the Andean Countries(EPP) UN Joint Programme on Enhancing Competitiveness and Sustainable Business among MSMEs in Building Construction Industry, Zambia."Green jobs Programme" Energy and Environment Partnership in Southern and East Africa (EEP-S&EA). Mekong Energy and Environment Partnership.
8	IDRC	Unleashing the potential of African rural economies through green growth Can Inclusive Growth also be Green? "Greening" Small and Medium Enterprises: impact on competitiveness and employment in Peru and Argentina (CENIT, Group GEA)

9	IFC	Improving Productivity and Promoting Clean Energy in the Poultry Sector in Bangladesh Manila water Addressing Water Security in the Agricultural Sector in India (Jain Irrigation Systems) Tribanco Removing Market Barriers to Support Clean Energy Development in Albania Public-Private Solar Project Generates Power, Reduces Carbon Emissions in India Presentation Lighting Africa IFC/WB project Increasing Access to Affordable and Modern Off- Grid Lighting
10	ILO	GLACIER project YESD Kenya project Green jobs forestry Brazil project Methodologies for assessing green jobs (GG minimum standards, opportunity mapping tools, indicators) Decent work in the Green Economy project (Mexico, Turkey, China) Green Jobs in Asia project FOIL project Greener Business Asia project Green construction Zambia project
11	OECD	Green and Inclusive SMEs in India OECD-CEDEFOP Forum Green Skills Greener jobs and skills (report launched at the Forum Green Skills, Improving the Effectiveness of Green initiatives Measuring the potential of green growth: Indicators of local transition to a low-carbon economy Overview of OECD work on green Growth-2009 Towards green growth in emerging and developing Asia Biodiversity and development co-operation Putting Green Growth at the Heart of Development Activities OECD on green Growth
12	Sida	DemoMiljö/DemoEnvironment programme -UNDP-UNEP Poverty Environment Initiative Market Transformation Initiative (WWF)
13	UNDP	CLIMBIZ (Black Sea Climate and Business Initiative) Green Commodities Programme EC SWITCH Africa Green (UNDP partners with UNEP) Global Environment Facility (GEF) Montreal Protocol Small-scale Hydroelectricity development De-risking Renewable Energy Investment (Framework and Tool)
14	UNIDO	The Green Industry Platform- GIP (An action-based initiative for a greener industrial footprint) Green Industry Research & Innovation (GG indicators, Green Industry Summer Courses) Sustainable automotive supplier development Samsung (Transforming e-waste into job and business opportunities) Energy efficiency & renewables (Low-Carbon in Agro-industries, Int. Energy Mgmt. Standard) Technology Transfer & Best Practices (TEST, BAT, BEP) Enterprise-Level Indicators for Resource Productivity and Pollution Intensity Encouraging Green Industries & Jobs (Job opportunities through E-waste mgmt., green entrepreneurship) Sustainable Product Manufacturing (Leather products, Lifecycle Analysis applied to business competitiveness and carbon Offsetting in Agro-export industries) Toxic substances (POPs, PCB, ODS, Mercury) Resource Efficient and Cleaner Production (RECP) - Improving resource efficiency

total number of projects: 120

no projects received from:

14 Australia DFAT
15 Canada DFATD
16 DCED
17 IFAD
18 Mastercard F
19 Norad
20 SDC
21 UNCTAD

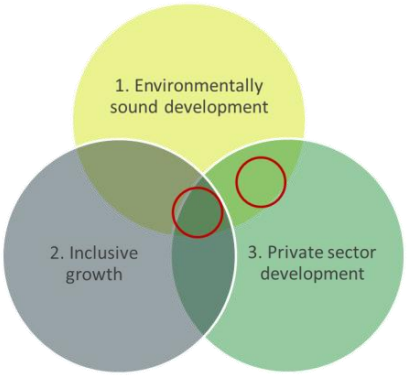
Annex 4: Project Selection Methodology

1. Selection of projects

Enlcude invited the members of the green growth working group of the DCED to share a selection of interventions related to green growth and private sector development. As definitions of green growth vary amongst the member organisations of the working group, the consultant provided a working definition of green growth private sector development interventions. This definition is presented graphically in the figure below: Green Growth is sustainable growth through private sector development (#3) that is environmentally sound (#1) and can be (but is not necessarily) inclusive (#2).

We have requested each member to submit a maximum of 10 projects that they categorize as GG to contribute to this study. Qualifying projects were categorized by the following elements:

- Projects that fall within the working definition, in other words, that combine(as shown in the figure below);
  - 1&3 (Environmentally sound development and Private sector development)
  - 1&2&3 (Environmentally sound development and Private sector development and Inclusive growth)
- Contract signed after 31/12/2010
- Ongoing or completed intervention
- Funded by and/or with strong involvement of GGWG member
- Size: € 50.000 and over
- Duration: open



In order to more fully understand the breadth of GG projects being implemented by GGWG members, we requested that the projects submitted represent the diversity of their GG portfolio by presenting a blend of funding types, project types, and elements (if applicable):

Blend of projects:

- Mix of projects that combine 1&3 (green &PSD) or 1&2&3 (inclusive & green (PSD);
- Mix of projects and programmes
- Mix of type of funding (e.g. Grants, loans, revolving funds, subsidies)

This way we have retrieved 120 projects from 14 member agencies (see annex 4). Although this list does not provide a fully complete list of all existing GG projects, it does provide a realistic and representative sample of projects that give insight in the type of interventions and trends/new developments/innovative approaches where we can draw interesting lessons from.

2. Case study selection

From the database, with a variety of approaches, 5 cases have been proposed and selected that will be studied in-depth. Project cases have already been finalised, so that they can provide valuable lessons learned and guide to critical success factors. A suggested selection of cases will be included the interim report, to be approved by the GGWG.

The selected case study projects provide more in depth information from desk review, complemented by interviews with project managers. Research questions that have been guiding the analysis include the following;

- Projects belong to which cluster? (What have been the driver(s) /ambition level/intervention type/level of inclusiveness).
- The approach has been built on which PSD related methodologies, (e.g. M4P, BDS, PPPs)

- How have results been measured, what are the outputs, outcomes and possibly impact? (Special attention to effects on SME development and employment creation.)
- What are the main lessons learned?
- What distinguished Green Growth projects from traditional PSD interventions?

For each of the types of approaches, a factsheet has been prepared, where the main characteristics, existing projects and lessons learned are described. By critically reviewing the experiences and lessons learned, critical success factors have been distilled, and validated.

3. Green Growth within DCED agencies

We have requested information from the different DCED agencies, what position GG takes within their organisation (whether there are dedicated departments or focal persons).

4. Guidelines, standards and indicators

Secondly, we have compiled an overview of the different standards and tools that are being used in each GGWG organization to design, implement and monitor & evaluate the green growth related aspects of the various projects and programmes.