

## ABCs of MSD: G is for... Green(er) Development

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I caught the tail end of a BBC reporter this week talking about the fierce behind the scenes negotiations over the recently released report from the Intergovernmental Panel on Climate Change. Unsurprisingly, much of the disagreement centres on the tension between economic growth and reducing greenhouse gas emissions. Should countries that emit less carbon due to their lower industrialisation be held to the same targets as wealthier countries who use far more energy?

We don't have an answer to that weighty question but want instead to reflect on how we can practically consider environmental concerns in our day jobs. To meaningfully integrate a response to climate constraints and opportunities throughout a development programme's life, rather than treat climate change as another 'cross-cutting' item on our reporting checklist. Over the past ten years, we've engaged with several MSD programmes already trying to do just that and can offer some reflections on what we've learned along the way.

### Setting clear objectives: Green means or green end?

The first key question funders, designers, and perhaps even implementers need to ask 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 goal of a programme:

- The Energy Efficiency in Brickmaking in Latin America (EELA) has a headline target of reduced greenhouse gas emissions from brickmaking. After a first phase of testing the business model of cleaner production technologies in brick making, 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. Estimated to have reduced greenhouse gas emissions by one million tonnes, the equivalent to 10% of sector emissions, EELA is an example to learn from.
- 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 (i.e. household water use) 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 a dedicated environmental focus raise the issue of trade-offs<sup>1</sup>. It's reasonable to assume that some of the largest opportunities to reduce greenhouse gas emissions or bring about other environmental changes will not necessarily lead directly to poverty reduction. So, for new programme design, which objective should be given primacy? Existing MSD programmes, few of which have an explicit focus on climate change, will be faced with the challenge of integrating climate change into their portfolio of interventions. But how far should they go in pivoting their focus, and what will that mean for achieving the poverty reduction goals in their designs and contracts?

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

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<sup>1</sup> For more information on practical considerations between competitiveness and inclusion, see [MDF-Pakistan Competitiveness-or-Inclusion-.pdf \(marketdevelopmentfacility.org\)](#).

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

We advise programmes and organisations that have a choice over sectors they work in and those that don't. Irrespective of choice, a few good practices are emerging when it comes to sector selection. 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. There are already massive winners and losers in the ongoing decarbonisation efforts around the world.. 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. Some programmes we've worked with have invested significant internal time in calculating and quantifying environmental metrics or used external expertise to measure more technical environmental indicators. For many programmes, it probably won't be realistic to try to measure and attribute their direct contribution to, say, 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).

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’*.<sup>2</sup> Since he made that assessment, 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. As we have learned with addressing poverty and gender objectives, we need to take it seriously, make it meaningful, and keep it practical.

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<sup>2</sup> [Stern Review final report - HM Treasury \(nationalarchives.gov.uk\)](https://www.nationalarchives.gov.uk/stern-review/)