

**Thirteenth meeting of the Adaptation Committee
Bonn, Germany, 27 February to 2 March 2018**

Workshop to advance the engagement of the private sector in adaptation

Concept note

Recommended action by the Adaptation Committee

The Adaptation Committee (AC), at its 13th meeting, will be invited to consider this concept note on the workshop, which is proposed to focus on Small and Medium Enterprises (SMEs) and national adaptation planning in developing countries and agree on next steps.

1. Introduction

1. As reflected in its flexible 2016-2018 workplan, the AC agreed to advance activities on the engagement of the private sector, including building on the Nairobi work programme's Private Sector Initiative, including towards achieving the objective of providing guidance on ways to enhance support, including finance, technology and capacity-building, for the process to formulate and implement national adaptation plans (NAPs).
2. As agreed at AC11, a mapping of actors was undertaken, entailing preparation of a review of relevant literature¹, together with an open survey of private sector adaptation action and motivations². Reports on these activities, as well as an overview report presenting key findings as well as possible next steps were considered by the AC at AC12.
3. As a follow-up to this work, the AC agreed to convene a workshop in 2018, to advance activities on the engagement of the private sector, and foster greater contribution of the private sector to the process to formulate and implement NAPs, including examples of involvement so far.
4. AC12 agreed to request its working group on private sector engagement to work inter-sessionally on a concept note, based on the discussions at this meeting, and to further define the scope, focus target audience and a draft agenda of the workshop. It further requested its working group and other AC members to explore possibilities for collaboration on this workshop.

¹ AC/2017/17/Add.1, available at <https://goo.gl/JDcsbV>.

² AC/2017/17/Add.2, available at <https://goo.gl/ncDF5y>.

5. This concept note outlines options for the proposed workshop, within the context of the findings of the literature review and survey results, as presented at AC12 as well as other relevant activities and efforts, and proposes next steps for consideration by the AC. Following feedback from the AC, this note will be finalised and arrangements be made for the workshop to get underway.

2. Background

6. The literature review showed that there is an obvious need for the private sector to be engaged on adaptation. The private sector is already engaged in a wide range of ways, yet there are many opportunities to stimulate further adaptation action and enhance and better coordinate current and future action.

7. Certain sectors and types of private sector organisations (such as infrastructure, health and agricultural sectors and micro, small and medium enterprises (MSMEs)) warrant more attention, given that they may be providing vital services to society, in particular in the agriculture and food sector, that their resilience and sustainability directly contributes to that of communities, that they may be situated in areas that are most vulnerable to climate impacts, especially those in developing countries, and that they offer millions of people livelihoods.

8. In developing economies, MSMEs can employ up to 78 per cent of the population, accounting for up to 29 per cent of the national GDP. Their market concentration and high level of employment means MSMEs are well placed to contribute to making vulnerable populations more climate resilient, resulting not just in higher resilience in the private sector, but also in wider communities as well (WRI, 2012; WRI, 2013; Frei-Oldenburg et al., 2016).

9. At the same time, many MSMEs worldwide are increasingly vulnerable to the impacts of climate change. Literature reviewed gives evidence that small and medium enterprises (SMEs) are aware of and concerned about the impact of climate change on their business, however, that they are poorly prepared for climate related risks (Zurich Insurance Group, 2016; AXA Group and UNEP FI Principles for Sustainable Insurance Initiative, 2015). Furthermore, SMEs in developing countries usually having limited access to affordable financial products such as loans and insurance, credit, or grants needed to develop new products and expand operations, as well as low human resource capabilities, low technological capabilities, and insufficient access to electricity (WRI, 2013; Surminski et al., 2016).

10. WRI and UNDP 2015 propose the following to assist SME's in enhancing their engagement in adaptation, including:

- a) To engage more actively with multinational corporations, financial institutions, and investors;
- b) To influence and work with non-governmental organizations (NGOs), financial institutions, and international organizations with a view to supporting MSMEs in developing risk management options, including the provision of business-relevant climate information and risk analysis, technical assistance and training;
- c) To develop policies as part of creating an enabling environment that enable investments in adaptation, market and business development, encourage partnerships and cooperatives, and incentivize the deployment of financial instruments.

11. Climate resilience in SMEs could be advanced through increased collaboration including regionally, with other MSMEs and SMEs and large corporations to integrate across regional and value and supply chains; and provision of targeted information and one-stop shops for companies to access climate information and improve access to existing specialized climate finance and collaboration opportunities (Canevari, 2016).

12. The survey undertaken prior to AC12 backs the notion that MSMEs are struggling to effectively adapt to climate change. In the survey, 40 per cent of respondents reported that their company had a strategy or plan in place to deal with climate-related risks, with 33 per cent reporting that their

companies did not currently, but were planning to develop one. More than half of national companies (60 per cent) reported that they already had a plan, while 50 per cent of multinational companies and 37 per cent of SMEs reported the same. Compared to these other groups, microenterprises demonstrated a lower involvement with the development of climate strategies, with only 28 per cent reporting having an existing strategy or plan.

13. To facilitate more adaptation activities, better address climate risks and make the most of climate-related opportunities, companies indicated the need for more economic and financial incentives, data and information (including risk analyses), as well as regulatory/legal frameworks and policies that support the adoption of climate risk reduction actions, and specific interventions including experts who can translate climate data and science into information relevant for end-users, financial mechanisms, such as public-private partnerships for large scale projects; and creative communication to mobilize businesses to address adaptation.

3. Proposed scope and focus

14. Taking into account the results of the literature review and the survey and the value in paying special attention on (M)SMEs as the backbone of developing country's economies, it is proposed to focus the workshop on Small and Medium Enterprises (SMEs) and national adaptation planning, in particular in developing countries, in the context of the food and agriculture sector and supply chains and consider:

- a) How can national, subnational and local governments develop frameworks that stimulate private sector investment in adaptation, including contributing to the process to formulate and implement national adaptation plans (NAPs)?
- b) How can businesses, in particular in the food and agriculture sector, better assess and disclose climate related risks as well as identify cost effective adaptation measures and promising adaptation services, both in their own business as well as in their supply chains?
- c) How can businesses better access available information, knowledge as well as financial and technological products and resources to climate-proof their business and supply chains and/or offer adaptation services with a view to increasing the overall resilience of the economy?
- d) How can Public Private Partnerships (PPPs) be fostered to increase private sector investment and services into climate adaptation measures?

4. Target audience and format of the workshop

15. It is proposed to organize the workshop as a stand-alone three-day workshop in collaboration with and sponsored by one or multiple partner organizations.

16. It is proposed to have 40-60 participants representing business, governments and other stakeholders. In particular, participants would be either business and business association representatives from the food and agricultural sector or government representatives from the national, subnational and local level, interested in fostering climate adaptation in the private sector. In addition, representatives from research organizations, civil society, development banks and bilateral technical cooperation agencies will add additional perspectives and provide inputs where necessary.³

17. The workshop setup will be interactive, making use of different formats and requiring active participation. The workshop will also make use of up-to-date methodologies and technologies, such as

³ For example, ODI has expressed an interest in supporting the workshop and showcasing its Pathways to Resilience in Semi-arid Economies (PRISE) project (<http://prise.odi.org/>) and the Value Chain Analysis for Resilience in Drylands (VC-ARID) tool.

design thinking⁴ and audience management tools, in order to maximize the usefulness of the workshop for the participants. For example, business participants could submit specific challenges prior to the workshop, which could be addressed by workshop participants, possibly in parallel session.

18. Taking into account the discussions at AC12, the proposed scope, guiding questions and participants, the workshop may be organized as follows:

| Day 1 – Policy and regulations day |
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| <ul style="list-style-type: none"> - Introduction. Following the opening of the workshop, this session would provide an overview of the state of private sector engagement in adaptation as well as the challenges and opportunities that arise from climate change adaptation - Policies. How can good policies stimulate investment in climate adaptation? This session aims to build momentum and bridges between government and business representatives, by providing inspirational examples of good policies that have stimulated private sector engagement/ investment - Regulatory frameworks. Private sector investments require a clear and coordinated medium- to long-term regulatory framework, possibly as part of the NAP process, and which could include fiscal policies, de-risking instruments etc. This session seeks to showcase examples of regulations that have spurred private sector engagement in adaptation - Policies and regulations. Based on the previous session, the private sector is also needed in achieving a country’s adaptation objectives, including those identified in the NAPs. This session focuses on how the private sector can contribute to the implementation of the NAP process and what incentives are needed for taking an active role. |
| Day 2 – Business day |
| <ul style="list-style-type: none"> - Assessing and disclosing risks. How is my business affected? This session seeks to introduce workshop participants to common methodologies and guidelines on how to make use of available data and assess and quantify direct and indirect climate related risks to their supply chains. The session will also consider information that businesses should disclose to help investors, lenders, and insurance underwriters better understand how businesses oversee and manage climate-related risks and opportunities as well as the material risks and opportunities to which companies are exposed⁵ - Integration - climate-related risks in the enterprise context. Climate-related risks are only a part of assessing and managing risks for the private sector. This session focuses on how to integrate those risks into existing enterprise risk assessment and management strategies. In addition, the session will also consider the importance of environmental, social and governance frameworks (ESG) in enabling investment in adaptation measures for both attractive returns and positive social and environmental change - Implementation - identifying innovative and cost-effective adaptation measures. This session builds on the previous session and aims to enable participants to identify and evaluate adaptation measures for their respective risk(s) as well as to identify and act on opportunities to lead on innovation |
| Day 3 – Resource day |
| <ul style="list-style-type: none"> - Information and knowledge for businesses. A major barrier to assessing climate risks and |

⁴ What is Design Thinking and Why Is It So Popular? Available at: <https://www.interaction-design.org/literature/article/what-is-design-thinking-and-why-is-it-so-popular>.

⁵ See www.fsb-tcfd.org/publications/ and follow-up by EBRD and GCECA www.gceca.org/news/agenda/960394.aspx

implementing adaptation measures is a lack of knowledge. This session will present available sources of information and knowledge and provides an overview on how to make the best use of them

- **Financial resources.** Another major challenge in SME's capacity to support countries in creating a climate resilient economy is the lack of financial resources. This session aims at showcasing available options for accessing existing financial resources, including grants and loans from various national and international sources, such as development banks, institutional investors and private capital market
- **Incentives - how to stimulate private sector adaptation through public money.** This session builds on the session before but focuses on the various options to make use of public finance incentives to stimulate private sector resilience. It aims at providing examples of successful public financing and insurance incentives to stimulate private sector adaptation and hence the resilience of their countries' economies. This also includes leveraging the opportunities of Public Private Partnerships (PPP)
- **Access to technology.** Successful adaptation measures often require technologies that are not in reach of SMEs. This session aims at identifying possible solutions and mechanisms for technology transfer
- **Partnerships: teaming up to rise to the challenge.** Even with access to financial and technological resources, implementing adaptation measures can pose a big challenge for a business alone. This session aims at showcasing the potentials of partnerships, including PPPs, and introducing successful cases

19. Over the duration of the workshop, a networking expo would aim at connecting workshop participants and providing room for planning and discussing potential partnerships.

5. Next steps

20. The AC may wish to use the information provided in this concept paper to discuss and agree at AC13 on:

- a) The scope and guiding questions;
- b) The flow and format of the different sessions;
- c) Potential partner organizations;
- d) Tasks to be performed between AC13 and the workshop, including involvement of AC members, partner organizations and the secretariat.

References

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