

Public Sector Transformation in Sustainability Era: Green Economy Policies and Community Welfare

Public Sector
Transformation in
Sustainability Era

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ABSTRACT

In Indonesia, despite the national development agenda prioritizing the green economy, its implementation still faces challenges in coordination, bureaucratic capacity, and resistance from traditional sectors. This research aims to analyze the forms of public sector transformation within the context of green economy policies and evaluate their impact on community welfare using a mixed methods approach with an explanatory sequential design and multiple case studies. This research focuses on Surabaya City, Sigi Regency, and Balikpapan City. Primary data was collected through in-depth interviews, Focus Group Discussions (FGDs), and observations, while secondary data was obtained from policy documents and regional statistics. Data analysis was conducted thematically and comparatively, integrating quantitative and qualitative findings. The research results indicate that public sector transformation is occurring gradually, characterized by institutional strengthening, regulatory reform, and the development of participatory governance mechanisms. Surabaya City stands out in community-based waste management, Sigi Regency in forest rehabilitation and renewable energy, and Balikpapan City in green budgeting. The impact of green economy policies on community welfare proved positive, creating new jobs and increasing income in the green sector, as well as improving local environmental quality. However, this impact is not yet evenly distributed and is more pronounced at the directly involved community level.

Keywords: Environmental Policy, Green Development Policy, Government Transformation, Public Sector Transformation, Sustainability Governance.

ABSTRAK

Pembangunan nasional di Indonesia masih menghadapi tantangan dalam koordinasi, kapasitas birokrasi, dan resistensi dari sektor tradisional. Penelitian ini bertujuan untuk menganalisis bentuk transformasi sektor publik dalam konteks kebijakan ekonomi hijau dan mengevaluasi dampaknya terhadap kesejahteraan masyarakat dengan menggunakan pendekatan metode campuran dengan desain sequential eksplanasi dan studi kasus berganda. Penelitian ini berfokus pada Kota Surabaya, Kabupaten Sigi, dan Kota Balikpapan. Data primer dikumpulkan melalui wawancara mendalam, Focus Group Discussion (FGD), dan observasi, sedangkan data sekunder diperoleh dari dokumen kebijakan dan statistik daerah. Analisis data dilakukan secara tematik dan komparatif, mengintegrasikan temuan kuantitatif dan kualitatif. Hasil penelitian menunjukkan bahwa transformasi sektor publik terjadi secara bertahap, ditandai dengan penguatan kelembagaan, reformasi regulasi, dan pengembangan mekanisme tata kelola partisipatif. Kota Surabaya menonjol dalam pengelolaan sampah berbasis masyarakat, Kabupaten Sigi dalam rehabilitasi hutan dan energi terbarukan, dan Kota Balikpapan dalam penganggaran hijau. Dampak kebijakan ekonomi hijau terhadap kesejahteraan masyarakat terbukti positif, menciptakan lapangan kerja baru dan

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meningkatkan pendapatan di sektor hijau, serta meningkatkan kualitas lingkungan lokal. Namun, dampak ini belum merata dan lebih menonjol di tingkat masyarakat yang terlibat langsung. Tantangan utama termasuk fragmentasi otoritas, kapasitas birokrasi yang terbatas, dan perlawanan dari pelaku ekonomi konvensional.

Kata kunci: Kebijakan Lingkungan, Kebijakan Pembangunan Hijau, Tata Kelola Keberlanjutan, Transformasi Pemerintah, Transformasi Sektor Publik.

INTRODUCTION

Global attention to environmental issues and sustainability has significantly increased. The public sector plays a crucial role in shaping a nation's development direction. In the increasingly urgent era of sustainability, the demand to integrate sustainability principles into public policy has become a necessity. Climate change, environmental degradation, excessive exploitation of natural resources, and socio-economic disparities are major challenges faced by countries worldwide. This phenomenon forces countries, including Indonesia, to reorient public policies towards a low-carbon and inclusive development model (World Bank, 2022). In this context, the emergence of the green economy paradigm offers an alternative solution that aims to integrate economic growth with environmental protection and improved social welfare (UNEP, 2011).

Economy not only offers an environmentally friendly development model but also encourages structural transformation in public sector governance, especially in the formulation and implementation of sustainable public policies. However, the implementation of these policies at local and regional levels often faces complex challenges, including inter-agency coordination, limited capacity, and resistance from traditional economic sectors (Rahardjo & Setiawan, 2022). Public sector transformation is becoming increasingly crucial in the era of sustainability because government institutions hold a strategic position in directing change through regulation, investment, and inclusive and adaptive public services. Policies that are not only oriented towards short-term economic growth but also consider their impact on ecosystems and the welfare of future generations become the main focus in transformative governance. In this regard, the implementation of green economy policies is part of a larger effort to reform the government system towards more responsive, accountable, and sustainable governance (Meadowcroft, 2009). However, its implementation in developing countries is often constrained by limited institutional capacity, policy fragmentation, and tension between conventional economic agendas and sustainability (Almeida et al., 2023).

In Indonesia, sustainability and green economy issues are increasingly prioritized in national development, as seen in the 2020–2024 National Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Daerah/RPJMD*) that emphasizes low-carbon development (Bappenas, 2021). However, challenges such as weak inter-agency coordination, limited bureaucratic capacity, and resistance from conventional economic actors hinder progress. Effective public sector transformation through institutional reforms, open decision-making, and fiscal incentives is essential to support the green economy, alongside active collaboration with civil society, the private sector, and local communities (Jordan & Lenschow, 2010).

One important aspect analyzed in this research is the impact of green economy policies on community welfare, especially vulnerable groups who have benefited less from conventional development models. The green economy offers great potential in creating new jobs in the renewable energy sector, sustainable agriculture, and waste management, as well as improving the quality of life through access to a healthy environment. However, this transition process can also pose social risks if not managed properly, such as job losses in traditional sectors and increased social inequality (OECD, 2012).

Recent studies from the Directorate General of Spatial Planning and Environmental Management (*Planologi Kehutanan dan Tata Lingkungan/PKTL*) (2023) show that only a few regions have specific regulations to promote the green economy, while most still rely

on extractive sectors such as coal and palm oil. This raises a critical question about how the public sector can transform to accelerate the green transition, and what is its impact on community welfare. Therefore, this research not only focuses on policy and institutional aspects but also considers the dimensions of social justice and equity in the transformation towards a green economy. Policy effectiveness is evaluated through welfare indicators that include economic (income, employment), social (health, education), and environmental (air, water, and soil quality) aspects.

While prior studies have examined the green economy's impact on environmental outcomes or macroeconomic growth (Stern, 2007; Costanza et al., 2014), most adopt a fragmented approach, focusing on economic or environmental dimensions in isolation. There is limited research that simultaneously integrates public sector transformation analysis with the evaluation of green economy policies, particularly in developing countries such as Indonesia. This gap is critical, as the success of a green transition depends not only on economic and environmental performance but also on institutional reform, governance mechanisms, and effective community participation. Moreover, few studies assess policy effectiveness using comprehensive welfare indicators that combine economic, social, and environmental dimensions. Addressing this gap, the present study offers a novel contribution by integrating the analysis of institutional reform, governance mechanisms, and community participation into the assessment of green economy policy implementation.

It further evaluates policy effectiveness through a multidimensional framework encompassing economic, social, and environmental welfare indicators. This approach provides a holistic understanding of how green economy policies, supported by public sector transformation, influence community welfare, particularly among vulnerable groups, in the Indonesian context. The main focus of this research is on the integration of sustainability principles into policy formulation processes, institutional changes, governance mechanisms, and community participation in environmental policies. This research aims to analyze the forms of public sector transformation within the context of green economy policies and evaluate their impact on community welfare

LITERATURE REVIEW

Public Sector Transformation

The transformation of the public sector in the era of sustainability reflects a paradigm shift from traditional bureaucratic models to more inclusive, adaptive, and digital governance. Key factors driving this transformation include global pressure on sustainable development practices, the need for transparency, and the digital revolution. Some literature emphasizes the integration of e-government, the use of information technology, and strategic partnerships between the public and private sectors to support the Sustainable Development Goals (SDGs). Transformation in the public sector provides benefits in the form of quality of public services, especially by integrating technology (Zacharias et al, 2025). The public sector needs to pay attention to several things, especially in its services. According to Meijer (2016), some of the things that must be considered are compensation for time and knowledge resources, responses to new forms of inequality, risk of conflicts between citizens, and reorganizing accountability.

Public sector transformation in the context of sustainability reflects a shift from traditional bureaucratic governance toward more adaptive, collaborative, and technology-enabled models (Meijer, 2016). Globally, this transformation has been driven by the adoption of New Public Management principles, the digital revolution (Hood, 1991; Dunleavy et al., 2006), and the growing urgency of sustainable development agendas. Comparative studies show that while OECD countries have leveraged e-government, open data, and cross-sectoral partnerships to advance the Sustainable Development Goals (OECD, 2020), developing countries often face institutional capacity gaps, fragmented authority, and limited fiscal space, which constrain the scaling-up of green economy policies. Scholars emphasize that beyond structural reforms, successful transformation requires enhancing human capital, strengthening inter-agency coordination, and fostering

participatory governance (Ansell & Gash, 2008; Meadowcroft, 2009). In the context of green economy transitions, public sector transformation plays a pivotal role in aligning policy frameworks, mobilizing resources, and ensuring that sustainability initiatives deliver tangible welfare and environmental outcomes (Barbier, 2016).

Moreover, institutional capacity plays a central role in determining the success of public sector transformation. Effective governance requires more than structural reform; it also depends on human resource development, inter-agency coordination, policy coherence, and adaptive leadership. In many developing countries, limited institutional capacity remains a major barrier to translating sustainability visions into actionable programs. Weak planning systems, fragmented authority, and limited green budgeting mechanisms often hinder the scaling-up of green economy initiatives. Therefore, strengthening institutional foundations through training, decentralization, monitoring systems, and regulatory reform is crucial for ensuring that public sector transformation leads to tangible improvements in community welfare and environmental resilience.

Green Economy

The green economy concept has gained popularity in international, regional, and national policy circles initially as a response to the financial crisis but also as a motor for growth and development (Bina & La Camera, 2011). The United States, China, and South Korea labelled their stimulus packages as ‘Green New Deals’ as the rationale was that green fiscal stimuli provide a boost to the economy, whilst also laying the foundations for sustainable and more stable growth in the future (Bowen et al., 2009; Zysman et al, 2012). Ferguson (2014) said green economy discourses conclude that green growth discussions must be separated from green economy discussions. Ferguson identifies many tensions in green economy discourses. It identifies three categories of green economy discourse: weak, transformational, and strong. Part of this categorization includes assessing measurement, focusing on their relationship to Gross Domestic Product.

The evaluation of the impact of green economy policies on community welfare in this research refers to three main dimensions: economic, social, and environmental. The economic dimension includes indicators such as household income, the creation of new jobs, and access to opportunities within the green economy sector. The social dimension encompasses access to education and health services, levels of social participation, and community perceptions of fairness and justice in policy implementation. The environmental dimension is measured through observed changes in air, water, and soil quality, as well as reductions in emissions or pollution. These indicators are adapted from the well-being impact framework commonly used in sustainable policy evaluations, such as those recommended by the Organization for Economic Co-operation and Development (OECD). Throughout the research process, ethical principles are strictly upheld, including obtaining informed consent from all respondents, maintaining the confidentiality of informant identities, and ensuring the responsible use of data. Prior to interviews, the researcher clearly communicates the objectives of the study and informs participants of their right to refuse or withdraw from the study at any point.

RESEARCH METHODS

This study adopts a mixed-methods approach with a sequential explanatory design, beginning with the collection and analysis of quantitative data on community welfare indicators, followed by qualitative data to provide deeper insights. Creswell and Poth (2018) stated that this approach is suitable for examining complex social phenomena, such as public sector transformation and its impact on welfare, by combining statistical evidence with contextual understanding. Yin (2018) stated that a multiple case study design is used to explore green economy policy implementation across different regions in Indonesia. This design enables cross-case comparisons, helping identify shared patterns, contextual variations, and key success or challenge factors. The research will focus on three purposively selected regions with clear green economy commitments: Surabaya City (East Java), known for its community-based waste management and urban

farming; Sigi Regency (Central Sulawesi), which has launched forest rehabilitation and renewable energy programs post-disaster; and Balikpapan City (East Kalimantan), recognized for integrating sustainability into its development planning through a Green RPJMD.

The research population includes actors involved in formulating, implementing, and receiving green economy policies, such as local government officials, civil society organizations, private sector actors, and community members. Informants will be selected purposively based on relevance, and data collection will follow the principle of saturation. In Stage I, quantitative data will be sourced from BPS and regional agencies, focusing on welfare and environmental indicators like Human Development Index (HDI), poverty rates, and renewable energy coverage. In Stage II, qualitative data will be collected through in-depth interviews, Focus Group Discussions (FGDs), observations, and document analysis to provide a comprehensive understanding of policy implementation and its effects.

Data collection will involve semi-structured interviews, FGDs with community groups or SMEs, and observations at project sites and government offices to capture experiences, strategies, and real-world practices. A document review of regional regulations, development plans, and statistical reports will complement the analysis. Quantitative data will be analyzed descriptively and comparatively, while qualitative data will undergo thematic analysis using Strauss & Corbin's coding, followed by cross-case analysis to identify regional patterns. Findings will be integrated for deeper insight, supported by triangulation, member checking, and audit trails to ensure credibility. Ethical protocols, consent, confidentiality, withdrawal rights, and risk-benefit assessment will be strictly observed. This approach is designed to generate robust, evidence-based insights for enhancing green economy policies and their impact on public welfare.

RESULTS

Public Sector Transformation toward Green Economy

This section presents the key findings of the research on public sector transformation in the era of sustainability, particularly regarding the analysis of green economy policies and their impact on community welfare. Data collected through a mixed-methods approach (quantitative and qualitative) has been systematically analyzed to answer the formulated research questions. The discussion will integrate the descriptive and comparative statistical results from quantitative data with in-depth narratives obtained from interviews, FGDs, and document studies.

This research involved multiple case studies in three regions in Indonesia that show commitment to the green economy: Surabaya City (East Java), Sigi Regency (Central Sulawesi), and Balikpapan City (East Kalimantan). Surabaya City focuses on community-based waste management and urban farming. Sigi Regency implements forest rehabilitation and renewable energy programs after disasters. Meanwhile, Balikpapan City has declared green development through its RPJMD based on sustainability principles.

A total of 45 key informants were successfully interviewed, consisting of local government officials (15 people), civil society or Non-Governmental Organization (NGO) representatives (15 people), private sector representatives (9 people), and academics/experts (6 people). This informant profile ensures diversity of perspectives and depth of information obtained. Secondary quantitative data was collected from regional BPS and relevant agencies for the period 2019-2023, covering Human Development Index, poverty rates, unemployment rates, Gross Regional Domestic Product per capita, environmental quality, and achievements of green economy projects.

Policy documentation analysis shows that all three study areas have integrated green economy principles into their development planning documents, such as RPJMD and Regional Action Plans. However, the level of detail and implementation varies. Province X, shows a strong commitment to regulations and incentives for renewable energy, while

Regency Y focuses on organic farming and land conservation programs. City Z stands out in community-based waste management and circular economy initiatives.

From the perspective of public sector transformation, qualitative findings indicate gradual changes in institutional structure, budgeting procedures, and decision-making patterns. Informants from local governments stated that some points include changes in institutional structure. Some regions have formed special work units or strengthened coordination among agencies for sustainability issues. For example, in Province X, an inter-sectoral task force was formed to accelerate renewable energy. However, fragmentation of authority and sectoral ego remain challenges (Almeida et al., 2023; Sari & Wijaya, 2023).

Budgeting procedures are efforts to allocate larger budgets for green programs, although often still limited and dependent on central government transfers or foreign aid. The concept of green budgeting is beginning to be introduced, but has not been fully internalized in the regional planning and budgeting cycle. In addition, decision-making patterns are important. There has been a shift towards more open and collaborative patterns, especially in the formulation of environmental policies. FGDs with communities show that their participation in public consultation forums is increasing, although challenges remain in ensuring inclusive representation and real influence of community input (Jordan & Lenschow, 2010)

This transformation is driven by global and national pressures but also influenced by local leadership initiatives and bureaucratic capacity. Government officials with a sustainability vision tend to be more proactive in adopting and implementing green economy policies. However, limited human resource capacity within the bureaucracy in understanding and implementing complex green economy concepts remains a significant obstacle (Bappenas, 2021).

Impacts of Green Economy Policies on Community Welfare

Quantitative data analysis shows variations in the impact of green economy policies on community welfare indicators in the three study areas. Economic indicators are employment and income. In Province X, there was an increase in employment in the renewable energy sector (e.g., solar panel installation, mini-hydro power plant maintenance), although the scale is still relatively small compared to traditional sectors. In Regency Y, organic farming programs have created new job opportunities for local farmers and increased their income through higher product prices. Data shows an increase in GRDP of the agricultural sector in Regency Y by 1.5% per year during program implementation. Income: Communities directly involved in green economy projects (e.g., waste banks in City Z, organic farmers in Regency Y) reported an increase in household income. However, in aggregate, the impact on poverty rates and GRDP per capita at the regional level has not yet shown drastic changes in the short term (OECD, 2022; Firmansyah & Lestari, 2023).

However, the social indicators are health, education, and community participation. In City Z, integrated waste management programs correlated with a decrease in the incidence of environment-based diseases and an increase in community awareness about cleanliness. Access to a healthier environment indirectly contributes to quality of life. However, direct impacts on education indicators have not been significantly identified in quantitative data. FGDs showed an increase in sense of ownership and active community participation in local environmental initiatives, especially in City Z and Regency Y. This reflects an increase in social capital and community empowerment.

The last indicators are environmental indicators, including air and water quality. In all three regions, there are indications of improved environmental quality in project areas. For example, in Province X, carbon emissions from the energy sector decreased. In Regency Y, soil and water quality in organic farming areas improved. In City Z, the volume of waste ending up in landfills significantly decreased. These findings are consistent with the goal of green economy policies to reduce negative impacts on ecosystems (Costanza et al., 2014).

The integration of data shows that the positive impact on community welfare is more pronounced at the community level directly involved in green economy projects, especially those supported by strong collaborative governance. For example, in City Z, the success of the waste bank program, which impacted community income, was supported by active community participation and regulatory support from the local government. However, in areas where inter-agency coordination is still weak or resistance from extractive sectors is still strong, as indicated by the Directorate General of PKTL (2023), the positive impact on community welfare more broadly is still limited. The gap between macro-level policies (*planning documents*) and micro-level implementation (real projects) remains a challenge. The success of public sector transformation in accelerating the green transition and its impact on welfare largely depends on institutional capacity, adaptive leadership, and the ability to manage conflicts of interest between conventional economic agendas and sustainability.

The study finds that public sector transformation toward a green economy in Surabaya, Sigi, and Balikpapan has yielded notable community-level benefits, particularly in employment, income, environmental quality, and social participation when projects are backed by strong collaborative governance and local leadership commitment. While initiatives such as renewable energy in Province X, organic farming in Regency Y, and waste management in City Z have improved sectoral GRDP, reduced disease incidence, and enhanced environmental indicators, these impacts remain more visible among directly involved communities than at the broader regional level. Institutional reforms, green budgeting efforts, and participatory decision-making have begun to take root, yet challenges persist in the form of fragmented authority, limited bureaucratic capacity, and resistance from conventional economic sectors. Overall, the findings underscore that bridging the gap between macro-level policy commitments and micro-level project execution is crucial for maximizing the green economy's contribution to community welfare.

DISCUSSION

The findings of this research confirm that green economy policies have great potential to promote community welfare, but their realization highly depends on the effectiveness of public sector transformation. All three regions have integrated green economy principles into their planning documents, but the depth and execution vary. Surabaya emphasizes community-based waste management, Sigi focuses on forest rehabilitation and renewable energy, while Balikpapan promotes sustainable development through its formal planning framework. Qualitative data from 45 informants across government, civil society, private sector, and academia show that while institutional reforms have begun, such as the creation of cross-sectoral task forces and increased public engagement, significant challenges remain, particularly in overcoming fragmented authority, sectoral ego, and limited green budgeting capacity. Quantitative data indicate that green economy policies have led to localized economic benefits, such as job creation and income growth in renewable energy and organic farming sectors, but their impact on broader welfare indicators like poverty and Gross Domestic Product remains limited in the short term. Socially, initiatives like waste banks have improved health and increased civic participation, particularly in Surabaya, while environmental data show modest improvements in air, water, and soil quality. Integration of quantitative and qualitative findings highlights that the most significant welfare improvements occur at the community level where green projects are backed by strong governance and active collaboration. However, structural barriers such as insufficient institutional capacity, lack of policy coherence, and ongoing dominance of extractive economic models continue to limit broader systemic impact. The success of green economy policies, therefore, hinges on strengthening institutional coordination, enhancing human resource capacity, and fostering adaptive leadership that can balance development and sustainability goals.

The difference in the progress of green economy implementation between regions can be explained through the concepts of governance capacity and adaptive governance,

which emphasize the importance of bureaucratic capacity, coordination, and adaptive leadership (Folke et al., 2005; Meadowcroft, 2009). Surabaya, with its strong institutional capacity, is able to operationalize policies effectively, while Sigi is held back by limited resources. This is in line with the theory of institutional isomorphism that policy adoption is not always accompanied by substantive implementation readiness (DiMaggio & Powell, 1983).

The findings of this study are consistent with the UNEP (2011) and Meadowcroft (2009) frameworks, which emphasize the importance of governance reforms to achieve sustainability, but their implementation in the regions shows mixed results. Surabaya is successful in community-based waste management, Sigi excels in forest rehabilitation and renewable energy, while Balikpapan focuses on sustainable formal planning. This variation is influenced by institutional capacity, budget support, and community participation levels, confirming that the effectiveness of green economy policies is contextual and highly dependent on synergies between local resources, governance, and social capital. Public sector transformation, which includes institutional changes, budgeting, and decision-making patterns, is a prerequisite. However, these findings also highlight that these changes are often incremental and face structural obstacles and resistance from traditional economic actors (Rahardjo & Setiawan, 2022).

The impact on community welfare, especially the increase in income and employment in the green sector, supports the argument that the green economy can be a motor for inclusive growth. However, these findings also underscore the need for careful transition management to mitigate social risks such as job losses in traditional sectors (OECD, 2022). The involvement of civil society and the private sector (Jordan & Lenschow, 2010) proved to be key in facilitating effective implementation and ensuring equitable benefits. This research also strengthens the argument that welfare indicators must include economic, social, and environmental dimensions holistically. This approach allows for a more nuanced evaluation of policy impacts, going beyond mere Gross Domestic Product growth. This study fills a gap in the literature by integrating the analysis of public sector transformation with the evaluation of the impact of green economy policies on community welfare in the context of developing countries, which previously were often discussed separately (Stern, 2007; Costanza et al., 2014).

This research has several limitations that need to be acknowledged. First, although it uses multiple case studies, statistical generalization to all of Indonesia may be limited. The findings are more suitable for analytical generalization. Second, measuring welfare impacts in the short term may not fully capture the long-term effects of green economy policies. Third, secondary quantitative data has limitations in detail and availability, sometimes requiring more extensive qualitative interpretation.

CONCLUSIONS

This study provides empirical evidence on the uneven progress of Indonesia's green economy transformation, highlighting key drivers and constraints at regional and sectoral levels. While green principles have increasingly been integrated into planning and regulations, progress varies significantly across regions. Strong local leadership emerges as a critical enabler, yet fragmented authority, limited institutional capacity, and sectoral resistance hinder wider adoption and impact. The welfare benefits observed, such as green job creation, higher incomes, and improved environmental quality, are mostly confined to communities directly involved in green initiatives, with broader regional gains remaining limited.

The findings underscore the importance of aligning policy design with institutional capabilities and fostering inclusive, multi-stakeholder collaboration to enhance effectiveness. For policymakers, this means prioritizing cross-sector coordination and capacity building within bureaucracy to overcome fragmentation and resistance. Ensuring broader community participation beyond immediate beneficiaries is also essential to maximize welfare outcomes and promote equitable green growth.

This research contributes to the literature by illuminating the localized nature of green economy progress in Indonesia's public sector and by identifying leadership, institutional capacity, and stakeholder engagement as pivotal factors. These insights are vital for designing policies that can drive more inclusive and sustainable economic transformations, particularly in emerging economies facing complex governance and capacity challenges.

However, the study's focus on selected sectors and regions, combined with its qualitative approach, limits the generalizability and the ability to capture long-term, macro-level impacts of green economy policies. Future research should expand the scope to include diverse sectors and regions, employ longitudinal designs, and incorporate quantitative measures of welfare and environmental performance. Such approaches would offer a more comprehensive understanding of policy effectiveness and support evidence-based adjustments.

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