

STRENGTHENING COMPETITIVENESS THROUGH CLIMATE RESILIENCE IN INTERNATIONAL VALUE CHAINS

BACKGROUND

The project “Strengthening Competitiveness through Climate Resilience in International Value Chains” is implemented by the Trade for Sustainable Development (T4SD) Programme of the International Trade Centre (ITC), the joint agency of the World Trade Organization and the United Nations, and financed by the German Federal Ministry for Economic Cooperation and Development (BMZ). The project focuses on improving the climate-induced risk management of companies in developing countries through the integration of climate change considerations in their risk analysis and the creation of climate adaptation strategies.

The first phase of the project runs from January to November 2018 and will be implemented in the agri-processing and textiles sectors of Morocco and Kenya. A potential second phase of the project seeks to match companies with adequate finance, insurance, services and markets to implement their climate adaptation plan.

T4SD will strengthen the capacity of companies in the targeted countries through its tailored technical assistance and use of the Climate Expert Approach, which has been developed by the Global Programme on Private Sector Adaptation to Climate Change (PSACC) of GIZ financed by BMZ. GIZ identified ITC as a key organization to jointly promote private sector adaptation to climate change through the implementation of the Climate Expert Approach. The full approach has been tested and piloted by GIZ with companies in Bangladesh, Costa Rica, India, Morocco and Rwanda. Based on the results and lessons learned, the approach has been further refined and is ready to be implemented by ITC experts.

The project pilots a new and innovative approach by taking a value chain perspective to strengthen climate resilience of companies. This approach aims at improving the collaboration amongst selected value chain actors – including both European companies and their suppliers in the targeted countries - in order to implement better climate risk management along the value chain and hence to increase the competitiveness of its stakeholders. It is comprised of three different outputs:

1. Awareness and understanding of climate change and its risks and opportunities for businesses increased among selected actors in the targeted value chains
2. Capacity to create climate resilience strategies and communication plans of selected actors in the targeted value chains of European companies increased
3. Service portfolio of technical assistance providers addressing climate change risk management in value chains enhanced

WHY IS IT IMPORTANT TO ADAPT TO CLIMATE CHANGE?

Building climate resilience in international value chains increases the competitiveness of all actors along the value chain. It does so by better management of climate induced risks in terms of production losses, energy supply, transport disturbances, water shortages as well as by opening new business opportunities through newly arising product and service demands. Due to the interdependency of value chain actors from production and processing to consumption, climate induced business risks spread across the value chain, as soon as one actor is affected by the impacts of climate change.

Collaborative and proactive management of climate risks among value chain actors through an innovative approach of joint creation and implementation of climate resilience strategies is crucial. It translates into more

stable business operations and transactions along international value chains and leads to sustainable growth of both local and international businesses.

Benefits of enhanced climate adaptation capacity of value chain actors include:

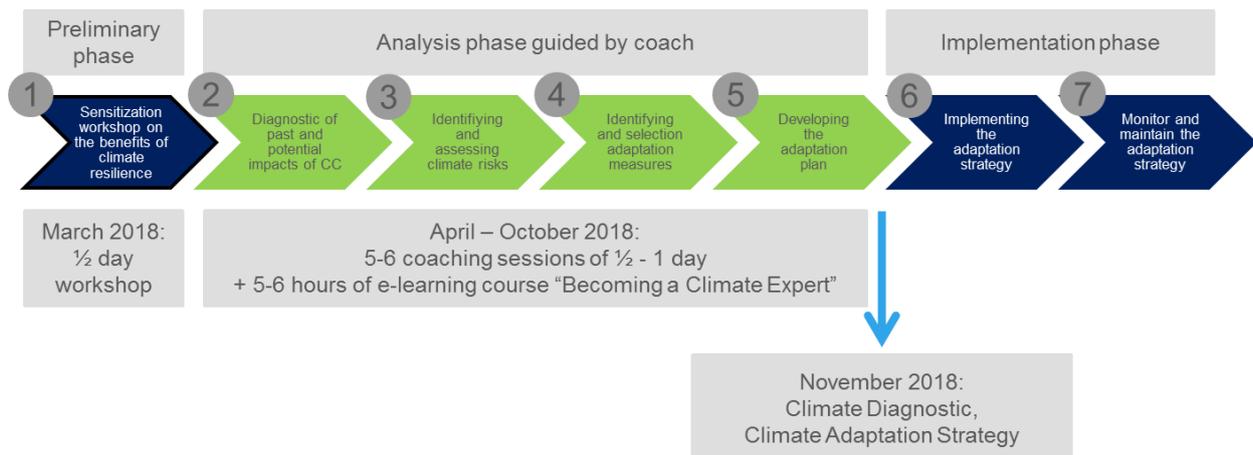
- Ensuring business continuity and stable long term supply relationships in international value chains
- Realizing cost savings due to reduced climate induced losses
- Creating competitive advantage through positive side-effects of adaptation measures such as increasing operational and resource efficiency and creating reputational effects
- Creating business opportunities from climate change through the development of new products and services

THE CLIMATE EXPERT APPROACH

In a first step suppliers self-assess their capacities through an online assessment tool hosted by the ITC Sustainability Map platform (www.sustainabilitymap.org).

Second, suppliers in the targeted countries will be guided via customized coaching sessions held by local experts to develop climate change adaptation strategies using the Climate Expert Approach. The coaching sessions will be complemented by an online learning course "Becoming a Climate Expert", for which an ITC certificate will be obtained upon completion.

The customized coaching sessions will be implemented according to the following schedule:



In a potential a second phase of the project ITC aims at facilitating access to green finance, climate insurance and adequate technology based on a joint action plan of the stakeholders in each supply chain.

ENGAGEMENT OF EUROPEAN BUYERS

The European buyer companies should take an active role in participating in the project through the identification of beneficiary suppliers in their supply chains, participation in a sensitization workshop (March) as well as one or two of the customized coaching sessions with the local companies (between April and November).

ITC encourages the participating European companies to engage with their suppliers also during the implementation of the identified adaptation measures within their scope of operations.