How partnerships help small businesses adapt to climate change

Micro, small and medium enterprises (SMEs) in developing countries often face major barriers within their business environment to adapting to the impacts of climate change. These barriers include a lack of access to finance, markets, insurance, climate-smart inputs and services, and knowledge about adaptation options.

Many of these barriers can be overcome through the activities, products and services of other private sector actors, our earlier research has shown. In the agricultural sector, for example, large insurance companies may provide weather-index crop insurance to small-scale producers, who otherwise lack access to safety nets in the event of a climate shock. SMEs that provide agricultural inputs may allow producers to access a wider range of climate-smart technologies. And by becoming more integrated into value chains, producers may be able to access more reliable markets for climate-resilient crops.

Yet many of the possible actions and investments that private sector actors could make to deliver adaptation benefits for SMEs lack a clear business case, or may entail risks and costs for the businesses mobilising these adaptation goods.

There has been a lot of interest in unlocking the resources of the private sector to plug gaps in adaptation finance, at national and international levels. For example, signatories to the Paris Agreement committed to enhancing private sector participation in the implementation of countries' nationally determined contributions – their pledges to reduce greenhouse gas emissions and make plans for adaptation. There has, however, generally been limited clarity around how this can be achieved.

In a new working paper, we look at ways in which civil society and public sector actors in Kenya are seeking to support and incentivise private sector actors to take some of these actions that provide adaptation goods and services for SMEs through multi-stakeholder partnerships. We focus our analysis on Kenya, since, reflecting trends across sub-Saharan Africa, Kenya's large and burgeoning private sector tends to be characterised by a large number of micro and small enterprises concentrated in the agricultural sector. These businesses face high exposure to climate risk and multiple barriers to adaptation. Kenya also has a comparatively strong policy landscape underpinning multi-stakeholder partnerships for adaptation.

Growing importance of multi-stakeholder partnerships in Kenya

Multi-stakeholder partnerships are collaborative arrangements that bring together actors from the three main social sectors: government, the private sector and civil society.

Date originally posted: 2020-06-18

Permalink: https://blogs.lse.ac.uk/businessreview/2020/06/18/how-partnerships-help-small-businesses-adapt-to-climate-change/

Blog homepage: https://blogs.lse.ac.uk/businessreview/

Our latest research suggests that these partnerships are becoming an increasingly important development paradigm in Kenya. NGOs, especially, are initiating these partnerships, with the goal of unlocking private sector resources to upscale a wide range of climate change adaptation and development action. Indeed, NGOs hope that supporting private sector actors to develop adaptation goods or services, which they have an ongoing incentive to maintain, will produce longer-term resilience that extends beyond a given programme or project.

The potential for multi-stakeholder partnerships to adopt a flexible, decentralised and inclusive structure, meanwhile, appeals – theoretically at least – to the idea that adaptation should be implemented locally, where vulnerability to climate change impacts such as prolonged drought are experienced directly.

How are these partnerships supporting small-scale producers to adapt to climate change?

In our research we have seen that multi-stakeholder partnerships are delivering on some aspects of these ambitions in Kenya. Through action and investment from donor-funded and public sectors – in areas such as research, data access, relationship development, business incubation and access to finance – multi-stakeholder partnerships are supporting private sector actors to deliver adaptation resources to small-scale producers. This includes farmers in remote regions, who would otherwise fall outside of market inclusion.

Partners within the PREPARED project, for example, invested in weather station upgrading and capacity building within the Kenya Meteorological Department. This enhanced the quality of climate data, to support insurance companies to access a robust index to determine commercially viable premiums for weather-index crop insurance for poor farmers.

The Conservation Agriculture for Food Security (CA4FS) partnership, meanwhile, linked agricultural producers to conservation agriculture fabricators and buyers, to support the adoption of climate-smart agricultural strategies: conservation agriculture methods, such as reducing tillage, can aid climate change adaptation through increasing organic matter and moisture stored in the soil. To support uptake of conservation agriculture technologies, the partnership also brokered agreements and mechanisms for producers to access inputs on credit and held training sessions on conservation agriculture.

As evidenced in these partnerships, our research therefore illustrates that a wide range of private sector actors can be mobilised to produce adaptation resources for SMEs through partnerships. It also suggests that broad-based partnerships can mobilise the strengths of different actors and thus achieve outcomes that single partners alone could not.

Weaknesses in the multi-stakeholder partnership approach

A critical look at this model of development practice, however, reveals a more uncertain picture. Market-based partnership strategies envisage that multi-stakeholder partnerships will become self-sustaining. But, as yet, this is not happening easily. Instead, private sector provision of goods and services that aid adaptation among SMEs often breaks down following pilot projects, when donor funding and brokering activities are withdrawn.

Dependence on market mechanisms, specifically on low-risk and commercially-viable business opportunities, meanwhile, makes multi-stakeholder partnerships less likely to deliver adaptation support to the poorest, most vulnerable and most geographically remote groups. Multi-stakeholder partnerships can also create new, potentially fragile, dependencies between private sector actors and expose businesses to new risks and vulnerabilities, which themselves may reproduce existing inequalities. For example, producers and other SMEs may be encouraged to make high levels of upfront investment, or be prompted to abandon old ways of life. This might happen in unstable markets and sectors that remain exposed to notable climate risk. In this situation, weaker partners are likely to be less able to negotiate and represent their interests.

More broadly, our analysis suggests that multi-stakeholder partnerships are subject to the same vagaries of power, and opportunities for local capture, as other forms of adaptation and development action.

Donor-funded actors have a key role to play

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Given the increasing importance of partnerships in national and international development and adaptation policy landscapes, these challenges warrant serious reflection within the context of the 2030 Agenda for Sustainable Development pledge that 'no one will be left behind' and the Paris Agreement goal of taking into account the urgent and immediate needs of those who are particularly vulnerable to climate change.

Since NGOs and other donor-funded development actors are currently the primary drivers behind multi-stakeholder partnerships for adaptation in many developing countries, these actors must support more inclusive and equitable risk and benefit sharing in partnerships.

To mobilise more inclusive partnerships, identify risks and prepare mitigation measures, sufficient investment into partnership design and strategy at the early stages of developing a multi-stakeholder partnership is required. Yet market systems are dynamic and changing, requiring partners to continually re-evaluate and renegotiate the terms of a partnership. Multi-stakeholder partnerships are therefore likely to require longer-term monitoring, evaluation and assistance than is permissible in short-term development projects. Delivering this ongoing support could well necessitate a rethink about the nature – and duration – of donor-programming around multi-stakeholder partnerships.

Author's note: The research was produced under the Pathways to Resilience in Semi-arid Economies (PRISE) project with financial support from the UK Government's Department for International Development (DfID) and the International Development Research Centre (IDRC) (grant reference: 107643-004) and through the Development Corridors Partnership (DCP) project, funded through the UK Research and Innovation's Global Challenges Research Fund (UKRI GCRF) (grant reference: ES/P011500/1).

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Notes:

- *This blog post appeared first on the site of LSE's Grantham Research Institute on Climate Change and the Environment. It is based on 'Enabling private sector adaptation to climate change among small businesses in developing countries: What role for multi-stakeholder partnerships? Experiences from Kenya', by by Kate Gannon, Florence Crick, Joanes Atela, and Declan Conway.*
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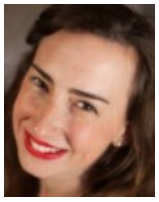

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