

Green industrial policy

Integrated approaches for a circular economy in German development cooperation

Babette Never

German Institute of Development and Sustainability (IDOS)



Bonn, 13 February 2023. BMZ's new Africa Strategy supports the establishment of a socio-ecological economy. Part of this strategy is the circular economy, which, in the context of the green industrial policy of German development cooperation, offers tremendous overlooked potential for creating green jobs and conserving resources in Africa and beyond. The EU has already embarked upon the transition to a circular economy, a process which can also have a detrimental impact upon partner countries. The German development cooperation community requires a strategy to address this positive and negative potential.

The circular economy encompasses far more than waste management and recycling. It refers to a system of sustainable production and consumption in which raw materials, components and products retain as much value as possible for as long as possible, creating closed loops from the product-design to the waste-creation process. As a cross-cutting issue, this system offers numerous points of connection with other fields, including global supply chains, sustainable agriculture and resource efficiency (energy, water, raw materials and biomass). It also includes new trends such as modular construction, materials tracking and product-as-service systems (e.g. for leasing, rather than purchasing machinery and electronics).

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Economic approaches geared to circularity within companies can change resource loops in different ways. While recycling is often at the forefront of these initiatives, other approaches, like extending product life cycles and reducing resource consumption, can also slow down and narrow the loop. Supporting such approaches, for instance by assisting with establishing standards for building materials and repair work in Rwanda or by helping to recirculate raw materials back into the agricultural sector, could be of interest to partner countries of German development cooperation.

The relevant initiatives should lead to job creation and anticipate any negative impacts on the global transition from a linear to a circular economy. The goal here is to link up more systematically with related programmes, identify new business models and smartly select sectors, without falling into the trap of simply getting caught up in a temporary fad.

How the circular economy benefits partner countries

Supporting circular economy initiatives is especially relevant to partner countries if these measures conserve local resources and create sufficiently high-quality jobs without making products (considerably) more expensive. Repairing and recycling items is particularly cost-effective in countries with low labour costs and high levels of underemployment. At present, such activities are largely carried out unsystematically and under precarious work-

ing conditions, driven by poverty. There is also uncertainty as to their environmental impact. This is where circular economy programmes could come in.

Employment-intensive circular economy approaches, in particular relevant business models within companies, could be promoted in partner countries in positive anticipation of the initiated transformation to circular production patterns in the EU. However, this transformation also entails costs for developing countries in terms, for instance, of more stringent requirements for product standards and changes to trade flows. It could limit export opportunities for partner countries if production processes come to require fewer raw materials. Longer product life also reduces the need for short-lived mass consumer goods, most of which are sourced from Asia. While this is likely to lead to job losses, these can be offset through the timely establishment of green service sectors.

More green jobs in the circular economy

Creating jobs requires more than merely reducing the financial risks to companies and investors. To date, many of the jobs in this sector have consisted of informal positions in refuse collection and recycling. Nonetheless, more green jobs are likely to be created in a number of sectors due to changes in product design and longer product life. This is being seen in the sustainable-construction and service industries with product-as-service systems, which involve the app-based leasing of a product, including both utilisation and maintenance, and a contractually agreed level of quality and sustainability, for instance when leasing green air-conditioning systems or chemicals in an industrial setting. Expanding these services requires support measures and acceptance on the part of both companies and consumers.

While there are already many repair, maintenance and re-manufacturing services and second-hand markets, they could still be expanded and systematised further, for example through the introduction of norms, standards and training. New employment opportunities are also emerging in this area.

In order to create green jobs, the private sector requires a framework that favours the creation of more comprehensive green industrial policy within and outside of the financial sector. Integrating circular economy models into the process for implementing a green industrial policy could pay dividends in terms of green jobs both in Africa and in other partner countries, provided concepts go beyond waste and recycling. It is also necessary for offsetting foreseeable global disadvantages in good time.