

# **SME Greening Guide:**

**Policy instruments to promote better  
environmental performance**

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# 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

# 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**

# Information-based instruments (2)

## ***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