

Africa Forum Private Sector Inclusive Green Growth and Job Creation



**Matthias Ploeg, Technopolis Group Abidjan /
Donor Committee on Enterprise Development Green Growth Consultant**

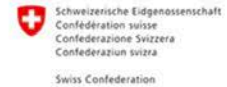
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Lessons from the DCED Review: The Search for Synergy between Green Growth and Business Environment Reform



About

- The Donor Committee on Enterprise Development is the global forum for learning, from experience, about the most effective ways for creating economic opportunities for the poor by working with and through the private sector



Today

- About the review (brief)
- Share some flavour of the case studies and findings on macroeconomic/fiscal instruments
- Take-aways / food for thought



The Review

- Joint review Working Group on Green Growth and Working Group on Business Environment Reform
- Main Question:
 - How can policy makers and development professionals better exploit potential synergies between *business environment reform* and *green growth policies and strategies*?



● Key Definitions

- **Business Environment: a complex of “policy, legal, institutional, and regulatory conditions” that govern business activities**
 - Reducing costs of doing business
 - Reducing risks for business
 - Opening up or creating new markets
- **Green Growth: economic growth which is environmentally sustainable.**
 - Pollution reduction
 - Protecting natural resources
 - Decreasing carbon & resource intensity of the economy



● What did we do ?

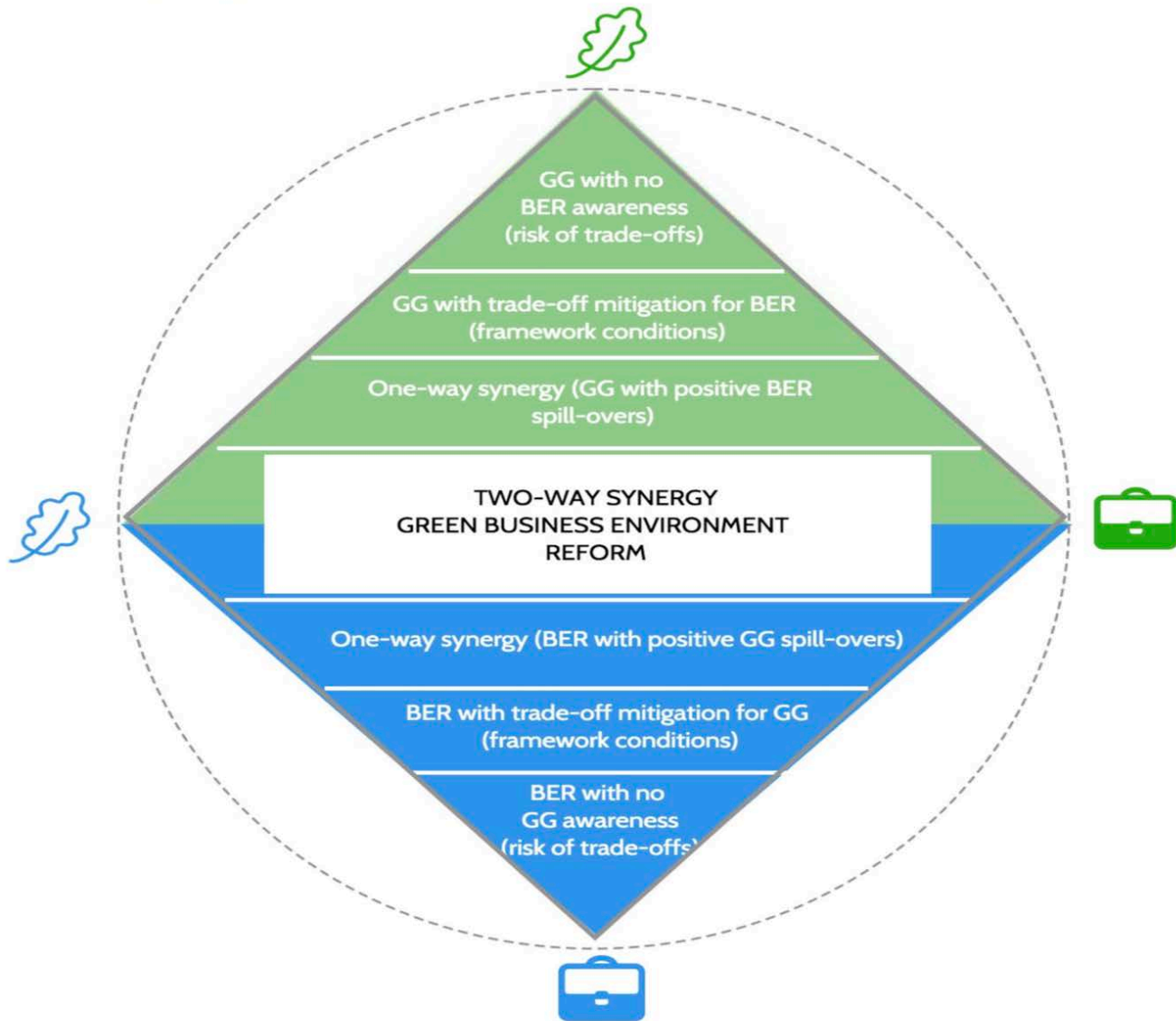
- Real understanding of what policies on paper and in practice aim for and achieve, and how synergies are achieved, requires insight in the level of ***policy instruments / measures*** (specific programmes, projects, policies in a specific context).
- Our approach therefore looks at both levels of theory and practice:
 - Development of overall methodological framework and conceptual framework, using literature review.
 - Develop a long-list of 60 programmes for **policy trend analysis**
 - Carry out mini-case studies of 17 programmes, plus 6 in-depth case studies
 - Develop a **guide for policy makers and development professionals** how to promote synergy and avoid trade-offs in their private sector development programs (more tomorrow).



Findings from the Review

- Increasing attention for integrating environmental objectives and business environment reform
- However, many professionals and policy makers struggle to do so in practise
 - Different policy languages
 - Institutional silos
 - Negative stereotypes / focus on trade-offs (certainly behind closed doors)
- As a result, synergies are underutilized and trade-offs not always adequately mitigated
 - Many measures in this field include ‘the other domain’ as a framework condition (do no harm), which is a good first step
 - Lack of explicit inclusion (in objectives, M&E, funding streams) make co-benefit claims (also good for) often relatively empty claims
 - Truly synergetic measures are relatively rare so far (although recently rapidly increasing)
- Need to distinguish between different levels of synergy





High Synergy-Potential Instruments Macro/Meso

- Macro/Meso-level economic (Lot's of mixes...)
 - Fiscal incentives (tax reform)
 - Externality taxes
 - Licensing (e.g. Integrated permits & licenses, tradeable permits)
 - Standards/Norms/Certification (e.g. Extended Producer Responsibility)
 - Property Rights (e.g. Land Reform)
 - Trade Policy (local sourcing)
- Micro/Meso-level
 - Sectoral Transformation Agenda's (e.g. Zambia Green Jobs)
 - Natural Resource Governance (Forests, Fish etc) / Ecosystem Services Models
 - Cleaner Production (including energy/material efficiency, circularity)
 - Good Governance



About the cases

- Three brief examples
 - Uganda Mineral Rights Regulatory Reform (BER-driven)
 - Costa Rica Payment for Ecosystem (Green Growth-driven)
 - Vietnam Fiscal Reform (a mix?)
- This was a mutual learning exercise (with independent researchers/facilitators)
 - No in-depth evaluation, but focus on exploring potential and realised synergies
 - Not just focusing on 'success stories'
 - But about best practises and lessons learnt



Case 1: Uganda Mineral Rights Reform

- World Bank/IDA, AfDB and NDF grant 2004-2012 (50m USD total)
- Investment rationale
 - Secular decline of Ugandan mining sector (from 6% of GDP in 1970s to 0.6% in 2002) despite known valuable deposits
 - Substantial social and environmental issues with the remaining sector which was 90% informal artisanal and small-scale mining
- Activities funded:
 - Acquisition of reliable geospatial data of mining deposits
 - **Reform of the regulatory and licensing framework (land rights, fiscal regime)**
 - Capacity building (both physical and human) at the Ministry
 - Training and support to local mining communities to formalise their activities
- Main objective: To increase foreign and domestic investment in the mining sector while improving social and environmental performance



- The project was finished in 2013.
- Direct project results were mixed:
 - Successful acquisition of data
 - Capacity building partly completed, including a social and environmental unit
 - Successful pilot programme with local mining communities
 - Successful technical implementation of a licensing system, but no regulatory reform
- However, several problems resulted in a very low impact since the completion of the project:
 - No O&M budgets foreseen to sustain the capacity built
 - Pilot programmes with communities and social and environmental unit discontinued
 - No regulatory reform means that the license system technically works but is functionally absent

Synergy Potential: Quite high (co-benefits for environment, lower pollution), Formalization is a powerful force for synergy (but complex political economy)

Synergy Realised: Relatively low, due to challenges in regulatory reform



Case 2: Payment for Ecosystem Services Costa Rica

- Strong deforestation and land degradation in 60s and 70s (from 70% to 20% land cover)
- Start of environmental protection in the 1980s
- Need for a 'smart' policy mix emerged due to unidimensional instruments such as subsidies (resulting in perverse incentives) or outright bans (destroying livelihoods)
- Established the FONAFIO forestry fund, acting as programme implementing organ but crucially also as ecosystem service 'broker'; combined with various regulatory reforms.
 - **Fiscal (taxes on polluting activities)**
 - **Subsidies**
 - Land Titles
 - Payment for ESS
- Supported by the World Bank and later GEF
- Total budget allocation 1997-2012: USD 341m, mostly by a fossil fuel levy and ecosystem service sale



- Conservation & Improvement of natural resources (forest, water, biodiversity)
 - protected more than 860,000 hectares of forest,
 - reforested 60,000 hectares and
 - supported sustainable forest management in almost 30,000 hectares
 - natural regeneration of almost 10,000 hectares
 - From **21% forest cover in 1983 to 52% in 2010**
 - Discussion on the additionality of the intervention

- Other impacts (limited evidence)
 - Some qualitative and mostly anecdotal evidence points to the growth of the eco-tourism sector
 - Some qualitative evidence of job-losses among agricultural communities (formalization)

Synergy Potential: Quite high (co-benefits for economy), Land-use/formalization, PES market creation (tourism, hydro), reduced environmental risks. Some short-term trade-offs that are long-term synergies (e.g sustainable logging)

Synergy Realised: Quite succesful, but issues with inclusion



Case 3: Vietnam Green Growth Strategy / Fiscal Reforms

- Launched in 2013 for period 2014-2020
- Led by Vietnamese Government (Ministry of Planning & Investment), supported by GIZ (14.5m programme)
- Estimated that current government investment for climate change programs and green growth totals around USD 1 billion annually.
- Target: for 177 programs, projects (USD 10.8 bill) related to 36 actions.
- Goal to affect 15% of the Vietnamese economy by 2020 (30.7b)
- Vietnam is a leading SEA nation in this field



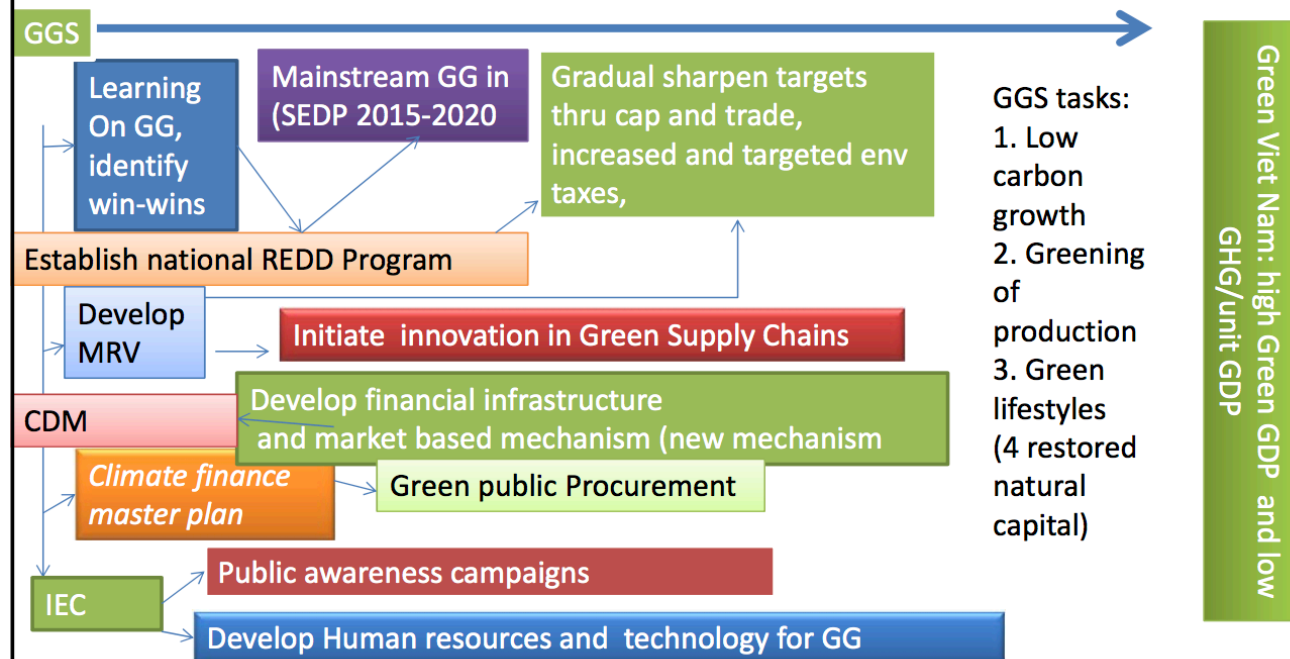
Six main components

- Strengthening advisory capacity on green growth issues
- Coordination of the **National Green Growth Strategy**
- Capacity development support to the Ministry of Finance (MoF):
 - **Green fiscal policy reform**
 - **Green financial sector reform**
- Human capacity development



Proposed Roadmap

Phases: Learning → main-streaming → Green Growth → towards a GE → “green Viet Nam
 2012-----2015-----2020-----2025-----2030---→ 2050



Results so far

- **Green Growth Plan:** Good alignment from policy makers, donors, clear long-term strategic vision, but not yet disseminated among all state actors. Difficult to mobilize private sector.
- **Green fiscal reform:** Test with environmental taxes on pollutants since 2012 (refined fuels and coal as well as environmentally harmful substances such as Hydrochloro-fluorocarbons (HCFC), selected pesticides and soft plastic bags). Successful in decreasing carbon outputs, raising revenues, but also some economic losses.
- **Green Government Bonds:** Plans to introduce green bonds for e.g. investments in renewable energy (specific regime)

Synergy Potential: High, but complex, as it entails an economic shift from 'old' sectors to new sectors (market creation).

Synergy Realised: So far limited (early stages), first focus was on relatively 'non-business friendly' instruments (environmental taxes). BER is a parallel process.

However, long-term clear policy orientation is helpful for business to inform their strategies and investments (as long as they are credible).



Take Aways

- The potential for improving synergies between the economy and environment is very high (and largely unrealized), and has the possibility to overcome still-lingering suspicions (winning hearts and minds).
- Designing and implementing a truly synergistic instrument is hard (but some successful examples
 - Sometimes *lower* but more realistic ambitions that still improve on a 'zero-attention' scenario are more realistic and worthwhile
 - It is always worthwhile to at least consider synergies and trade-offs
 - In order to achieve synergy, upfront intensive thinking with multiple stakeholders is essential (paradigm sharing and merging)
 - If you consider 'the other domain' a real objective, follow-up with formal objectives, funding, governance, M&E and communication.
- You still need to tackle more traditional development challenges, i.e. implementation and sustainability (and complexity / interdependency is a risk factor!)
- Need for more practical guidance: New DCED Practical Guide (tomorrow)



Thank you

- For more information, including the new DCED Guide on Synergies between Green Growth and Business Environment Reform, visit www.enterprise-development.org

- Matthias Ploeg
matthias.ploeg@technopolis-group.com



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

