

# The inclusive green economy in EU development cooperation

*An innovative approach at the intersection of the  
EU's Planet, People and Prosperity objectives*



## EXECUTIVE SUMMARY

# Understanding the inclusive green economy

Reference Document N° 25, *The inclusive green economy in EU development cooperation*, provides policy and operational guidance on cooperation on the green economy. It presents definitions and explains the rationale for cooperation in this area, in line with EU policies and the growing interest in partner countries. It presents the state of play of EU actions, including results achieved and lessons learnt. It also explains options to support the green economy through dedicated interventions and by integrating green economy issues across relevant sectors. Finally, it provides selected references and tools.

The EU vision of the green economy is multifaceted:

- **economic aspects:** an economy that secures growth, building on resource efficiency and sustainable consumption and production (SCP) patterns;
- **environmental aspects:** an economy that preserves the natural capital, invests in natural resources and mitigates climate change through low-carbon and resource-efficient solutions;
- **social aspects:** an economy that improves human well-being, provides decent jobs, reduces inequalities and tackles poverty.

## The green economy according to the European Environment Agency



**Source:** Adapted from European Environment Agency, Report No. 2/2014: *Resource efficient green economy and EU policies*.

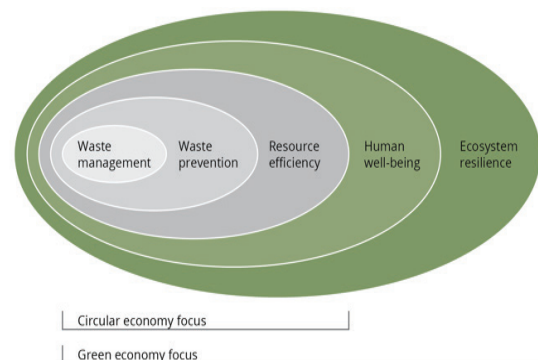
## The green economy in a snapshot

The green economy is a pathway to sustainable development. It is based on an economic model that differs from traditional ones in that it takes due consideration of environmental and social externalities, and does not focus on GDP growth as the ultimate goal. Instead it focuses on resource efficiency and natural capital as the building blocks of the economy, recognising that environmental degradation undermines long-term economic growth and human development.

Green economy definitions elaborated by EU development partners, including third countries and international organisations, share common attention to the development of **a new model, which not only decouples growth — or prosperity — from the consumption of natural resources and the associated environmental impact, but also links environmental sustainability to economic development and social equity.**

The **circular economy** is an essential green economy component. It promotes closed material loops and resource-efficiency chains with a system-wide approach and across the entire value chain. It involves designing products for reuse, using products as long as possible, re-manufacturing products at the end of their service life, and in essence avoiding waste in production and supply.

## Circular economy focus and green economy focus



**Source:** European Environment Agency, *The European environment — state and outlook 2015*.



# A strong rationale

**The inclusive green economy in the context of the 2030 Agenda on sustainable development.** Practices at the heart of the green economy, such as resource efficiency and SCP, are key to several SDGs, while green economy frameworks that promote coherence between economic and environmental policies can also contribute to SDGs. The green economy is particularly relevant to goals and targets on improved resource efficiency, the decoupling of economic growth from environmental degradation, sustainable agriculture, sustainable industrialisation and SCP patterns. It also inherently contributes to other goals and targets, e.g. those related to climate change and natural resources.

**A supportive EU policy environment.** The new European Consensus on Development strengthens EU commitment to promoting the green economy. It encourages SCP, resource efficiency, and the green and circular economy under both the Planet and the Prosperity priorities, acknowledging that environmentally sustainable practices are not only important to environmental objectives, but also to sustainable growth and job creation. The green and circular economy is particularly emphasised in the EU's [strategy for cooperation on private sector development](#) and on [trade and investment](#). The European External Investment Plan provides an opportunity to deliver on these ambitions. In parallel, the EU has also developed an ambitious domestic framework, notably on the circular economy.

**A growing interest in partner countries.** According to [UN Environment](#), 'over 65 countries globally are currently pursuing green growth or green economy strategies'. Countries adopting measures to transform their economy may have different objectives, such as securing long-term benefits from natural resource use and conservation, improving domestic industry competitiveness, accessing new markets, creating jobs, or reducing reliance on imports of raw materials. Strategies to achieve these objectives should be tailored to national contexts and depend on many factors, such as country comparative advantages, the structure of the economy, access to natural resources, ability to attract investments, etc.

**The business case for a new economic model.** The prospects of socioeconomic benefits — such as job creation, economic growth or improved competitiveness — are a major driver of the green economy transition. [Studies in the EU](#) provide evidence that a circular economy would allow Europe to grow resource productivity by up to 3 per cent annually and to increase its GDP by as much as 7 percentage points relative to the current development scenario. At a micro-level, businesses may find several benefits in going green, such as opportunities for increased

business activities in the fast-growing environmental goods and services trade, potential consumption savings (e.g. in raw materials, energy and water resources) resulting from more efficient production processes, improved image and reputation, more effective risk management, and competitive advantages. Gains from sustainable business practices have been [extensively documented](#), including by EU-funded programmes supporting the adoption of SCP practices.

## Examples of countries adopting green economy strategies

**Peru** sees the green economy as a tool to guide it towards sustainable development. Peru has adhered to the OECD Declaration on Green Growth and has joined the Partnership for Action on Green Economy (PAGE) with a view to integrating the concept of green growth into development policies through the formulation and implementation of green economy public policy proposals promoting 'the efficient use of resources, environmental quality and sustainability and green jobs creation in key sectors of the economy'. Commitment is high, with a key milestone being the 2016 debate on green growth among presidential candidates.

**Ethiopia** builds its approach to green growth on the economic development–poverty reduction–climate change resilience and greenhouse gas mitigation nexus, with a view to achieving middle-income country status by 2025. It focuses on agriculture, energy and water, with benefits including improvements in productivity, food security, jobs and stability of export income, expanded energy access and security, and reduced economic and social vulnerability. Greening a rapidly growing economy requires trade-offs, with the country considering, for example, ways to increase agricultural productivity while providing economic incentives for forest preservation.

**Ghana's** transition to sustainable growth was triggered by the food, fuel and financial crisis. The government, recognising the importance of a green economy transition, drafted a new National Energy Policy, including a strategy for renewable energies; passed a medium-term development strategy — the Ghana Shared Growth and Development Agenda II — and a National Climate Change Policy; and joined PAGE to benefit from assistance in implementing relevant strategies and policies.

# State of play

**Overview of the EU's inclusive green economy cooperation programmes.** In line with its development policy, the EU has long supported actions contributing to the green economy in various areas, such as natural resources management, sustainable agriculture or renewable energies, and through the integration of the environment in relevant cooperation sectors, e.g. private sector development.

Over the last 10 years, in order to accelerate the green economy transition and encourage coherent action across relevant sectors, the EU has also implemented a series of actions explicitly targeting the green economy as its main objective, promoting the development of enabling frameworks and showcasing potential benefits of green practices to promote their wider uptake. This includes notably the SWITCH programmes in Asia, the Mediterranean and Africa. Together, these actions form the SWITCH to Green initiative, which provides a framework to coordinate and improve the coherence and visibility of EU international cooperation on the green economy. EU commitments to these programmes over the last 10 years exceed EUR 300 million.

**Results achieved and lessons learnt.** A key conclusion of EU cooperation experience on the green economy is that

actions focusing on green business development have been effective in delivering results on some of the main EU priorities, with a large range of outputs and outcomes contributing to social (e.g. job creation and improved working conditions), environmental (e.g. reduced material consumption and greenhouse gas emissions) and economic (e.g. financial savings and investments) impacts.

Support has been delivered through diverse activities, such as analytical work (e.g. national scoping studies to identify options and pathways for the green economy transition), the establishment of mechanisms for improved institutional coordination and stakeholder participation in policy development, capacity building, dialogue and networking, and communication for improved public and consumer awareness.

As noted in the [2017 strategic evaluation of EU international cooperation on SCP](#), this support has resulted in significant green economy policy reforms taking shape in some 45 partner countries and in the adoption of SCP practices by targeted MSMEs, notably through the funding of approximately 150 'green business' projects under the SWITCH programmes.

## Main conclusions of the 2017 strategic evaluation of EU international cooperation on SCP

- SCP actions supported by the EU are **relevant** to EU and global development policies, taking into account the importance of SCP in the 2030 Agenda and the contribution of SCP to key priorities of the new European Consensus on Development, including climate change, jobs and sustainable growth. EU interventions are also relevant to partner countries' priorities.
- The **effectiveness** of interventions is satisfactory, as shown for example by results achieved in terms of improved stakeholder capacities and knowledge sharing.
- Actions promoting green business development have achieved 'high impact in terms of uptake of SCP practices and increased levels of investments by MSMEs, contributing notably to the creation of green jobs'. Policy support **impact** varies across programmes and is insufficiently documented.
- EU-supported programmes on SCP are relatively **cost effective**, with an uptake of green technologies by MSMEs, new investments and major green job creation resulting from the green business component of the SWITCH programmes, having a far higher financial value than programme costs.
- EU-funded SCP and green economy interventions are generally **coherent and complementary**; however, there is insufficient interaction between actions promoting green business development with the private sector and those providing policy support.
- SCP actions supported by the EU show positive elements of **sustainability**, in terms of local ownership of programme outcomes, effective capacity building, some evidence of policy uptake, and the existence of self-funding mechanisms.

# A strategic approach

## OVERALL PRIORITIES

### Objectives and areas of intervention

**EU cooperation on the green economy is at the intersection of the Prosperity, People and Planet priorities** of the new European Consensus on Development. Cooperation on the green economy can also contribute to the Partnerships priority of the new European Consensus and, indirectly, to the Peace priority.

**A two-pronged approach to promote the green economy across all relevant sectors.** The EU's vision on the green economy transition implies multiple contributions from many sectors of EU international cooperation, requiring a two-pronged approach to guarantee the coherent delivery of support, including:

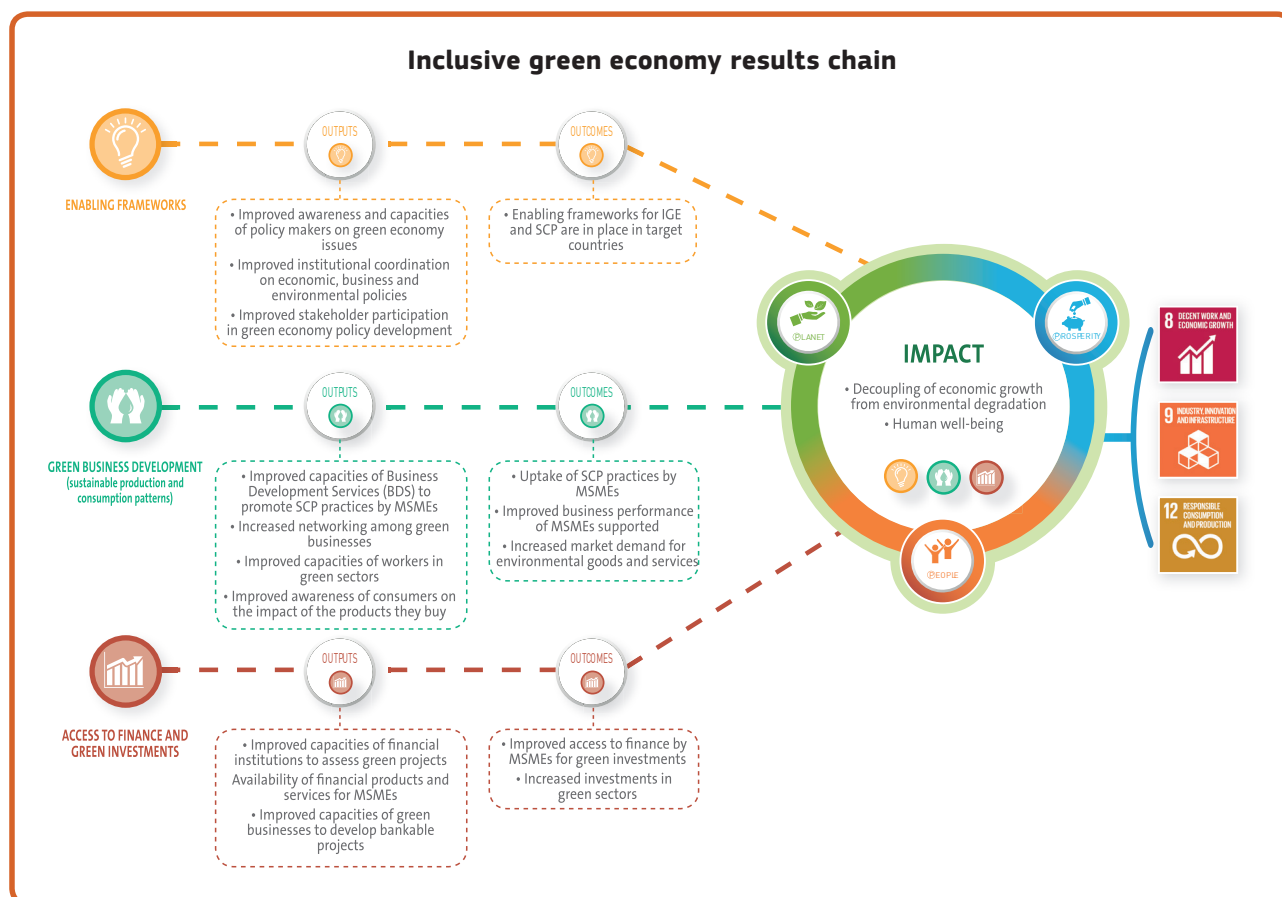
- **'Dedicated' programmes promoting the green economy specifically**, by means of developing enabling frameworks, greener businesses and greener investments/facilitating access to finance).

- **The mainstreaming of green economy components across relevant sectors of EU international cooperation**, by means of strengthening the focus on economic and business incentives (e.g. actions promoting the valuation of ecosystems and the services they provide), the engagement of policymakers to duly attract the private sector, and the attention given to the potential benefits of environmentally sustainable practices.

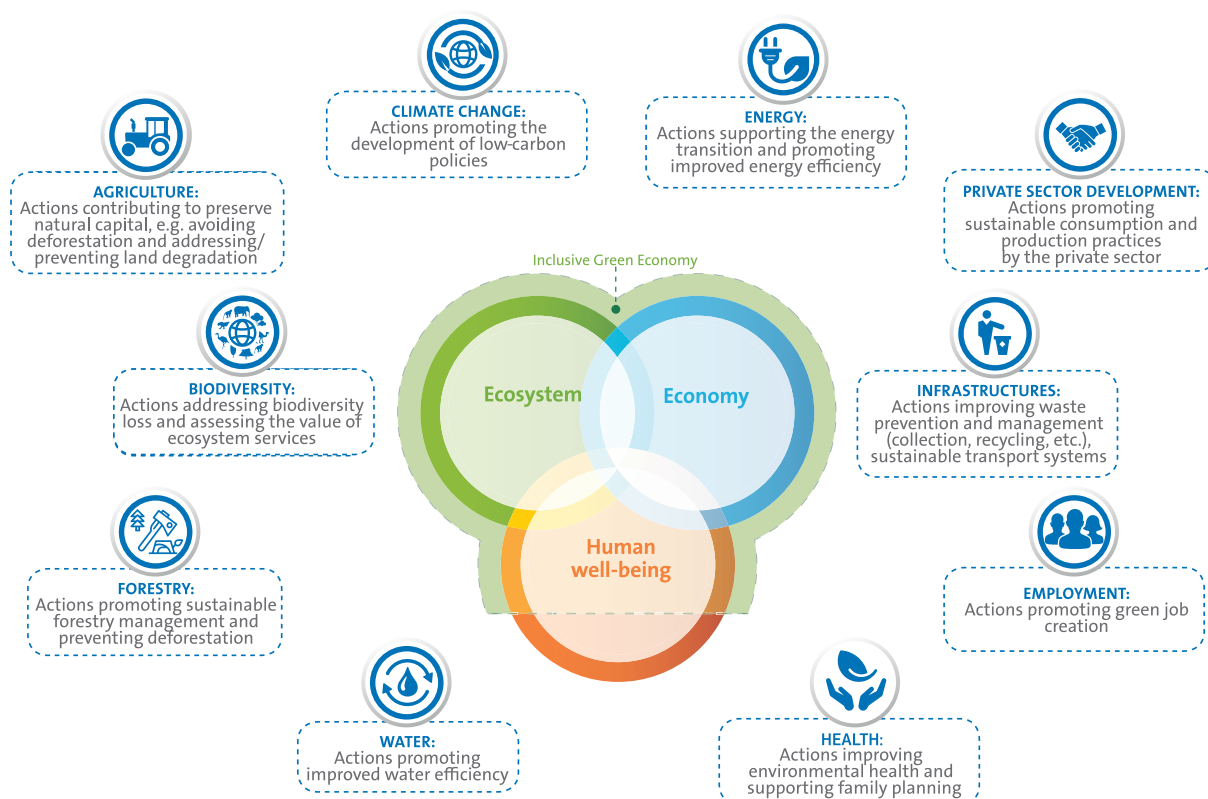
## DEVELOPING ENABLING FRAMEWORKS

### Needs and types of actions

The transition to a green economy is a relatively new process, powered by a growing, but still limited, number of private sector and consumer initiatives. **Government intervention (at national, multilateral, regional and sub-national levels) is also required** to accelerate this process and address market failures, particularly in terms of steering the transformation and establishing frameworks that provide long-term certainty



## Main contributions from relevant sectors of EU cooperation to the inclusive green economy



to economic operators, mobilising finance and discouraging unsustainable investments, raising awareness, influencing trends in consumption patterns, building support and delivering appropriate incentives to scale-up action. The policy areas contributing to green economies and in which measures are necessary are multiple. They cover, among others, industry, enterprises, investment, trade, research and innovation, and education and skills development.

Improving awareness and capacities and building political support are also essential, as the importance of environmentally sustainable practices to the economy remains insufficiently understood, despite the growing evidence of the negative financial impact of environmental degradation.

### A clear focus on inclusiveness and job creation

**The promotion of a green economy that is genuinely inclusive is an imperative** in the context of EU development policy. Strong attention must be given to decent job creation and to the rights and situation of vulnerable groups to ensure that EU-supported initiatives contribute coherently to development and poverty reduction objectives, but also to encourage the social and political acceptance of green economy reforms. Relevant interventions in this context include, for example, reinvesting savings from the removal of fossil fuel subsidies

into pro-poor measures, or supporting the development of skills relevant to emerging green sectors for workers in polluting sectors where activities are declining.

**Promoting stakeholder participation in policy development** is key to the development of enabling green economy frameworks that are inclusive and address the needs of all groups. This includes women, who tend to have a smaller ecological footprint than men but are particularly exposed to environmental damage and severely affected by energy and water shortages. It also includes the private sector — in particular MSMEs and the informal sector, which have fewer opportunities to contribute to policy development — as well as civil society, which can play an important role not only in advocating, monitoring and supporting policy development and implementation, but also in raising awareness among policymakers, businesses and consumers on issues such as sustainable consumption and lifestyles.

### Building on EU experience and promoting synergies with other EU policy areas

The EU has significant experience promoting the green economy domestically — especially through the implementation of its Circular Economy Action Plan, but also through other initiatives such as the Eco-Innovation Action Plan (EcoAP), the Green Action Plan for SMEs, and the Green Employment

Initiative. Building on this experience and promoting synergies with relevant EU policy areas — other than development — can reinforce the contribution of EU international cooperation on the green economy, bolster the **EU's strategic interest, help the EU lead by example, and ensure coherence with other policy areas, in particular trade.**

## PROMOTING GREEN BUSINESS DEVELOPMENT

**The adoption of environmentally friendly practices by the private sector is increasingly common, as more and more businesses become aware of the associated commercial and economic opportunities,** notably the rapid growth of the global market for environmental goods and services, premium prices, potential savings from resource efficient production processes, improved reputation, increased security of supply chains resulting from the procurement of sustainably produced raw materials, etc. Relevant private sector initiatives — including the development of Corporate Social Responsibility strategies, environmental standards, labelling and certification schemes — are important drivers of the green economy transformation in many countries.

**The SWITCH programmes in Asia, the Mediterranean and Africa offer models on which to build for future support to business greening,** through the funding of private sector initiatives in areas such as awareness raising on green business opportunities; capacity building of business/industry associations and their MSME members on SCP practices; facilitation of access to finance (e.g. capacity building on the development of bankable projects, matchmaking with financial institutions, etc.); private sector participation in the development of green policies and regulations; development and upscaling of green certification standards and labels; business to business dialogue and best practices dissemination; strengthening commitments to sustainable supply chains and developing mechanisms to enhance trade in sustainable commodities; support to consumer information through eco-labelling, environmental standards and certification, etc.

Several strategic priorities beyond maximising environmental benefits should be considered in the planning of future EU support to green business development, including **the prioritisation of support in economic sectors with the highest potential in terms of job creation and reflecting EU and global priorities, a stronger focus on consumption, and further support to partnerships and networking among EU and partner country businesses.**

## BOOSTING GREEN INVESTMENTS AND ACCESS TO FINANCE

Support to investments in the green economy is a clear priority of EU development policy, as explicitly mentioned in the European Consensus on Development, which affirms the commitment of EU and Member States to the 'scaling-up of private and public investments in the low-emission, climate-resilient green economy'. The European External Investment Plan provides the framework for further cooperation on access to finance and green investments in partner countries in Africa and the European Neighbourhood, and gives significant scope to promoting the green and circular economy under its investment windows. The MSMEs window, for example, is expected to deliver finance to, among others, 'MSMEs working in sustainable agriculture and agri-business, circular economy, resource efficient and low-carbon climate-resilient technologies, social and digital entrepreneurs'.

Since financial flows to polluting sectors or to investments based on the unsustainable use of resources remain significant and undermine the green economy transformation, there is not only a need to facilitate access to finance for green businesses, but also a need to redirect finance from investments in polluting sectors, for example through support to governments and financial institutions, or through awareness raising and advocacy.

The [EU Action Plan on Financing Sustainable Growth](#), which aims at (i) reorienting capital flows towards sustainable investment; (ii) managing financial risks stemming from climate change, resource depletion, environmental degradation and social issues; and (iii) fostering transparency and long-term thinking in financial and economic activity, identifies actions that provide illustrations of possible measures that governments can adopt to promote sustainable finance. This Action Plan is highly relevant in the context of international cooperation: it acknowledges that a coordinated, global effort on sustainable finance is crucial. Through it, the Commission sets a benchmark for sustainable financial policies; it 'calls on other players, including Member States, supervisors, the private sector and major non-EU countries, to take decisive action to promote and lead transformation in their respective areas'; it also provides 'a blueprint for future discussions in international fora to promote a renewed approach to managing the financial system more sustainably'.



# Further guidance and tools

**SWITCH to Green: the EU's flagship initiative on the inclusive green economy.** The [communication on the role of the private sector in achieving inclusive and sustainable growth in developing countries](#) committed the EU to implement the SWITCH to Green initiative to promote eco-entrepreneurship and green job creation. The 2014–2020 Programme of the Global Public Goods and Challenges (GPGC) programme also announced the initiative, together with other flagship programmes meant to support multi-regional and/or cross-cutting actions, build alliances of relevant stakeholders, create or support existing innovative partnerships and initiatives to promote the transformation towards a green economy, and to deliver greater impact, effective management and EU visibility.

The SWITCH to Green initiative puts relevant EU-supported initiatives, such as the EU SWITCH programmes, the UN PAGE programme, the Green Economy Coalition, and the One Planet Network/10 Year Framework of Programmes on SCP, under the same umbrella. To operationalise the SWITCH to Green initiative, a number of activities have been launched over the past years, including quality support for project identification and formulation, dialogue and exchange of experiences, as well as knowledge creation and dissemination. Resources have been allocated to the SWITCH to Green facility to support this endeavour.

**Inclusive Green Economy Indicators Guidance.** Guidance on a set of recommended indicators corresponding to the outputs, outcomes and impacts is intended to help design interventions, improve monitoring and evaluation, and facilitate the aggregation and reporting of results achieved. To the fullest extent possible, these indicators have been harmonised

with indicators used under other relevant frameworks, such as the SDG indicators and those used by One Planet Network/10 Year Framework of Programmes on SCP.

**Key messages on the links between the inclusive green economy and key sectors.** The green economy transition entails strong links with key sectors derived from both the natural and the built environments, notably with agriculture; fisheries; water; forests; renewable energy; manufacturing; waste; buildings; transport; tourism; and cities. Key messages on these links have been formulated by [UN Environment](#), together with a discussion on related accelerators like financing, enabling conditions and modelling global green investment scenarios.

**Links to resources.** Links to green economy resources, including Project databases, E-Libraries, Case studies, Data, and Tools are available through the [SWITCH to Green website](#).

**Global Green Economy Index (GGEI).** The GGEI is a tool used for country-wide integrated green economy performance assessments. It is published by Dual Citizen LLC, a private U.S.-based consultancy, to provide a snapshot of the state and progress of the global green economy transition, based on an analysis of data on climate change, the environment, efficiency sectors and investments in 80 countries and 50 cities, as well as on expert practitioners' ranking of country performance (perception survey). The GGEI indicates to the countries what can be improved in the future. The [performance index of the 2016 GGEI](#) addresses four key dimensions of the green economy transition: leadership and climate change, efficiency sectors, markets and investment, and the environment.

More information on the European Union is available on the internet (<http://europa.eu>).

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