



United Nations Climate Change
Paris Committee on Capacity-building



3rd Capacity-building Hub UNFCCC Bodies, Entities, and Processes Day

RCC Bangkok, RCC Dubai, RCC Kampala and IDRC

Are SMEs ready for Climate Action: sharing global experiences on capacity-building?

Summary

Involvement of private sectors, including SMEs, to address climate change is essential for multiple reasons. First of all, given the scale and pace of emissions reductions needed to transition to a net zero economy, it is critical that companies across the board, large or small, urgently act to reduce carbon emissions both in their direct operations and in their supply chains. Secondly, climate action presents opportunities for SMEs who are recovering from the COVID-19 pandemic to integrate resilience into business, at the very heart of their investment plans and strategies, as they address the new challenge as a fragile and vulnerable enterprise system for a better future.

SMEs can pave the way for greening entrepreneurship, mitigating the impacts and adapting to climate change. However, due to limitations in size, SMEs face larger challenges when it comes to the capacity to green their operations, including knowledge about technologies, the process to reduce carbon emissions, and accessing finance to climate-proof their business. **The underlining message from the event is that building the capacities of the SMEs to advance their understanding of climate actions, initiatives and the opportunities that exists in the regions can be an important enabling factor in achieving climate targets.**

This side event hosted by United Nations Climate Change Secretariat and three of its Regional Collaboration Centre in Bangkok, Dubai and Kampala, in collaboration with regional and global partners (CEDA International, ESCAP, ESCWA, IDRC, UN Global Compact and UNIDO) had the following objectives:

- (i) present the results of the mapping studies conducted to identify capacity-building gaps and needs in relation to climate action of SMEs in the different regions
- (ii) advance understanding of existing initiatives on climate engagement with the SMEs to address the gaps and needs and formulate forward looking recommendations.

At the side event, it was reiterated that Small and Medium-sized enterprises (SMEs) form the backbone of economies across the globe, accounting for 50-60% of jobs as a whole and 80% or more of economic opportunities. SMEs are not only the key economic drivers on their own but also impetus into Multinational companies (MNCs) and larger business supply chains. This is very important when we look at issues such as mitigation and in setting up ambitious goals for the business corporations in facing the enormous challenge of transitioning to a low-carbon economy. However, the fundamental question is how ready the SMEs are to respond to these





targets – accessing finance, having the know-hows and the technology are the key pillars on this track. Some of the key takeaways from this side event include:

- First of all, **the climate crisis is here and now**. We may talk about 2030 and 2050 climate trajectories, but businesses are being impacted at this point of time and so the challenge is in the present – the impact on people and planet
- There is **an urgent need for raising awareness among the SMEs**, not only on the importance of climate action, but also the benefits arising from it – with the adoption of cleaner production, resource efficiency and circular economic principles - which are all proven ways to reduce their climate footprint as well as their business costs
- Another core component is that the business development ecosystem should be well-structured and include mapping of all the actors, **targeting strong leadership and connecting the actors** through capacity building and knowledge sharing activities, including women empowerment. This will advance scaling up sustainability and climate resilience of the SMEs
- Most countries are increasingly diversifying their economics and **fostering greater private participation to address national and regional environmental challenges**. In facilitating the understanding of the national and regional demands and needs of the SMEs, the governments will be able **to elaborate future green entrepreneurs**.
- **“Going green”** has upfront costs that many SMEs can’t afford. In this regard, **digital finance has the potential to transform how we engage in economic activities** and do business. New innovative solutions in the digital space are enabling unbanked and underbanked individuals to access financing and engage in the real economy. Hence, it is important to support SMEs access to digital finance for implementing the required transition in Climate Action.
- **Governments have to play a role by “de-risking” or allocating additional funds** to support energy efficiency measures and the greening of MSMEs as the fiscal space is more open than ever before. This investment in the MSMEs as well as using incentives to drive sustainable production and decarbonization to a green recovery from the COVID-19 pandemic should be a mandate with the governments, including capacity building activities of the SMEs of these initiatives and policies
- One of the barriers highlighted was that even if there is knowledge and finance, the challenges are around capacity building of SMEs to adopt green technologies. **Capacity-building efforts must recognize** – sectorial specificity, market environment and their opportunities for greening – and address specialized skillset on green and low-emission technology. SMEs need support through the sharing of knowledge and best practices and training programmes to help identify and capitalize on the available technologies and processes to practice climate action
- In this regard, understanding the extent to which SMEs have access to the knowledge and can tap onto that is a must. For example, **the private sector, by making net-zero commitments, support the greening of value chains and in this process can work together with the engaged SMEs** to make them major enablers of climate action.
- Online platforms, knowledge platforms and CB programmes can **inspire people to adopt green technology and green entrepreneurship options** by supporting the





innovation facilitators and finding solutions to enhance trading, distributing and consuming environmentally enhanced products and services

- Thus, building the capacities of the SMEs and beyond to really understand the importance of decoupling their emissions from growth as their rebound post-pandemic strategy for climate action is critical. In bouncing back better, **SMEs need to be mindful of their carbon footprint and contribution to the climate trajectories** and to understand the importance of resilience,
- Many a time the SMEs know little to nothing about climate change. Hence, the capacity building activities should target **to break the narrative and change it to business sense and speak in the language SMEs are willing to listen to** - view such narrative as a compelling case for action. However, in important sectors, such as agriculture, climate-smart food production in urban and peri-urban areas can be promoted by building the capacities of the SMEs across the food supply chains, addressing the knowledge gaps of the relevant enterprises to be more resilient and adaptive to climate change impacts
- Shifting the power to local change agents in their local language and local knowledge and investing in the youth (mainly in Africa) can bring change in recent times. **Meta shift of SMEs especially the social entrepreneurs is essential within the context of giving them the tools and connecting them to resources.** Collaboration is the new normal along with the use of diverse communication tools. It has to be done through story-telling – building around case studies what has worked before - as people need to understand what someone else has done
- **Urgent multistakeholder and multilateral action for climate action is required** - bold ambitions that has the private sector at its core. The Science Based Targets Initiative Networks and standards that are put in place can help companies take an innovative approach to finding nature-positive solutions alongside rapid decarbonization, enhance the ability to validate targets and to showcase how the companies are making that transition to the 1.5 trajectory to encourage others. These needs to be done inclusive of the SMEs
- **Several examples** including the “ESCAP MSME Policy Makers Network Platform” to support decarbonization and climate transformation; “Green Public Procurement Frameworks” to help SMEs to become more agile; ESCAP’s SME Financing landscape paper; ESCAP Sustainable Business Network and its Task Forces in supporting industries dominated by SMEs; the upcoming AP Business Forum on “Green Deal for Business” for a Zero Carbon Future – Circular Economy and Green Finance; Industrial Energy Efficiency Accelerator programme of UNIDO; ESCWA’s Regional Capacity-building programme to improve the performance of SMEs were presented.

Relevant Links:

RCC Bangkok: <https://unfccc.int/about-us/regional-collaboration-centres/rcc-bangkok>

RCC Dubai: <https://unfccc.int/about-us/regional-collaboration-centres/rcc-dubai>

RCC Kampala: <https://unfccc.int/about-us/regional-collaboration-centres/rcckampala>

