

Small business in value chains

From Climate Risk To Resilience



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From Climate Risk
To Resilience

About the guide

Managing risk and building climate resilience among small firms requires a team effort. Climate change is hitting SMEs hard, and supply chain disruptions have a domino effect. This guide explains how development cooperation agencies, business support organizations, policymakers, large corporations, financial institutions and technical suppliers can work together with small business to manage risk and boost their resilience.

The guide outlines a ten-step plan for small business climate resilience in value chains. It includes case studies from Morocco and Kenya to highlight how green partnerships and business ecosystems can support small firms to gain the skills and production improvements that make businesses more climate-resilient.

The plan builds shared risk awareness; makes the business case for adaptation; addresses skill gaps; and matches companies with financial and technical service providers. It integrates tools developed through technical programmes of the German government (GIZ) and implemented in ITC projects in developing countries. This report is designed as a follow-up to the ITC report, *SME Competitiveness Outlook: Empowering the Green Recovery* to address small business needs in value chains.

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For more information on the ITC GreenToCompete initiative, see: <http://www.greentocompete.org>

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Foreword



Opportunities can spring from the darkest corners. The pandemic lockdown and the continued impact of climate change have severely tested the resilience of small businesses in value chains, as well as their families, local communities and national economies.

This makes it the right time to look at how we can create a positive domino effect for those families, communities, countries and consumers who produce and consume goods and services through international supply chains.

This guide offers a concrete way to strengthen ties in the value chains, empower communities, find green solutions and integrate environmental thinking in business problem-solving. It's proof that Sustainable Development Goals push international and national policies and partnerships. This is a tested approach to sustain businesses, livelihoods, nature and communities that are at the heart of value chains.

Small businesses are the backbone of our globalized economy. They have advantages over large firms, as they can swiftly respond to customer needs and embrace new opportunities. However, they often lack access to capital, technology, skills and knowledge – deficits that can undermine their resilience in the face of unforeseen shocks.

The COVID-19 pandemic has shown that resilience – the ability to survive and respond to disruption – matters. Our research demonstrates, there is a significant 'resilience divide' between small and large firms.¹ The resilience divide is deepest for small businesses in developing countries, partly because their governments don't have the financial means to keep private firms afloat in a crisis.

While the impact of measures to contain the pandemic has been massive, it is dwarfed by the threat from climate change. Heatwaves, floods and other extreme events are more frequent. Climate change is shifting temperatures and rainfall patterns in ways that pose existential risks to ecosystems, societies and economies – including small businesses.

¹ International Trade Centre. (2021). [SME Competitiveness Outlook 2021: Empowering the Green Recovery](#).



At the same time, climate change can also offer new opportunities for them. By adapting to climatic changes, small businesses can increase the resilience of their businesses, and venture in the development of new goods and services needed in the green transition.

This handbook outlines the climate challenge for firms, offers a 10-step plan to build climate resilience across the value chain, and provides concrete business cases that demonstrate the results of this approach.

Raising the climate resilience of small businesses is a central element of the ITC strategic plan, so that they can address the impact of shocks and disruptive change. This publication, in fact, is based on work of the ITC *GreenToCompete Programme*, and deepens the research we recently published in the ITC *SME Competitiveness Outlook: Empowering the Green Recovery*.

Greater climate action is urgent, as indicated in the Intergovernmental Panel on Climate Change's Sixth Assessment Report, *Climate Change 2022*. Only through climate mitigation can we avoid the vicious circle of rising temperatures with further adaptation to even higher temperatures. Small businesses can contribute through direct mitigation and smart adaptation that improves company resilience and reduces carbon emissions at the same time.

If the future is written by businesses which meet the challenge of climate change and also seize its opportunities, this guide will have served its purpose. Small businesses are indeed the key to empowering a green recovery and helping their communities and countries to attain a more equitable, sustainable future.

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