

Task Force 02

SUSTAINABLE CLIMATE ACTION AND INCLUSIVE JUST ENERGY TRANSITIONS

Promoting Women Enterprise Clusters as Agents of Change in a Just Green Transition of G20 Economies

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Abstract

Women enterprise clusters – as a type of community-driven social solidarity enterprise that is socially inclusive and environmentally conscious in its consumption of natural resources – embody LiFE or Lifestyle for Sustainable Development principles and can lead the way towards sustainable consumption and production behavior among the G20 economies. This has been recognized by the International Labour Organization (ILO) and other agencies that promote social solidarity economy. To promote these, in 2023, the UN General Assembly adopted a resolution, finding these types of enterprises to have a strong linkage with all 17 SDGs. India’s G20 Presidency 2023 too advocated for women-owned enterprises and suggested working with MDBs and IFIs to create specialized funds to finance them. The G20 Development Working Group on Inclusive Businesses has been, since much earlier in 2018, finding mention of sustainable and women-led enterprises in its deliberations.

A financial analysis conducted by Development Alternatives in India points to policy and financial gaps that hinder the growth of such enterprises. The existing ESG frameworks are not attuned to these types of businesses and fail to capture their true impact. There is also a lack of convergence with financial models and policies that support women-led enterprise development among rural, agri and forest centric communities which are most vulnerable to climate change, already under or at-risk of multidimensional poverty.

In this context, this Policy Brief proposes recommendations for creating an enabling environment for the women-enterprise clusters to grow and thrive. Through identifying opportunities for linkages with financial and public-private-people partnership models, the recommendations shall also drive collaboration among policymakers, financiers, and

civil society networks to drive sustainable investment into women enterprise clusters towards inclusive economic growth.

Keywords: Policy Reforms, Social Solidarity Economy, Bioeconomy, Women-led Enterprises

Diagnosis of the Issue

In 2015, through the adoption of the Paris Agreement, 196 country Parties committed themselves to the goal of holding the increase in global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above the pre-industrial levels. Up until 2019, the global surface temperature had already *likely* risen to 1.3°C with a best estimate of 1.07°C. The Greenhouse Gases (GHGs) are *likely* to have contributed to a warming of 1.0°C to 2.0°C - counterbalanced to some extent by cooling effects of the other human drivers (particularly aerosol), natural drivers and other internal variability. With global warming *likely* to be on track to reach 1.5°C above the pre-industrial average in the early 2030s, the need for action to curb GHG emissions as a major contributor to global warming is more urgent than ever.

The G20 Group, which not only represents 60 percent of the world's population and contributes 80 percent of the world's Gross Domestic Product (GDP) but also accounts for more than 83 percent of global GHG emissions, recognizes its responsibility to decarbonize with 19 out of its 20 members having pledged to net-zero transition within this century. This is to be achieved through promoting economy-wide decoupling of growth from emissions. And while it is pursued, it is important to ensure that the costs and benefits of this transition are distributed in a just manner. Towards this end, SSE enterprises and especially women enterprise clusters offer an opportunity to drive a just and fair low-carbon transition of the G20 economies while operationalizing Lifestyle for Sustainable Development or LiFE principles.

SSE enterprises refer to forms of economic activities that prioritize social and environmental objectives over profit. These enterprises are based on principles of

voluntary cooperation, depict participatory governance, and are bottom-up through being community-led. Women enterprise clusters are one such form of SSE enterprise that are socially inclusive, economically viable, and environmentally conscious in their consumption of natural resources¹. Especially in developing countries with dominant rural populations and/or heavy dependence upon natural resources, these clusters holistically transit the local micro-economies towards decarbonization while delivering triple-bottom-line benefits². As women commonly face higher risks and greater burdens from the impacts of climate change, the value of SSE enterprises becomes increasingly more relevant. These level the playing field for women's participation in labor markets, climate-action, policy-making, and medium-to-long-term sustainable development.

¹ In an impact assessment conducted between 2021 and 2023 by Development Alternatives, three rural enterprise clusters were found to be sourcing **72%** of their total energy consumption from solar panels. They were generating livelihoods for **160** employees and **889** local artisans/farmers, about **85%** of whom were women and **91%** belonged to SC/ST/OBC and other marginalized groups. About **90%** of the Board was marginalized (by gender, social category or age). Together, these artisans and farmers were earning **182%** more than their income before joining the cluster.

² The term Triple Bottom Line was coined by John Elkington in this research publication in 1994. According to his framework, businesses should measure success based on three pillars: financial, social and environmental. Triple Bottom line of profits, people and planet evaluate projects not just in terms of their financial returns but also in terms of environmental and social benefits.

Despite their advantages, recognition for these clusters' role as agents of change, and subsequently, coherence among cluster promotion policies and financial support mechanisms to enable them to grow and thrive are missing.³ The existing ESG frameworks not attuned to these types of businesses and fail to capture their *true* impact. There is also a lack of convergence with financial models for nature and policies that support women-led enterprise development among rural, agri and forest centric communities which are most vulnerable to climate change, already under or at-risk multidimensional poverty.

³ A financial analysis conducted by Development Alternatives in India, with comparable studies in Amazon and Caribbean by the Green Economy Coalition (GEC) and similar networks, points to as one of the key factors hindering policy and financial support for these enterprise clusters. Most financiers in developing countries still have a financial outlook and fail to see enterprises beyond their profitability for their contribution to the society. Social and impact investors, who seem to be the closest to recognizing these enterprises' impact, fail to invest into these due to lack of standardized evidence of impact across these clusters. In policymaking, this hinders identifying best practices and integrating those within the policy frameworks at local, subnational and national levels.

Recommendations

The G20 Presidency in the past has recognized the need for promoting women-led enterprises. In 2023, the UN General Assembly adopted a resolution to promote a social and solidarity economy, finding it to have a strong linkage with all 17 SDGs. India's G20 Presidency 2023 advocated for promoting ecosystems that support women-owned enterprises and working with MDBs and IFIs to create specialized funds to finance them. The G20 Development Working Group on Inclusive Businesses has been, since much earlier in 2018, witnessing repetitive mention of sustainable and women-led enterprises in its deliberations. Now, through the G20 Presidency 2024, Brazil has a unique opportunity to influence the global narrative towards a just and fair low-carbon transition by positioning a case for a more cohesive and interlinked policy and financial landscape for women enterprise clusters. This aligns with the Brazilian Presidency's agenda of seeking to advance discussions and cooperation on the social and environmental dimension of energy transition, including "turning waste-to-energy into employment opportunities and create a viable market."

The first step is strengthening the eco-social contract between these clusters and the policymakers, regulators, financiers, civil society networks, and media. The business-as-usual is inadequate and does not incentivize sustainable production that is at the same time community-led and inclusive. This needs to change, and the policy and financial landscape must reflect it. The following are proposed for the G20 to facilitate this change among its member countries.

a. Setting a leadership agenda with data streams and mechanisms to support tracking, benchmarking, and monitoring of the triple bottom line impact of the

women-led clusters in both qualitative and quantitative terms. Attuning the ESG framework to recognize the scale and nature of women-led enterprises will be essential for reflecting the multi-layered benefits yielded from such models. To avoid reinventing the wheel, indices from available local frameworks could feed into these global frameworks. One such local framework curated by the Society for Technology and Action for Rural Advancement (TARA), India captures the triple bottom line performance of rural enterprise clusters across 14 indicators representing environmental sustainability, contribution to the local economy, social inclusion and equity. Such framework can be used in multiple ways including as a self-monitoring tool for the enterprises, a decision framework for impact investors and a filtering mechanism for incentivizing inclusive green clusters under policies. This and similar other frameworks could lend to the G20 ammunition to advocate for adopting best practices through interaction within the Energy Transition, Environment and Climate Sustainability, Employment and Women's Empowerment Working Group, the B20 and W20 Engagement Groups as well as with International Labour Organization (ILO), the World Economic Forum (WEF), the UN Inter-Agency Taskforce on Social and Solidarity Economy (UNTFSSSE3) among other international agencies and forums. In G20 countries with a bioeconomy focus, the learnings emerging from the framework could feed into the Bioeconomy Initiative under the Sherpa Track as well.

b. Augmenting financial and market linkages for women enterprise clusters through linking the attuned frameworks to existing certifications and standard systems like Fairtrade and Earthseer. Enterprises after getting validated as green and socially inclusive could be provided with dedicated support under the public procurement

policies, credit guarantees for green businesses, private investments through Fund of Funds etc. The Ecomark Scheme in India is one such government-led certification that validates an eco-friendly product. Through linking it with the Green Credit Programme, the producers could be encouraged to yield carbon credits for the amount of CO₂ emissions saved, water and energy conserved during bulk production. The B20 Engagement Group could anchor advocacy towards it.

c. Enabling policy provisions for grants, subsidies, taxation incentives, and loan schemes for rural enterprise clusters at State and national levels. This includes developing coherence between state and national-level schemes targeted at green transition through women enterprise clusters, which usually run in silos. A bottom-up and top-down policy diffusion shall promote policy optimization in a case where national schemes are not reflective of the local needs and the State scheme lacks macro linkage. Existing policy trackers, like the Green Economy Tracker by the Green Economy Coalition (GEC), could be built upon by the G20 for tracking this.

d. Advocating for inclusion or devising new provisions (if at all needed) for the women enterprise clusters to participate in innovative funding mechanisms to raise capital for adopting clean and green energy solutions for sustainable production. In India, this could be in form of enabling their participation in the Social Stock Exchange that allows the listing of social enterprises on stock exchanges as an alternative fund-raising structure. The G20 Sustainable Finance Working Group would be best placed to identify these mechanisms through dialogues within the Finance Ministers and the Central Bank

Governors, as well as listing out best regulatory provisions that other G20 countries could adopt and replicate. The Network for Greening the Financial System (NGFS) could be a potential partner for such engagements.

e. Endorsing local initiatives and multi-stakeholder partnerships for transference and replication of good practices for impact at scale, including enabling low-carbon transition of those women enterprise clusters that may not yet be sourcing green economy or practicing circular economy principles. This includes creating a Community of Practice (CoP) for women enterprise clusters to engage in innovative dialogue, share past experiences and lessons learned, and in time develop a sense of collective action. This approach, in particular, has been effective in the Latin America and Caribbean (LAC) region. As part of a joint initiative in 2023, CCAP helped launch the Community of Practice on Methane Emissions Reduction from Organic Sources in Latin America and the Caribbean (MetLAC). Comprising over 10 countries across LAC, community members to the CoP were able to strengthen knowledge capacities, advocate for enabling policies, and drive greater investment towards methane reduction. A CoP for women enterprise clusters would accelerate its exposure globally and provide a platform for setting internal goals and a distinctive annual agenda.

Globally, these efforts can be supplemented by recognizing women enterprise clusters' linkage with climate action, as them being agents of resilience building for the community as much as of mitigation. Towards that, the G20 could advocate for the following provisions: -

f. Promoting green exports by the women enterprise clusters through tax incentives and subsidies. The Trade and Investment Working Group under G20 could anchor it with its priority of increasing women's participation in international trade, including capturing best practices in the form of a compendium.

g. In the longer run, devising Nature-based Currencies (NbC) based on the natural capital or the *actual* value of natural resources the women enterprise clusters consume, and integrating that into the financial system could give a systemic nudge to nature-positive investments. This should be reflected in the Women's Empowerment and Sustainable Finance Working Group's proceedings under the Brasil Presidency.

Scenario of Outcomes

The following outcomes are expected to emerge from adoption of the above-mentioned recommendations by the G20 and its various working and engagement groups.

Outcome 1: International engagements lead to a demand pull for promoting women enterprise clusters as agents of change in just green transition of G20 economies

A collective, global advocacy through interactions within the G20 working and engagement groups, as well as with external agencies including but not limited to the ILO, WEF especially the Schwab Foundation for Social Entrepreneurship, the UN Agencies, the NGFS and other bodies comprising Minister of Finance and Central Banks, civil society networks and business associations, will create a demand pull for enabling women enterprise clusters as agents of change in a just green transition of G20 economies. This will incentivize the countries to respond to it with domestic provisions and measures. India, Brasil and South Africa as troika can lead this response from the Global South perspective.

Outcome 2: Women enterprise clusters contribute to SDGs and net zero goals as a result of countries strengthening their policy and financial frameworks

Responding to the international demand pull, considering the G20 member countries adopt the proposed recommendations of this Policy Brief, women enterprise clusters will be empowered enough to contribute to the SDG and net zero targets at a national level as a result of the following suboutcomes,

Suboutcome 2.1 Robust data & evidence nudges policy coherence

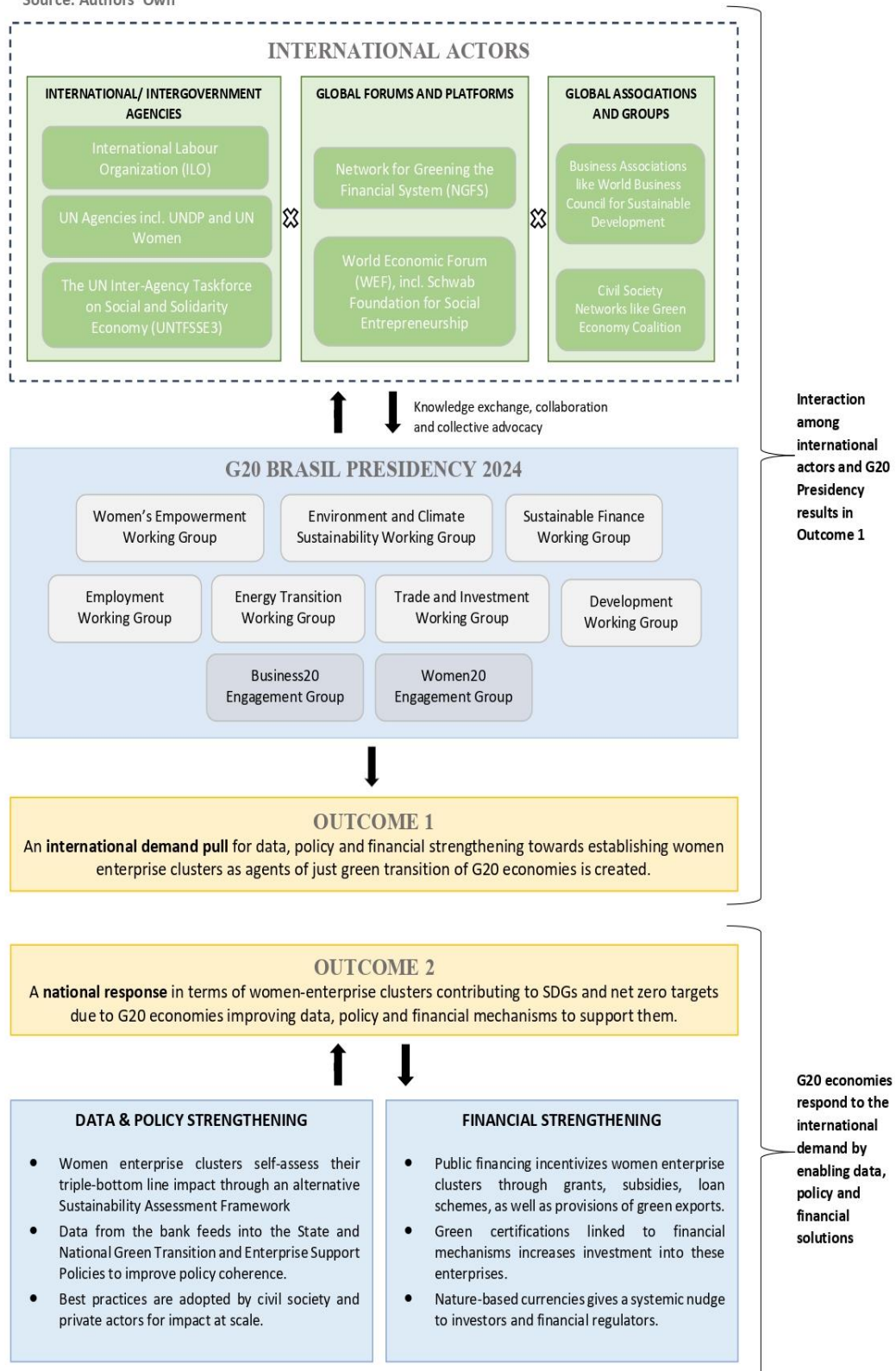
Centre and Centrally Sponsored Schemes by the Ministries of Rural Development, Women Empowerment and Enterprises are best suited for anchoring promotion of women-led enterprises at national levels among the G20 countries. Integrating the attuned frameworks into the policy design and leveraging the existing infrastructure at block, district and State levels for regular monitoring of the women enterprise clusters will provide the government with a rich databank, from which insights and trends could be drawn to support existing and new policies for green transition. The Scheme of Fund for Regeneration of Traditional Industries (SFURTI) by the Ministry of Micro, Small and Medium Enterprises (MoMSME) in India is one such policy example that could benefit from it. This would also nudge better programmatic designs for supporting decarbonization of the existing enterprise clusters.

Suboutcome 2.2 National financing system drives green growth

Public finance incentives in the form of tax subsidies, loans and grants, and private financing mechanisms – especially innovative financing instruments such as carbon credits, fund of funds etc – for women enterprise clusters will support sustainable consumption and production and lead to generation of green jobs, greening of supply chains and overall, green growth of the economy.

Figure 1 illustrates the interaction between both outcomes.

Figure 1: Outcome Framework based on an international demand pull and national response in respect to promoting women enterprise clusters
 Source: Authors' Own



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