International Labour Organization

ILO brief

# Just Transition Policy Brief

November 2025

## What policy mix works for MSMEs

### Key points

- Micro, small and medium-sized enterprises (MSMEs) are essential to a just transition because of their significant role in employment, economic growth and emissions reduction. While MSMEs are positioned to drive local innovation and inclusion, they face significant barriers, including limited access to finance, technology and services, which hinder their shift to greener practices.
- Well-designed policies can enable MSMEs to play a pivotal role in promoting a just transition. Yet a review of MSME policies from 20 countries across regions and income levels reveals important gaps in policy design. Most MSME policies reviewed lack an explicit just transition approach. While 75 per cent of policies include climate or environmental provisions, they do not address the full spectrum of just transition areas. Only a few countries – such as Bulgaria and Montenegro – have adopted a more comprehensive approach.
- Of the nine areas outlined in the ILO Guidelines on Just Transition, enterprise, skills and macroeconomic measures are the most commonly included. Other critical areas to ensure that the shift towards a greener economy is fair, inclusive and socially responsible – especially for workers and MSMEs – such as social protection, occupational safety and health (OSH), social dialogue and labour rights, are almost entirely absent.
- Climate diagnostics and measurable targets are weak or missing, limiting policy effectiveness and accountability in driving sustainable MSME transformation.
- The MSME policies reviewed also tend to lack inclusive targeting. They rarely address the needs of vulnerable groups, such as women or informal workers.
- Governance and coordination gaps remain. There is limited involvement of environment, labour and finance ministries, and little or no consultation with MSMEs, workers and vulnerable groups. This lack of inclusive governance undermines implementation effectiveness and cross-policy coherence.
- Nevertheless, there are some positive trends. Newer policies show increased integration of climate-related concerns. Post-2020 policies – introduced after the adoption of Nationally Determined Contributions (NDCs) – are more likely to include environmental considerations (67 per cent compared with 44 per cent previously). Although NDCs appear to act as catalysts for policy change, alignment between NDCs and MSME policies remains weak. MSME integration into climate policies – including NDCs – is still limited. This limitation risks undermining policy coherence and missing opportunities to advance MSME decarbonization and resilience, support the growth of MSMEs in low-carbon sectors and promote the creation of decent work.
- To fully harness the potential of MSMEs in a just transition, governments must adopt a new generation of MSME policies that are holistic, inclusive and data driven. Such policies should combine social, economic and environmental sustainability with decent work. In practice, this means embedding just transition goals across all phases of the policy process – from diagnostics to implementation – and aligning them with clear and measurable key performance indicators (KPIs).

  MSME policies for a just transition must ensure that no one is left behind, including informal businesses and their workers. They should be grounded in inclusive social dialogue at all stages, engaging governments, social partners and MSME representatives to co-develop context-specific solutions. Strong coordination among key ministries – particularly environment and labour – is essential to ensure policy coherence and effective delivery.

  Finally, NDCs should more fully recognize the critical role and needs of MSMEs in achieving just transition objectives, with improved alignment between climate goals and MSME strategies.

## Introduction

**Climate change poses serious challenges to micro, small and medium-sized enterprises (MSMEs) and their workers, highlighting the urgent need for a just and inclusive transition.** Environmental degradation and climate risks threaten the resilience, productivity and profitability of MSMEs, as well as their capacity to create decent jobs. The ILO's 2015 Guidelines for a Just Transition[1] (hereafter, the ILO Guidelines) and the 2023 Resolution and Conclusions of the International Labour Conference[2] call for a just transition that promotes environmentally sustainable economies in an inclusive manner, creating decent work opportunities, reducing inequality and ensuring that no one is left behind. This requires effective social dialogue, respect for fundamental principles and rights at work (FPRW) and compliance with international labour standards. The 2023 Resolution and Conclusions also emphasize that an enabling environment for sustainable enterprises is critical to ensuring that a just transition delivers decent work and maximizes the benefits of climate and environmental action.

**MSMEs are central to a just transition but continue to face major barriers despite their economic importance, contribution to employment and role in reducing emissions. Addressing these challenges requires integrated, coherent and targeted policies.** MSMEs account for over two thirds of the global workforce and nearly 90 per cent of jobs in many lower-income countries[3]. They also contribute over 50 per cent of gross domestic product (GDP) in most OECD countries and are responsible for about 40 per cent of industrial pollution, commercial waste and greenhouse gas (GHG) emissions[4]. At the same time, 59 per cent of small and medium-sized enterprises (SMEs) globally – and 66 per cent in emerging markets – report being affected by climate change[5]. Informal workers and businesses, which make up 80 per cent of MSMEs, are particularly vulnerable to climate-related disruptions. It is therefore imperative to ensure that MSMEs and their workers both contribute to and benefit from a just transition.

MSMEs can drive a just transition by integrating adaptation and mitigation measures while minimizing negative social consequences. They are positioned to foster local innovation, including circular economy practices, as well as greater inclusion. MSMEs are deeply embedded in their communities and local value chains, allowing them to respond quickly to emerging needs and develop context-specific solutions that meet demand while creating value and local employment. They can benefit from a just transition when supported in adapting to new opportunities and challenges, including gaining access to new markets and financing, thereby improving their competitiveness and creating more and better jobs. MSMEs however face significant barriers, including limited access to services, technology, technical skills and finance. These constraints prevent them from adopting greener practices, adapting to a changing climate, improving productivity and creating decent jobs, ultimately constraining their resilience and sustainability[6].

Without targeted and proactive policies, MSMEs are unable to fully contribute to and benefit from a just transition. As emphasized in the ILO Guidelines, achieving environmental, economic and social sustainability simultaneously, requires a comprehensive framework. This must span multiple areas, including macroeconomic and growth policies, industrial and sectoral strategies, enterprise development, skills development, occupational safety and health (OSH), social protection, active labour market policies, rights at work, social dialogue and tripartism. Formalization of informal enterprises is also key to promoting better environmental practices, recognizing the environmental services they provide and protecting a large segment of the workforce, particularly in developing countries.

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[1] ILO, *Guidelines for a just transition towards environmentally sustainable economies and societies for all*, 2015.

[2] ILO, *Resolution concerning a just transition towards environmentally sustainable economies and societies for all*, International Labour Conference, 111th Session, 2023.

[3] ILO, *Small matters: Global evidence on the contribution to employment by the self-employed, micro-enterprises and SMEs*, 2019.

[4] ILO, *The power of small: Unlocking the potential of SMEs*, 2019. and OECD, *Which SMEs are greening? Cross-country evidence from one million websites*, 2024.

[5] AXA Group and UNEP FI Principles for Sustainable Insurance Initiative, *Business unusual: Why the climate is changing the rules for our cities and SMEs*, 2015.

[6] ILO, *Just transition policy brief: How MSMEs can contribute to and benefit from a just transition*, 2021.

**MSME policies**[7] **can serve as strategic entry points to develop integrated approaches that promote MSME participation in a just transition and ensure coherence across key policy areas.** In response to growing demand from ILO constituents for support in designing or reviewing MSME policies – and for more information on policy instruments that can support a just transition – this brief identifies good practices and offers practical guidance. Based on a review of MSME policy documents from 20 countries across different regions and income groups, the brief examines how governments are addressing the just transition challenges facing MSMEs. It explores differences and similarities in policy approaches and policy mixes with the aim of informing more coherent and sustainable MSME policy development[8].

This brief also responds to practical questions frequently raised by ILO constituents, policymakers and MSME practitioners, such as: What types of MSME policies are currently advancing a just transition? What policy approaches are being used in comparable country contexts? As a contribution to answering these questions, the brief provides guidance on integrating a just transition perspective into MSME policies, offering a reference point for countries developing or updating their MSME policy frameworks.

To assess the extent to which MSMEs are considered in national climate agendas, this policy brief begins by examining how MSMEs are included in Nationally Determined Contributions (NDCs), focusing on references or measures specifically targeting them. It then analyses the presence of provisions related to climate change or environmental sustainability, explores the different policy mixes in MSME policies adopted by each country and assesses how well climate change, employment, labour and social policies work together. The brief also considers the roles of ministries, social partners and other stakeholders responsible for a just transition. Finally, it presents concluding reflections, including key entry points to better integrate just transition objectives into MSME policies.

## Methodology

This review builds on the data collected from a previous analysis of MSMEs policies[9] that focused on the inclusion of decent work in MSME policies in a sample of 20 countries[10]. The countries were selected to represent diverse regions and vary significantly in size, GDP per capita, labour productivity and employment outcomes. Bulgaria and Montenegro were additionally included as benchmarks to supplement the findings and broaden the analysis.

As none of the MSME policies reviewed explicitly referred to a just transition, an experimental research approach was adopted. This involved identifying and examining provisions related to climate change or environmental sustainability and interpreting them from a just transition perspective by categorizing them according to the key policy areas outlined in the ILO Guidelines[11], which provide a policy framework for addressing environmental, economic and social sustainability in an integrated manner. Of the 20 countries reviewed, 15 were selected for in-depth analysis based on the availability of their MSME policies and the inclusion of climate change or environmental sustainability provisions (see table 1).

[7] Standalone documents such as strategic frameworks, targeted action plans or laws for MSMEs are included. In this brief, these documents are collectively referred to as MSME policies, although they encompass a mix of policies targeting both MSMEs and SMEs.

[8] This review builds on data collected from a preceding review of MSME policies that focused on the inclusion of an employment perspective, examining various strategic documents across a sample of 20 countries. The selected countries vary widely in terms of size, GDP per capita, labour productivity, and employment outcomes. Finland and the Republic of Korea are included as reference cases to compare MSME policies in middle- and low-income countries with best practices in OECD countries. Additionally, Bulgaria and Montenegro are included to supplement the findings and provide further insights.

[9] Although this review generally refers to MSME policy frameworks, some countries focus exclusively on SMEs. In most cases, both SME and MSME frameworks address issues related to entrepreneurship.

[10] ILO, *Review of MSMEs Policies with a Focus on Decent Work,* forthcoming.

[11] A limitation of this research is that it examines provisions that may not have been designed specifically to promote a just transition.

### ▶ Box1: The ILO Just Transition Guidelines

The ILO Guidelines for a Just Transition, adopted in 2015 by a tripartite expert body, apply to governments, employers and workers' organizations. Grounded in social dialogue, they are designed to form part of institutional policymaking at all levels, with informed and ongoing engagement of all relevant stakeholders.

Actions to advance a just transition differ according to each stakeholder's role and capacity. Given their central role in job creation, emissions reduction and enhancing resilience, MSMEs must be specifically considered in transition plans.

The Guidelines provide both a policy framework and a practical tool to support a fair and socially inclusive shift to carbon-neutral, climate-resilient economies that create decent work for all. They emphasize social consensus, gender responsiveness and context-specific solutions.

The Guidelines call for policy coherence across economic, environmental, labour and social areas, engaging employers, workers and communities to ensure that no one is left behind in the transition to sustainability.

**Key policy areas to address environmental, economic and social sustainability simultaneously include:**

- Macroeconomic and growth policies
- Industrial and sectoral policies
- Enterprise policies
- Skills development
- Occupational safety and health
- Social protection
- Active labour market policies
- Rights at work
- Social dialogue and tripartism

Source: ILO, *Guidelines for a just transition towards environmentally sustainable economies and societies for all*, 2015.

▶ **Table 1: MSME policies reviewed and inclusion of climate change or environmental sustainability provisions in the sample countries**

| No. | Country | No. of MSME policies | Type of MSME policies | Name of MSME policies | Year of adoption | Mentions climate change / environment | Selected for review |
|---|---|---|---|---|---|---|---|
| 1 | Bangladesh | 1 | Strategy | SME Policy 2019 | 2019 | ✓ | ✓ |
| 2 | Bulgaria | 1 | Strategy | National Strategy for Small and Medium Enterprises 2021-2027 | 2021 | ✓ | ✓ |
| 3 | Colombia | 1 | Law | Law to support Entrepreneurship and MSMEs Development | 2020 | ✓ | ✓ |
| 4 | Costa Rica | 1 | Strategy | National Policy for MSME 2030 | 2020 | ✓ | ✓ |
| 5 | Côte d'Ivoire | 2 | Law | Promotion of Small and Medium Enterprises Law No.2014-140 | 2014 | | |
| | | | Action Plan | Strategic Action Plan 2021-2023 | 2021 | | |
| 6 | Egypt | 2 | Law | Micro, Small and Medium Enterprises Development Law No. 152 of 2020 | 2020 | | |
| | | | Action Plan | Enhancing SME Competitiveness and Exports in the 21st Century | 2004 | | |
| 7 | Finland | 1 | Strategy | Strategic Action Plan to Promote Entrepreneurship 2018 | 2018 | ✓ | ✓ |
| 8 | Georgia | 1 | Strategy | SME Development Strategy 2021-2025 | 2021 | ✓ | ✓ |
| 9 | Indonesia | 1 | Law | Law No.20/2008 on Micro, Small and Medium-sized Enterprises | 2008 | ✓ | ✓ |
| 10 | Kenya | 1 | Strategy | Policy for Promoting Micro and Small Enterprises (MSEs) for Wealth and Employment Creation | 2020 | ✓ | ✓ |
| 11 | Mexico | 1 | Law | Law 20-10-23, for the Development of the Competitiveness of MSMEs | 2023 | | |
| 12 | Montenegro | 1 | Strategy | Development Strategy of Micro, Small and Medium-Sized Enterprises 2023-2026 | 2023 | ✓ | ✓ |
| 13 | Morocco | 1 | Law | SME Law | 2002 | | |
| 14 | Pakistan | 1 | Strategy | SME Policy 2021 | 2021 | ✓ | ✓ |
| 15 | Philippines | 2 | Law | Magna Carta for MSMEs | 2008 | | |
| | | | Strategy | Micro, Small and Medium Enterprise (MSME) Development Plan 2023-2028 | 2024 | ✓ | ✓ |
| 16 | Republic of Korea | 2 | Law | Framework Act on Small and Medium Enterprises | 2014 | | |
| | | | Strategy | Comprehensive Plan for Fostering Small and Medium Enterprises 2023-2025 | 2023 | ✓ | ✓ |
| 17 | Rwanda | 1 | Strategy | Entrepreneurship Development Policy 2020 | 2020 | | |
| 18 | Türkiye | 1 | Action Plan | KOSGEB Strategic Plan 2016-2020 | 2015 | ✓ | ✓ |
| 19 | Ukraine | 1 | Strategy | Strategy for the Recovery, Sustainable Development and Digital Transformation of SMEs (2027) | 2024 | ✓ | ✓ |
| 20 | Zambia | 1 | Strategy | Revised National Micro Small and Medium Enterprise Development Policy 2023 | 2023 | ✓ | ✓ |

## Are MSMEs being counted in national climate agendas?

**Nationally Determined Contributions offer insight into how MSMEs and just transition objectives are reflected in national climate agendas.** Nationally Determined Contributions (NDCs) [12] are countries' national climate pledges under the Paris Agreement[13], outlining how they plan to contribute to the global goal of limiting temperature increases to 1.5 °C, adapt to climate impacts, and ensure adequate financing. They typically set short- to medium-term targets, include both adaptation and mitigation actions, and are required to be updated every five years [14] . NDCs represent politically endorsed commitments by countries.

**NDCs are critical for MSMEs and their workers because they define national climate strategies that directly influence economic policies, investment flows, and support mechanisms[15].** MSMEs, which account for the majority of employment and business activity, are particularly vulnerable to climate-related disruptions and transition risks. By integrating MSMEs into NDCs, governments can ensure that these enterprises are equipped to adapt, access green technologies and finance, and seize new market opportunities, while protecting jobs, promoting decent work, and enabling inclusive, sustainable development. Reviewing the NDCs of selected countries therefore provides valuable insight into the extent to which MSMEs and just transition objectives are considered at the policy level in the context of addressing climate change.

**Most of the 20 reviewed countries reference either "just transition" or MSMEs in their NDCs, but none explicitly link the two**. All countries reviewed have submitted NDCs. Among them, 13 countries – Bulgaria, Costa Rica, Côte d'Ivoire, Finland, Indonesia, Kenya, Mexico, Montenegro, Pakistan, the Philippines, the Republic of Korea, Türkiye and Ukraine – make reference to "just transition" in their NDCs. Only five countries - Bangladesh, Egypt, Indonesia, Kenya and Pakistan - mention MSMEs [16] (see table 2). However, none of these countries explicitly connect MSMEs to the provisions in which just transition is mentioned.

**The context in which MSMEs are mentioned in NDCs varies across countries.** In **Bangladesh**, MSME-focused initiatives include a financial protection and productivity enhancement programme under the Mujib Climate Prosperity Plan, as well as the National Action Plan for Clean Cooking 2020–2030, which aims to remove barriers to finance by facilitating access to capital for SMEs. In **Egypt**, provisions have been established to strengthen electrical and thermal energy efficiency within SMEs. The NDC also includes measures to support green entrepreneurship by facilitating access to business incubators and accelerators. **Indonesia** integrates SMEs into emissions reduction efforts in the land-use sector, particularly through social forestry initiatives that encourage active participation from a range of stakeholders, including SMEs. **Kenya**'s strategy includes financing start-up services and capacity-building programmes to promote gender-responsive technologies and innovation. These initiatives form part of a prioritized adaptation programme focusing on gender, youth and other vulnerable groups. In **Pakistan,** SMEs and entrepreneurs are actively involved in promoting gender equality and engaging youth and volunteers. For example, the Green Stimulus Package has created employment opportunities, including for women, in areas such as establishing nurseries, orchards, agroforestry, fisheries, horticulture, eco-tourism, wildlife management, and SME development through forestry operations and protected area management. Additionally, the Ministry of Climate Change (MoCC) encourages youth groups to participate in and benefit from Pakistan's adaptation and mitigation goals, particularly by creating job opportunities, fostering entrepreneurship, and supporting start-ups.

**In summary, the review indicates limited integration of MSMEs into NDCs, highlighting the need for further efforts in this regard.** Only one quarter of the countries reviewed (5 out of 20) mention MSMEs in their NDCs. Even in these cases, the references lack overarching or comprehensive objectives and provisions for MSMEs. Except for Pakistan, there is no explicit link to employment or decent work objectives. This suggests that the integration of MSMEs into national climate policies remains

[12] UNDP, *What are NDCs and how do they drive climate action?*, 2023.

[13] A legally binding international treaty on climate change adopted in 2015

[14] Each update is required to be more ambitious based on each country's capabilities and capacities.

[15] ILO, *Unlocking more and better jobs: Integrating sustainable enterprises for a just transition in Nationally Determined Contributions*, 2025.

[16] Including entrepreneurs

limited and requires additional attention. Strengthening this integration is particularly important because evidence indicates that referencing MSMEs in strategic documents, such as NDCs, can positively influence the inclusion of climate change considerations in MSME policies.

▶ **Table 2: Inclusion of just transition and MSMEs/entrepreneurs in NDCs**

| No. | Country | NDC | Year of submission | Inclusion of just transition | Inclusion of MSMEs/ entrepreneurs |
|---|---|---|---|---|---|
| 1 | Bangladesh | 1 | 2021 | | 1 |
| 2 | Bulgaria | 1 | 2023 | 1 | |
| 3 | Colombia | 1 | 2020 | | |
| 4 | Costa Rica | 1 | 2020 | 1 | |
| 5 | Côte d'Ivoire | 1 | 2022 | 1 | |
| 6 | Egypt | 1 | 2023 | | 1 |
| 7 | Finland | 1 | 2023 | 1 | |
| 8 | Georgia | 1 | 2021 | | |
| 9 | Indonesia | 1 | 2022 | 1 | 1 |
| 10 | Kenya | 1 | 2020 | 1 | 1 |
| 11 | Mexico | 1 | 2022 | 1 | |
| 12 | Montenegro | 1 | 2025 | 1 | |
| 13 | Morocco | 1 | 2021 | | |
| 14 | Pakistan | 1 | 2021 | 1 | 1 |
| 15 | Philippines | 1 | 2021 | 1 | |
| 16 | Republic of Korea | 1 | 2021 | 1 | |
| 17 | Rwanda | 1 | 2020 | | |
| 18 | Türkiye | 1 | 2023 | 1 | |
| 19 | Ukraine | 1 | 2021 | 1 | |
| 20 | Zambia | 1 | 2025 | | |
| **Total** | | **20** | | **13** | **5** |

Source: Based of author's review; UN Climate Change. n.d. "Nationally Determined Contributions Registry"

## Just transition in MSME policies: an unfinished business

**Three quarters of the MSME policy documents reviewed (see table 1) address climate change, and evidence suggests that the inclusion of climate-related provisions in MSME policies has increased since 2020, following the submission of NDCs.** For the sample countries, all NDCs were submitted between 2020 and 2025. Fewer than half of the nine MSME policies adopted before 2020 include provisions on climate change or environmental sustainability. In contrast, approximately two thirds of MSME policies adopted after 2020 incorporated such considerations (see figure 1). This shift suggests that the inclusion of climate and environmental factors in MSME policies began to increase after 2020, when countries were requested to submit their first round of NDCs[17].

**The review indicates that none of the MSME policies explicitly refer to a just transition.** Instead, they address broader concepts, such as climate change or environmental sustainability. As provisions related to climate change or environmental sustainability appear in various sections of MSME policies for different purposes, the findings have been grouped into five categories: diagnostics, policy objectives, cross-cutting issues, key performance indicators (KPIs) and policy interventions.

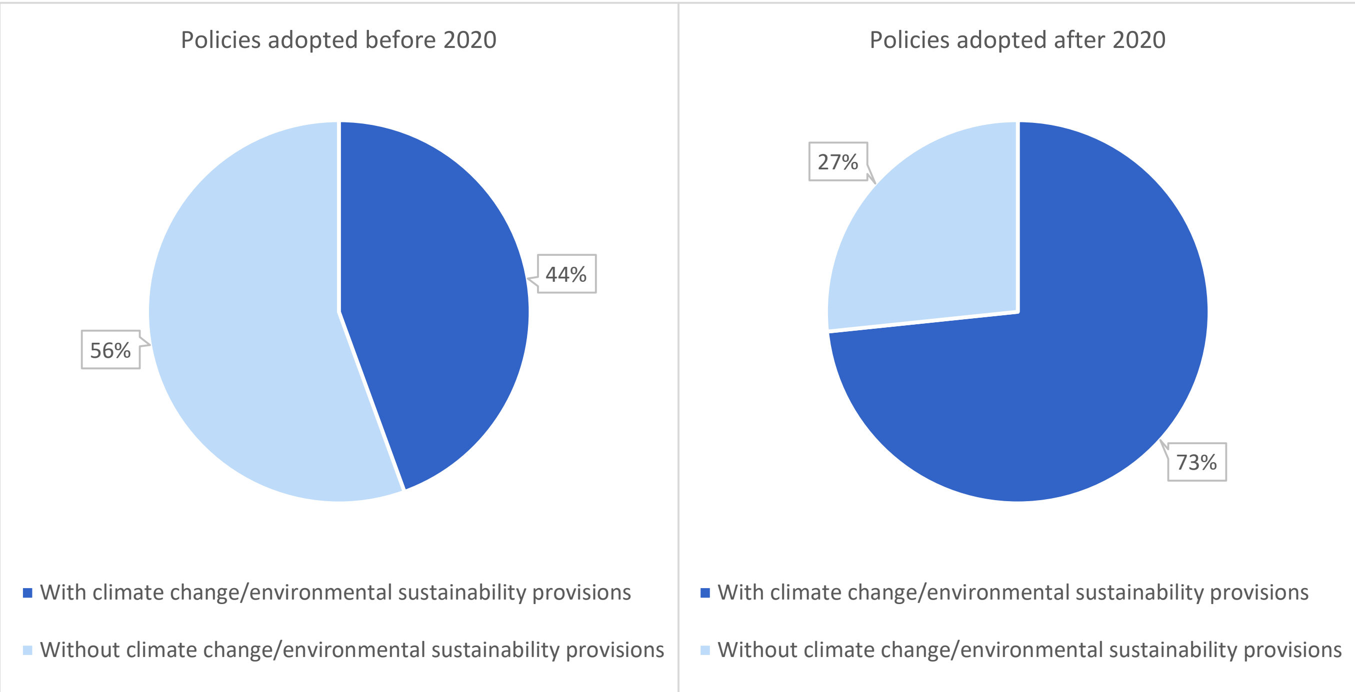
### Policy diagnostics

**MSME policy diagnostics pay limited attention to climate change or environmental sustainability issues.** Most MSME policies are based on country-specific analyses of the scope, nature and causes of challenges faced by MSMEs. Incorporating a climate change or environmental sustainability lens at this early stage is vital, as this analysis forms the foundation for subsequent policy recommendations. Yet less than one third of the reviewed

[17] UNFCCC, "Nationally Determined Contributions (NDCs)".

countries (four out of 15)[18] address climate change or environmental sustainability issues in the diagnostic section. In **Bulgaria**, the National Strategy for Small and Medium Enterprises 2021–2027 includes an analysis of SMEs in relation to environmental trends, such as the European Green Deal,[19] and a preliminary SWOT analysis considering the transition to a circular economy. The policy recognizes this transition as an opportunity to implement sustainable, job-creating activities in SMEs that positively impact society and the environment. **Georgia**'s SME Development Strategy 2021–2025 includes a situational analysis highlighting key strategic policies, such as the Green Growth Concept, Strategy and Action Plan for 2021–2025, while outlining the opportunities and challenges SMEs face in contributing to a green economy. Additionally, Georgia's Ecotourism Strategy 2021–2031 elaborates on the potential of ecotourism. **Kenya**'s Micro and Small Enterprises Policy for Promoting Micro and Small Enterprises (MSEs) for Wealth and Employment Creation includes a SWOT analysis of the MSE sector, identifying climate change-related risks as one of the threats. In **Montenegro**, the Development Strategy of Micro, Small and Medium-Sized Enterprises 2023–2026 outlines its alignment with key national strategies, such as the National Circular Transition Strategy until 2030, and EU-level frameworks, including the European Green Deal and the Green Agenda for the Western Balkans. The strategy also includes a brief fact sheet comparing Montenegro's progress in the green transition with that of EU member states, such as Hungary and Estonia. In addition, the SWOT analysis in the diagnostic section addresses the transition towards a green economy.

▶ **Figure 1: Year of MSME policies adoption and inclusion of climate change/environmental sustainability provisions**




Source: Based on the MSME policies listed in table 1

[18] As laws typically do not include diagnostic sections, this section focuses solely on MSME policies and targeted action plans.

[19] European Commission, "The European Green Deal, 2019".

The inclusion of climate change or environmental sustainability in the diagnostic section of MSME policies varies in scope and depth. For example, Kenya's reference is brief and limited to the SWOT analysis table, whereas Bulgaria, Georgia and Montenegro provide more detailed analyses. In Bulgaria, the transition to a circular economy is viewed as an opportunity for job-creating activities. Unsurprisingly, these four countries also rank highly in terms of integration of climate change measures in their policies (see table 3). All four countries that mention climate change or environmental sustainability issues in the diagnostic section also include policy objectives related to these areas. Kenya additionally considers climate change or environmental sustainability as a cross-cutting issue. Three countries – Bulgaria, Kenya and Montenegro – establish KPIs related to these areas. While Kenya includes only one policy measure, Bulgaria, Georgia and Montenegro include five, three and four policy interventions, respectively, focusing on climate change or environmental sustainability.

## Policy objectives, cross-cutting issues, and KPIs

**Climate change or environmental sustainability issues do not feature in the vision or overall goals of any MSME policy; yet three fifths of the countries reviewed include them as part of their strategic objectives, reflecting each country's distinct approach to integrating these issues into their MSME agenda.** Defining a clear vision is a critical step in policymaking, as it outlines the overall direction, values and principles that will guide the process and defines what is to be achieved through policy implementation. However, no policies specifically state that they aim to pursue a just transition in their vision or overall goals. While policy visions provide fundamental guidance and articulate ultimate goals, policy objectives identify the key elements needed to achieve them. The review shows that nine out of the 15 target countries include climate change or environmental sustainability elements within their policy objectives.

One of the objectives outlined in the SME Policy 2019 (**Bangladesh**) is to identify the contributions of key sectors to building a sustainable and environmentally friendly SME sector, along with strategies for implementing related policies. **Bulgaria**'s National Strategy for Small and Medium Enterprises 2021–2027 aligns with the priorities of the European Green Deal, the EU Circular Economy Action Plan[20], and other relevant European and national strategic documents. The strategy identifies the environment as a key impact area, with specific strategic objectives including: (i) improving resource efficiency, energy intensity and the use of renewable energy to achieve climate neutrality by 2050; (ii) enhancing environmental performance and promoting the production of green products with the EU Ecolabel; (iii) strengthening integration into European value chains in the context of the circular economy; (iv) promoting the application of the circular economy models; and (v) using the transition to a circular economy as an opportunity for growth, investment and exports. In **Costa Rica**, the National Policy for MSMEs 2030 aims to promote changes in production processes and the use of natural resources, with the goal of minimizing environmental damage. **Finland**'s Strategic Action Plan for the Promotion of Entrepreneurship (2018) addresses climate change in the context of emerging regulatory needs and other development trends but does not include any policy interventions. **Georgia** identifies the promotion of a green economy for SMEs as one of its main priority areas. **Kenya** addresses cross-cutting and emerging issues affecting MSEs as a key policy objective, with specific measures supporting environmentally friendly business practices in MSE activities. **Montenegro** sets the transition of MSMEs to sustainable green businesses as an operational goal to support the broader strategic aim of enhancing MSME transformation and competitiveness. The **Republic of Korea**, in its Comprehensive Plan for Fostering Small and Medium Enterprises 2023–2025, includes achieving neutrality in line with global trends and standards as a key objective. **Ukraine**, in its Strategy for the Recovery of Small and Medium Enterprises (SMEs) until 2027, includes the green transition - alongside innovation, and transformation - as a strategic goal.

**Only five countries (33 per cent of the total) recognize climate change or environmental sustainability as a cross-cutting issue or guiding principle.** Integrating climate change or environmental sustainability as a cross-cutting issue and/or guiding principle can ensure it is considered across all aspects of a policy. By incorporating these issues into every element of a policy, countries can develop more comprehensive and holistic solutions that

[20] European Commission, "[Circular Economy](#)",

address the root causes of challenges rather than just their symptoms.

**Costa Rica** has adopted sustainability as one of its guiding principles, promoting the protection and use of productive natural resources while complementing this vision with a focus on social, economic and cultural development. **Indonesia**, in Law No. 20/2008 on Micro, Small and Medium-sized Enterprises, includes environmentally friendly practices as one of the core principles for MSMEs. In **Kenya**, environmentally friendly business practices in MSE activities are considered a cross-cutting and emerging issue. The **Philippines**, in its Micro, Small and Medium Enterprise (MSME) Development Plan 2023–2028, intends to promote the circular economy and green growth as a cross-cutting strategy aimed at fostering a sustainable economic model through resource efficiency and environmentally sustainable development. **Zambia**'s Revised National Micro, Small and Medium Enterprise Development Policy 2023 includes climate change as a cross-cutting issue but does not set any policy interventions.

**Setting KPIs or quantifiable targets on climate change occurs in 40 per cent of MSME strategies.** KPIs are an important complement to climate- or environment-friendly policy visions, objectives, and cross-cutting issues. While policy visions or goals offer broad statements of intent, KPIs provide specific and measurable public commitments on what needs to be achieved in the area of climate change or environmental sustainability by the end of the implementation period. They are also essential for monitoring progress and ensuring accountability. Six countries (40 per cent of the total) have set KPIs related to climate change or environmental sustainability.

**Bulgaria** has KPIs with baselines and targets for 2024 and 2027, relating to measures and actions that contribute to environmental impact. In **Costa Rica**, KPIs with baselines and annual targets are set for strategic actions aimed at promoting changes in production processes and the extraction and use of natural resources, with the goal of minimising environmental damage. **Kenya** includes KPIs for activities promoting environmentally friendly business practices in MSE operations. In **Montenegro**, KPIs are established for the number of SMEs operating in the green economy, with baselines and targets for 2024 and 2026. **Türkiye** has KPIs related to support programmes focused on eco-entrepreneurship, energy efficiency, and environmental protection. **Ukraine** has an overall KPI for the successful implementation of the operational objective of stimulating the green transition - measured by the share of recycled waste - as well as specific KPIs for each activity under this objective, with corresponding timeframes and expected outputs.

With the exception of Türkiye, all countries that include climate change or environmental sustainability in their policy objectives also set relevant KPIs. This suggests that KPIs are typically developed alongside policy objectives.

## Policy interventions

**The review of policy measures shows that roughly half of the target countries consider macroeconomic policies essential for the transition to an environmentally sustainable economy. However, these measures focus solely on environmental objectives, with no integration of social protection or employment measures to support a just transition.** How countries manage their monetary, exchange rate, fiscal, and financial policies – that is, their macroeconomic policy choices – is decisive for achieving just transition outcomes and predetermines the available fiscal space for just transition policies. More generally, a just transition cannot be achieved through a few interventions “on the side” or secondary to growth objectives; it must be explicitly pursued and placed at the core of countries’ development models. In this context, policy interventions – including fiscal, financial, public procurement, and investment policies, business regulations, and fair competition frameworks – need to take into account just transition objectives and support green industries and businesses.

While all target countries include general interventions related to macroeconomic and growth policies, slightly less than half (Bulgaria, Colombia, Georgia, Montenegro, the Philippines, the Republic of Korea, and Ukraine) include provisions related to climate change or environmental sustainability within this category. **Bulgaria** intends to improve the strategic, political, and fiscal framework for the transition to a circular economy, strengthen compliance with existing environmental legislation, promote green public procurement, and improve the financial sector’s understanding of circular business models and related financial features. In **Colombia**, the government aims to establish regulations for each ministry and administrative sector to create a special monitoring and control environment that supports business models aligned with a high value-added and sustainable economy. This includes fostering technology-intensive activities, innovation, the sustainable use of natural resources, and efforts to mitigate climate change. **Georgia** aspires to accelerate the development of a green growth strategy, establish a green financing mechanism, and strengthen the legislative framework - including in the area of energy efficiency - to promote the participation of SMEs in the green economy.

**Montenegro** has identified policy interventions including the development of a climate finance strategy and a climate project evaluation methodology, financial support for the green transition of MSMEs, promotion of circular economy practices through public procurement, improvements in selective waste collection through the establishment of an extended producer responsibility system, and adoption of the Law on Waste Management. In the **Philippines**, the Bangko Sentral ng Pilipinas' [21] Philippine Sustainable Finance Roadmap and Sustainable Financing Guiding Principles aim to enhance MSMEs' access to climate finance, enabling investments in green technologies and practices. Additionally, initiatives such as the Pinyapel Initiative and Green Lanes for Strategic Investments help MSMEs gain a competitive edge by attracting eco-conscious consumers and investors, while ensuring long-term viability through resource-efficient and sustainable growth. In the **Republic of Korea**, SMEs are supported in their transition to low-carbon processes through financial assistance for carbon-reduction technologies, as well as loans, research and development funding, and consulting services to strengthen carbon neutrality efforts in response to global regulations, such as the EU Carbon Border Adjustment Mechanism (CBAM). **Ukraine** has introduced several finance-related interventions, including the development of a green bond market focused on renewable energy and alternative gas fuels, as well as preferential lending for companies that comply with the EU Green Taxonomy or the relevant national framework.

Among macroeconomic tools, the most frequently used is the promotion and acceleration of financing for green business practices and technologies (Bulgaria, Georgia, Montenegro, the Philippines, the Republic of Korea, and Ukraine), while four countries (Bulgaria, Colombia, Georgia, and Montenegro) have adopted regulatory measures to promote environmental protection, mitigate climate impact, or improve energy efficiency. In contrast, only two countries – Bulgaria and Montenegro – recognize public procurement as a key driver in the transition towards a green and circular economy, while also promoting social inclusion by ensuring MSME participation. Notably, Colombia and Montenegro are the only two countries that provide effective monitoring and evaluation of policy impacts to ensure alignment between intended goals and actual outcomes. Only the Philippines uses investment policies to promote green technologies, while no country has adopted trade policies to encourage a green transition.

Overall, all efforts remain focused on environmental objectives, with no attempt to align them with social or employment objectives. For example, none of the macroeconomic policies reviewed include measures to use public revenue for social protection or active labour market policies to promote job creation, protect workers in case of job loss or displacement, or help them adapt to environmental sustainability policies.

**In addition to a favourable macroeconomic environment, industrial and sectoral policies play a key role in recalibrating developing countries' economic structures and transforming specific industries, thereby significantly influencing climate change and environmental sustainability. Yet, there is relatively little reference to industrial and sectoral policies in the documents reviewed.** Industrial and sectoral policies encompass a wide range of interventions, such as providing basic infrastructure and intermediate goods, promoting technologies, developing value chains or clusters, ensuring access to national and international markets, enhancing linkages between SMEs and large companies, and supporting the development of special economic zones. Although all target countries – except Colombia and Finland – have general interventions that fall under this policy area, only four countries (Bangladesh, Bulgaria, Georgia, and Montenegro) include climate change- or environmental-friendly industrial and sectoral policy measures.

**Bangladesh**'s policy includes measures to connect SMEs with large industries in industrial waste management and recycling, encourage the use of environmentally friendly industrial technologies, and support the development of SME-led waste recycling businesses. In **Bulgaria**, interventions support SME participation in the EU's strategic value chains. These efforts include promoting circular business models, reducing and replacing the use of plastics in production processes, enabling bioeconomy-focused SMEs to access markets and develop bio-based products, and modernising the regulatory framework for

[21] The Central Bank of the Philippines

biotechnologies and genetic resources. **Georgia** focuses on developing ecotourism, with actions such as formulating a national vision and strategy, developing ecotourism infrastructure, and expanding the number of protected areas. **Montenegro** plans to support climate-sustainable projects in renewable energy, energy efficiency, transport, resource use, and waste management.

Montenegro, Bulgaria, Bangladesh, and Georgia have identified priority industries – such as industrial waste management and recycling, bioeconomy, ecotourism, energy, or transport – as important for advancing environmental sustainability. However, the policy interventions remain fairly general and lack concrete details. For example, there is limited guidance on facilitating market access to sustainably sourced products, boosting demand, encouraging investment, or supporting the development of green markets. Another limitation is the absence of explicit links to decent work objectives. In particular, there is no mention of leveraging social dialogue to build consensus or ensuring coherence between economic, social, and environmental objectives. In addition, the policies reviewed do not include accompanying and complementary measures – such as social protection, formalization strategies, or labour policies – that are essential to supporting workers within the targeted sectors, particularly those most likely to be adversely affected by the impacts of the transition.

**Enterprise policies are essential to ensure that MSMEs engage in climate action while simultaneously pursuing social, economic, and decent work objectives. Unsurprisingly, fostering an enabling environment for the greening of economies is the most common measure across all MSME policies.** Enterprise policies typically encompass a wide range of interventions, from advisory and business services for MSMEs (particularly youth- and women-led enterprises) and entrepreneurship support programmes, to business regulations, governance, innovation, and research and development. All target countries – except Finland – have included enterprise policy interventions that address climate change or environmental sustainability. To achieve strategic goals such as fostering environmentally friendly SME industries and improving industrial waste management, **Bangladesh** plans to introduce awareness-raising programmes, promote environmentally friendly SME management practices, and develop an SME database. In **Bulgaria**, measures have been introduced to improve energy and resource efficiency, increase renewable energy use, support environmental management certification, and promote green products. This includes expanding networks of energy and resource auditors, assisting SMEs in the EU Eco-Management and Audit Scheme (EMAS) and the International Organization for Standardization (ISO) registrations, and encouraging the adoption of EU Ecolabel certification and circular design practices. Furthermore, Bulgaria has measures to enhance SMEs' transition toward a circular and low-carbon economy, including enhancing producer responsibility, introducing circular business models, strengthening waste management and recycling, promoting sustainable resource use, and launching a pilot project on industrial symbiosis.

In **Colombia**, agricultural MSMEs whose production initiatives focus on food safety, technical improvement, productive sustainability, and water management – or whose activities generate positive ecological and environmental impacts – receive special training, business acceleration programmes, and a seal of recognition to enhance product branding. Other support measures encourage business activities that use natural resources sustainably, adhere to environmental standards, reduce greenhouse gas emissions, and enhance territories' capacity to mitigate and adapt to climate change. The government also promotes green entrepreneurship. **Costa Rica**'s national entrepreneurship policy includes sustainable production as a core principle, integrating the protection and sustainable use of natural resources with social, economic, and cultural development. Strategic actions for enhancing innovation and reducing technological gaps include public-private partnerships to encourage green practices, boost green job creation, enhance business eco-competitiveness, and support the adoption and certification of environmental management systems. In **Georgia**, efforts to popularize eco-innovation and raise SME awareness about environmental protection are introduced to promote SME participation in the green economy. Other initiatives include promoting responsible business conduct through awareness-raising among SMEs, business associations, and state institutions to improve SME competitiveness by supporting the development of entrepreneurial skills and culture. **Indonesia** has introduced incentives for MSMEs to develop technology and preserve the environment. The government also plans to provide incentives to large enterprises that partner with MSMEs to use technology effectively and sustainably. **Kenya**'s policy interventions promote environmentally friendly business practices among MSEs to address emerging sectoral challenges. **Montenegro**'s policies include advisory support for green transformation, programmes to promote the circular economy, and the development of tools to help MSMEs adopt circular business models. The government also plans promotional activities to highlight the benefits of applying circular economy principles. **Pakistan** aims to create a network of companies offering off-grid clean energy solutions and supports SMEs by negotiating affordable rates and providing necessary information, as outlined in the SME Policy 2021. The **Philippines** focuses on supporting MSMEs to manage risks and adopt flexible business models through strategies such as the Strengthening Disaster Resilience Initiative (SDRI), which provides Business Continuity Planning (BCP) to ensure sustainability and resilience. It also helps SMEs maintain operations, seize new opportunities, and build long-term trust and stability with customers and partners by protecting them from market fluctuations and unforeseen events. The **Republic of Korea** supports SMEs in transitioning to low-carbon processes through consulting services and market research. To ensure SMEs' perspectives are reflected in the Carbon Neutrality and Green Growth Master Plan for achieving 2050 carbon neutrality and green growth, inter-agency collaboration is being initiated and strengthened. **Türkiye**'s KOSGEB (Small and Medium Enterprises Development Organization) Strategic Plan 2016–2020 includes developing a code of practice for environmentally friendly entrepreneurship, aiming to increase the participation of women, people with disabilities, and young entrepreneurs in social and economic activities.

**Ukraine** plans to develop and implement an online tool enabling SMEs to self-assess their carbon footprint, launch a programme for professional energy audits, and provide support for improving SME energy efficiency. Awareness-raising campaigns for SMEs are also planned to promote the green transition, including introducing international reporting standards to stimulate this shift.

Findings show that policy measures supporting SMEs in their transition primarily focus on raising awareness of environmental sustainability and responsible business conduct to foster a culture of eco-entrepreneurship (Bangladesh, Georgia, Kenya, Montenegro, and Ukraine); providing incentives for adopting environmentally friendly technologies and practices (Bulgaria, Costa Rica, Indonesia, Montenegro); supporting certification, audits, or adherence to environmental standards (Bulgaria, Colombia, Costa Rica, Ukraine); and delivering consulting, advisory services, and support programmes to SMEs (Montenegro, the Republic of Korea, Ukraine). Surprisingly, only the Philippines' policy includes interventions to enhance business resilience. Contrary to macroeconomic and sectoral policy interventions, enterprise support policies contain a few elements of a just transition approach, though still at a very preliminary stage. Costa Rica is the only country that mentions job creation, while both Colombia and Türkiye promote green entrepreneurship. Türkiye introduces a code of conduct to encourage participation by specific social groups – such as women, people with disabilities, and young entrepreneurs – in social and economic activities. Georgia considers skills training. However, policies remain silent on other important aspects of a just transition, such as developing programmes for sectors with a significant proportion of informal enterprises and workers, or providing support measures for workers affected by transitioning to environmentally sound practices. None of the policies consider workplace cooperation or fostering a culture of dialogue at the enterprise level to create green and sustainable businesses and adapt to change.

**Skills policies are essential for a just transition: without a skilled workforce, green sectors cannot grow, and the desired effects on green jobs cannot materialize. Over half of the countries reviewed consider skills development for a green transition.** Skills policies encompass facilitating the alignment of skills supply and demand, anticipating future skills needs, offering courses for workers and entrepreneurs – including soft skills and management training – providing short- to long-term upskilling and reskilling programmes, on-the-job training, skills for green entrepreneurship, and technical and vocational education and training (TVET).

While all target countries, except Zambia, include general skills policies, only about half (Bangladesh, Bulgaria, Colombia, Costa Rica, Montenegro, the Philippines, Türkiye, and Ukraine) address this area in relation to climate change and environmental sustainability. In **Bangladesh**, the government intends to develop strategic tools, such as providing the necessary training to increase SMEs' capacity in industrial waste management, to promote capacity building for green SME industries and industrial waste management. **Bulgaria**'s measures aim to improve SMEs' capacity to transition to a circular and low-carbon economy. Key actions include capacity-building programmes to help SMEs understand circular economy concepts, adopt new circular business models at regional and local levels, and explore opportunities in this transition. Additionally, efforts focus on enhancing value chain circularity with support from industry associations and business intermediaries. **Colombia** supports MSMEs in the agricultural sector that prioritize positive ecological and environmental impacts by providing access to specialised training programmes and business acceleration initiatives under favourable conditions to support their growth and development. **Costa Rica** aims to strengthen environmental management in SMEs by identifying technical training centres and universities that can provide training, diagnostics, and technical assistance, along with promoting training modules focused on quality and environmental management. In **Montenegro**, the government plans to support educational programmes that equip MSMEs with the skills necessary for green transformation, educate producers on the potential of circular business models, and organize educational activities to develop a system of extended producer responsibility in cooperation with the Chamber of Commerce. The **Philippines** offers training in green skills and sustainable practices through initiatives such as the Green Economic Development (GED) programme, which promotes innovation and competitiveness among MSMEs. It also provides crisis management, financial planning and problem-solving training through initiatives such as the Creative Age for Sustainable Development Goals (SDGs) programme, which helps MSMEs to navigate challenges and maintain operations. **Türkiye** encourages SMEs to enhance their efficiency by developing their production and management skills, as well as fostering a culture of collaboration, through the implementation of support programmes on energy efficiency and environmental sustainability. In **Ukraine**, workshops and other capacity-building activities are organized to support the adoption of circular business models and the green transition, with a focus on renewable energy and the introduction of sustainability reporting. The development of relevant training and materials is also supported through a business platform and in cooperation with programmes of international organizations.

While skills interventions are relatively well represented in MSME policies, there appears to be a lack of a comprehensive strategy supporting skills development for a just transition. First, in the eight countries, skills policies tend to focus on enterprises and management rather than on workers, including vulnerable groups such as women, youth and workers who need to be redeployed as a result of the transition. Second, there is no indication of initiatives to facilitate social dialogue, coordination among ministries, or communication between MSMEs and training providers on anticipating future occupational profiles and skills needs, addressing the skills upgrading requirements of both management and workers, and more broadly coordinating education and skills policies with environmental goals.

**In addition to skills policies, support from labour market institutions, and employment and social protection measures are essential for achieving a just transition. Yet these elements are almost entirely absent from MSME policies.** OSH protects workers from new and emerging risks in green jobs, while social protection provides financial security and access to essential services during economic shifts, preventing poverty and inequality. Active labour market policies are crucial for workers to safeguard income-generation opportunities, maintain employment, or transition to new jobs, and for enterprises to harness the opportunities presented by green transitions. Rights at work uphold fair wages, decent working conditions, and protection from exploitation. Finally, social dialogue and tripartism foster inclusive and balanced policies through cooperation among governments, employers, and workers. None of the target countries, with the exception of **Bulgaria**, consider these policy areas in their interventions related to climate change and environmental sustainability. In Bulgaria, one of the prerequisites for the successful implementation of environmental measures is the identification and involvement of governmental and non-governmental organizations at all levels to act as business intermediaries in raising awareness and building capacity for SMEs. This addresses the low participation of relevant stakeholders in the transition to a circular economy. Although Bulgaria does not include specific measures related to active labour market policies, it recognizes that the transition to a circular economy requires the full mobilization of industry, including SMEs, and provides an opportunity to expand job-creating economic activities in SMEs that benefit society and the environment.

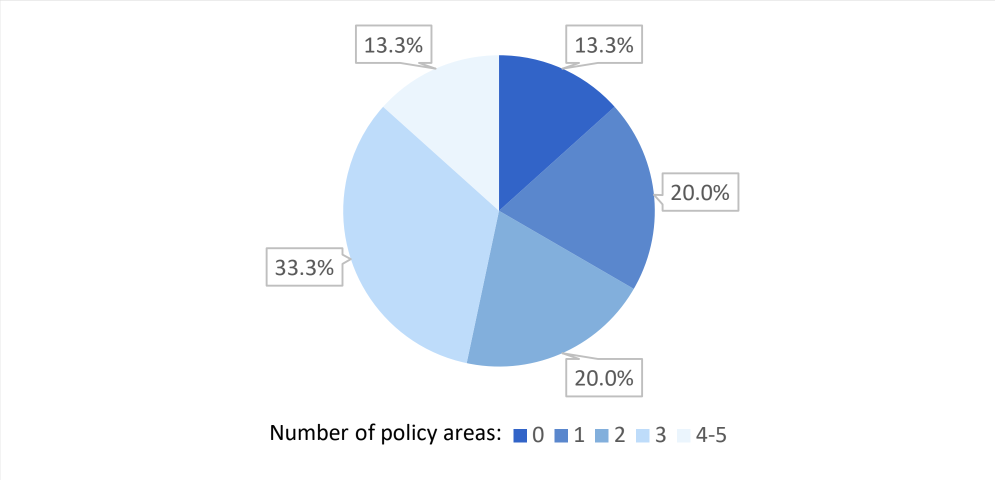
An integrated and comprehensive policy approach is essential for a just transition, ensuring that environmental measures are supported by OSH, social protection, active labour market policies, rights at work, and social dialogue and tripartism. Without these elements, MSMEs and their workers may struggle to adapt, limiting the social and economic benefits of the transition. Bulgaria's approach highlights the importance of broader stakeholder engagement, but most countries have yet to incorporate these critical policy areas into their interventions related to climate change and environmental sustainability.

Overall, the review of policy interventions provided by MSME strategies indicates that:

- **75 per cent of MSME policies reviewed address climate change or environmental sustainability issues**, with a shift over time towards increased attention to these considerations, potentially reflecting the adoption of NDCs at the country level. Among the 20 policy documents initially reviewed, approximately three quarters (15 documents) include provisions related to climate change or environmental sustainability. Their representation in MSME policies has increased over time, from 44 per cent in policies adopted before 2020 to 67 per cent in those adopted after 2020.
- **While MSME policy diagnostics often overlook climate change and environmental sustainability**, **the majority of policies in the sample position these factors as a strategic issue, either as a specific objective, a cross-cutting theme, or a quantified target**. Surprisingly, there appears to be no consistent alignment between framing climate change or environmental sustainability as an objective, guiding principle, or KPI and the subsequent policy measures. In some instances, climate change or environmental sustainability is well placed as a strategic objective or cross-cutting issue, yet the corresponding policy recommendations lack concrete solutions; conversely, some policies propose actionable measures without explicitly identifying climate change or environmental sustainability as a strategic priority (see table 3).
- **MSME policies predominantly address climate change through enterprise policies**, **and to a lesser extent through skills and macroeconomic policies**. Among the nine key policy areas outlined in the ILO Guidelines, enterprise policies are the most common avenue for addressing climate change and environmental sustainability, with 13 policies doing so. This is followed by skills and macroeconomic/growth policies, with seven and eight policies respectively, while only four MSME policies link industrial/sectoral policies with climate change (see table 3).
- **Overall, MSME policies lack a comprehensive approach to climate change.** As noted above, the ILO Guidelines propose an integrated and comprehensive approach to addressing environmental, economic, and social sustainability simultaneously, spanning nine policy areas. Yet the average number of policy interventions related to climate change or environmental sustainability across the target countries is only 2.2. As shown in figure 2, in 20 per cent of countries (Indonesia, Kenya, and Pakistan), climate change- or environmental sustainability-related measures are confined solely to enterprise policies. Meanwhile, 20 per cent (Costa Rica, the Republic of Korea, and Türkiye) incorporate such provisions into macroeconomic and growth policies or skills policies, in addition to enterprise policies. A slightly broader scope is observed in 33 per cent of countries (Bangladesh, Colombia, Georgia, the Philippines, and Ukraine), where climate measures span three policy areas: macroeconomic and growth policies, industrial and sectoral policies, enterprise policies, and skills policies. Only Bulgaria and Montenegro (13 per cent) demonstrate a more comprehensive approach, covering four or more policy areas.
- **Despite their potential, MSME policies lack an effective approach to a just transition.** The review indicates that while macroeconomic, industrial, skills, and enterprise policies address climate change – albeit to varying degrees – these are generally not designed to pursue broader social objectives, such as creating decent jobs, financing social protection, or ensuring that no one is left behind. Key elements essential for a just transition, such as OSH, social protection, active labour market policies, rights at work, and social dialogue and tripartism, are notably absent from MSME policies. Finally, given the significant importance of the informal economy in many countries and the potential of enterprise formalization to promote better environmental practices[22], it is surprising that there is very limited focus linking formalization and the climate agenda.

[22] ILO, *A double transition: Formalization and the shift to environmental sustainability with decent work*, 2023.

▶ **Figure 2: Percentage of countries by number of policy areas mentioned in MSME policies (out of nine key policy areas identified in the ILO Just Transition Guidelines; see table 3)**




## Are ministries and social partners collaborating effectively to align MSME policies with just transition goals?

As just transition challenges and objectives span various policy domains – including macroeconomic, skills, sectoral, employment, and social policies – institutional arrangements for delivering and monitoring MSME policies should be adapted to ensure the effective integration of social, economic, and environmental objectives. However, the MSME policies reviewed provide limited details and evidence on this integration and the involvement of all relevant parties.

Regarding institutional control of MSME policies, responsibility typically lies either with a dedicated ministry for MSMEs or with the Ministry of Industry (or an equivalent body), supported by dedicated agencies in some cases. Among the target countries, those with dedicated ministries include **Kenya** (Ministry of Cooperatives and MSME Development), the **Republic of Korea** (Small and Medium Business Administration), and **Zambia** (Ministry responsible for Micro, Small and Medium Enterprises). Countries where the Ministry of Industry or an equivalent body takes the lead include **Bangladesh**, **Bulgaria**, **Colombia**, **Costa Rica**, **Indonesia**, **Pakistan**, the **Philippines**, and **Türkiye**. In some of these countries, there are also dedicated agencies for MSMEs, such as **Pakistan** (Small and Medium Enterprises Development Authority, SMEDA) and **Türkiye** (Small and Medium Enterprises Development Organization, KOSGEB), which operate under the Ministry of Industry or its equivalent. In other cases, responsibility lies with different ministries, such as **Finland** (Ministry of Employment and Economy), **Georgia** (Economic Policy Department of the Ministry of Economy and Sustainable Development), **Montenegro** (Ministry of Economic Development and Tourism), and **Ukraine** (Ministry of Economy).

In 60 per cent of the target countries, ministries or agencies responsible for implementing interventions related to climate change or environmental sustainability have been identified. In **Pakistan** and **Türkiye**, dedicated MSME agencies lead these efforts. While the Ministry of Environment plays a crucial role in promoting a just transition, – only five target countries (**Bangladesh**, **Bulgaria**, **Costa Rica**, **Ukraine**, and **Zambia**) include the Ministry of Environment alongside other ministries and agencies. Notably, none of the target countries include the Ministry of Labour, despite its vital role in aligning labour and employment policies with environmental goals, protecting workers' rights, and fostering decent work opportunities in a low-carbon, greener economy.

Beyond intergovernmental coordination, consulting and engaging with social partners is key to achieving social consensus on pathways to a just transition. However, the review indicates that Montenegro is the only country that mentions the employers' federation, while none of the countries involve representatives of MSMEs, representatives of informal units, or workers' organizations.

### ▶ Table 3: Inclusion of provisions related to climate change or environmental sustainability in MSME policies

| No. | Country | Year of adoption | Diagnostic | Policy objectives | Cross-cutting issue | KPIs | Type of interventions | Key policy areas identified in the ILO Just Transition Guidelines | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 1.Macroeconomic and growth policies | 2.Industrial and sectoral policies | 3.Enterprise policies | 4.Skills policies | 5.Occupational safety and health | 6.Social protection | 7.Active labour market policies | 8.Rights | 9.Social dialogue and tripartism |
| 1 | Bangladesh | 2019 | | 1 | | | General | 1 | 1 | 1 | 1 | | | | | |
| | | | | | | | Climate/ environment | | 1 | 1 | 1 | | | | | |
| 2 | Bulgaria | 2021 | 1 | 1 | | 1 | General | 1 | 1 | 1 | 1 | 1 | | | | 1 |
| | | | | | | | Climate/ environment | 1 | 1 | 1 | 1 | | | | | 1 |
| 3 | Colombia | 2020 | | | | | General | 1 | | 1 | 1 | | | | | |
| | | | | | | | Climate/ environment | 1 | | 1 | 1 | | | | | |
| 4 | Costa Rica | 2020 | | 1 | 1 | 1 | General | 1 | 1 | 1 | 1 | | | | | |
| | | | | | | | Climate/ environment | | | 1 | 1 | | | | | |
| 5 | Finland | 2018 | | 1 | | | General | 1 | | 1 | 1 | 1 | 1 | 1 | 1 | |
| | | | | | | | Climate/ environment | | | | | | | | | |
| 6 | Georgia | 2021 | 1 | 1 | | | General | 1 | 1 | 1 | 1 | 1 | | 1 | | 1 |
| | | | | | | | Climate/ environment | 1 | 1 | 1 | | | | | | |
| 7 | Indonesia | 2008 | | | 1 | | General | 1 | 1 | 1 | 1 | | | | | 1 |
| | | | | | | | Climate/ environment | | | 1 | | | | | | |
| 8 | Kenya | 2020 | 1 | 1 | 1 | 1 | General | 1 | 1 | 1 | 1 | | | | | 1 |
| | | | | | | | Climate/ environment | | | 1 | | | | | | |
| 9 | Montenegro | 2023 | 1 | 1 | | 1 | General | 1 | 1 | 1 | 1 | | | | | 1 |
| | | | | | | | Climate/ environment | 1 | 1 | 1 | 1 | | | | | |
| 10 | Pakistan | 2021 | | | | | General | 1 | 1 | 1 | 1 | 1 | | 1 | | 1 |
| | | | | | | | Climate/ environment | | | 1 | | | | | | |
| 11 | Philippines | 2024 | | | 1 | | General | 1 | 1 | 1 | 1 | | | | | |
| | | | | | | | Climate/ environment | 1 | | 1 | 1 | | | | | |
| 12 | Republic of Korea | 2023 | | 1 | | | General | 1 | 1 | 1 | 1 | | | 1 | | |
| | | | | | | | Climate/ environment | 1 | | 1 | | | | | | |
| 13 | Türkiye | 2015 | | | | 1 | General | 1 | 1 | 1 | 1 | | | | | |
| | | | | | | | Climate/ environment | | | 1 | 1 | | | | | |
| 14 | Ukraine | 2024 | | 1 | | 1 | General | 1 | 1 | 1 | 1 | 1 | | | 1 | 1 |
| | | | | | | | Climate/ environment | 1 | | 1 | 1 | | | | | |
| 15 | Zambia | 2023 | | | 1 | | General | 1 | 1 | 1 | | | | | | |
| | | | | | | | Climate/ environment | | | | | | | | | |
| **Total** | | | **4** | **9** | **5** | **6** | **General** | **14** | **12** | **14** | **14** | **5** | **1** | **4** | **2** | **7** |
| | | | | | | | **Climate/ environment** | **7** | **4** | **13** | **8** | **0** | **0** | **0** | **0** | **1** |

Source: Based on author's review of the MSME policies listed in table 1

### Table 4: Responsible ministries/agencies

| No. | Country | Institutional control | Ministries agencies responsible for climate change/environment |
|---|---|---|---|
| 1 | Bangladesh | Ministry of Industry | - Ministry of Environment<br>- Small and Medium Enterprise Foundation<br>- Bangladesh Climate Change Trust<br>- Bangladesh Small and Cottage Industries Corporation<br>- Bangladesh Council of Scientific and Industrial Research<br>- Bangladesh Industrial Technical Assistance Centre |
| 2 | Bulgaria | Ministry of Economy and Industry | - Agency for Sustainable Energy Development<br>- Program "Competitiveness and Innovation in Enterprises"<br>- Ministry of Energy<br>- Ministry of Economy<br>- Ministry of Environment and Water<br>- Municipalities<br>- Ministry of Regional Development and Public Works<br>- Ministry of Agriculture and Food<br>- Executive Agency for the Promotion of SMEs |
| 3 | Colombia | Ministry of Commerce Industry and Tourism | n/a |
| 4 | Costa Rica | Ministry of Economy, Industry and Commerce, with the support from the Advisory Mixed Council for MSME (Consejo Asesor Mixto) | - Ministry of Economy, Industry and Commerce<br>- Ministry of Agriculture and Livestock<br>- Ministry of Environment and Energy<br>- National Learning Institute<br>- Costa Rican Metrology Laboratory<br>- Costa Rican Technical Standards Institute<br>- Development Banking System |
| 5 | Finland | Ministry of Employment and the Economy | n/a |
| 6 | Georgia | The Economic Policy Department of the Ministry of Economy and Sustainable Development | n/a |
| 7 | Indonesia | Ministry of Industry | n/a |
| 8 | Kenya | Ministry for MSEs Development and the Micro and Small Enterprise Authority | n/a |
| 9 | Montenegro | Ministry of Economic Development and Tourism | - Ministry of Economic Development and Tourism<br>- Union of Employers of Montenegro<br>- Chamber of Commerce of Montenegro<br>- Investment and Development Fund of Montenegro |
| 10 | Pakistan | Ministry of Industry and Production / Small and Medium Enterprises Development Authority (SMEDA) | SMEDA |
| 11 | Philippines | MSME Development Council attached to the Department of Trade and Industry | n/a |
| 12 | Republic of Korea | Ministry of SME and Startup | Ministry of SME and Startup |
| 13 | Türkiye | Strategic Planning Steering Board, Strategic Planning Execution Committee in Small and Medium Enterprises Development Organization (KOSGEB) | Departments in KOSGEB:<br>- SME Research and Project Coordination Department<br>- EU and Foreign Relations Department |
| 14 | Ukraine | Ministry of Economy | - Ministry of Economy<br>- Ministry of Environment<br>- Ministry of Energy/Energy Efficiency<br>- Ministry of Energy National Bank (upon agreement)<br>- Ministry of Foreign Affairs<br>- State Agency for Energy Efficiency<br>- Ministry of Infrastructure |
| 15 | Zambia | Ministry responsible for Micro, Small and Medium Enterprises | - Ministry responsible for Micro, Small and Medium Enterprises<br>- Ministry of Green Economy and Environment |

Source: Based on author's review of the MSME policies listed in table 1

## Conclusion and recommendations for making just transition-responsive MSME policies a reality

This brief examines the extent to which MSME policies can serve as a platform to ensure that MSMEs and their workers both benefit from and contribute to a just transition. By strategically designing and implementing supportive policies, MSMEs can be empowered to play a pivotal role in this transformation. Such policies encompass a range of interventions across various domains, including macroeconomic, sectoral, employment and social policies, as well as measures to support sustainable MSMEs. In essence, the objective of a just transition necessitates actions at multiple levels, and governments have a series of tools to achieve this goal. This creates potential trade-offs and different policy mixes in the MSME policies adopted in each country. The review highlights the following findings:

- **Climate change and environmental sustainability are insufficiently addressed** in the diagnostic sections of MSME policies, which partly explains weaknesses in developing comprehensive strategies that support a just transition. Without thorough analysis of the underlying causes, challenges and opportunities – particularly for different target groups such as informal units or women entrepreneurs – formulating effective recommendations becomes challenging.
- **MSME policies tend to position climate change or environmental sustainability at a strategic level**, such as in objectives, guiding principles or targets. While none of the policies include climate change or environmental sustainability in their vision statements, three-fifths of the target countries incorporate these elements into the main objectives of their MSME policies. Five countries (33 per cent) also set KPIs related to climate change or environmental sustainability, reflecting an even stronger political commitment to achieving just transition outcomes within a defined timeframe. Additionally, five countries treat climate change or environmental sustainability as a cross-cutting issue.
- **Although climate change is predominantly acknowledged as a key objective or guiding principle, MSME policies generally fail to articulate how it applies concretely to each component of the policy.** The review indicates that countries do not fully recognize the significance of a comprehensive and integrated approach to a just transition, in which multiple policy areas work in tandem. Among the nine policy areas outlined in the ILO Guidelines on Just Transition, only three are substantially addressed, with enterprise policies being the most common, followed by skills and macroeconomic and growth policies. Industrial and sectoral policies are addressed to a lesser extent, while other critical components – such as OSH, social protection, active labour market policies, transition to formality, rights, and social dialogue and tripartism – are largely absent. The sole exception is Bulgaria, which includes a provision on social dialogue in the context of climate change. Only two countries – Bulgaria and Montenegro – cover four or more policy areas.
- **MSME policies generally lack a robust approach to a just transition.** Even when climate change is addressed, these policies typically do not align with broader just transition objectives, such as creating decent jobs, facilitating the transition to formality, or financing social protection. Provisions related to climate change or environmental sustainability tend to be oriented towards the general population, with limited consideration for specific social groups, including women, informal units, and other disadvantaged groups.
- **Recent policies show gradual progress.** Even though the review shows that much more work needs to be done to promote a just transition, there seems to be some evidence that the proportion of climate-responsive measures in the latest wave of MSME has slowly increased. Findings show that recent policies are more likely than older ones to include climate change and environmental sustainability issues, indicating that policies are evolving in time with the nature of new challenges and becoming platforms to address climate change and environmental sustainability. In addition, more recent MSME policies generally tend to cover a broader range of policy areas, although there are some exceptions.
- **Evidence suggests that elements such as NDCs or EU requirements can positively influence the integration of climate change considerations into MSME policies.** EU member or candidate countries tend to demonstrate more comprehensive policy interventions, although Finland's 2018 strategy appears somewhat outdated in comparison. This trend suggests that EU membership or candidacy may serve as a driving force, encouraging countries to align their MSME

policies with the EU's broader commitment to achieving climate neutrality by 2050. Both Bulgaria and Montenegro score highest for climate change or environmental sustainability-related measures, incorporating these considerations into diagnostic sections and policy objectives and establishing related KPIs. Similarly, evidence suggests that the implementation of NDCs at the national level acts as a catalyst, encouraging the incorporation of climate change considerations into MSME policies. Since the introduction of NDCs in 2020, 67 per cent of MSME policies adopted thereafter have integrated environmental considerations, compared to 44 per cent before NDC adoption. However, evidence indicates limited integration of MSMEs into NDCs and a lack of alignment between NDCs and MSME strategies.

- **Whole-of-society approaches remain weak.** While such approaches are essential to address multidimensional issues like climate change and a just transition, they are largely absent from MSME policies-potentially undermining effective implementation. Regarding governance, 60 per cent of target countries have identified responsible ministries or agencies for the implementation of climate change or environmental sustainability measures. Only five countries include the Ministry of Environment alongside other ministries and agencies. The Ministry of Labour is not mentioned in any target country. Engaging these key ministries is crucial for policy coherence and effective implementation. Workers' and employers' organizations, as well as stakeholders representing vulnerable groups such as MSMEs, informal workers, and women who are key to ensure an inclusive approach, are not included in any target countries.

These conclusions underscore the necessity for a new generation of MSME policies to ensure that MSMEs can both benefit from and contribute to a just transition. The following eight recommendations aim to guide the design and implementation of MSME policies responsive to just transition principles:

- **Integrate a just transition at the diagnostic stage.** As policy diagnostics form the foundation for recommendations, it is essential to recognize climate change as a challenge and integrate a just transition from the initial stage of policy development. A context-specific analysis of the root causes and multifaceted challenges faced by MSMEs and their workers – including the diversity of enterprises such as informal and women-owned businesses and various dimensions of inequality linked to the world of work – is a key first step in designing effective solutions that address problems and leverage opportunities for diverse target groups.
- **Strategically embed a just transition in policy design.** A new generation of MSME policies must ensure that visions, guiding principles, objectives, and targets are translated into concrete actions. Positioning a just transition within overarching policy goal is essential, as these provide the policy foundations and direction. More importantly, establishing measurable and time-bound just transition targets is key, as they represent binding commitment that goes beyond general policy aspirations. Quantifiable targets or KPIs set clear objectives to achieve, hence increasing the sense of accountability and facilitating monitoring and evaluation of progress. Finally, new MSME policies should promote coherence and ensure that just transition objectives and targets are consistently translated into actionable measures.
- **This must go hand in hand with promoting the use of data to measure progress towards agreed targets and to support the design of evidence-based MSME policies.** It is essential to strengthen both the availability of and access to data – including labour market information – and to develop robust methodologies for assessing the employment and socio-economic impacts of just transition policy interventions. This is key to informing policy choices and supporting the development of monitoring and evaluation frameworks that ensure policies that are effective, relevant and continuously improved. In practice, this may involve enhancing instruments for collecting administrative data from various MSME programs, developing tracer surveys and/or adapting establishment surveys to gather the data needed to monitor just transition outcomes. It also includes conducting impact assessments and adapting existing Regulatory Impact Assessments (RIAs) at the MSME level to include just transition considerations. Additionally, reporting mechanisms should be strengthened to ensure the active involvement of labour stakeholders and social partners. Finally, it is important to undertake evidence-based research on how other policies – such as long-term low greenhouse gas emission development strategies, national adaptation plans, or other climate-related strategic policies or action plans – support MSMEs in achieving a just transition.

- **Support for a holistic approach to MSME policies is essential to achieving social, economic, and environmental sustainability, along with decent work and social inclusion.** A just transition is a complex and multifaceted process, involving a range of interconnected social, economic, and environmental factors. To ensure that MSMEs and their workers both contribute to and benefit from this transition, a comprehensive and integrated approach is needed, one that fully leverages the synergies among the nine key policy areas identified in the ILO Guidelines, rather than relying on isolated or narrowly focused interventions. Beyond enterprise level support which is yet essential, macroeconomic, growth, industrial and sector policies should be carefully considered in relation to a just transition to tackle the structural constraints and ensure the transition is inclusive, sustainable, and delivers on decent work objectives. These policies need to go hand in hand with social protection, employment and skills policies to foster decent job creation, serve as a bridge between MSMEs' and workers' needs, protect workers and help them to adjust to environmental sustainability policies.
- **Formalization should also be a central component of MSME policies to support a just transition.** As the informal economy risks bearing significant costs in the shift to sustainability, new generation MSME policies must include these actors and support their move toward formality. This requires addressing their specific challenges and recognizing their contributions across policy areas such as economic, environmental, and employment[23].
- **MSME policies must ensure that no one is left behind**, particularly micro and small enterprises and their workers, informal units, women and other marginalized groups most affected by this change.
- **Support policy research at the national, sub-national**, and enterprise levels using social dialogue, to assess the potential impacts of transitioning to a low-carbon, greener economy on MSMEs and to identify necessary government interventions that support MSMEs and their workers throughout a just transition.
- **MSME policies for a just transition should be grounded on broad-based social dialogue.** MSME policies for a just transition should be developed through social dialogue at all stages of the policy process – design, implementation, and evaluation – to build consensus on solutions and ensure a balanced policy mix. MSMEs face diverse, complex, and context-specific challenges, and there are no universal solutions. Engaging governments, social partners, and MSME representatives in developing tailored solutions is key to empowering MSMEs to participate in, and even lead, a just transition. Bi- and tri-partite social dialogue should be promoted at all levels, from enterprise to national, with particular attention to including representatives of MSMEs, informal units, and women-owned enterprises, as these groups may be disproportionately affected and less likely to benefit from potential gains. To align MSME policies with just transition objectives, it is also essential to engage key stakeholders and ensure close collaboration between relevant ministries and agencies, such as the Ministry of Environment, which leads climate change and sustainability discussions, and the Ministry of Labour. Their involvement at both national and sub-national levels is crucial for effective development and implementation of MSME policies for a just transition.
- **NDCs should take into account MSMEs' critical role and needs in achieving just transition objectives more comprehensively.** This requires strengthening policy coherence, enhancing support for MSMEs, and ensuring alignment with broader national MSME strategies.

[23] ILO, *A double transition: Formalization and the shift to environmental sustainability with decent work*, 2023.

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