

## Context

Small and medium enterprises (SMEs) in semi-arid lands (SALs) face significant barriers to growth, are highly vulnerable to climate change and struggle to adapt to its impacts. Yet SMEs form a crucial part of sub-Saharan African economies, providing most job opportunities and contributing to the employment of women and other marginalised groups. This means SMEs have the potential to be important drivers of economic growth and resilience to climate change.

## Aims

This project investigates how the private sector in SALs – particularly SMEs in the agricultural sector – can adapt and take advantage of new opportunities created by climate change. We also explore the ways in which the public sector and multi-stakeholder partnerships (between different businesses, government departments and civil society organisations) can help incentivise this process.

## Results

- SMEs often feel that there are few adaptation options available to help them cope with climate impacts they experience. Sometimes they are unaware of adaptation options. Other times, they may have ideas about how to deal with changes in climate, but often lack the conditions to take effective action.
- Many of the factors that limit the ability of businesses to adapt to climate change often also affect their business development and growth prospects in general. This means that enabling SMEs to build resilience to climate impacts can be linked to achieving broader economic growth and national development priorities.
- By integrating literatures on private sector development and private sector adaptation, this research identifies the ‘building blocks’ of an enabling environment for climate-resilient economic development in SALs (see Figure 1 overleaf). We break this framework down into a series of indicators, which can act as an assessment tool for policy-makers and the private sector to evaluate the extent to which enabling conditions for private sector development and adaptation exist.

Pathways to Resilience in Semi-arid Economies (PRISE) is a five-year, multi-country research project that generates new knowledge about how economic development in semi-arid regions can be made more equitable and resilient to climate change. PRISE aims to strengthen the commitment of decision-makers in local and national governments, businesses and trade bodies to rapid, inclusive and resilient development in these regions. It does so by deepening their understanding of the threats and opportunities that semi-arid economies face in relation to climate change.

Where we work: Senegal, Burkina Faso, Kenya, Tanzania, Ethiopia, Pakistan, Tajikistan and Kyrgyzstan.

Member organisations: Overseas Development Institute, UK (lead organisation); Grantham Research Institute for Climate Change and the Environment, UK; Innovation Environnement Développement en Afrique, Senegal; Sustainable Development Policy Institute, Pakistan.

Country Research Partners: Regional Environmental Center for Central Asia, Tajikistan; University of Ouagadougou, Burkina Faso; Kenya Markets Trust, Kenya; Mountain Societies Research Institute, Kyrgyzstan.

### PRISE research projects:

Research area 1: Migration futures in Asia and Africa: climate change and climate-resilient economic development.

Research area 2: Migration, remittances, adaptation and resilience in arid and semi-arid regions of Senegal and Tajikistan.

Research area 3: Harnessing opportunities for climate-resilient economic development in semi-arid lands: adaptation options in key sectors.

Research area 4: Enabling environment for private sector/ multi-stakeholder action to strengthen resilience to climate change.

Research area 5: Property rights, investments and economic development in the context of climate change in semi-arid lands.

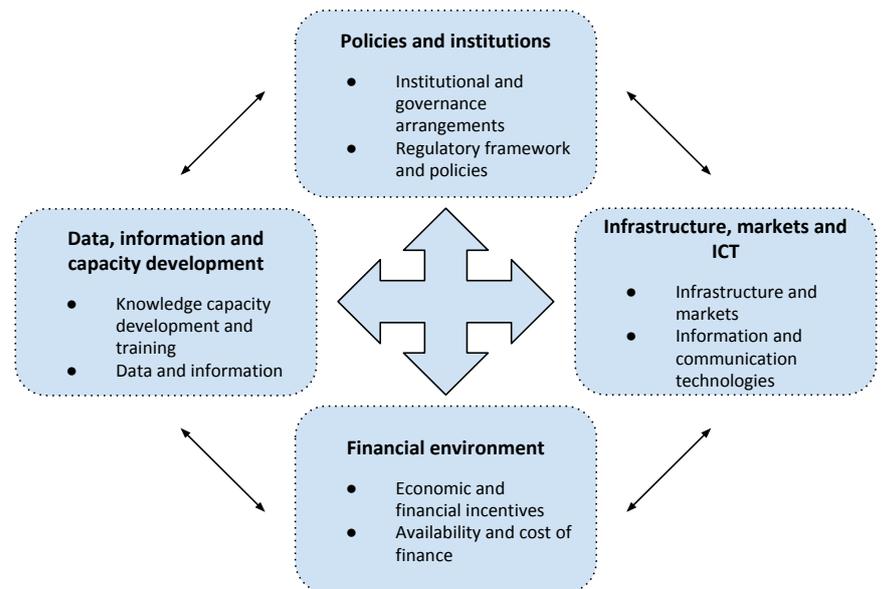
Research area 6, Part 1: Cross-boundary multi-scale governance of semi-arid lands: Implications for climate resilience and economic development.

Research area 6, Part 2: Resilience to climate-related shocks and stressors in Kyrgyzstan: developing resilience indicators to predict well-being.

Research area 7: Water governance in semi-arid lands: political and economic insights for the management of variability and extremes in a changing climate.

- Access to finance, markets and information services, as well as general government support and specific adaptation assistance, are all factors that encourage SMEs to pursue ‘sustainable’ adaptation strategies (such as taking out insurance) rather than ‘reactive’ coping strategies (such as making staff redundant or selling assets).
- Female entrepreneurs are more vulnerable to some of the risks of climate change than their male counterparts. Strong socio-cultural norms around gender roles can reduce access to finance, land, technology, information and other resources. Some constraints in the business environment, including low education levels and access to finance, also affect female-owned enterprises more severely. As a result, female entrepreneurs tend to operate within the informal sector, in micro-enterprises with limited growth potential and in sectors that are highly exposed to climate change, such as agriculture and processing.

Figure 1: Source: Enabling private sector adaptation in sub-Saharan Africa



Source: Crick F., Diop M., Gannon K.E., Sow M. ‘Enabling private sector adaptation in sub-Saharan Africa.’ WIREs Climate Change (in revision)

### Policy recommendations

- Governments and development partners have an active role to play in enabling private sector adaptation, since the ability of firms to respond to climate risks depends largely on factors that can be shaped through policy intervention. Developing enabling environments holistically can address the broader structural deficits and barriers that limit adaptive capacity and condition vulnerability. Tools, such as the framework developed in this research, could help policy-makers identify gaps and opportunities.
- Policy- and decision- makers engaged in enterprise development can use these tools to identify and address some of the barriers that not only limit the ability of SMEs to adapt to the impacts of climate change but also restrict SME growth more broadly. Integrating climate change adaptation planning within broader development strategies would support this process.
- By improving access to markets, finance, and Information and Communications Technology (ICT) as part of an integrated approach, the private sector, government and civil society actors could help encourage SME uptake of sustainable adaptation strategies that don’t reduce the resources that businesses have available to help them cope with future climate impacts.
- Women can be key agents of economic growth. But, it will be difficult for the private sector to harness this potential unless county governments and development partners mainstream and monitor national-level gender-based policies at the ground-level.

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