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ABCs of MSD: G is for... green(er) development



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All blogs

In 2007, Sir Nicholas Stern, an adviser to the UK government, stated that ‘climate change is a result of the greatest market failure the world has seen’¹.

Since then, it has become ever clearer that climate change is a systemic problem that requires systemic solutions. Aid initiatives can only ever play a tiny role in delivering those solutions directly.

If we are to make any kind of difference, we must bring something to the party – not well-meaning platitudes, fudged objectives or superficially re-purposed activities. We will need to be crystal clear about objectives and trade-offs, rigorously analyse constraints, opportunities and incentives, and intervene smartly to influence the behaviour of market actors.

Setting clear objectives: green means or green end?

The first key question is whether an environmental goal is the end itself or the means to better and more resilient incomes, jobs, and services. We’ve worked on a couple of programmes over the past 10 years in which environmental impact is the headline goal:

- **Energy Efficiency in Brickmaking in Latin America (EELA)** had a target of reduced greenhouse gas emissions from brickmaking. After a first phase of testing the business model of cleaner production technologies, Swisscontact Peru adopted a market systems approach and amplified its impact tenfold by working with technology and financial service providers, industry associations, and local and national authorities.

- Mercy Corps in Jordan has been implementing the Water Innovations Technology project over the past five years with an overall goal of reducing water consumption in the agriculture and domestic sectors. Aiming to save nearly 20 million cubic tonnes of water through the adoption of efficient technologies and behaviours, this 'water saved' would be enough to serve nearly 200,000 Jordanians with water services.

These two examples of initiatives with dedicated environmental focuses raise the issue of trade-offs². It's reasonable to assume that some of the largest opportunities to positively impact the environment will not necessarily lead directly to poverty reduction. The worst thing for funders and programmes to do would be to fudge the issue: to set multiple high-level objectives in an effort to 'be all things to all people'. We know this tends to result in indicator inflation, confused strategy, muddled actions – and a failure to please anybody.

To date, many programmes have championed poverty reduction that 'does no harm' to the environment. But will 'do no harm' continue to cut it given the enormity of the climate change challenge? Is it time for a complementary suite of MSD programmes that prioritise the environment whilst 'doing no harm' to the poor? Or at least a portfolio approach that blends some sectors and interventions that have a poverty reduction objective with others that focus on climate change?

Selecting and understanding green(er) sectors

Assessing relevance, feasibility, and opportunity remains a useful framework for sector selection, but a climate lens needs to be layered into these categories, not handled as a separate 'environment' assessment category. For example:

- Climate relevance for the target group, other market actors and the environment: Which sectors currently – or in the near term – offer the possibility for improvements for both your target group, businesses, and the environment? Is this mitigation, adaptation, or resource-use efficiency?
- What is the climate-specific opportunity? Irrespective of the sector, a useful spectrum of climate smart opportunities ranges from 'do no harm', to resilience-building against likely future shocks (maintaining gains or minimising losses), to an actual green growth opportunity.
- How feasible is climate smart change in a sector? That there will be winners and losers, certainly in the short-term, is a given. Just because it's green, doesn't mean it's feasible in the timeframe you have, with the resources you have, or in the socio-political environment you're operating in.

Depending on the sector chosen, a wide range of additional analytical tools exist. Some of the ones we've seen over the years include the following:

- › Social network analysis to understand how information and influence travels within and between communities.
- › Energy and water audits to quantify baseline consumption and identify key behaviours for possible future interventions.
- › Behavioural analysis of both individual and contextual factors that hinder or adopt climate-smart behaviours.
- › Scenario planning and business case development to assist the private sector to accurately understand the costs and benefits of climate-relation actions (or inactions).

Doing and measuring green(er)

Some basic human truths become ever more applicable when trying to implement climate-smart interventions:

- › *Incentives, incentives, incentives*: the 'ideal' climate smart MSD intervention is one in which both humans and the environment benefit. Back to the EELA project - when brickmakers adopted a simple technology during the combustion process, they burned one-third less fuel, achieving both cost savings and reduced GHGs. Simply put, benefits need to outweigh costs and be visible to others.
- › *Social beasts*: that green sweet spot may prove to be elusive in certain contexts or sectors. In those cases, what can be done? There is a growing body of evidence about the importance of social incentives in driving behaviour change in relation to climate change. Exploring this incentive may identify entry points that a purely economic-centric approach may have missed.
- › *Carrots first, sticks second*: there is a lot of discussion about the role of regulatory and punitive (i.e. polluter pays) tactics in addressing climate change. For a typical MSD programme, facilitating regulatory change can be time consuming and less feasible to achieve in the lifetime of a programme. Focusing on the benefits of adopting a climate-smart innovation before forcing people to adopt it is a good place to start.
- › *If you know, you know*: measuring poverty reduction can be complicated enough, let alone adding and measuring meaningful environmental indicators. For many programmes, it probably won't be realistic to try to measure and attribute their direct contribution to a reduction in tonnes of carbon emitted. Experience suggests that most will end up focusing on 'intermediate' indicators, relating to (a) investment in adaptation or mitigation measures stimulated; (b) adaptation or mitigation measures adopted; and (c) context-specific benefits that emerge because of these measures (e.g. less crops lost to drought because of more appropriate farming measures and inputs; reduced use of fuel, water or plastics in the hospitality sector).

¹Stern Review final report - HM Treasury (nationalarchives.gov.uk)

² For more information on practical considerations between competitiveness and inclusion, see MDF-Pakistan_Competitiveness-or-Inclusion-.pdf (marketdevelopmentfacility.org).

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