

Chapter 5. Environmental Policies and SMEs

Introduction

Concerns about environmental degradation, quality of life and climate change are driving the global consensus on the need to ensure that economic growth is environmentally sustainable. Support for the greening of SMEs is an important component of that. Although the environmental footprint of individual small businesses may be low, their aggregate impact is significant. In the OECD area, SMEs account for approximately 99% of all enterprises and two-thirds of employment (Calogirou et al., 2010^[1]). In Europe alone, SMEs account for 60-70% of industrial pollution (Miller et al., 2011^[2]). Improving the environmental performance of SMEs is vital for shifting to greener economic growth.

As the ASEAN economies continue to expand, this is a critical time for ensuring that growth is green. Developing and implementing policies and programmes that support SMEs in becoming greener will help to ensure the region's long-term economic growth and the health of its environment (OECD, 2014^[3]).

Broadly, there are two types of green SMEs: green innovators, which are developing new products, technologies and approaches that can have transformational impacts, and green performers, the vast majority of SMEs, which can take steps to make their operations more resource efficient and environmentally friendly (UNEP, 2017^[4]). Supporting the success of both has benefits for national and regional economies. Innovative green SMEs can introduce new technologies into ASEAN Member States (AMS) and create new export markets for goods and services. Support for the broader population of SMEs in pursuing greener practices can save those businesses money by making them more efficient; allowing them to participate in value chains and procurement that require a certain level of environmental performance; and improving environmental performance while lowering carbon emissions.

The regulatory framework should enable and incentivise the greening of SMEs while ensuring that environmental standards are appropriate and enforced. A challenge is balancing the effectiveness of the regulatory framework against environmental impact and enforcement costs so that SME compliance is not overly burdensome. Most countries continue to use a one-size-fits-all approach to environmental regulation that either puts SMEs at a disadvantage or ignores them. Public efforts to support the growth of the green economy are often scaled for larger enterprises, as are many green finance programmes, environmental management systems (EMS) and technical assistance programmes.

Supporting the greening of SMEs involves a holistic approach that goes beyond the regulatory framework and makes use of all the policy tools at the government's disposal. Regulatory incentives, such as reducing inspection frequency or pollution penalties for enterprises using environment management systems, and financial incentives, including tax laws, can provide the government with important leverage to support the uptake of green technology. SMEs face unique challenges in accessing finance, including high

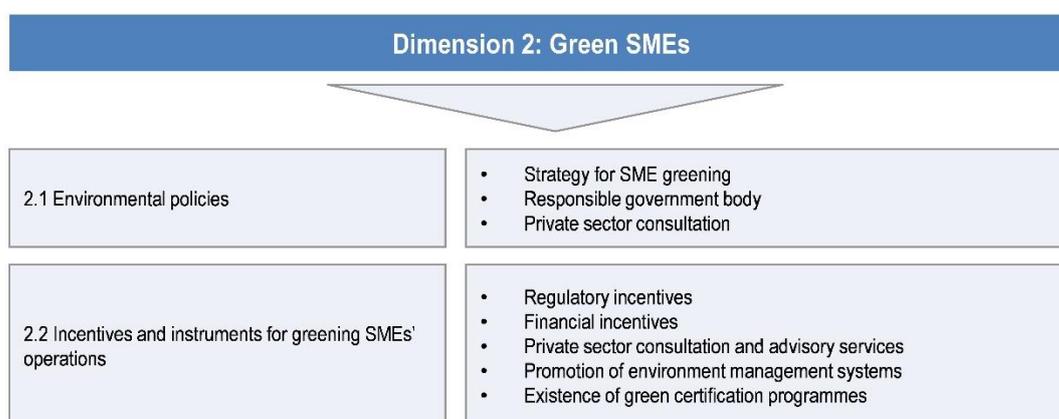
interest rates and relatively short repayment periods. Those challenges are compounded for green SMEs, which also need to make the business case for investing in more sustainable technologies. Green innovators and green performers alike typically need access to finance, and there are various avenues through which governments can mitigate challenges around this.

Supporting SMEs in becoming greener and providing a framework for innovative green SMEs to develop is not a simple task. Many intersecting factors must be considered. This section will delve deeper into the current state of affairs in ASEAN countries with regard to the greening of SMEs, and will consider examples of good policy implementation as well as suggestions as to the next steps.

Assessment framework

The framework for assessing policy progress on the greening of SMEs is divided into two sub-dimensions: environmental policies targeting SMEs (sub-dimension 2.1), and incentives and instruments for greening SMEs (sub-dimension 2.2). There is some crossover. The actions taken under sub-dimension 2.1 support sub-dimension 2.2, and in some cases are a prerequisite. Each sub-dimension is further organised into three thematic areas: planning and design, implementation, and monitoring and evaluation. In order to put more emphasis on implementation than planning, the final score for the dimension is based on a 60/40 weighting between sub-dimensions 2.1 and 2.2 respectively.

Figure 5.1. ASPI 2018 framework for assessing SME greening



Sub-dimension 2.1, on environmental policies targeting SMEs, measures the extent to which such policies are embedded inside government strategies and how developed plans are to support SME greening with action. It also looks at budget mobilisation, whether eco-efficient and innovative products are included, whether the private sector was consulted on environmental policies that impact SMEs and whether there is a dedicated government body that provides guidance to SMEs.

Holistic government support for greening SMEs requires both short- and long-term plans. The development, budgeting and integration of environmental policies into government strategies set the stage for co-ordinated action on greening SMEs. In the short term, environmental policies that target SMEs support effective environmental regulation of small enterprises, send market signals that the government is supporting the growth of green SMEs and lay a foundation for future growth. In the long term, these policies help

to co-ordinate government action and create an ambiance in which better environmental performance becomes mainstreamed across the economy.

There are three fundamental questions in sub-dimension 2.1, one for each thematic block: *i)* Are environmental policies for SMEs included in the government's strategies? *ii)* Has a budget been mobilised for the action plan? *iii)* Does regular monitoring of environmental policies targeted towards SMEs take place? Within the thematic blocks, the Policy Index methodology also measures the kind of policies in place and the level of government commitment in terms of institutional backing, budget and outreach to other stakeholders.

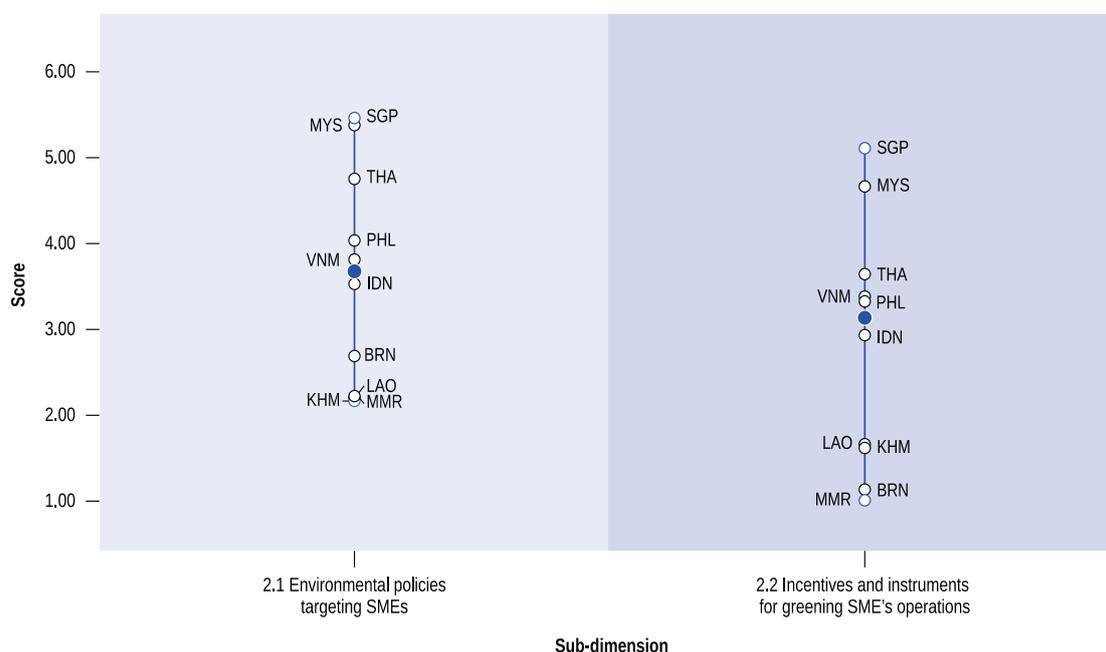
Sub-dimension 2.2, on incentives and instruments for greening SMEs, builds on the policy foundations of sub-dimension 2.1 to explore how countries give concrete support to SME greening. It measures whether the government provides regulatory and financial incentives to SMEs, whether there is any evidence that SMEs benefit from those incentives and how those incentives and support schemes are structured and delivered. This includes outreach to the private sector broadly and to business associations specifically. This sub-dimension also looks at how governments recognise more sustainable actions taken by SMEs.

In order to realise government plans for making SMEs more environmentally sustainable, it is important to measure what kind of incentives, initiatives and programmes are in place. It is also important for governments to understand the impact of those incentives and to verify that they are actually reaching the targeted SMEs. In the short term, activity in this sub-dimension can help kick-start the greening of SMEs and provide data about which approaches work best for different sectors and different types of enterprises. In the longer term, this sub-dimension allows governments to apply incentives and support schemes that help SMEs become greener in the most impactful and cost-effective manner.

How governments set and enforce environmental regulation, and incentivise compliance, can help support the greening of SMEs. Rules-based regulatory regimes for SMEs rather than complex permit systems are important, as are policies to promote good practices, such as reduced environmental compliance inspections for SMEs that have implemented EMS and reduced compliance costs for self-reporting of incidents. Support schemes and financial incentives may include: preferential tax treatment for investments in more environmentally sustainable equipment; financial support for efficiency audits; or the implementation of green procurement strategies for the public sector. These aspects are further measured through questions about what kind of incentives are in place, whether evidence is gathered on their effectiveness, whether the government provides assistance with compliance and whether programmes exist to provide official recognition to SMEs that are implementing greening projects.

Analysis

The overall assessment results for Dimension 2 on Environmental Policies and SMEs are presented in Figure 5.2. Countries are scored for each sub-dimension on a scale of 1 to 6, where 6 shows the best performance. Broadly, AMS recognise the importance of environmental sustainability, but the concept is unevenly applied in terms of regulatory approach, expected policy outcomes and the industries covered. Detailed analysis by sub-dimension follows.

Figure 5.2. Weighted scores for Dimension 2 by sub-dimension

Specific efforts to support the greening of SMEs are relatively rare in the region. With some exceptions, countries do provide support to private enterprises that are working to adopt green practices, but policy frameworks, regulatory incentives and financial support programmes are often not targeted at SMEs and are more accessible for larger enterprises. This includes access to green finance as well as the adoption of EMS.

Support for the greening of SMEs often falls outside the purview of agencies specifically tasked to support SMEs and is instead overseen by ministries and agencies responsible for environmental protection. In part, this is because green SMEs are still seen as a niche area of the economy.

However, it is clear that change is afoot, with concerns about environmental sustainability increasingly mentioned in national planning documents. Going forward, it is vital that policies to support SME greening become mainstreamed within broader government support for SMEs. Countries in the region should ensure that the implementation and impact of new greening policies are monitored and evaluated so that policies can be refined and expanded based on what works. As ASEAN countries begin to focus more clearly on creating a supportive policy environment for green SMEs, there is substantial room for progress.

Sub-dimension 2.1: Environmental policies targeting SMEs

Support for SME greening requires the development of effective policies that target SMEs specifically. SMEs generally behave differently than larger companies, especially concerning environmental regulation and green practices. Where larger companies may task specific individuals with monitoring environmental compliance or adopting green practices, this is generally not true in smaller and even medium-sized enterprises. Legislation needs to take this into account.

The development levels of environmental policies for SMEs differ widely across AMS. While the most advanced countries in the region provide targeted support for SME

greening, countries in the early stage of green SME policy development, such as Cambodia, Lao PDR and Myanmar, are still developing their approach to environmental policies and supporting green growth more broadly.

A fundamental issue facing all countries in the region is how SME greening policy is conceived: whether as an issue separate from other policies supporting SME or as part of a holistic approach. Support for the greening of SMEs should be seen in the context of support for SME growth overall, rather than simply as environmental compliance or support for specifically green industries like ecosystem services or renewable energy. Green growth policies for SMEs need to be mainstreamed at both the planning and institutional stages in order to enhance opportunities for co-ordination and impact.

Table 5.1. Scores for sub-dimension 2.1: Environmental policies targeting SMEs

	BRN	KHM	IDN	LAO	MYS	MMR	PHL	SGP	THA	VNM	Median	StD
Planning and design	3.20	2.28	3.75	2.38	6.00	2.65	5.06	5.63	4.68	4.13	3.94	1.28
Implementation	2.65	2.38	3.91	2.10	5.15	2.38	4.03	5.43	5.72	3.49	3.70	1.29
Monitoring and evaluation	1.83	1.00	2.24	1.83	4.75	1.00	2.24	5.16	2.65	3.90	2.24	1.39
Total sub-dimension score	2.68	2.07	3.52	2.14	5.37	2.20	4.03	5.45	4.74	3.80	3.66	1.24

Note: Scores are on a scale of 1 to 6, with 6 being the highest. Please refer to Chapter 2 and Annex A for further information on the methodology.

Planning and design: Policies should specifically target the greening of SMEs

Across the region, all countries have environmental policies that could potentially impact SMEs, but only a minority have policies that specifically support or target SMEs. Instead, environmental plans are often included in other planning documents or in environmental laws that regulate industry or specific sectors of the economy. The first thematic block of this sub-dimension – planning and design – puts significant weight on the development of environmental policies targeting SMEs.

Some countries, notably Singapore, Viet Nam and Malaysia, have national plans on green growth and the adoption of green technology. The Sustainable Singapore Blueprint 2015 includes the environmental impact of SMEs, for example. In other AMS, including the Philippines, Thailand and Indonesia, environmentally sustainable economic growth is discussed in high-level strategic planning documents. Thailand specifically mentions supporting green SMEs as one element of its National Development Plan. Other countries in the region have environmental legislation but are still developing a strategic approach to supporting green growth. Lao PDR, for instance, is being supported by the World Bank to develop new green growth development policies.

Countries were further scored on whether environmental policies targeting SMEs included an action plan, measurable targets, timelines and expected impact. While most of the countries with environmental policies targeting SMEs also had action plans, setting timelines with measurable targets and establishing the expected impacts of SME environmental policies was much less common.

Although a wide variety of different avenues can impact the green development of SMEs, two key avenues are innovation around eco-efficient products and the implementation of more energy- and material-efficient processes. Eco-innovation in environmental policies

targeting or impacting SMEs was included by more countries than strategies on SMEs becoming more resource efficient. This correlates with the broader trend of environmental sustainability being regarded as a specific sector or trend, rather than something that can be pursued by enterprises across the economy.

Ideally, support for green SMEs should be mainstreamed within countries' overall strategies for SMEs, rather than regarded as a separate issue. Having a separate agency responsible for greening SMEs reduces the number of businesses that access it and encourages the self-selection of enterprises that are already interested in greening or specifically pursuing green businesses.

By contrast, integration of support for the greening of SMEs into the government's overall support for SME development can help reach the broad mainstream of SMEs that would benefit from adopting more efficient practices. This would also lower the burden for government. During discussions in the information-gathering phase of the 2018 ASPI, representatives from agencies responsible for supporting SMEs were unaware of actions undertaken in their country by other ministries to support the greening of SMEs, suggesting missed opportunities.

In many AMS, the agency tasked with supporting the greening of SMEs was based at the government ministry responsible for environmental protection or for assisting enterprises with environmental compliance. This speaks to greening being a cost to businesses rather than a potential benefit, and to a focus on compliance issues rather than resource and energy efficiency and cleaner production practices. Some AMS, however, such as the Philippines, Indonesia and Thailand, have greening plans based in their Ministry of Industry, suggesting a green growth focus. Another recurring issue is that responsibility is split in some countries, with different ministries or agencies responsible for providing support for greening to industry broadly or to SMEs specifically, and administering different programmes and support schemes. This not only complicates matters for enterprises seeking assistance but also increases the cost to government and reduces opportunities for co-ordination.

Box 5.1. An example of good practice: The EU Green Action Plan for SMEs

The European Union adopted a Green Action Plan (GAP) for SMEs in 2014, with the goal of helping SMEs to improve their green performance and take advantage of opportunities presented by the global transition to a greener economy. Its objectives and actions are grouped in five thematic areas:

1. **Greening SMEs for more competitiveness and sustainability.** Actions to help SMEs reduce production costs and increase productivity through better resource efficiency, supported by information, advice, access to finance and technology transfer mechanisms.
2. **Green entrepreneurship for the companies of the future.** Support for SMEs in accessing opportunities in the environmental goods and services market through the development of eco-innovation clusters and the facilitation of business partnering for skills and knowledge exchange.
3. **Opportunities for SMEs in a greener value chain.** Support for SMEs in entering circular economy activities such as re-manufacturing, repair, maintenance, recycling and eco-design by addressing value chain barriers, promoting collaboration and promoting new business models based on efficiency

and the reuse of materials and/or waste.

4. **Access to new markets for green SMEs.** Growth-supporting actions to help SMEs access new markets by promoting a greener internal market, enabling access to international markets and facilitating green technology uptake in partner countries.
5. **Governance.** Monitoring and evaluation, co-ordination between EU member states and SME stakeholders, and consultations on SME policy developments.

With its holistic approach to supporting the greening of SMEs, the Green Action Plan demonstrates the benefits of co-ordinating action to reduce duplication and enhance impact. Although it is an EU-wide plan, the approach could also be replicated at the national level.

The Green Action Plan is expected to raise awareness among SMEs of the benefits of resource efficiency, the improved productivity and competitiveness stemming from the circular economy and the existence of a range of resource efficiency actions that can be accessed under different EU programmes, including COSME (Competitiveness of Enterprises and Small and Medium-sized Enterprises), Horizon 2020 (the EU's research and innovation programme) and the European Structural and Investment Funds.

Source: European Commission (2017), "Green Action Plan for SMEs: Turning environmental challenges into business opportunities", <http://www.switchtogreen.eu/?p=1180>.

Implementation: Green growth plans for SMEs require a budget

To provide a proxy for policy implementation and commitment, the ASPI takes into account whether there is a budget associated with implementing environmental policies around SMEs. Thailand and Singapore have committed money directly from the national budget to implement plans, with Singapore budgeting SGD 1.5 billion (Singapore dollars) to implement the Sustainable Singapore Blueprint 2015 and Thailand budgeting THB 30 million (Thai baht). Malaysia has committed to greening 20% of its public procurement by 2020.

However, most other AMS policies to support green growth are funded by external sources on a project-by-project basis. This is particularly the case in countries without strong green policies in place. Donor funding of projects can play a vital role in kick-starting green growth policies for SMEs and provide a conduit for technical assistance. Examples include the Switch programme in Myanmar, which supports sustainability in the garment manufacturing sector, and the Environmental Management Support Programme in Lao PDR. However, governments should aim to support green growth plans directly from the budget, even if the scope and amount is modest. This helps ensure stability over the long term, and indicates to investors and enterprises that it is a priority.

Another important element of implementation is sector-specific planning. Different economic sectors have different environmental challenges and opportunities. They can also react to different types of incentives and can be reached through different channels. Most AMS, even those without national plans to support SME greening, have some degree of sectoral support. This includes Malaysia, which has specific greening policies for the energy, construction and transportation sectors; the Philippines, whose greening manufacturing roadmap has provisions for the automotive, plastics, pulp and paper, construction, and furniture industries; and Cambodia, which has policies supporting more sustainable manufacturing.

Monitoring and evaluation: Assessment of greening policies is essential

Viet Nam conducts regular monitoring and reporting on the implementation of its greening policies, generally on a biannual basis. Malaysia conducts quarterly monitoring of its policy implementation, and the Singapore Sustainable Blueprint is tracked annually. Other countries struggle with monitoring and evaluation, often lacking regular systems, and none of the AMS conduct regular third-party reviews of the implementation of their greening policies. Monitoring and evaluation of policy implementation is vital, as it helps inform policy makers on what works and does not, whether pilot programs should be scaled up or modified and whether resources are being well spent. As support for greening SMEs in ASEAN increases, policies should be structured with monitoring and evaluation strategies from the outset.

Sub-dimension 2.2: Incentives and instruments for greening SMEs

A wide range of tools are available to governments to support SME greening. Some correlate with support for SME development more broadly, such as access to finance and assistance with entering new markets, while others are specific to environmental concerns, such as regulatory incentives and eco-labelling initiatives. This sub-dimension assesses countries on these incentives and instruments, as well as their progress on implementation and evaluation. Broadly speaking, government support for SMEs falls under two main areas: regulatory features and structures that incentivise SMEs to adopt greener practices, and support schemes and financial incentives that support greener SME practices. With some exceptions, both are still developing in most AMS. However, there is clear interest across the region in trying new approaches for supporting green growth.

Table 5.2. Scores for sub-dimension 2.2: Incentives and instruments for greening SMEs

	BRN	KHM	IDN	LAO	MYS	MMR	PHL	SGP	THA	VNM	Median	SID
Planning and design	1.00	1.66	3.64	2.32	4.66	1.00	3.97	4.66	4.30	4.66	3.81	1.46
Implementation	1.21	1.83	2.86	1.41	5.36	1.00	3.48	5.58	3.90	3.08	2.97	1.56
Monitoring and evaluation	1.00	1.00	1.83	1.00	3.06	1.00	1.83	4.74	1.83	1.83	1.83	1.13
Total sub-dimension score	1.09	1.60	2.92	1.65	4.66	1.00	3.32	5.09	3.63	3.38	3.12	1.37

Note: Scores are on a scale of 1 to 6, with 6 being the highest. Please refer to Chapter 2 and Annex A for further information on the methodology.

Planning and design: Regulatory incentives can encourage SME greening

Environmental regulatory practices in AMS vary widely, with different approaches and degrees of centralisation. AMS face the same challenges in environmental regulation as other countries around the world: how to balance the need for a clean environment with the regulatory burden placed on industry and government. Environmental regulation and enforcement, including the need for environmental impact assessments (EIAs), generally focus on larger enterprises and projects in sectors where environmental impact is likely to result from activity. These sectors include natural resource extraction (mining, forestry and energy); construction; infrastructure development; and other emitting industries such as chemical and garment production. However, regulations are often unevenly applied.

OECD countries have tried to address this challenge by implementing information-based tools and regulatory and economic incentives to encourage SMEs to improve their environmental performance, to comply with regulatory requirements and to adopt broader green practices that go beyond what is required by law. This may involve simplification of regulatory requirements for SMEs through standardised permits or general binding rules for low-risk activities, and requiring operators to notify regulators before they begin an activity. SMEs can be encouraged to establish environmental management systems (EMS) through reduced inspection frequency or enforcement penalties. The burden for both industry and government should also be reduced wherever possible through regulatory co-ordination. As noted under sub-dimension 2.1, there are significant potential benefits for all parties when environmental issues are not kept in a separate silo from the government's other interactions with SMEs.

The Philippines Environment Partnership Programme encourages self-monitoring and self-regulation (Box 5.2). The Philippines has also advanced its regulatory process by moving some environmental certificates and permits online. This supports access for SMEs and reduces the burden on government. Self-reporting and the use of a rule-based system, as opposed to customised permitting, can help to increase environmental performance for SMEs. However, most countries in the region do not have explicit environmental regulatory incentives or, as in Cambodia and Lao PDR, are still in the process of developing their environmental regulatory approach to SMEs.

Box 5.2. An example of good practice: Philippines Environment Partnership Programme

The Philippines Environment Partnership Programme (PEPP) was created in 2003 by the Environmental Management Bureau of the Department of Environment and Natural Resources (DENR-EMB) to support industry self-regulation and reporting while improving environmental performance. It includes incentives and assistance for SMEs to achieve cleaner production standards. The PEPP has two tracks:

- *Track 1* gives recognition and incentives to enterprises that go beyond compliance in their environmental performance. To qualify for Track 1, enterprises need to show they have been consistently environmentally compliant for three years prior to the date of application and that they have gone beyond compliance through actions such as implementing an EMS, undertaking pollution prevention or waste minimisation initiatives, or engaging in community or social responsibility programmes.
- *Track 2* is an assistance programme aimed at industry associations and individual companies, particularly SMEs that are not yet compliant with environmental regulations but that are committed to improving their performance. Successful applicants sign an environment consent agreement, a legally binding accord between the company/industry association and the DENR-EMB that commits the company to:
 - implement environmental management plans within the framework of an environmental management system
 - attain waste reduction targets within an agreed timeframe and agree to means of verification
 - adopt pollution prevention and/or cleaner production
 - provide an environmental performance report to EMB.

Source: DENR-EMB (2017), Philippines Environmental Partnership Program (PEPP): Catalyst for Holistic Environment Partnership, <http://pepp.emb.gov.ph/>.

The ASPI 2018 results show that while regulatory approaches and incentives are still developing, economic incentives are relatively further ahead in the region. Almost all AMS offer some form of financial incentives for greening, including grants, soft loans and tax incentives for businesses investing in green technologies. Thailand, the Philippines, Indonesia, Viet Nam, Singapore and Malaysia have measures specifically to help SMEs access funds for green investments, or provide tax and/or customs waivers for different types of environmentally designated equipment. These are vital for helping SMEs to adopt greener practices and invest in new equipment.

For example, Indonesia's Centre of Forest Development Financing (Pusat P2H) operates under the Ministry of Environment and Forestry. It provides soft loans to micro and small enterprises through a variety of structures, both directly and through intermediaries, and by establishing revenue sharing arrangements. It offers long payback periods (up to 16 years), grace periods and below-market interest rates. However, many of the green finance assistance programmes in AMS do not target SMEs specifically, and SMEs may have trouble accessing programmes that are scaled for larger enterprises. Some of the financial incentives are also funded by donors, which may impact their longevity.

Implementation: Targeting SMEs increases the impact of incentives

AMS governments struggle to show evidence that SMEs are benefiting from regulatory incentives. This is true even in the countries most advanced on this issue: the Philippines and Thailand. Although this may reflect still nascent approaches to results monitoring, it points to the need to target SMEs specifically in regulatory incentives.

There is better evidence of the impact on SMEs of support schemes and financial support, although again countries face challenges. The most advanced AMS in this area are Malaysia, Singapore and Indonesia, which have programmes to support access to green finance that specifically target SMEs. Other countries with green finance support schemes that were potentially accessible to SMEs, such as Viet Nam, have struggled to ensure that SMEs are aware of the available support.

The issue of targeting also impacts support for EMS. Malaysia, Viet Nam and Indonesia, for example, promote ISO 14001 standards for environmental management and provide technical assistance for implementation (in Malaysia assistance is provided specifically for SMEs through SME Corp.). While ISO 14001 is the globally recognised standard for EMS, it is technically difficult, aimed at larger enterprises and expensive for most small enterprises to implement. Thailand also promotes ISO 14001, but has coupled that with support for a more simplified EMS for SMEs that operates on a graduated basis. OECD countries have also adopted this strategy, providing simplified EMS schemes specifically for SMEs, with less onerous requirements or requirements that are graded so that an SME can become progressively greener (OECD, 2018 forthcoming^[5]).

Governments have an important role to play, not just in providing tools to SMEs for becoming greener but also in helping to expand the market for green products in order to help enterprises make a better business case for investing in greener practices. This support can come both directly, through greening public procurement, as well as indirectly, by developing eco-label regimes. For instance, Malaysia mandated in its 11th Malaysia Plan (2016-2020) that 20% of public procurement must meet standards for reducing environmental impact and mitigate the impact of human activities. The plan is supported by complementary programmes that will help SMEs to produce green products and adopt green practices. Support includes capacity building through the MyHIJAU SME & Entrepreneur Development Programme; funding through the Green Technology

Finance Scheme; eco-labelling; and support for the adoption of EMS. Other AMS, including Singapore, Viet Nam and Thailand, have implemented eco-labelling and green certification schemes.

One of the most vital aspects of supporting greener SMEs is providing them with access to information – not just on how they can comply with environmental regulation, but also on how greener practices can have a positive impact on their bottom line and what options exist to help them become more resource efficient. Singapore has a one-stop portal, E2Singapore (Energy Efficient Singapore), which provides information on these issues to enterprises, including SMEs. In the region as a whole, however, significant improvement is necessary. Provision of information aids environmental compliance and helps to ensure that other initiatives, such as regulatory and financial incentives and support schemes, are able to reach SMEs.

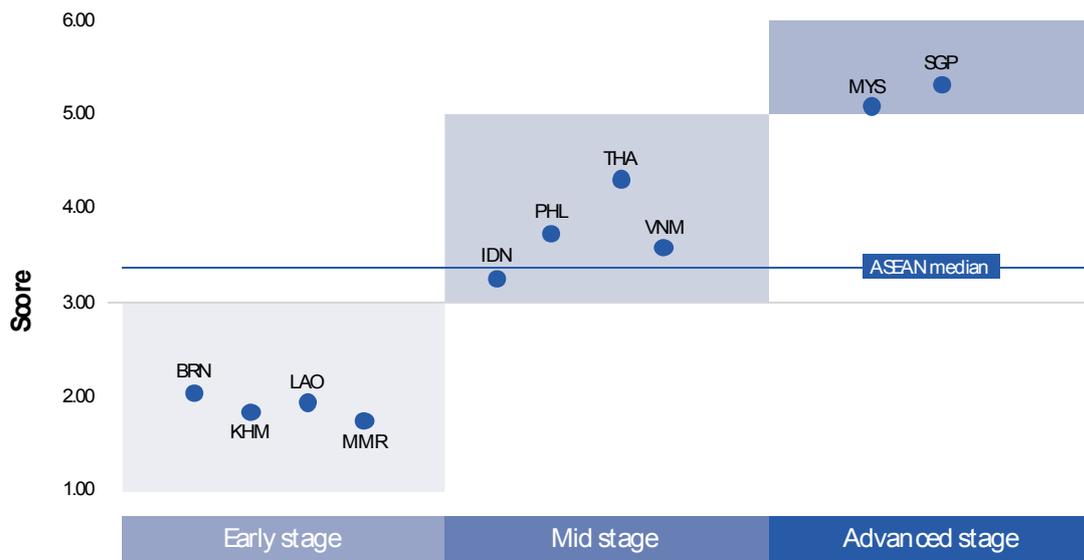
Monitoring and evaluation: Tracking the results of incentives and support is vital

The region needs to improve its approach to monitoring and evaluating the impact of incentives and schemes to support the greening of SMEs. This is a vital step for assessing whether policies are working, for making changes to improve them and for justifying ongoing funding. Although Singapore, Viet Nam and Malaysia all conduct some monitoring, it is most often carried out by the same agencies and ministries that implement the policies. Other AMS do not perform any monitoring or evaluation.

The way forward

Figure 5.3 illustrates the results of the 2018 ASPI assessment for Dimension 2 on the greening of SMEs. It categorises countries into different levels of policy development, based on their weighted average across the two sub-dimensions.

Figure 5.3. Weighted scores for Dimension 2: Environmental policies and SMEs



Note: The graph demonstrates the level of policy development in each AMS indicated by the 2018 ASPI scores. Countries fall into one of three categories and are ordered in this category alphabetically.

For most AMS, support for enterprise greening and environmental policies in general are at an early stage of development. In many AMS, even in some that have a green growth strategy in place and are working to support greener practices for SMEs, coordination between SME development agencies and those agencies supporting the adoption of greener practices could be further enhanced.

However it is also clear that there is a strong interest in most AMS to develop and refine approaches to SME greening. Going forward, policy makers could consider a number of options:

Table 5.3. Policy recommendations to boost the greening of SMEs

Level of policy	Challenges	Policy recommendations
Early stage <i>Cambodia, Myanmar, Brunei Darussalam and Lao PDR</i>	Disconnect between the agencies supporting SMEs and those supporting greener practices	<ul style="list-style-type: none"> • Develop national policies that specifically support the greening of SMEs, as opposed to industry broadly, and that have clear action plans and timelines.
	Lack of awareness about the advantages of greening and mechanisms available	<ul style="list-style-type: none"> • Establish one-window agencies that support SMEs in becoming greener with advice and signposting to available resources.
Mid stage <i>Indonesia, Philippines, Viet Nam and Thailand</i>	Lack of awareness about the advantages of greening and mechanisms available	<ul style="list-style-type: none"> • Develop communication strategies and information tools to reach out to SMEs and help them understand the business case for adopting more energy and resource-efficient practices.
	Monitoring mechanisms are generally already developed, but further evaluation mechanisms are still lacking	<ul style="list-style-type: none"> • Strengthen monitoring and evaluation of the implementation of incentives and support schemes targeting SMEs in order to track their effectiveness and improve them.
Advanced stage <i>Malaysia and Singapore</i>	SMEs might be disadvantaged compared to larger companies in having access to available incentives	<ul style="list-style-type: none"> • Establish environmental regulatory regimes that differentiate between SMEs and larger enterprises, and that take account of the risk level of the activity being pursued, with regulatory incentives for going beyond compliance and with assistance for SMEs to accomplish this.
	Potentially disconnect between the programmes supporting SMEs and those supporting greener practices	<ul style="list-style-type: none"> • Mainstream strategies to support SME greening within the overall approach to supporting SMEs, including technical assistance, access to finance, regulatory incentives and market access.

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