

Private Sector Adaptation to Climate Change (PSACC)

Factsheet Global Programme PSACC

The Challenge

Climate change is one of the greatest challenges facing human kind. While we must do everything we can to limit global warming by reducing greenhouse gas emissions, there is also a need for all sectors to adapt as well as they can to the unavoidable consequences of climate change.

Because of their geographical location and weak infrastructure, developing countries and emerging economies bear the brunt of the consequences of rising temperatures, droughts, storms, floods and seasonal irregularities.

The vast majority of employment and income-generation opportunities in developing countries and emerging economies are offered by small and medium-sized enterprises (SMEs) in the retail and manufacturing industries. These SMEs also play a key role in supplying goods and services to the population.

Climate change can have a direct impact on businesses in the form of building damage or disruption to production processes, for example, where machines overheat or staff fall ill more often. It can also affect firms indirectly as resources such as water and energy become scarce or more expensive, supply chains are disrupted and sales markets change. Production processes, procurement and sales policies, business strategies and investment decisions are all being adversely affected as a result of subtle changes in the climate and the increasing frequency in extreme weather events. At the same time, the necessity of adapting to climate change may create new demand for products and services, providing business opportunities, for example, in the textile, efficiency-technology, building insulation and consultancy industries.

For SMEs in developing countries and emerging economies, adapting to climate change is a huge challenge. These firms have few resources and limited expertise, and are unaware of both the risks and opportunities of the phenomenon. In most cases, chambers of commerce, business associations, consultancy firms and state institutions in developing countries are not able to advise SMEs on adaptation measures.

If micro, small and medium-sized enterprises in developing countries are left exposed to the risks of climate change, then these

already weak nations will become even more vulnerable, jeopardising the development progress they have already made.

Our approach

In response, GIZ is working on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) to assist MSMEs in its partner countries in assessing climate-related risks and opportunities more effectively and in developing adaptation strategies.

We support these firms in using instruments that allow them to analyse the impact that an increase in extreme weather events has on the delivery of primary products, energy and water, on production, and on sales. We help chambers of commerce, business associations and management consultants to use these methods and to advise SMEs on how to adapt their strategies to climate change. We consider adaptation to be either:

- an additional element of corporate risk management, or
- an opportunity for companies to develop new products and services for other market players who need to adapt.

In order to enable companies to adapt to an increase in the price of energy, water or other inputs resulting from climate change, we often implement measures that increase resource efficiency, improve competitiveness and cut carbon emissions. Companies that are more resilient to climate change are frequently more competitive too.

Approaches and instruments that prove particularly effective are made available to German and international development cooperation actors. Together with its partners in India and Central America, GIZ has developed a range of tools to build adaptation capacity in the private sector. These include materials for advisors, training concepts, measures to promote consultancy markets, the interactive online portal www.climate-expert.org, and a tool based on BACLIAT.



Left: Workshop participants are discussing in what way their businesses are affected by climate change.

Right: Company assessment Rocky Dockyards, BD

Areas of activity

As part of our ‘Strengthening private sector capacity to adapt to climate change’ programme, commissioned by BMZ, we work together with GIZ field projects to further develop instruments for awareness-raising and advisory services for the private sector, adapt these to different sectors and actors, and test them out. The resulting knowledge is made available to German and international development cooperation actors.

The project is developing instruments in the following areas to help the private sector adapt to climate change:

- A) **Raising awareness:** one of the greatest hurdles in the adaptation process is a lack of awareness of the impact that climate change has on individual enterprises. Consequently, we are putting together public relations materials such as films and information publications.
- B) **Advising the private sector on adaptation:** we are developing manuals and training concepts, and training mediators and multipliers such as chambers of commerce, business associations and private-sector service providers in how to offer the same kind of training and advisory services themselves.
- C) **Providing advisory services on adaptation financing:** adapting to climate change requires investment and brings with it financial challenges for companies. Consequently, advisory concepts are being developed for the private sector covering the use of financial and insurance products in the adaptation process.
- D) **Dissemination of knowledge:** we are working to strengthen dialogue and cooperation on effective approaches within German and international development cooperation.

A wide range of support services for a broad spectrum of experience

GIZ is working with a broad spectrum of methodological approaches as part of the ‘Strengthening private sector capacity to adapt to climate change’ project, which began in early 2014.

In **Morocco:** we are developing training concepts and manuals for managers of industrial parks that are designed to improve the resilience of these parks and advise enterprises locally.

In **Rwanda:** an approach is being piloted to sensitize the food-processing (coffee) and manufacturing industries. We train consultants to conduct vulnerability assessments with SMEs.

In **Bangladesh:** an option is being examined for a sectoral approach that would involve working with the water transportation sector. A second option involves providing advice to MSME clusters.

In **Central America:** We are working in the tourism industry. Apart from reducing individual company’s vulnerability, we also develop a methodology to initiate a joint action process to reduce vulnerability for a destination as a whole.

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