

Using Private Sector Development to achieve a Green Recovery in the context of the COVID-19 Pandemic

DCED Green Growth Working Group¹

Background

Besides the impact on global health, the COVID-19 Pandemic will have significant socio-economic repercussions for most countries. The International Monetary Fund expects the worst recession since the Great Depression of the 1930s and forecasts (as of April 2020) negative economic growth of -3 percent for 2020.²

Around 436 million enterprises worldwide (47 million employers and 389 million own-account workers) face the risk of severe disruption in the hardest-hit sectors, namely manufacturing, wholesale and retail trade, accommodation and food services, and real estate and business activities.³

As countries seek to address the socio-economic consequences of the crisis, there is a risk that economic stimulus packages could ignore or even undermine climate and environmental sustainability considerations. Given the urgency and impact of climate change, this has the potential to create long-term harm.

The DCED believes that Green Growth, far from being a hindrance to recovery, represents a cost-effective and responsible way to promote post-crisis stabilization and recovery consistent with the transformational changes needed to reduce environmental harm.

DCED members are committed to helping countries address these challenges following COVID-19 and to working together towards coordinated and effective action. DCED has published a statement⁴ to that effect.

In this guidance paper, the DCED (through its Green Growth Working Group) sets out how Green Growth approaches in Private Sector Development (PSD) programmes can contribute to this commitment. It complements work of other organisations, such as by the Partners for Inclusive Green Economy.

Through a focus on key PSD principles, it seeks to illustrate how PSD can help implement elements of different policy prescriptions and agendas (e.g., 11th Petersberg Climate Dialogue; the development implications of the European Green Deal; Paris Climate Agreement including countries' commitments under their Nationally Determined Contributions; Sustainable Development Goals; National Biodiversity Strategies and Action Plans, emerging Post-2020 Global Biodiversity Framework).

¹ For a list of DCED members see <https://www.enterprise-development.org/>. The views expressed by the working group do not necessarily reflect the positions of all member agencies.

² <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>

³ https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_743146.pdf

⁴ <https://cdn.enterprise-development.org/wp-content/uploads/DCED-response-to-COVID-19.pdf>

Why Green Growth through PSD in the Context of COVID-19?

DCED GGWG members believe that anchoring Green Growth in the context of COVID-19 stabilization and recovery through PSD programmes is pivotal. Why?

- 1. It is good economics!** An Oxford University study⁵ examining more than 700 economic stimulus policies launched during or since the 2008 financial crisis suggests that green projects create more jobs, deliver higher short-term returns and lead to increased long-term cost savings relative to traditional stimulus measures. It therefore has the potential to be the most-effective answer to the economic challenges posed by this pandemic.
- 2. It generates a double dividend.** Green stimulus measures contribute to the rapid recovery of economies and at the same time also accelerate the achievement of the objectives of both the Paris Agreement and Agenda 2030 Sustainable Development Goals ("green structural change"). Through this, today's actions can make a lasting contribution to the achievement of sustainable and inclusive development.
- 3. It enhances the resilience of economies and people to future crises and shocks,** especially those related to climate change. The COVID-19 crisis underscores how important it is for people, companies, and economies to be resilient. This lesson should also be considered for other crises that we must not lose sight of, such as climate change. The expansion of adaptation measures to climate change can yield such benefits.⁶
- 4. It advances a transformative agenda that was already underway.** Whether in the realm of energy transition or climate adaptation for the private sector, green growth recovery pathways are consistent with scientific evidence and market dynamics towards a wider system transition. Green growth has the potential to move global economies towards the transformations that are needed to both confront and minimize the damage from climate change and environmental degradation, and to realize new economic opportunities and innovation.
- 5. It is demand driven by the private sector and global value chains.** Leading manufactures and global value chains have reconfirmed their commitment to their sustainability goals and are encouraging policy makers for a green recovery. A divergence from this by policy makers could send the wrong signal to investors if they retract from their commitments.

⁵<https://www.smithschool.ox.ac.uk/publications/wpapers/workingpaper20-02.pdf>

⁶ The Global Commission on Adaptation estimates that global investments of \$1.8 trillion in adaptation measures (including climate-resilient infrastructure or dry farming) could yield total net benefits of \$7.1 trillion by 2030. <https://gca.org/global-commission-on-adaptation/report>

Principles for PSD Programmes

Based on this, we recommend DCED members consider the following 10 principles to support stabilization and economic recovery when designing and implementing PSD programmes:

- 1. Assess the sustainability dimension of recovery policies:** Assist partner countries in analysing sustainability implications of COVID-19-related economic policy responses including Economic, Social, and Environmental aspects.⁷ This will help partner countries obtain a comprehensive picture of anticipated impacts of policy measures and will ultimately help achieve the “double dividend”. Support could include providing industrial policy advice to partner governments to prioritise sectors related to green growth in order to stimulate markets that have future and long-term growth potential (“green industrial policy”). It could also include economic policy advice for sectors such as agriculture, infrastructure, extractives and tourism as well as the impact of potential policy measures such as carbon pricing and removing existing fossil fuel subsidies. This encompasses considering the impact of measures on biodiversity as pandemics can originate from the interaction between humans and wildlife.
- 2. Engage with the private sector in short-, medium- and long-term planning of a green recovery:** Work with partner countries to use the private sector to help deliver green solutions as part of the COVID-19 related recovery responses. When adequately designed, green recovery measures can provide immediate opportunities to private sector actors as well as the impetus for businesses to develop green business models and solutions. To take full advantage of the wide range of local expertise, innovation, and rapid response capacity, planning for COVID-19-related measures should include the participation of the full range of private sector representatives across the business ecosystem. This should include those who may be at greatest risk of being left behind, such as informal actors; micro, small and medium enterprises; and women- and youth-led enterprises who all have specific needs. This should also encompass business associations and private sector representatives engaged in green business models as well as financial service and technology providers that will be needed to support these businesses. This also opens avenues to explore public-private partnerships and identify approaches for collaborating with the private sector to achieve common goals for a green recovery.
- 3. Engage with businesses and their support organisations to help them integrate environmental and social issues within their core activities:** Business support organisations, such as chambers of commerce and industry associations, can act as multipliers of responsible conduct for businesses as well as local and international supply chains. Enhancing the capacity of these actors will be vital to train businesses on developing bankable green business models, ecological innovations, due diligence processes and to match these with finance providers so they can access (green) finance to realise these ideas. Working with vocational and other educational training institutions can on the other hand help ensure the right skills for green jobs exist. In support of job mobility, solutions for a circular economy and shared practice, work should also include establishing effective networks between different business support organisations in consumer and producer countries as well as across different functions.

⁷ Possible sustainability checklist for recovery measures: <http://pubdocs.worldbank.org/en/223671586803837686/Sustainability-Checklist-for-Assessing-Economic-Recovery-Investments-April-2020.pdf>

4. **Target sustainable investments:** Work with appropriate partners, such as investment promotion agencies and government departments, to prioritise and target investments that deliver economic growth in ways consistent with achieving the Sustainable Development Goals. Key dimensions include economic development, environmental sustainability, social development, and good governance. Considering the quality and not just the quantity of investments is crucial to ensure a sustainable and impactful recovery. This also includes ensuring that adequate environmental and social safeguards are in place for investment. Short-term investment measures that are not delivered sustainably risk creating long-term problems for the next generations (such as pollution and other environmental concerns). This also includes working with industrial parks on ensuring that these – and the companies within them – are sustainably managed so to aid a green recovery, based on the international framework on eco-industrial parks.⁸
5. **Increase risk management and resilience capabilities of the private sector:** A key component of sound business planning involves fully understanding and addressing climate and other risks. Private sector actors can benefit from capacity building in the area of risk assessment and planning, as well as risk mitigation systems (including but not limited to climate risk insurance) as they shift business practices to ensure that activities and processes are consistent with low-carbon alternatives and opportunities, and integrate adaptation measures to increase resiliency.
6. **Integrate equity objectives to maximize efficiency:** Vulnerable groups, such as women, youth, indigenous peoples and local communities, are particularly hard hit by the crisis. A green recovery pathway must enable the full and active participation of all members of society to take full advantage of the particular experiences, skills and insights that previously excluded groups can provide towards sustainable solutions. This will require equity-enhancing measures across financing and policy to eliminate barriers to full and equitable participation. This is also in line with the idea of a “Just Transition”, stipulating that the major transformation we are undergoing as a society should incorporate ecological and social justice. To make sure there is a “Just Transition” and no one is left behind in this process, participatory dialogue with all stakeholders in society as well as investments in new skills and qualifications will be crucial. In particular for women, the DCED has published guidelines on how to integrate gender considerations in green growth PSD programmes.⁹
7. **Promote Circular Economy approaches within the private sector:** COVID-19-induced recovery measures offer an excellent opportunity to promote sustainable changes in behaviour on the part of producers, service providers, retailers, and consumers towards a circular economy. DCED members through their PSD programmes should seek to work with their partners to seize the opportunities for transformation from a linear towards a circular model, in which materials and products are shared, reused, repaired and recycled for as long as possible. Through this, the private sector can on the one hand realize cost efficiencies through efficient use of resources, and on the other hand turn waste into value and create new business opportunities. This is thus again a contribution towards achieving the double dividend.

⁸ <https://openknowledge.worldbank.org/handle/10986/29110>

⁹ https://www.enterprise-development.org/implementing-psd/green-growth/#DCED_publications

- 8. Facilitate the use of digital solutions for the private sector:** The COVID-19 pandemic has shown that digital solutions can enhance the resilience of businesses. They can also have positive environmental impacts when for example business meetings are held via video-conferencing services rather than personal meetings with international flights. The long-term lessons from this pandemic regarding digital sales practices (e-commerce) and digital work practises (working from home, video conferencing) should be considered in PSD programmes. Applying these measures will, in the medium and long run, also foster digital trust, digital literacy and digital affinity. Thus making deployment of digital solutions at larger scale more attractive, for example the introduction of resource planning solutions to reduce waste products. The economic, social and environmental impact of digital solutions will however require analysis with respect to the specific circumstances.
- 9. Foster biodiversity friendly practices of the private sector:** Unsustainable consumption and production patterns underpin the direct drivers of biodiversity loss, including climate change, changes in land and sea use, and pollution. At the same time, businesses can also face operational risks as a result of biodiversity impacts and dependencies, last seen in the outbreak of COVID-19 through the interaction of humans and wildlife. Green recovery plans in response to the COVID-19 crisis should also contribute to promoting business models and practices that foster biodiversity conservation and its sustainable use. DCED members should seek to mainstream biodiversity conservation objectives through their PSD programmes in order to encourage the transformative change needed to halt the decline of biodiversity, to realize the various opportunities – not the least for enhanced livelihoods for communities sourcing biodiversity-based products.
- 10. Enable free movement of goods and services, promote global value chains, and maintain international collaboration:** Trade can be a means to ensure safe supply of essential products such as medical equipment as well as food. This is of particular importance in times of climate change with threats to food security and the resilience of livelihoods. In addition, trade is a key enabler to realise the benefits of a green economy, for example through the fast dissemination of environmental technology required for crisis response measures. DCED members should support partner governments to follow the trade facilitation principles and best practices, including those listed in the WTO Trade Facilitation Agreement, to realise the benefits that trade can have to foster resilience and move towards a green economy.

As we stated before, DCED members are committed to helping countries address the economic challenges that have emerged in the context of COVID-19 and to working together towards coordinated and effective action. We believe that applying Green Growth approaches within Private Sector Development programmes through the measures outlined in this paper can make a meaningful contribution to achieving a green recovery and to building back better.