SME Greening Guide:

Policy instruments to promote better environmental performance

Eugene Mazur
OECD Environment Directorate
SME-specific challenges

- Diversity and complexity of SMEs’ activities
- Low environmental awareness
- Limited capacity
- Distrust for environmental regulators
- Concern about short-term financial profitability
- Difficulty in accessing affordable finance
Current policies in EaP countries

- Single-medium permitting for every enterprise with respective environmental impacts
- “Technical regulations” do not distinguish between facilities with different levels of impact
- Some diversification of requirements (EIA, permitting procedures, reporting, inspections)
- Environment ministries are not engaged in compliance promotion
- Information instruments are under-utilised
- Lack of technical and financial support for green practices
- Business support organisations created in several countries, but no clear green agenda
- Financing mechanisms are limited to IFI credit lines
Government policies for SME greening

• Regulatory tools
  – Simplified permitting and general rules
  – Incentives for environmental management certification

• Information-based instruments
  – Advice and guidance
  – Recognition of green practices

• Economic incentives
  – Financial mechanisms: tax privileges, soft loans, grants
  – Market signals: green public procurement
Regulatory tools

• Replacing customised permits with general rules
  – Low-risk activities, many operators, similar technologies
  – Important to preserve notification of competent authority

• Incentives for EMS certification
  – Privileges in the permitting process
  – Reduced in monetary penalties
  – Reduced inspection frequency

• Sectoral approach to compliance assurance
  – Sectoral strategies or “regulatory mapping” (jointly defined priorities and outcomes)
  – Inspection campaigns
  – Partnerships with non-environmental regulators and trade associations
Information-based instruments (1)

Advice and guidance (“customer service”)

- “Regulatory watch”: e-mail, magazines, newsletters
- Web-based guidance tools
- Direct contacts between inspectors and operators
- Third party assistance (audits, innovative advice services)

• Make the business case for green practices
  – Emphasise efficiency gains and market opportunities
• Mix traditional and advanced communication tools
• Offer concise and clear guidance
• Distinguish legal requirements from good practice
Recognition of green practices

• Simplified environmental management systems
  – Multi-tier EMS: focus on simple, accessible improvements in management practices
• Sector-specific green certifications
• Eco-labels
• Environmental recognition awards
Financial incentives

• Tax privileges
  – Accelerated amortisation
  – Reduced property or corporate taxes

• Soft loans
  – Encourage banks and insurance companies to provide incentives for green practices

• Subsidies for consultancy services
  – Initial public funding is necessary
  – Gradual transition to fee-based services
Green public procurement

• Environmental criteria of procurement decisions
  – Compliance with environmental requirements
  – Green certification
  – Eco-labels

• Creates demand for green products and services, helps reduce their costs, jump-starts the private sector market

• GPP can be a major driver for innovation

• EU: only 10% of SMEs bid on GPP contracts

• Educate procurement officials
Institutional aspects

Government authorities:
- Compliance promotion is part of environmental regulators’ job
- Closer collaboration between ministries of economy and environment and business support organisations
- Multi-stakeholder coordination

Business and trade associations:
- Signposting
- Developing marketing and promotional materials
- Sector-specific technical assistance, not just lobbying
- Increase the membership of SMEs
- Eco-industrial networks