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|  | <b>Issue 10. Finance, investment and business</b>  |
| <b>PR 10.1</b>  | <b>Climate change adaptation and SMEs – case studies from several parts of the world and different sectors</b>   |
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### Introduction

The overall objective of this session was to combine concepts and methodologies underlined by best practices of case studies from several parts of the world within a 4-year project of the German development cooperation.

### Climate change adaptation and SMEs – Tools and methodologies

#### **Angelika Frei-Oldenburg, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Germany**

As a first presenter, Angelika Frei-Oldenburg gave a brief overview of the project she leads on private sector adaptation, The Global Programme on Private Sector Adaptation to Climate Change (PSACC). In this project, GIZ is working on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) to assist SME in its partner countries in assessing climate-related risks and opportunities more effectively and in developing adaptation strategies. In cooperation with other stakeholders such as chambers of commerce, business associations and management consultants trainings were delivered based on the risk management tool “Climate Expert”. The project is active in four world regions, specifically Central America/Costa Rica, Bangladesh, Morocco and Rwanda. Locally, the project analyses the implications of climate change on the private sector, and provides awareness raising activities, vulnerability assessments and capacity building approaches to improve resilience towards the adverse effects of climate change. The recurrent theme for SMEs is to get access to finance for the investments in adaptation measures. The project seeks to develop recommendations for financial sector actors in order to provide bankable products for SMEs.

The project running time is from 2014-2017. Angelika Frei-Oldenburg also introduced the other presenters, including members of her team from around the world.

### Project Climate Expert

#### **Cosima Stahr, adelphi, Germany**

A second presentation was delivered by Cosima Stahr of adelphi, a German think tank and consultancy that acts as a knowledge partner in the GIZ project. Cosima Stahr first explained the rationale of the project, and why SME adaptation is at its centre. On the one hand, SME are of high relevance for developing countries and emerging economies and are highly affected by climate change. Also, as localised players, they can be drivers

for creating community resilience by pushing issues like innovation, building community resilience, forging partnerships with public authorities, if this lies in their business interests. Cosima Stahr introduced the methodology used by the project, the “Climate Expert”. This methodology helps SME understand, assess and counter the climate change risks their company faces. The Climate Expert website [www.climate-expert.org](http://www.climate-expert.org) provides information and an e-learning programme on the topic.

Many SME already adapt to climate change impacts without realising it. So far this is done by way of reactive adaptation to new climate realities. This takes some pressure from the SME, yet it is not a strategic reorientation and therefore, leaves SME at risk of business failure as future climate impacts are not anticipated. SME thus need to be sensitised for climate change impacts through interventions that respect their interest for business growth and survival. In addition to ensuring business survival and improving competitiveness, adaptation options can also realise new business opportunities, e.g., by delivering new products or services that assist in adapting to changing climate.

#### **Case studies from Central America**

##### **María José Gutierrez, consultant for INCAE Business School and consultant for IntegraRSE, Central America**

María José Gutierrez gave a presentation on the experiences of a project conducted in Central America. The project focused on using the BACLIAT tool in cooperation with SME. Mrs. José Gutierrez presented two case studies, a rafting company and a company producing chilis for tabasco sauce. In a first assessment, both companies reported to be affected by climate change. Through the project, adaptation measures were defined that aided the companies to adapt to climate change impacts. Mrs. José Gutierrez drew the conclusion that most companies have difficulties understanding the application of climate change adaptation and its implications. Therefore, companies need real and actual cases related to their own economic sector. It is also important to look for alliances between public and private sectors, which can improve the engagement companies have related to Climate Change adaptation.

#### **Panel**

Angelika Frei-Oldenburg then presented a panel of GIZ experts that contribute to the PSACC project. Kristin Meyer reported from experiences made in Bangladesh. She explained how the project works with companies, including from the shipping sector, directly. In many cases, the SME request stronger involvement of the public sector for climate change adaptation, yet awareness is raising regarding the agency the SME themselves have. From Morocco, Mohammed Rahoui gave insights on how a fish company active within an industrial park recognises its own need and responsibility for action. He stressed that a spatial approach, e.g., through industrial parks, brings many benefits, as joint action on topics like water is more effective than single-company activity. Abdul Karim Utazirubanda delineated the situation in Rwanda, where a multitude of small and very small enterprises poses unique challenges. Due to their small size, these actors have limited options for action, yet, particularly in the coffee and manufacturing sector that is one of the focus sectors of the project. Therefore, it is important to find entry points like associations, that can make joint action happen. Janina Wohlgemuth sketched the challenges and opportunities of the project in Costa Rica, which serves as an entry point to activities in Central America. Working in the tourism sector, the project is faced with short planning horizons and actors that have a lot of pressing issues to solve. Here, the long-term orientation of adaptation makes the urgency of the topic less apparent. Janina Wohlgemuth stressed the need to overcome this short-term thinking to create a resilient economy, and explained that a task force of interested tourism companies now seeks to tackle the issue.

The adaptation measures that the project has developed in cooperation with SME revolve around the main issues of energy efficiency, water and resource efficiency, and flexibility in logistics and production. They therefore overlap with the established business topics climate change mitigation and environmental management and contribute to increased competitiveness of the SME. Energy efficiency is an important topic, as the electric grid in many developing countries and emerging economies comes under strain during heat periods, and blackouts are more frequent. By introducing energy efficiency measures, SME can therefore contribute to both a more stable grid as well as save costs.