



INCLUSIVE BUSINESS

Opportunities to address climate change
in ASEAN food supply



Index

	Section	Title	Page
A	Introduction	1. Introduction	3
B	Business Rationale	2. Business Case for Inclusive Business	7
		3. Shared business cases for Inclusive Business & Climate Change	8
		4. Aligning Climate Change & Inclusive Business in Agricultural Value Chains	9
C	Climate Change Actions	5. Climate Change opportunities in Agricultural Value Chains	11
		i. Value Chain Actors as Suppliers	13
		ii. Value Chain Actors as Customers	15
D	ASEAN Case Studies	6. ASEAN Case Study Examples	17
		i. Lao PDR Rice Millers	19
		ii. PPP- Cocoa in Indonesia	20
		iii. Private/NGO Partnership – Cocoa in Indonesia	21
		iv. Vietnam Cassava Processors	22
		v. Learning From Case Studies	23
G	How to...	7. Stimulating and Nurturing Healthy Systems of Organisations	27
		i. Roles and Responsibilities	28
		ii. Vision: Characteristics of a Healthy System	30
		8. Developing Institutional and Systemic Capacity	31
		i. Making Meaningful Systemic Interventions	32
ii. Tailoring Support to Different Audiences	35		
9. Scaling Successes Out and Up	42		
F	ASEAN Regulatory Framework	10. ASEAN Policy Frameworks for International Business and Climate Change	49
		11. Financial Support for Action in ASEAN Member States	56
		12. Closing remarks	62

Introduction

This report is the result of a collaboration among three projects of German International Cooperation, implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). Namely, the Forest and Climate Change Project (FOR-CC) under the ASEAN-German Programme on Response to Climate Change in Agriculture and Forestry (GAP-CC), the Inclusive Business Action Network (IBAN), and the Responsible and Inclusive Business Hubs (RIBH). While GAP-CC supports the Association of Southeast Asian Nations (ASEAN) to improve the framework conditions for sustainable agriculture in the context of climate change, RIBH and IBAN strive to mainstream the use of Inclusive Business models and to facilitate private sector engagement in development projects.

The report aims to provide relevant stakeholders from the public and private sector in ASEAN with guidance on how to realize business opportunities from addressing climate change in agriculture and thereby contribute to increased private sector investment in climate smart agriculture in Southeast Asia. The report contains information about both inclusive business and climate change as well as how to utilize inclusive business in addressing climate change in ASEAN food supply and its case studies in Southeast Asia region. It is hoped that the private and public sectors in ASEAN are able to make use of the report and be the entry points for engagement in Inclusive Business with climate change benefits – and the different roles that organizations can play. The contents of this report originate from a research title 'Scoping Study on Inclusive Business Opportunities with Climate Change Benefits for the Agriculture and Forestry Sector in ASEAN Member States' by Climate Sense.



Bottom of the Pyramid – BoP in ASEAN

There are 4 billion people living on Earth who are referred to as “Bottom of the Pyramid (BoP)” population. This majority of the global population are living on average USD 2.5 per day, yet collectively they possess USD 5 trillion purchasing power.¹ BoP market is characterized by lack of infrastructure and information, therefore successful investment in this new market requires out-of-the-box thinking.

Inclusive Businesses are transformative business models which connect companies and BoP populations in a unique way. The models work to integrate the poor in companies’ supply chain activities as customers, suppliers, distributors and/or business partners. Inclusive Business approaches make good business sense while providing pro-poor development for communities at the BoP. Developing such opportunities inclusively and at scale will require new types of collaborative partnerships between private, public and civil society organizations.

Inclusive Business in Agriculture

The largest Base of the Pyramid (BoP) market is in Asia, with 2.86 billion people and an aggregated income of approx. USD 3.47 trillion.² People at BoP are gaining improved access to markets and micro-finance through phone cards and mobile phones. This BoP market represents over 80% of Asia’s population and almost half of its purchasing power. The new ASEAN Economic Community (2015) is likely to provide fresh opportunities for growth and prosperity.

By far the largest BoP market segment globally is the food sector. Recent figures show that up to 80% of agricultural production in Southeast Asia is from Smallholder farmers.³⁴ Developing agriculture value chains in the region needs to include finding new ways to engage with smallholders, traders, and small to medium -sized processors. This means optimizing the representation of smallholders and producers within market driven decisions that also improve their living standards and environmental credentials.

Agricultural value chains provide favorable conditions for inclusive commercial development that can provide significant poverty reduction. There are direct marketing opportunities for low-cost products with high environmental and social credentials. Market-led developments in agricultural value chains need to be balanced with the need to protect and enhance the natural environment.

Why Climate Change?

Climate change is projected to lead to more variable and intense rainfall patterns throughout Southeast Asia. By the period of 2080 to 2099, mean annual rainfall is projected to increase by 7%. Temperature increases are projected to rise by 1.87°C to 3.92°C by the end of the century over a similar timeframe.³ Avoiding catastrophic climate change requires global emissions to peak by 2030 and fall to near zero by 2100.⁴

All development has to withstand the impacts of a rapidly changing climate (adaptation) while being able to survive and thrive in a future with a very different carbon economy (mitigation). Food supplies are a large contributor to global climate change while simultaneously being vulnerable to increased weather risks associated with changes in the climate. This has implications for people and organizations (private, public and civil society) within and around agricultural value chains from field to fork.

Example: Robusta Coffee – Viet Nam

A CIAT/GIZ study⁵ concluded that under current climate change predictions for Viet Nam we can expect to see:

- Some areas currently growing coffee that will become unsuitable
- Some areas will see a loss in suitability for current coffee growing practices
- A few areas will show a slight increase in suitability
- Some areas not currently growing coffee will become more suitable

The ASEAN region contributes approximately 17% of global GHG emissions - and its carbon footprint is rising.⁶ Agriculture and forestry sectors combined constitute almost three quarters of ASEAN's emissions⁷ - with a main driver being the conversion of forest areas into agricultural land.⁸ Recent studies show that up to 80% of agricultural land in Southeast Asia is farmed by smallholder farmers⁶⁷. While not all encroachment of agricultural land is through smallholder activity, these figures intrinsically link smallholder activity to GHG emissions.

Studies that include ASEAN are showing that most emissions reductions that are needed by 2030 can simultaneously enhance economic growth by 1.4% to 3.9% - and that this should be done 'inclusively'. We can therefore conclude that low emissions development is both necessary for, and compatible with, poverty eradication.⁹

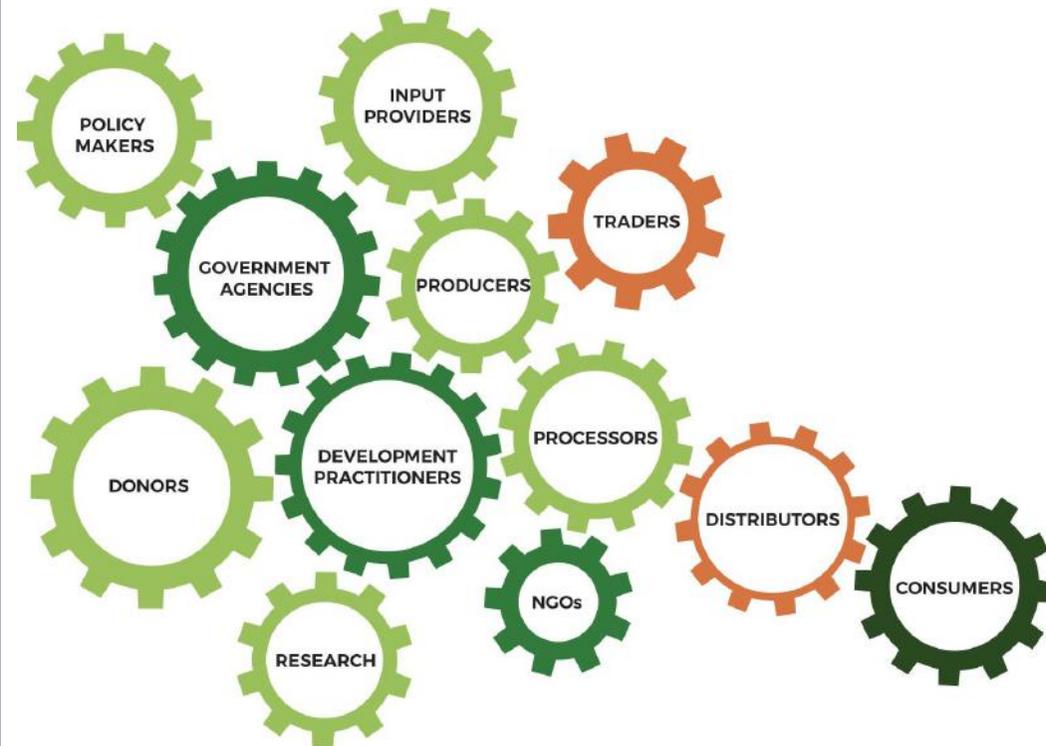
Getting to zero extreme poverty is within our reach. Getting to zero emissions requires transformative actions in all economies over similar time period. Zero net emissions must therefore be part of the zero extreme poverty agenda. ODI (2015)⁹

How Does Our Report Help?

Within Agricultural Value Chains Inclusive Business approaches are creating some invaluable conditions for stimulating and scaling action on climate change - both in terms of better emissions management and carbon sequestration (mitigation) and in building resilience to inevitable climate change (adaptation).

Inclusive Business approaches require engagement with networks of organisations within and around supply chains. Meaningful responses to climate change in food security also tend to require working across multiple organisations within and around supply chains.

Our guidance describes the entry points for engagement in Inclusive Business with climate change benefits – and the different roles that organisations can play. We provide guidance on how to kick-start action, as well as how to tailor responses that maintain progress once it has begun.



The business cases for Climate Change and Inclusive Business are surprisingly well aligned

It is well understood that in order to strengthen the long-term sustainability of development, it is essential that Base of the Pyramid (BoP) individuals, communities and organisations become better represented and integrated within economic processes and decision-making. In order to achieve this, a growing number of pioneering businesses are beginning to play an active role in using Inclusive Business approaches within and across the value chains they rely upon and/or wish to influence.

Business cases for engaging upon climate change issues have been evolving for years now as new information and drivers emerge. The agriculture sector in ASEAN is particularly susceptible to climatic changes. Many food supply entrepreneurs and businesses are beginning to lead the way in finding meaningful ways to respond.

Some of the drivers for engaging on Inclusive Business and on Climate Change issues are a direct consequence of **growing pressures to act from clients and customers, shareholders, investors, insurers, technical experts and advisors, regulators, local and national governments, and civil society organisations.**

Some leading businesses are however becoming increasingly more proactive, as they learn that to achieve business continuity they need to address climate change risks across multiple stakeholders – **they start to seek new ways of working and embark on missions to co-explore with others what these new ways may be.** Inclusive approaches to business development and inclusive approaches to addressing climate change make good business sense.

The innovation required to adapt to climate change presents a wealth of business opportunities for companies which have the resources and skills to meet specific adaptation challenges.¹⁰

One response from the insurance industry to changing risks has been to increase premiums, or to remove cover altogether. This has already happened with disaster micro-insurance in Thailand, where insurers have withdrawn cover for storm damage.¹¹

Nestle asserts that a key material issue for its business and stakeholders is ‘general resource availability (which) is taking center stage as raw material prices and commodity volatility reach unprecedented levels and supply appears to be becoming more inelastic’.¹²

Businesses may not be able to function efficiently, threatening the livelihoods of other supply chain actors – for example, \$42 billion of lost business in global manufacturing supply chains caused by floods in Thailand which overwhelmed infrastructure built to “business as usual” specifications.¹³

Increasing numbers of international finance mechanisms are targeting the developing world for climate change mitigation and adaptation business activities.¹⁴

Community risks are business risks because communities provide key resources to companies, as well as a “social license to operate”.¹⁵

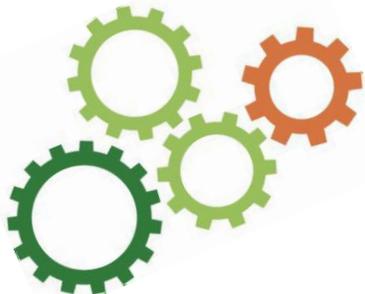
Shared Business Cases for Inclusive Business and Climate Change

Shared Business Case	Inclusive Business	Climate Change
Supply Security	Engaging with large populations of smallholder producers to secure quantity and quality of supply.	Addressing climate risks and impacts within the supply chain.
Accessing & Creating New Markets	Creating traceability and transparency in meeting the higher sustainability demands of new and emerging markets.	Reducing emissions in production. Meeting the higher sustainability demands of new and emerging markets.
Accessing New Funds	Climate finance is increasingly targeting private sector development and BoP.	More and more climate finance from domestic and international sources is being made available. This includes funding work that targets the private sector and BoP.
Retaining and Attracting Customers	Protecting reputation; improving Corporate Social Responsibility (CSR); meeting more stringent conditions of contract for valued customers; maintaining competitive advantage .	Ensuring security of supply (above); Helping meet carbon targets of valued customers; reputation; CSR; competitive advantage.
Engaging Multiple Stakeholders	Forming new partnerships that share the costs and the benefits of innovation. Finding news ways of scaling successes. Maximising influence on regulatory and policy environments.	Finding new ways of stimulating change outside of the business as usual. Co-exploring and co-creating ways to work externally with essential stakeholders. Optimising influence systemically.

Aligning Climate Change and Inclusive Business in Agricultural Value Chains

Inclusive Business approaches are providing ideal conditions to embed good climate change practices (both mitigation and adaptation). Entry points for embedding climate change within Inclusive Business approaches fall into two distinct categories:

1. **Inclusive Business approaches provide an invaluable structure for companies to develop pro-poor market strategies and help them understand complex relationships between key stakeholders.**
2. **Inclusive Business offers effective vehicle for stimulating and scaling good climate change practices.**

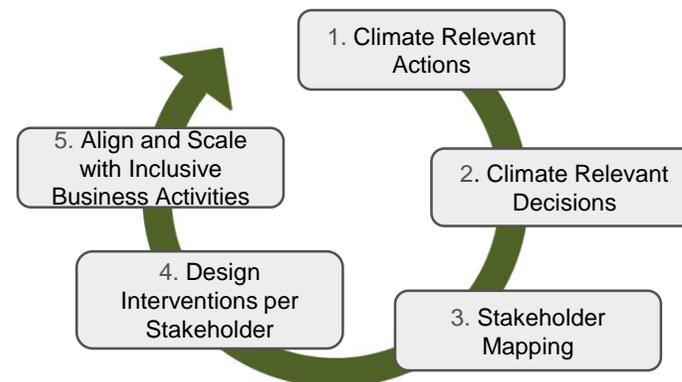


Aligning Climate Change and Inclusive Business in Agricultural Value Chains

The challenge is then to pinpoint the entry points for action that targets both Inclusive Business and Climate Change.

The following is a useful overview of how to locate the most important decisions to allow meaningful stakeholder mapping.

The availability and quality of climate change related information varies considerably from location to location. It is worth noting that 'Step 1' requires knowledge about what climate change impacts are expected and how they are likely to impact the value chain. People will also need a good grasp of the climate forcing activities (those that emit emissions or prevent carbon sequestration) across the value chain. This is no mean feat and will often require specialist expertise to undertake vulnerability analysis, etc.



Alignment Overview

1. Screen for Climate Actions – Review the design of Inclusive Business interventions and identify where climate change is likely to have an impact (where climate impacts could affect actions and where actions contribute to climate change)
2. Identify climate decisions - Determine the main decisions whose outcomes could positively or negatively influence the impact climate change is likely to have
3. Map the Stakeholders - Identify the people and organisations who take and influence those decisions (Public/Private; Local/National; External/Internal)
4. Design Interventions - that address the individual and collective needs of these stakeholders (see pages 41 to 47 for details)
5. Align & Scale – align these interventions with ongoing Inclusive Business activities and scale the good climate change practices alongside them

Climate Change Opportunities in Agricultural Value Chains

Identifying the climate change actions appropriate for different Value Chain
Actors (suppliers and customers)

Climate Change Opportunities in Agricultural Value Chains

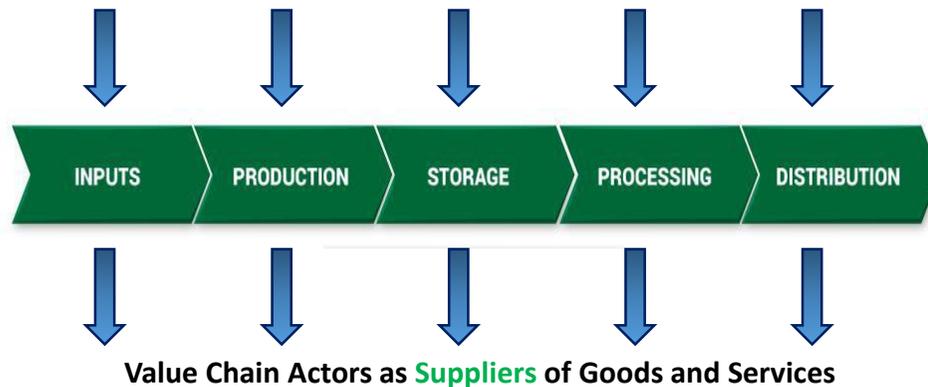
This next section lists the types of climate change actions that are suitable to be considered at each stage of the value chain.

For the purposes of embedding these actions within Inclusive Business approaches, the lists have been divided in two:

1. Climate change response as suppliers
2. Goods and services for customers

Goods and Services from Private, Public or Civil Society Organisations

Value Chain Actors as **Customers** for Goods and Services



Goods and Services to Customers

1. **Climate change response as suppliers:** suppliers at different stages of a value chain can initiate a variety of climate change mitigation and adaptation actions in their production, processing and distribution activities. Shift from business-as-usual to climate resilient operation requires different private, public and civil society resources, but once uptake of these actions is achieved it is easy to scale the practice.
2. **Goods and services for customers:** each actors along the value chain needs to have adequate resources and capacity to make meaningful climate change actions. Especially when working with the poor communities, there is a greater room of collaboration to build their awareness and capacity, thereby facilitating their growth into a trusted business partners. While these sorts of goods and services may be of interest to each actor, the success as a business model will be dependent upon affordability and desirability. Smallholder farmers, for example, are likely to need to see short term benefits if they are to invest.

Climate Change Response within inclusive value chain

Value
Change Stages

MITIGATION ACTIONS

ADAPTATION ACTIONS

PRODUCTION

Alleviate Pressures of agricultural expansion onto higher carbon sequestration forests/ecosystems through the promotion of crop intensification programmes

Efficient use, and/or alternatives to, agri-chemical interventions

Home gardens reduce carbon footprint of home domestic food consumption

Payments for Ecosystem Services (PES): Ecosystem services (e.g. carbon sequestration) can generate income for rural communities conserving natural environments

Improved cultivation methods (e.g. lower cost and emissions from reducing seed density, water and chemical regimes in rice production)

Include renewable energy sources where possible (solar pumps, waste to energy technologies, wind power, etc.)

Use seasonal forecasts for planning production interventions (timing of planting, harvesting, variety choice, etc.)

Test different varieties under different local conditions to continually update variety choice from local experience

Use climate-adapted varieties of seeds and growing-stock where-ever possible

Increase crop diversification to protect against catastrophic losses. This includes multiple crops per growing season (e.g. intercropping), as well as, crop rotations. Mix staple and cash crops to increase household resilience (including home gardens).

Increase on-farm and community level water efficiency (water capture, storage and use)

Promote integrated pest management techniques and monitor their local applicability

Use soil conservation techniques (manage run-off, improve degraded soils, increase carbon sequestration)

Climate Change Response within inclusive value chain

Value
Change Stages

MITIGATION ACTIONS

ADAPTATION ACTIONS

PRODUCTION	<p>Aggregating produce minimises emissions per unit of product stored and transported (use renewable/green energy sources where possible in fuel, storage, cooling, etc.)</p> <p>Minimise waste through improved post-harvest care. Promote the re-use and recycling of unavoidable waste.</p>	<p>Design and location of storage and transportation methods (esp. water use, flood risk, and temperature management)</p> <p>Review reliance upon climate vulnerable infrastructure and develop continuity planning across different transportation options</p>
PROCESSING	<p>Renewable/Green Energy use in processing, storage and transport technologies (e.g. refrigeration, biodiesel options, new technology)</p> <p>Renewable/Green Energy use in working environment (e.g. for workplace temperature regulation)</p> <p>Minimise waste, promote the re-use and recycling of unavoidable waste. Including adopting more sustainable packaging options.</p> <p>Explore sustainable procurement options for low carbon credentials of suppliers</p>	<p>Design location of storage and transportation methods (esp. water use, flood risk, and temperature management)</p> <p>Choice of technology for processing (esp. water efficiency and temperature control)</p> <p>Improve water management practices (water capture, storage and distribution options)</p> <p>Contingency planning for times of weather related disruption in supply, processing, storage and transport.</p>
DISTRIBUTION	<p>Renewable/Green energy use in storage and transportation functions</p>	<p>Develop transport contingency plans for weather related disruptions</p> <p>Design and location of distribution facilities (storage, flood risk, temperature management, proximity of customers and reliance on vulnerable transport infrastructures)</p>

Services and products suitable for climate change actions

Value Chain Stages	MITIGATION ACTIONS	ADAPTATION ACTIONS
INPUTS	<p>Greener mechanisation technologies</p> <p>Transfer of skills on agro-ecological options with higher biodiversity and carbon sequestration credentials</p> <p>Supply of optimum agri-chemicals (with minimum carbon requirements in manufacture, distribution and application)</p> <p>Micro-finance services</p>	<p>Climate resilient seeds and growing stock</p> <p>Technologies for water management (pumps, capture, storage, flood management, etc.)</p> <p>Micro-finance and insurance services</p>
PRODUCTION	<p>Training in optimum agri-chemical use, greener mechanisation and low carbon cultivation techniques.</p> <p>Energy-saving appliances (e.g. solar lighting, solar charging, efficient cook stoves, etc)</p> <p>Provision of on- and off-grid renewable and green energy solutions (e.g. for drying, cooling, and pumping)</p> <p>Auditing/Accreditation services for certification</p> <p>Relationship facilitation/brokerage with other Value Chain actors</p>	<p>Training in climate-resilient water, pest and soil management</p> <p>Training in climate resilient crop production techniques (including diversification, agroecological and/or intensification)</p> <p>Seasonal forecasts for planning production interventions (potential application of SMS, etc.) – include early warning systems for extreme weather events</p> <p>Relationship facilitation/brokerage with other Value Chain actors</p> <p>Auditing/Accreditation services for certification</p> <p>Information on weather and seasonal forecasts linked with services providing information on markets, credit, finance, weather, forecasts.</p>
STORAGE/TRADE	<p>Low emission storage and transportation solutions</p> <p>Auditing/Accreditation services for certification</p> <p>Relationship facilitation/brokerage with other Value Chain actors</p>	<p>Expertise and technologies that improve the design and location of storage and transportation methods (including water use, flood risk, and temperature management)</p> <p>Relationship facilitation/brokerage with other Value Chain actors</p> <p>Auditing/Accreditation services for certification</p> <p>Information on weather and seasonal forecasts linked with services providing information on markets, credit, finance, weather, forecasts.</p>

Services and products suitable for climate change actions

Value Chain
Stages

MITIGATION ACTIONS

ADAPTATION ACTIONS

PROCESSING

Training in energy and waste efficiency

Expertise on the design and development of processing plants (with expertise on water use, flood risk, temperature management, location to supply and reliance on vulnerable transport infrastructures)

Renewable/green energy technologies (machinery, packaging, and working environment)

Latest climate-resilient technologies for processing (esp. water efficiency and temperature control)

Auditing/Accreditation services for certification

Relationship facilitation/brokerage with other Value Chain actors

Relationship facilitation/brokerage with other Value Chain actors

Auditing/Accreditation services for certification

Information on weather and seasonal forecasts linked with services providing information on markets, credit, finance, weather, forecasts.

DISTRIBUTION

Low emission packaging, storage and transportation solutions

Expertise on the climate resilient design and delivery of distribution facilities and infrastructure (with expertise on storage, flood risk, temperature management, proximity of customers and reliance on vulnerable transport infrastructures)

Auditing/Accreditation services for certification

Relationship facilitation/brokerage with other Value Chain actors

Relationship facilitation/brokerage with other Value Chain actors

Auditing/Accreditation services for certification

Information on weather and seasonal forecasts linked with services providing information on markets, credit and finance.

ASEAN Case Study Examples

**Inclusive Business approaches with high potential for
scaling climate change benefits**

Common Challenges Faced by Inclusive Business Interventions in ASEAN Agri Value Chains

Common Systemic Challenges in ASEAN Agri Value Chain:

Challenge 1

BoP is dominated by disparate smallholder populations that make inclusive engagement at scale challenging.

Challenge 2

Extension provision (public, private & civil society provision) is sporadic and insufficient to engage prolifically throughout unorganised BoP communities.

Challenge 3

A lack of direct access to finance and effective markets often leaves producers and some processors as price takers, rather than price makers. Women farmers and the poorest households have less access to technologies such as mobile phones for agro-climatic and market advisory services¹⁶.

While pro-poor business development is not in itself a new concept in development the more recent emphasis on “inclusiveness” brings with it a plethora of new ideas, models and approaches. **New and emerging Inclusive Business concepts have one thing in common - they all vision sustainable development which requires multi-stakeholder cooperation at systemic level.** This includes a recognition of the need to understand and work with the inherent interdependencies of organisations.

Organisation Across Value Chain Actors – Organising large and disparate populations of smallholder farmers is one of the greatest and most costly challenges faced by Inclusive Business.

Creating and influencing functional enabling environments – Including: policy and regulatory frameworks that create the space for actions; the provision of effective extension structures (across public, private and NGO provision) for the dissemination of skills and knowledge; access to technical knowledge; appropriate land tenure; delivery of accessible and resilient infrastructure (especially water, transport, education and health).

Identifying Best Technical Options – selecting and scaling the best options for farmers (e.g. crop choice, production method, household needs), storage (e.g. reducing post harvest losses, location to markets), processors (e.g. access to markets, security of supply) and distributors (e.g. access to markets, customers, technology and infrastructure) that meet the market needs, as well as the needs of their households and communities. Pages 41 to 47 go into more detail on these types of options with regards the different value chain actors.

Case Study 1: Lao PDR Rice Millers Provide Leverage for BoP Development



Overview of Project:

The Enhancing Milled Rice Production in Lao PDR (EMRIP) Project¹⁶ focused primarily upon improving the capacity of rice millers as an entry point for improving trading links between rice millers and smallholder rice producers. The overall goal of the project was to rapidly increase the quantity and stability of supplies of good quality milled rice for domestic consumption and trade. Within 23 months, 21 selected mills had successfully developed fairer trading relations with 21,361 smallholder rice producers. Farmer crop yields increased by 30%, while income from rice increased by around 60%. Millers saw improved profitability in addition to a 10 percent increase in throughputs and supply of high quality, single variety rice.

Approach:

With project support, Rice Millers became the chief influencers of systemic change across the rice value chain from delivery to policy level. The millers developed their own Inclusive Business Plans with the help from the project team. These included approaches to **forming organised smallholder groups** and work with under-resourced government extension staff to provide a better informed and resourced **extension service**. The millers were able to provide better rates for extension staff than the government had been providing. The millers and farmers were able to directly agree better trade negotiations that allowed the acquisition of better farm inputs (better seed, fertilizers and extension). Higher revenues for both farmers and millers were achieved.

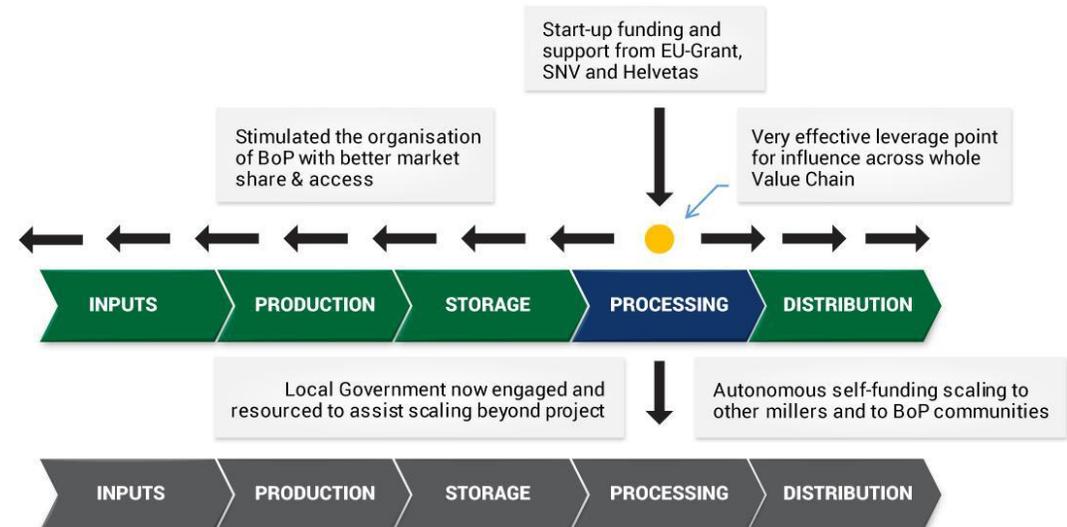
Grant funding was used to set up the initial institutional structures (public and private) and provide essential resources for the project.

Key Results:

Successful integration with local government led to exempting some inputs from import tax and to lifting bans on exporting produce. Local government is now proactive in supporting this work into the future – beyond the life of initial funding.

Few examples of Inclusive Business in agricultural value chains in Southeast Asia can demonstrate such remarkable influence across the value chain while representing BoP at such scale. This case study provides an excellent example of value chain development through Inclusive Business that holds considerable potential in transferring good climate change practices.

Good practices are now scaling from value chain to value chain, and to other areas of Lao PDR. Once established, scaling has been made possible beyond the limits of the initial project funding.



Case Study 2: Public-Private Partnership (PPP) - Cocoa Markets in Indonesia



Overview of Project:

The Partnership for Indonesia's Sustainable Agriculture (PISAgro) is a major **Public Private Partnership (PPP)** initiative. Launched in 2011 with strong government backing, the group quickly gained private sector support - attracting 7 'big names' into the founding members team. Provision of funding from the Government of Indonesia for cocoa development is now meeting industry and sector platform recommendations.¹⁷

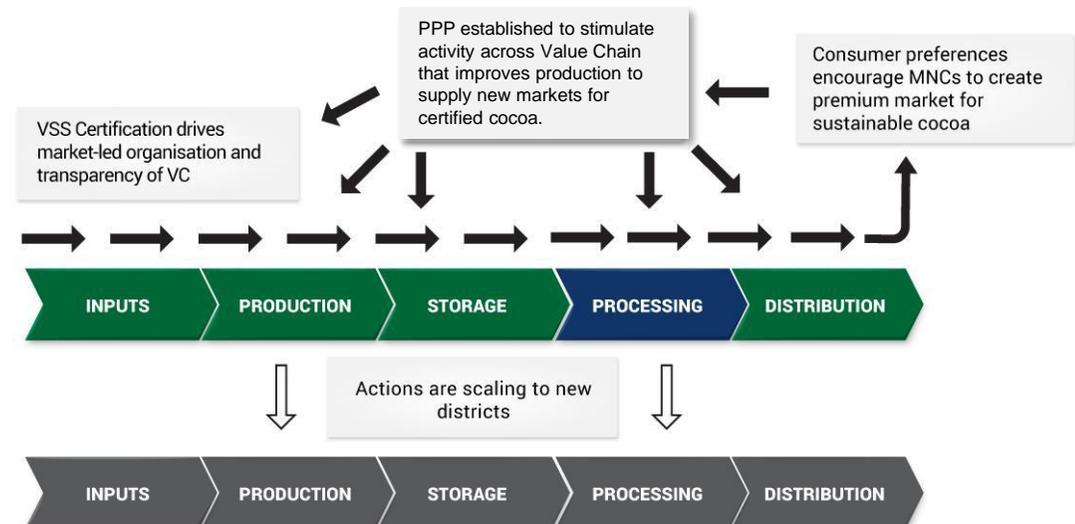
Approach:

While cocoa production in Indonesia has been on the decline in recent years the global market for more sustainable supplies of cocoa has grown. The Cocoa Working group of PISAgro was established to revitalize and intensify the existing areas of cocoa production. This is currently being achieved and scaled to new districts through the provision of: 1) training and facilitation in **voluntary sustainability standards (VSS)**, i.e. UTZ Certified Cocoa, 2) **high quality cocoa seedlings**, 3) the continued development and use of **farmers field schools** (both privately- and NGO-run), and 4) demonstration farms to train producers on **improved production techniques**, including better pre-harvest and post-harvest handling. More organized and collaborative value chains were developed which provides product traceability. It is now operating beyond this initial remit as it attracts more and more organizations in providing services to the market (e.g. software and business solutions).

The cocoa working group is also measuring and monitoring carbon emissions from direct cocoa production. The driver for this has been the 20-20-20 targets that the Government has set out in its 'New Agriculture Vision'. PISAgro's Vision 20-20-20 aims to increase farm yields by 20%, reduce poverty by 20% and reduce greenhouse gas emissions by 20% - also encouragingly illustrating that this kind of action is becoming more mainstream. UTZ certification is helping to ensure numerous climate change benefits.

Key Results:

In this case study, the effective organisation of the producer groups combined with the improved communication and engagement across other actors in the cocoa value chain has enabled economically viable and inclusive approaches to be developed (public, CSO and private). The introduction of voluntary sustainability standards (VSS) is already improving sustainability - including substantial climate change credentials - across the value chain. Not only are household incomes improved through better production and pricing, but improved management has supported the establishment of agri-businesses and new markets that support climate resilience and carbon management while avoiding deforestation.



Case Study 3: Private-NGO Partnership - Cocoa Markets in Indonesia



Overview of Project:

This case study illustrates an effective and alternative model of partnership formed around an NGO and a multi-national company. In this case initially between the Belgian-based NGO VECO and the global cocoa trader Armajaro.

Approach:

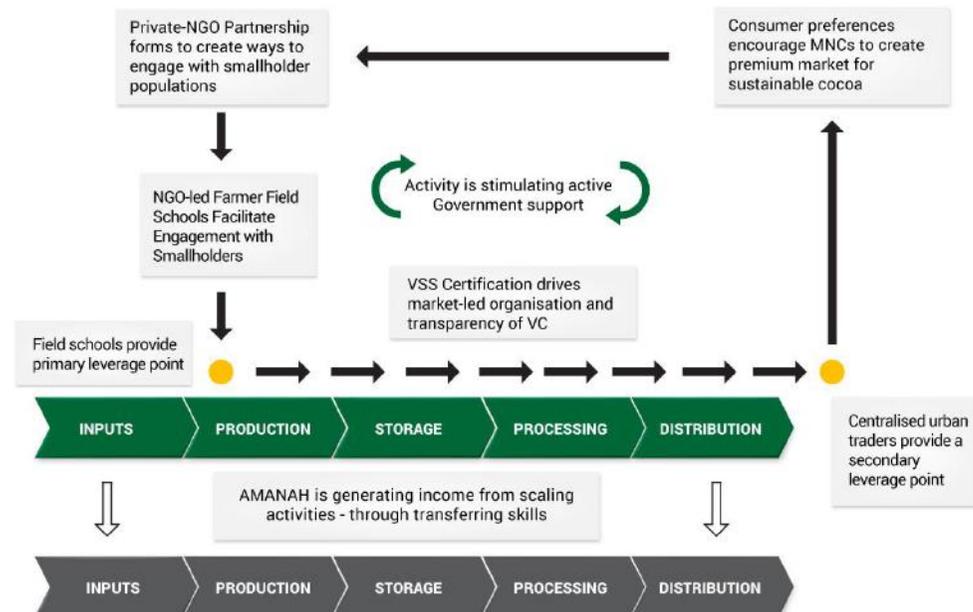
Armajaro were keen to find ways to engage with producers in order to secure their cocoa supply. The initial partnership identified **Farmer Field Schools** as the best route to engagement and so partnered with a local NGO (Wasiat) to maintain these schools. The schools **encouraged farmers to form their own organized group (AMANAH)** and focused **on training to achieve voluntary sustainability standard (VSS) certification**. The project has improved production and post-harvest practices, supply security and household incomes of farmers. It has also created better access to existing and new markets.

The conditions to engage with stakeholders across the cocoa value chain on climate change issues has been greatly improved by this systemic approach. With a more organised value chain with self-sustaining training programmes, it is easier to develop and disseminate climate change 'good practices' with smallholders and traders/exporters. Certification 'codes of conduct' hold significant climate change resilient and better carbon management practices, such as soil management and conservation, crop protection, water management & irrigation, post-harvest processing, conservation and enhancement of natural resources and biodiversity, and energy sources and efficiency.

Key Results:

By aggregating produce AMANAH had more direct access to markets and so could fetch better prices for their produce. The stronger relationship between Armajaro and the farmer group has led Armajaro to provide guarantees to the bank to allow farmers to access credit. Armajaro also uses SMS to provide farmer group leaders with real time market prices to permit better informed price negotiations between producer groups and traders (including themselves and other exporters).

AMANAH has become a self-funding agri-business that promotes and scales good practices and VSS to other projects and districts. The project partnership and the success of AMANAH has developed trust across many value chain actors. It has also provided a platform for engagement between the value chain actors and the Indonesian national and local government.



Case Study 4: Vietnam's Cassava Processors Provide Leverage for BoP Development



Overview of Project

SNV's main motivation for this project was to have a greater 'pro-poor' outreach in its programmes in North Central Vietnam. Following socio-economic analysis cassava growing communities were found to contain some of the poorest households. The demand for cassava products has been growing rapidly in China to supply bioethanol markets. These cassava producers were therefore selected for Value Chain upgrades to meet this demand.

Approach:

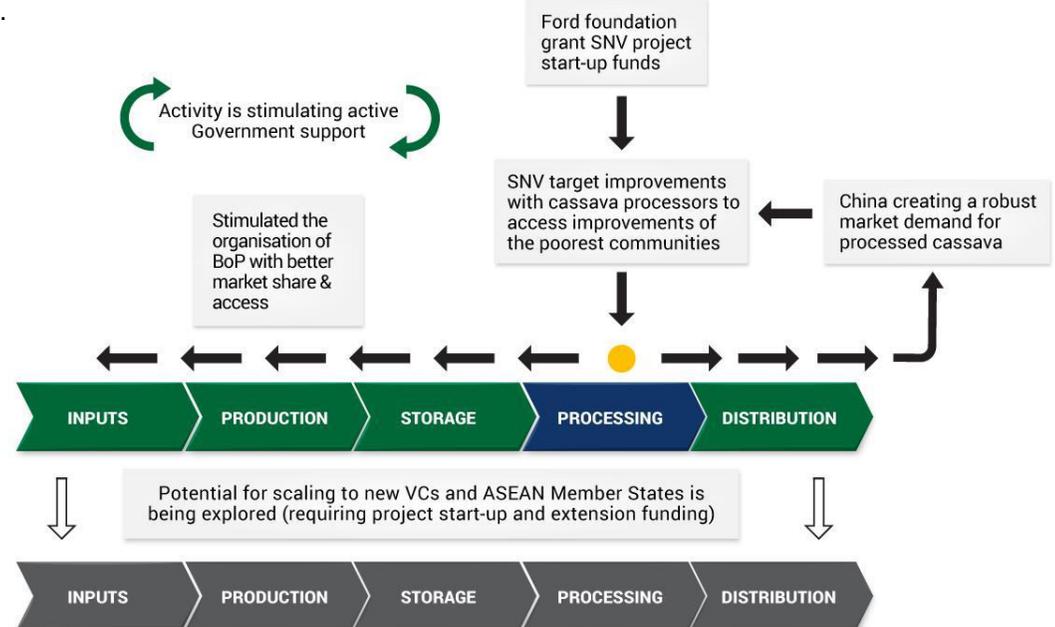
Similar to the Lao PDR Rice Miller case study this Inclusive Business intervention targeted engagement with processors in order to maximise leverage across value chain actors and to stimulate involvement of some of the poorest communities. As the farmers in this region are from numerous ethnic minorities the building of trust between smallholders and processors has been a major focus of project efforts. As demand grew, and trade between processors and smallholder groups developed trust, extension efforts were able to flourish. Yet, demand for processed cassava remains so high that the provision of adequate extension remains the main limiting factor to scale these good practices regionally.

The development of this inclusive market for cassava in Vietnam has multiple potential benefit, namely environmental (reducing dependency on slash and burn and deterring encroachment on forests), economical (improving smallholder incomes by accessing new markets) and social (engaging some of the poorest and often marginalised communities in market-driven develop.

Key Results:

This value chain improvement project affected an estimated 10,000 households during 2008-2011, improving environmental sustainability while increasing average incomes by more than 20% as well as improving business relations. Traders and processors benefited from increased supplies of higher quality cassava. The government bodies responsible for 'economic development' and 'business planning' also worked closely with the project to create a collaborative and inclusive enabling environment for entrepreneurs.

The scaling-up of the project to include 200,000 farmers is now being explored via possible collaboration between IFAD, CAIT and actors in Viet Nam, Cambodia and Lao PDR ¹⁸.



Key Learning from Case Studies

Case Study 1 The impressive value chain coverage (from inputs to new distribution networks) and high pro-poor credentials within the Lao PDR Rice Miller's case study provides a valuable example of successful Inclusive Business. While project start-up costs were high, scaling to other business and BoP communities is now self-sustaining through market-led approaches with resourced and proactive local government support.



If climate change actions were to be embedded within these activities they too could have influence across the value chain and be scaled alongside the market-led extension processes to other millers, BoP communities and other value chain actors.

Case Study 3 The certification process provided significant market-access, credit-access, production, and climate change benefits for producers and processors. While expectations are often for public-private partnerships to provide this type of function, this project was not initiated with public sector assistance. The success for the project has helped stimulate local and national government buy-in and support beyond the initial life of this project. The use of SMS market data has proven invaluable.



Case Study 2 MNCs (esp. Nestlé) were creating a market for sustainable cocoa at a time when Indonesian farmers were deciding to grow new crops and old cocoa stocks were becoming unproductive (*nb. changes in seasonal weather patterns were playing a role in this too*). Action on cocoa therefore begun at a time when markets were assured for a higher premium product. The resulting certification process allowed access to the new market while simultaneously providing more climate robust production methods (inherent in the certification).



Very visible senior government championing of the PPP by the host government has rapidly attracted businesses (SMEs & MNCs) to become active partners. The impressive pace of progress that has resulted from this benefits directly from local governments' continued support of the market-led delivery and scaling activities.

Case Study 4 The processor companies invested directly in the provision of extension services, ensuring a fresh supply of cassava throughout the year (essential for processing). This was mutually beneficial to farmers and processors as they were able to spread pricing and supply favourably across the year (i.e. there were no unfavourable peaks of supply to adversely affect the price farmers could get, or likewise, no significant dips in processing potential). Smallholder and processor access to business services was improved and supported by improvements in the enabling environment (esp. trade and extension).



Collective Learning from Case Studies

01 Initial extension and start-up costs are unavoidably high. Targeting external funding towards these can prove invaluable. It is through such funding that producers and processor groups have been able to become self-sustaining and generate additional income through transferring skills during scaling processes.

02 Partnerships need well defined shared goals. Different types of partnership between public, private, NGO, and other types of civil society organisations are emerging in order to tackle the systemic challenges that exist across agricultural value chains. These new partnerships are working together towards common sustainability goals.

03 Partnership with government body helps effective scaling. For learning to scale temporally (beyond the life of individual projects), socially (between people and organisations) and geographically (from location to location), it has been critical that scaling has involved short, medium and long-term support from relevant government bodies.

04 There needs to be something in it for all. Actions can only be sustained beyond the life of initial projects if essential stakeholders share the benefits. From a business development perspective this will often mean improved or more secure income. Markets for higher premium goods need to be real and sustained (not just perceived).

05 Engagement demands more organised value chains (esp. producer groups). All cases have required some kind of improved structuring of smallholders into organised 'producer groups'.

06 Trust is an essential ingredient of success. All case studies have explicitly mentioned the need to develop relationships across the value chain actors around 'trust'. The selection processes for project partners in successful projects, especially where 'primary leverage' organisations are being selected, have had an explicit prerequisite that candidates are already a 'trusted' group/organisation.

07 VSS Certification improves sustainability credentials and generates a more organised Value Chain. Voluntary Sustainability Standards Certification is providing very valuable opportunities for producers, processors and traders to access new premium markets. Since these approaches require transparency across the Value Chain actors improved organisation of producer, trader and processor groups has been key.

Climate Change Credentials of Case Studies

Responses to the challenges of climate change (both mitigation and adaptation) vary within and across each case study.

The cases were selected to illustrate some invaluable ways of maximising influence across people and organisations within value chains.

In the cocoa case studies **changes in seasonal weather patterns (drier spells during planting; wetter during periods for seed drying; and, some loss in soil fertility due to rain intensity) were already turning farmers away from cocoa** and onto other crops or income generating activities. **UTZ and Rainforest Alliance Certification both include ‘codes of conduct’ which address some aspects of climate change adaptation and mitigation** within production and processing. The PISAgro cocoa example also set its own carbon reduction targets in cocoa production at 20%.

The more ‘climate change’ centric codes of conduct often remain ‘optional’ within the certification processes. However **the certifications adopted in the cases contained aspects of: soil management / conservation, crop protection, water management and irrigation, post-harvest processing, conserving and enhancing natural resources and biodiversity, and energy sources and efficiency.**

Each case study had an emphasis on some form of intensifying production of a single crop. While this can have climate change benefits by reducing the need to encroach upon natural forests and more biodiverse land (displaying higher levels of carbon sequestration). **While this can make perfect business sense with regards the potential economic gains, in climate change terms, this could create a higher risk of catastrophe from extreme weather events¹⁹. Therefore when designing appropriate interventions,**

it is critical to consider the resilience of the producer communities as a whole, which could be affected by undesirable results of intensification.

In case study 4, the crop choice is particularly climate resilient and the production processes more sustainable than the slash and burn practices that it replaced. **Cassava is a particularly hardy plant. It can remain productive in areas with very little rainfall while it will thrive in areas with much higher rainfall.** It is resistant to considerable temperature fluctuations, and can be grown in numerous sustainable agriculture practices.

“Crucially, a large part of the greenhouse gas emissions from food value chains are associated not so much with environmentally unfriendly production methods, but rather with

- a) over-production relative to final consumption,*
- b) high levels of waste along the value chain, and*
- c) increasing preference for highly resource-consuming food products among wealthier consumers.”¹⁴*

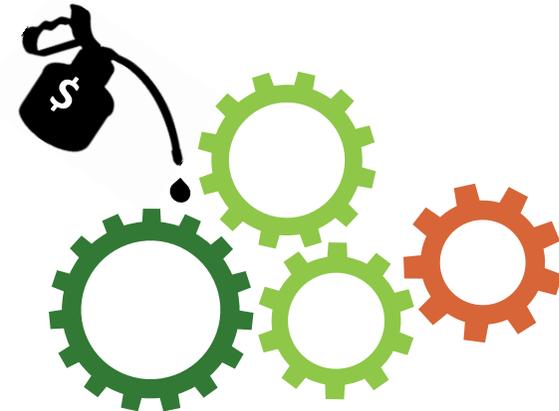
Stimulating and Nurturing Healthy Systems of Organisations

Exploring the different roles and responsibilities of value chain actors (and their respective enabling environments) in embedding climate change across value chains

Roles and Responsibilities - the characteristics of a healthy system

In considering the potential to build strategic partnerships for Inclusive Business with climate change benefits, it is crucial to gain a credible overview of the overall system of organisations in order to appreciate where commercial firms can and cannot lead on development-friendly interventions. This will also help define what the role of other enabling organisations should be (including donors, policy makers and development practitioners).

This next section describes the characteristics of a healthy system in order to illustrate the direction of travel required for progressing Inclusive Business with climate change benefits. Our report then goes into more detail on how to work towards developing a healthy system that stimulates and scales Inclusive Business with climate change benefits.



Roles and Responsibilities - the characteristics of a healthy system

A healthy system is one that can support better decision-making and behaviours across all the relevant organisations within that system. Systems by nature are not static and need to be able to respond to new information and technologies as they become available into the future.

Successful programmes of significant and transformative change do not happen unless organisations work together. There is a limit to what one organisation can do in-house without requiring changes in the behaviours of other organisations in order to make their next step change. A number of interlocking factors need to be developed together.



Furthermore, to try and improve performance in one area without improving in other complementary areas risks disrupting a system that works to some degree at one level without establishing it at another. Partial changes may expensively fail and/or make things worse. This is because each component part represents an essential part of the necessary change but not all of what is required. Programmes of change must therefore co-explore and co-create actions across systems of organisations.

If we can find out where these complementary factors sit, then we can identify where a difference is most likely to make a difference. Those involved in and affected by decisions show us where there is complementarity. Pinpointing where there are decisions that will be impacted by, or upon, climate change therefore illustrates where changes are needed.

The characteristics of a healthy system

INPUTS are provided by companies wishing to support the best possible cultivation practices for producer communities and the planet – from improved seeds and intensification, to optimum agri-chemical and agroecological regimes. Options are continually updated as new research becomes available.

TRADERS bring producers and processors closer to real-time markets where informed negotiations lead to good prices for all. Post-harvest losses are kept to a minimum. They are highly networked, trusted and represented across value chain actors.

PROCESSORS interface between new markets and BoP. Providing low emission, climate resilient products. They are highly networked, trusted and represented across value chain actors.

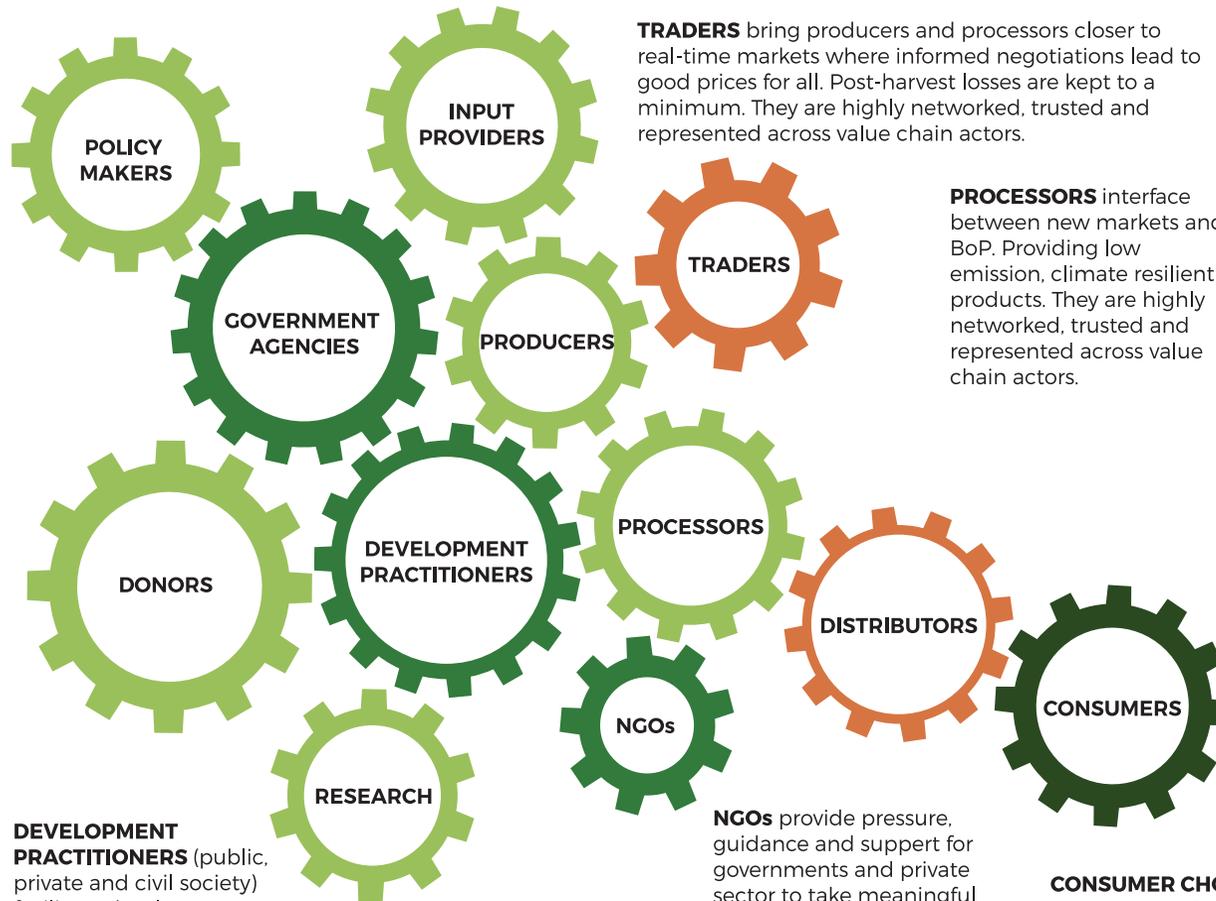
PRODUCERS are successful entrepreneurs. Smallholders have access to real-time markets and credit. Income permits expenditure on improved inputs. Producer groups form successful agri-businesses. They grow low-carbon, climate resilient cash crops and staple foods while providing and protecting ecosystem services. They are organised to provide vehicles for skills transfer (inwards and outwards) and transparency for new premium markets for sustainable produce.

MNCs and SMEs create and nurture markets for higher sustainability standards. They develop partnerships across VCs, including producer communities. Where possible, they work closely with regional, national and local governments to ensure they are represented within policies and regulations.

NGOs provide pressure, guidance and support for governments and private sector to take meaningful action on sustainable ib and climate change issues.

CONSUMER CHOICES AND PRESSURES drive the private sector to create new markets for higher and higher sustainability standards. Paying premiums for goods with better sustainability credentials.

RESEARCHERS continually develop and disseminate new learning and information that informs better practices. Acting as effective knowledge brokers, research learns from, and is updated by, delivery experience. Working closely with practitioners and government support to ensure data and information provided is 'Decision-Ready'



POLICYMAKERS DESIGN POLICIES THAT:

Provide the conditions that encourage action on climate change (including incentives) / Enable and encourage companies to enter and invest in low-income markets / Empower poor people to engage with companies¹⁵ / Ensure 'strategic directions' are continually updated by delivery experience.

GOVERNMENT AGENCIES

(local & national) as well as bilateral and multilateral **DONORS** [civil society, public and private] support the development and implementation of IB through providing essential resources: financial and technical assistance, dialogue platforms, extension support and learning exchanges. They stay close and visible to innovation in order to update practices as new learning is made available. They support project/programme start-ups and scaling opportunities.

DEVELOPMENT PRACTITIONERS

(public, private and civil society) facilitate development through transferring skills, brokering relationships, evaluating and monitoring progress, and designing and implementing interventions that stimulate then scale best practices.

Developing Institutional and Systemic Capacity

How to support organisations and their wide range of needs, roles and responsibilities

Making Meaningful Systemic Interventions

Key Ingredients to Capacity Development

The capacity of a single organisation, or a system of organisations, to make meaningful responses to climate change is a product of four main factors:

1. The institutional capacity to be able to turn information and available technologies into action
2. The financial capacity to invest in solutions
3. The limitations of available technologies and information
4. A policy and regulatory framework that creates the conditions for actions to take place (e.g. that embraces private sector needs)

Generally speaking, most organisations lack awareness and information about the need to adapt to the pressures that climate change issues bring (both mitigation and adaptation). This includes a lack of knowledge of other corporate success stories that can legitimise the actions of others, or that others can directly learn from¹⁰. Evidence suggests that most businesses worldwide do not know the points in their decision-making (and decision-influencing) processes where climate change issues are most relevant and require proactive attention. Of those who do know when it is most relevant, most of these are unsure about how to proceed.¹⁹

We have already established that responses differ significantly depending on an organisations' capacity to engage with the climate change agenda. However, not all organisations need high levels of capacity. For instance the decisions that a smallholder makes on which crops to plant, or seeds to buy, is a direct product of the choices they are afforded in the system they operate within. It is other organisations (e.g. researchers, extension staff and/or seed suppliers) that require higher levels of climate change capacity to be able to provide optimum choices.

In general terms, organisations who are making or influencing large decisions - those with long life times, large investments, high carbon emissions, or climate/weather vulnerability - are the organisations who will either need to have, or be able to access higher levels of capacity.

Predictable Levels of Climate Change Capacity

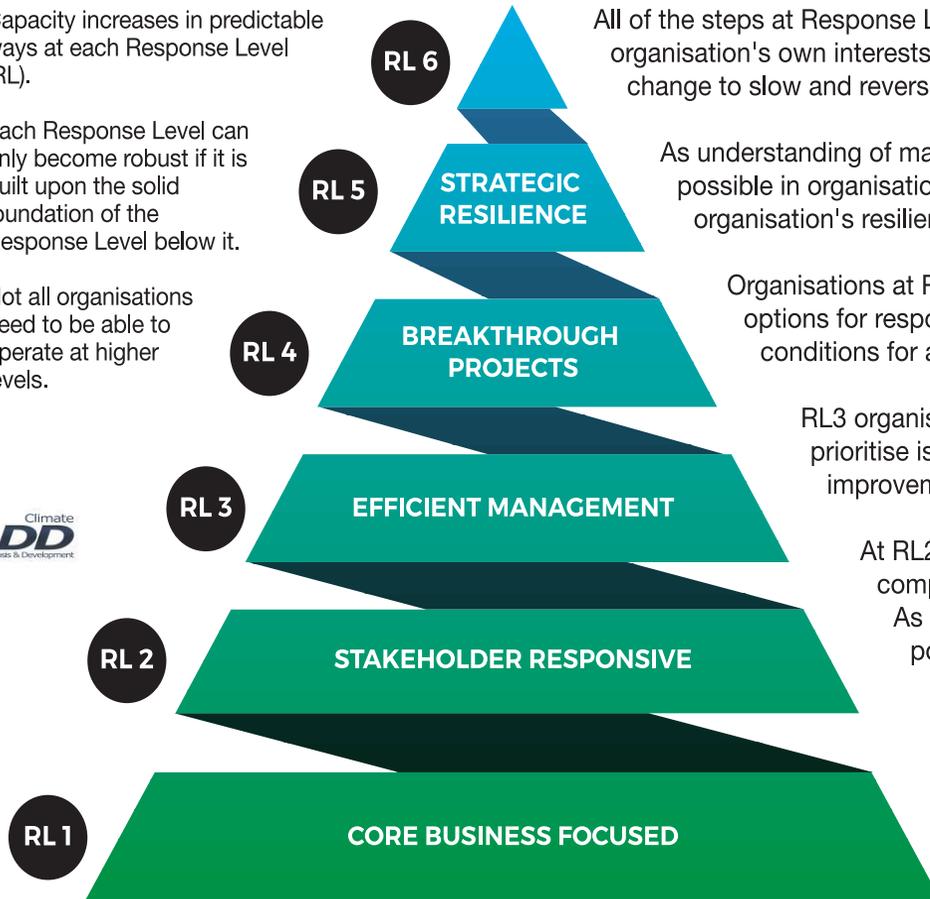
The CaDD²⁰ Framework has been used for this purpose. The CaDD Framework identifies six predictable levels of capacity relevant to climate change responses that any given organisation can have. We call these 'response levels' (RLs). These are presented from the lowest (least sophisticated) responses at RL1 to the highest (most sophisticated) responses at RL5.

CHAMPIONS

Capacity increases in predictable ways at each Response Level (RL).

Each Response Level can only become robust if it is built upon the solid foundation of the Response Level below it.

Not all organisations need to be able to operate at higher levels.



All of the steps at Response Levels 2 to 5 will help society respond to climate change, as well as protect the organisation's own interests, but some organisations choose to go further and seek to lead wider social change to slow and reverse climate change itself. This is RL 6 - the champion organisation.

As understanding of major threats develops, and as options begin to be identified, it becomes possible in organisations which are able to use RL 5 to put in place programmes to ensure the organisation's resilience in what is likely to be a very different and fast-changing future.

Organisations at RL4 begin to see the need to learn fast about strategic threats and to identify options for responding to them. They identify surprising new options and put in place the conditions for a strategic response.

RL3 organisations (typically SME+) begin to get a grip on operations, to quantify and prioritise issues, put in place common sense and effective management programmes for improvement. This often leads to much better ability to manage costs.

At RL2 there is recognition of a need to understand and comply with an often complex and/or rapidly changing set of rules, regulations and financial instruments. As well as where necessary, keeping up to date with the needs and corporate policy of key customers and other stakeholders.

RL1 organisations, e.g. many farmer groups and some SMEs, tend to look at climate change issues through a short-term focus. Typically they do not recognise that these issues are relevant to them, or believe they are helpless without the support of others (which may often be correct). At this level, many have no idea whether they need to act or not, although most will understand direct weather risks.

Organisations at different levels of capacity need very different types of support

Capacity Matters!

Not all organisations need the higher levels of capacity and very few need high capacity all the time. When designing pragmatic interventions it is sensible to establish when capacity will be needed as well as what levels of capacity are needed. Using the 'decision-focus' helps us understand the dynamics of this (see page 12 for overview).

If we first establish the level of capacity that a decision requires - we can then look at the system of organisations around that decision to ascertain whether decision-makers have access to the appropriate capacity levels.

A healthy system of organisations will almost certainly consist of multiple organisations from RL1 to RL5.

Evidence suggests that most organisations will find themselves at RL1 or RL2. Indeed RL2 is often as adaptive as many small organisation can be. Many will lack the resources to create alternative opportunities. In these cases, the organisations are reliant upon other parts of their system to provide the higher capacity they need. These 'other' organisations therefore become responsible for supplying appropriate choices tailored to the needs of the lower capacity organisation.

Using the same example as before - the smallholder farmer choosing which improved seeds to buy would not be expected to have provided the breeding programme and extension staff to make the seed choice available. The breeding programme and extension services would need to operate from higher capacity levels in order to provide optimal choices for the farmer.

Government organisations, with a remit to deliver on sustainability, should almost certainly be operating at RL5 (though evidence shows us that this is incredibly rare across the developing, developed, and over-developed world). They need to be an active part of the enabling environment that provides climate change 'choices' and 'incentives' for organisations that are not in a position to operate at the higher levels (page 52 goes into more detail about the strategic role of government).

Tailoring Support to Different Audiences

“Major challenges are best tackled in partnership”²¹

Climate Change Decisions that demand access to higher levels of capacity are:

- i. Decisions where climate change and the need to manage carbon have the biggest influence
- ii. Decisions that lock-in options for longest (e.g. built environment)

Pages 55 to 62 provide an overview of the different ASEAN Regional policies and frameworks that are emerging that are designed to stimulate and support action on climate change issues.

What is clear from these regional policies is that they all recognise the need to work collaboratively and inclusively across multiple disciplines and sectors. They all have an explicit objective to integrate climate change mitigation into economic and social development policy frameworks, and induce cooperation on the implementation of appropriate measures. . **“Capacity Development” is an explicit objective of the ASEAN Climate Change Initiative (ACCI) goals.**

Identifying and then addressing climate change ‘decision support’ creates a pragmatic structure for addressing the multi-sectoral and multi-disciplinary objectives that development approaches and policies are seeking. **It allows us to target capacity development where it is most needed. Ensuring valuable resources are used to make the biggest different.**

Knowing which capacity level an organisation is at helps us understand how best to work with that organisation to improve responses. **It tells us what types of support would be most useful to them, as well how best to communicate this.** This includes developing a solid understanding of how to ensure information about climate change is actually being used to stimulate and scale meaningful actions.

Researchers, governments and practitioners have a role to play in ensuring Climate Data is ‘Decision-Ready’ for different audiences and applications. Data and Information needs to be:

- Actionable
- Tailored (to local context)
- Communicable
- Accessible

CaDD Response Level 1

Organisations at this level **do not tend to talk about 'climate change', but prefer the term 'extreme weather'**. The main reason for this is that they are unaware of any decisions they are taking that have duration long enough to have 'climate' relevance (the majority are of course correct, they are not in a position to take such decisions).

In engaging with RL1 businesses, a realistic objective is simply to **begin some form of interaction**, e.g. to incentivise or mandate organisations to act even in a relatively small way, and then only when the need is greatest. **A move even to very limited action will set a foundation from which further actions can be developed.**

The idea is to move them from positions of inaction to action.

This would probably be by encouraging them to engage in a programme of activity of some sort with a strong focus on short term benefits. This could be achieved through value chain engagement by extension, other businesses, or through regulation. The influence of **peers may also make a difference.**

Positive Incentives at RL1:

- Feed-in tariff, carbon pricing and other cash incentives
- Making taking action a precondition for being included in bid lists
- Insurance
- Subsidies
- Contract requirements or other compelling financial incentives (e.g. fiscal)
- Financial risk sharing mechanisms.

Negative Incentives at RL1:

- Disqualified for selection for significant contracts
- Effective system of regulation
- Well-targeted laws (penalties for non-compliance)
- Threat of fines
- Effective anti-corruption measures are also important (to prevent the wider framework, including regulations and incentives) being undermined



Figure 8. CaDD Response Level 1

CaDD Response Level 2

Organisations operating from this level of capacity may follow but do not lead. In organisations that operate from this level of capacity it is by no means unusual for good practice to arise briefly in response to leadership from (say) a customer or a regulator, but then to die away again. This is because the issues are not incorporated into core management systems.

A realistic ambition is to require RL2 businesses not to meet any one isolated target, but to engage in an improvement process such as VSS with a climate change focus. There may also be CSR or marketing opportunities that are attractive to the business, though they may be dismissed as “green wash” and will often have marginal adaptation impact.

They will respond well to the incentives listed at RL1 – with the addition of other tailored support such as:

- Easy to understand checklists of impacts, consequences and risks
- Simple guidelines and frameworks (non-expert)
- Certification
- Sample adaptation policies and strategies that can be adopted
- Peer to peer learning
- Entry-level training
- Public private partnerships
- Collaborative initiatives
- Provision of information and/or advisory services to help enterprises get started
- Public-private-dialogue platforms
- Supporting conferences
- Competitions
- Coaching



Figure 9. CaDD Response Level 2

Support for organisations at CaDD Response Level 3

At this level, businesses and other organisations follow less and begin to take charge of their own programme of activity: the business case has become much clearer, with cost-benefit calculations and experience supporting the value of acting whether or not any other body encourages action. The issue in question is becoming fully integrated into the organisation's system of management with policies in place, targets, responsibilities delegated, resources in place, management reviews, training, operational procedures, etc.

This level of business capacity also matters to Inclusive Business approaches because RL3 businesses can become leaders and encourage RL1 and RL2 organisations to develop their own capacity. This can create a scaling effect for development both within and beyond the RL3 business.

Through their procurement activities they exercise influence on businesses at RL1 and RL2 in a way that is seen as positive, as providing incentives to develop commercially, rather than as being a cost.

it is entirely realistic to expect some leading companies to reach this level of capacity quite quickly. This would allow them to play a significant role in inclusive partnerships for adaptation.

Tailored support for RL3 includes:

- Capacity analysis and development
- Technology field trials and research
- Climate model forecasting
- Forward planning aids
- Challenge funds
- Problem-focused multi-stakeholder dialogue
- Professional standards (e.g. VSS, ISO14000).
- Data on impacts, consequences and risks at a detailed level (e.g. site-specific level)
- Professional training and accreditation of expertise
- Best practice guidelines
- Benchmarking processes
- Intensive engagement with practitioners and government staff to identify and remove barriers to improvement



Support for organisations at CaDD Response Level 4

While RL3 capacity is needed, it is still not enough. The RL3 organisation does not push the boundaries of 'business as usual' and so is limited to seeking incremental improvements within the current way of doing things. While this may not be a problem in a relatively stable environment, or over shorter lifetime decisions (10 years is increasingly cited as a pragmatic boundary for 'business as usual'), it is a problem for longer-term decision making in a rapidly changing environment.

What is needed is radical experimentation. Such experimentation typically takes place through 'breakthrough projects' that push for solutions to problems that cannot be solved within 'business as usual'. At this high level of capacity, the business case becomes about strategic leadership: exploring opportunities for building a strategic leadership position, for restructuring an industry or service so as to create sustainable advantages over extended periods.

By doing advanced work of this type, it becomes possible continually to renew and revitalise operational guidelines at RL3 and below .

The challenge at this level is to support potentially disruptive innovation without alienating more mainstream organisations.

Their field of action shifts beyond the business to the network of organisations needed for innovation.

Tailored Support for RL4 Includes:

- Targeted collaborative projects with significant 'stretch' objectives
- Projects where learning is seen as more important than outcomes
- Seed funding for innovation
- Early sharing of relevant research
- Funding of skilled facilitators to facilitate learning outcomes
- Knowledge exchange networks / enterprise hubs at the boundary between academia and practice



Support for organisations at CaDD Response Level 5

It is clear from CaDD response levels 1 to 4, that interventions of many different types are required. Learning from a RL4 'breakthrough project' can be used to update both RL3 practices as well as being translated into RL2 guidelines, and RL1 carrots and sticks.

In addition, barriers identified during a RL4 project often need to be explored in new projects. The task at RL5 is to coordinate activities across the other response levels and use the learning from delivery experience to continually update the strategic direction of the system.

The business community, with very few exceptions, currently lacks both the capacity and the legitimacy to lead programmes at this level: this would more naturally be the role of Government Agencies (local & national) as well as Bilateral and multilateral donors, including some civil society organisations.

At RL5, the processes are inherently inclusive and often transnational. These will often be beyond the capacity of even large organisations to organise without support from Government or similar.

Tailored Support for RL5 includes:

- The 'convening power' of powerful figures such as Heads of State or Ministers.
- Comprehensive scenarios of impacts and consequences over decision timescales – to 2100 and beyond
- Progressive and challenging targets to industries over decades
- International and cross-industry agreements
- Funded research programmes
- An active programme of breakthrough experimentation
- Crucial to all of these is the learning infrastructure to gather and make sense of experience and to redirect the programme accordingly

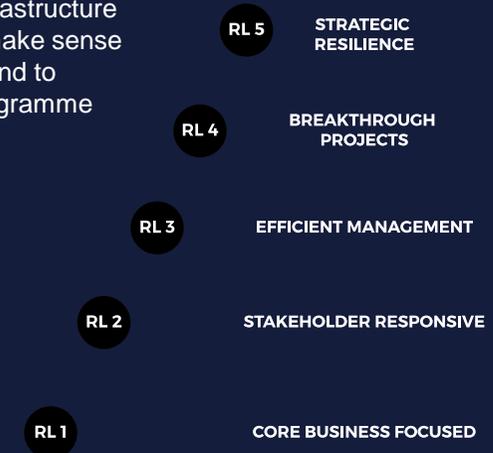


Figure 12. CaDD Response Level 5

Resources and further reading on institutional capacity development

Tools and Guidance:

Climate CaDD

Capacity Diagnosis and Development Tool: Online and dialogue based reviews of organisational and systemic capacity for climate change

info@climatesense.eu

The Capacity Development for Climate Change Partnership (C3D+)

<http://www.c3d-unitar.org/service-areas/>

weADAPT

Website of the Stockholm Environment Institute. An online 'open space' on climate adaptation issues. It allows practitioners, researchers and policy-makers to access credible, high-quality information and connect with one another.

<https://www.weadapt.org/>

World Bank 2011 Steps for Designing a Results-Focused Capacity Development Strategy: A Primer for Development Practitioners Based on the Capacity Development and Results Framework

[http://www.capacity.org/capacity/export/sites/capacity/documents/topic-readings/Steps for Designing a Results-Focused Capacity Development Strategy.pdf](http://www.capacity.org/capacity/export/sites/capacity/documents/topic-readings/Steps_for_Designing_a_Results-Focused_Capacity_Development_Strategy.pdf)

Further Reading:

Attributes of a Well-Adapting Organisations (UKCIP, 2010)

http://www.ukcip.org.uk/wp-content/PDFs/UKCIP_Well_adapting_organisations.pdf

Value Chain Climate Resilience: a guide to managing climate impacts in companies and communities

(PREP/Oxfam, 2015)

<http://www.oxfamamerica.org/explore/research-publications/prep-value-chain-climate-resilience/>

Guidance Note on Development Approaches on Private Sector Adaptation (GIZ, 2013)

PREPARE: Organisational adaptive capacity (Defra, 2013)

<http://randd.defra.gov.uk/Default.aspx?Menu=Menu&Module=More&Location=None&ProjectID=18552>

Scaling Successes Out and Up

Designing, evaluating, and improving interventions (notes for development practitioners from public, private and/or civil society organisations)

Scaling Successes Out and Up

The addition of behavioural/capacity insights provides improved metrics for designing, monitoring, evaluating, and enhancing development.

Successes in Inclusive Business and Climate Change are a product of a wide range of social, financial, environmental and political variables. A prerequisite for scaling success is to **first establish what constitutes a 'scalable' success**. Successes in Inclusive Business tend to be measured by their business and economic development credentials and often **lack sufficient emphasis on monitoring and evaluating the social, economic and environmental impacts** (which are notoriously difficult for businesses to measure). **Yet the best decisions are not purely economically-led**. Likewise, climate change successes in agricultural value chains tend to be measured in terms of the **effectiveness of climate smart technologies** in enhancing the supply of specific commodities.

What works well in one geographical location will not necessarily work well in another (e.g. a high yielding climate improved seed may be ideal for the soil and climatic conditions in one region, but not another - or in one localised market but not another). However, where there are successes there will be some valuable learning with potential to assist other projects in accelerating scaling of more locally relevant good practices.

Common approaches for selecting good practices to be taken to scale can overestimate their scalability if institutional capacity dimensions are not adequately considered.

Scaling Successes Out and Up

Insights into individual, institutional and systemic behaviours (e.g. characteristics of a healthy system) can provide more scaling potential geographically than a technical fix.

It remains important to measure business, technical and economic attributes. However **it can prove invaluable to include measurements on the human, institutional and systemic behaviours that have created the 'good' technical and socio-economic behaviours.** Sharing the learning from these behaviours from project to project can have fewer geographical boundaries than many of the market-led and/or technical responses.

A deeper insight of the different capacity levels of the organisations operating within and around success stories can highlight what to scale (e.g. through mentoring and peer to peer processes). Likewise, deeper insight into the institutional behaviours of the areas you wish to scale to, will help design the most influential interactions between the two systems - **focusing resources where they will make the biggest difference.**

Scaling up inclusive agri-food markets demands the creation of:

- innovative financing mechanisms
- effective partnerships
- supportive policies
- **AND the mobilisation of peoples' capacities**

Creating the enabling conditions for inclusive and sustainable markets calls for effective partnerships between business, producer organisations, policymakers, donors, civil society organisations, knowledge institutes, and international agencies.²²

Scaling Successes Out and Up

The Strategic Role of Inclusive Business

Businesses can benefit directly from inclusive approaches. They can influence the behaviours of other value chain actors that they are dependent upon. In addition, they can have a stronger voice in other decisions taking place in the regulatory, policy and funding environment.. They can also exert more influence upon the design and outcomes of development projects.

Inclusiveness Improves Scalability

As mentioned earlier in this report, there is an unavoidable start-up cost to inclusive development. These can be significantly high depending upon the stretch objectives and coverage of a given project.

Initial expenditure is necessary to identify, establish and nurture the relationships needed across value chain actors. It is also needed to resource pilot projects to co-explore and co-create innovation.

If scaling of well defined good practices are to be sustained beyond project funding the relationship capital generated during start-up needs to be sufficient to support meaningful actions as they scale geographically, socially and temporally.

Specialist Skills in Brokering Relationships are Needed

There is a growing role for neutral bodies to facilitate the brokerage of relationships that co-create the necessary partnerships. Donor organisations and other public and civil society organisations are often well positioned and equipped with the appropriate skills to fulfil these roles. Developing 'trust' is recognised as one of the most essential ingredients for work across multiple interdependent actors to be effective and sustained.

Rigorous selection criteria that focus upon recruiting trusted organisations are also effective. As is taking effective action to deal with situations when trust breaks down.

Where changes in institutional behaviours are intended to stimulate more 'transformative' actions, those responsible for relationship brokerage may require specialist expertise in facilitating challenging debate (including dispute resolution).

Scaling Successes Out and Up

The Strategic Role of Government and Policymakers

Policy Makers can encourage companies to invest in low-income markets. They can increase the returns that companies can expect from Inclusive Business activity. “Instruments include creating a legal form for business with a social mission, providing financial support, using preferential public procurement, and engaging in development Partnerships”.²³

Action on climate change can align with resultant Inclusive Business activity. However, climate change action is becoming enshrined and supported by dedicated climate change policies and action plans. It is therefore critical to ensure that policies for private sector development complement these.

Policies that provide support for Inclusive Business can provide entry points for climate change. Likewise, there are emerging opportunities for Inclusive Business to be created from actions in delivering climate change actions.

Government bodies and policymakers designing and implementing climate change policies and policies that support more inclusive private sector development can provide support as:

Producers and brokers of knowledge and information to help businesses access and interpret new information. Ensuring that climate and market information is ‘decision-ready’ for target audiences.

Relationship brokers, bringing neutrality to the development of relationships between value chain actors co-creating innovative responses.

Providers of effective regulatory frameworks that ensure a level playing field for entrepreneurs.

Creators of financial incentives (e.g. through fiscal mechanism that reward progress or penalise bad practices).

Providers of resources aimed at scaling good practices. From start-up funding and support, to the provision of extension services.

Scaling Successes Out and Up

Higher Levels of Capacity are Catalysts to Healthy ‘Scaling Systems’

Higher levels of institutional capacity (CaDD Response Levels 4 & 5) are required to ensure that the stimulation and scaling of good practices are delivered responsibly and equitably. **Higher levels create the conditions that provide better choices for those entrenched in lower levels of capacity.**

Higher levels of capacity are also needed within the enabling environment to ensure an informed overview of systemic changes and of strategic direction.

- To support and manage innovation and experimentation (within acceptable levels of risk)
- To provide a level of neutrality in assessing different options against each other (e.g. agrochemical regimes vs agro-ecological approaches)
- To assess suitability of scaling activities – e.g. avoid premature scaling of inappropriate practices
- To design, support and resource meaningful interventions.
- To ensure strategic directions are continually updated from the experiences of those delivering actions on the ground

Those that take on these higher capacity responsibilities tend to be government bodies, donors and larger civil society organisation.

These roles may be perceived as ‘top-down’. However in a healthy scaling system they act as a bridge between bottom-up and top-down, providing support for both.

Successful Inclusive projects illustrate the effectiveness of these, where those organisations who stay close to delivery and innovation can learn more about supporting scaling - e.g. in the Laos Rice Miller case – it has been the direct involvement of local government at the ground level that led to the changes in fiscal and regulatory environments to stimulate further scaling.

Having high influence (e.g. policy makers, government agencies, donors and development practitioners) does not equate to having high capacity. Initiatives will usually have to develop institutional capacity across organisations within the enabling and delivery environments.

Scaling Successes Out and Up

Medium Levels of Capacity Play a Critical Role in Scaling

CaDD Response level 3 “Efficient Management” is a medium level of capacity in addressing climate change. Not many businesses are at this level yet, though some are on their way. These businesses focus on embedding climate change within their existing ‘business as usual’ models - they do not yet lead on significant innovation beyond their immediate influence). They play an absolutely critical role in scaling good practices.

The best businesses are extremely strong at deciding how to incorporate a new practice into their management processes to meet a specific target. They are also expert at bringing other parts of their system (training providers, researcher , standards bodies, professional associations, specifications, inspection regimes, accreditation, etc) into line with it. This capacity is crucial to scaling climate change responses.

The development impact of this approach goes beyond compliance; it is likely to more closely reflect the specific needs and opportunities of the value chain actors that development agencies focus on. These can be aligned with Inclusive Business entry points across the value chains.

This level of business capacity also matters to development because RL3 businesses can become leaders and encourage RL1 and RL2 organisations to develop their own capacity. This can create a scaling effect for development both within and beyond the RL3 business.

If the Lao PDR Rice Millers in Case Study 1 were provided support to get to this level on climate change issues the acceleration of progress could be impressive.

ASEAN-Specific Policy Framework

Policies Relevant to Inclusive Business and Climate Change in Food Production

Policy Frameworks for Inclusive Business and Climate Change in Food Production

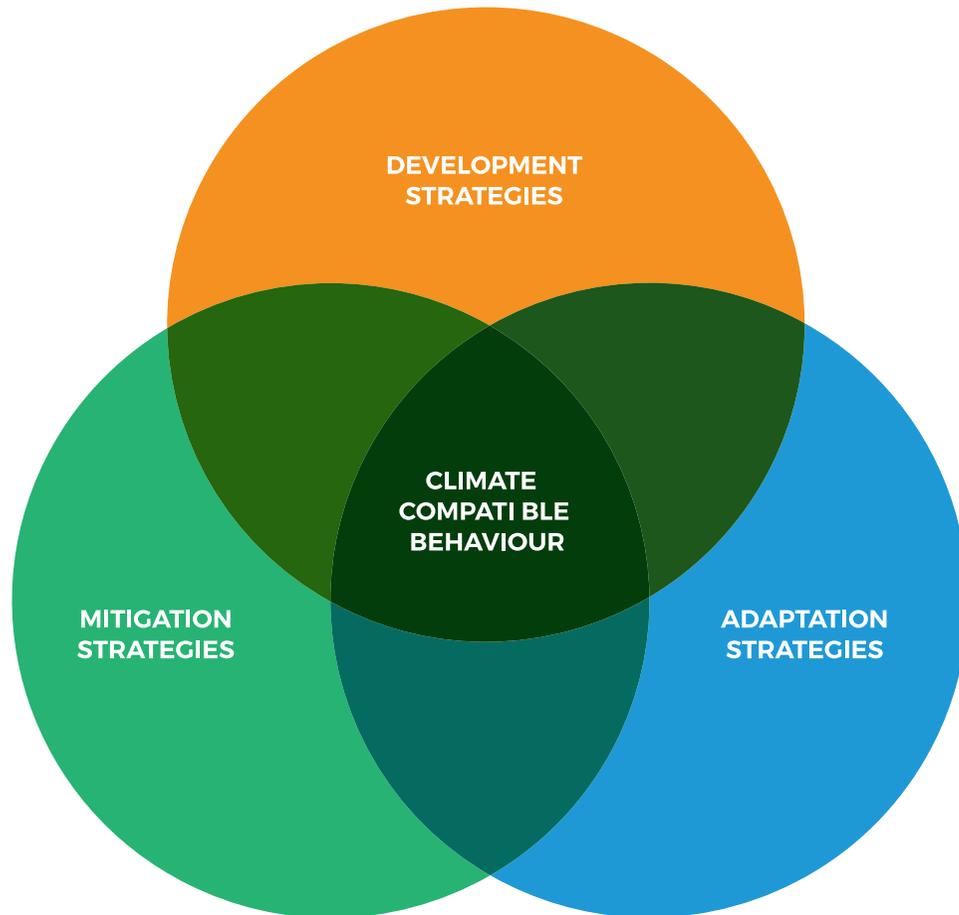
It was clear that developing countries were poorly represented during the Copenhagen COP15 (2008). Things have moved on since then and climate change is now being put into the heart of the development agenda. Some developing nations are beginning to set their own emissions targets irrespective of international agreements to do so.

At the time of writing this report the United Nations summit for the adoption of the post-2015 development agenda was being held in New York to agree the new Sustainable Development Goals. The 'climate change' specific goals were deferred until negotiations at the Paris COP21 in December 2015.

However, it is already clear that responses will require increased reliance upon Private Sector entrepreneurs to achieve them. Businesses and organisations creating the enabling environment for entrepreneurs to engage on climate change and sustainable development actions can therefore expect increased support on meeting these goals.



Policy Frameworks for Inclusive Business and Climate Change in Food Production



Climate compatible development needs to align climate change issues with other development goals. Inclusive Business approaches provide opportunity for aligning these.

Regional and national strategies and policies for responses to climate change are evolving with new approaches to development. There is increasing recognition that responses to climate change need to be able to integrate climate change mitigation and adaptation with development strategies.

The policy environment for supporting this type of integration is evolving. While there is still some way to go in refining and developing these to support improvements and transformations on the ground, they are certainly helping to create the conditions for business innovation in ASEAN. Roles and responsibilities for action plans at the regional, national and local level are being agreed.

There is considerable variation between Southeast Asian countries with regards where they have got to in developing the policy and action framework for climate action. Some countries are at the very early stages of producing resourced plans and strategies, while others (e.g. Philippines and Vietnam) have comparatively coherent and comprehensive plans in place. In addition, a number of regional forums are forming - For example ASEAN and the Mekong River Commission (MRC)²² – and these are providing exciting new opportunities for supporting actions.

ASEAN Policy Frameworks for Inclusive Business and Climate Change in Food Production



Nationally Appropriate Mitigation Actions (NAMAs)

NAMAs are policies, programmes and projects that developing countries undertake to contribute to the global effort to reduce greenhouse gas emissions. The policy framework around NAMAs is still being developed but NAMAs are set to become a building block for a future climate agreement.²⁴ They will help inform the allocation of international climate funds (especially the Green Climate Fund).

National Adaptation Plans (NAPs)

NAPs are plans that are submitted to the UNFCCC secretariat. They identify the medium- and long-term adaptation needs of specific nations. They involve designing strategies and programmes of action that reduce vulnerability to the impacts of climate change by building adaptive capacity and resilience.

They must also facilitate the integration of climate change adaptation, in a coherent manner, into relevant new and existing policies, programmes and activities - this involves inclusion of all relevant sectors (from enabling to delivery environments).

National Adaptation Programs of Action (NAPAs)

NAPAs provide a process for Least Developed Countries (LDCs) to identify priority activities that respond to their urgent and immediate needs to adapt to climate change – those for which further delay would increase vulnerability and/or costs at a later stage.

National Climate Change Action Plans

Recognising the benefits of addressing both the mitigation and adaptation agendas in combination under one overarching plan (though at delivery level there will of course be differences between actions for each agenda). Some ASEAN countries have decided to develop and agree dedicated 'Climate Change' Strategies.

E.g. Philippines has prepared (but not yet implemented) a NAMA that includes reducing methane emissions by promoting alternate wetting and drying of paddy fields - to be implemented through farmer associations. Vietnam has also been preparing a similar NAMA.



Myanmar



Philippines



Singapore



Thailand



Vietnam



Brunei



Cambodia



Indonesia



Lao PDR



Malaysia

ASEAN Policy Frameworks for Inclusive Business and Climate Change in Food Production



Food, Agriculture and Forestry (FAF) Vision 2016 – 2025

ASEAN, with contributions from FAO and GIZ, have developed a 'Vision' and Strategic Plan for ASEAN Cooperation in Food, Agriculture and Forestry. This is set to include KPIs, though these were still under consultation at the time of writing this report.

ASEAN Integrated Food Security (AIFS) Framework

Promotes cooperation among ASEAN Member States. Prioritising long-term food security and improving the livelihoods of farmers.

The groups main objectives are to:

- a) Increase food production;
- b) Reduce postharvest losses;
- c) Promote conducive market and trade for agriculture commodities and inputs;
- d) Ensure food stability;
- e) Promote availability and accessibility to agriculture inputs; and
- f) Operationalise regional food emergency relief arrangements.

ASEAN Multi-Sectoral Framework on Climate Change (AFCC)

Established in 2009, the AFCC aims to contribute to food security through sustainable, efficient and effective use of land, forest, water and aquatic resources by minimizing the risks and impacts of and the contributions to climate change.²⁵

Components and strategic thrust:

- i. Integration of climate change mitigation and adaptation strategies into the economic and social development policy framework
- ii. Cooperation on the implementation of adaptation and mitigation measures
- iii. **Strengthening of national and regional knowledge sharing, communication and networking on climate change and food security**
- iv. **Developing a more comprehensive multi-sectoral strategic framework and a roadmap for implementation**

Institutional Capacity Development is critical for this to happen

ASEAN Policy Frameworks for Inclusive Business and Climate Change in Food Production



ASEAN Climate Change Initiative (ACCI)

The ACCI aims to assist responses to climate change and enhance closer and deeper regional and international cooperation. The group has produced and agreed an action plan with the ASEAN Member States.

Its strategic objectives are: ²⁶

- i. To leverage activities previously identified in ACCI including opportunities for regional cooperation on adaptation and mitigation, and seek support in climate friendly technology, knowledge transfer, finance, and capacity building.
- ii. To enhance research collaboration on climate change science in ASEAN.
- iii. To contribute to the global negotiation process of the UNFCCC through a common understanding, and where possible, a common position, and the collaboration to effectively reflect the concerns of the Statement.

The collaborative work of ACCI and the action plan are designed to co-explore and co-develop actions.

A diagnosis of what capacity is needed will be required

This includes :

Adaptation - sharing information and good practices; interpreting information; conducting vulnerability assessments; and enhancing and promoting regional information.

Mitigation - Sharing best practices; Promoting a common understanding on Nationally Appropriate Mitigation Actions (NAMAs), and Measurement; and exploring the possibility to develop a carbon cap

Finance & Investment – Promoting a common understanding on institutional arrangements for accessing multilateral funds (e.g. Green Climate Fund, Green Investment funds, and Adaptation funds)

Technology Transfer - Facilitating international support for technology transfer to ASEAN, including through the UNFCCC Climate Technology Centre and Network (CTCN)

Capacity Building - Facilitating regional and international support for capacity building for ASEAN -based on capacity building needs for mitigation and adaptation

Resources and further reading on policy frameworks

Tools and Guidance:

Mainstreaming Adaptation through NAPs (GIZ, 2013)

<https://gc21.giz.de/ibt/var/app/wp342deP/1443/index.php/knowledge/mainstreaming/tools/>

Nationally Appropriate Mitigation Actions – A Technical Assistance Sourcebook for Practitioners (GIZ, 2012)

<http://mitigationpartnership.net/giz-2012-nationally-appropriate-mitigation-actions-%E2%80%93-technical-assistance-sourcebook-practitioners>

NAMA Tool: Steps for Moving a NAMA from Idea towards Implementation (International Partnership on Mitigation and MRV, 2014)

<http://mitigationpartnership.net/nama-tool-steps-moving-nama-idea-towards-implementation>

UNFCCC Guidance on National Adaptation Plans (NAPs)

http://unfccc.int/adaptation/workstreams/national_adaptation_plans/items/6057.php

https://unfccc.int/files/adaptation/cancun_adaptation_framework/application/pdf/naptechguidelines_eng_high__res.pdf

UNFCCC Guidance on National Adaptation Programmes of Action (NAPAs)

http://unfccc.int/national_reports/napa/items/2719.php

UNFCCC Guidance on Nationally Appropriate Mitigation Actions

<http://unfccc.int/focus/mitigation/items/7172.php>

Inclusive Business Policies - How Governments can Engage Companies in Meeting Development Goals (Endeva, 2013)

<http://www.enterprise-development.org/page/download?id=2297>

Further Reading:

ACCI, 2013 – Lead Countries for ASEAN Action Plan on Joint Response to Climate Change

Nationally appropriate mitigation actions (NAMA) (GIZ, 2014) – Vietnam Case Study:

<https://www.giz.de/en/worldwide/26246.html>

ASEAN Action Plan on Joint Response to Climate Change (ASEAN, 2012)

FAF: Vision and Strategic Plan for ASEAN Cooperation in Food, Agriculture and Forestry (ASEAN, 2015)

ASEAN Integrated Food Security (AIFS) Framework and Strategic Plan of Action on Food Security in the ASEAN Region (SPA-FS) – (ASEAN, 2009)

ASEAN integrated food security framework and strategic plan of action on food security 2015–2019. (ASEAN & FAO, 2014)

Financial Support for Action in ASEAN Member States

Financial Support for Action in ASEAN Member States

A number of financial mechanisms are emerging to support action on climate change across ASEAN. These include:

- Resources being mobilised through ASEAN Member States for their respective commitments to national and local plans for action
- International funds designed to target climate change mitigation and adaptation action
- Donor organisations (public and civil society) who wish to resource specific development project with climate change benefits.

The financial landscape is changing and providing new opportunities for businesses. Businesses can benefit directly as end users of funds, or through partially - or fully-funded opportunities to work inclusively across the communities and value chain actors they depend upon.

At the national level, governments are beginning to provide various financial instruments. The case studies in this report have highlighted areas where subsidies and tax relief have encouraged accelerated development actions. These can range from grants and loans, to subsidies and fiscal incentives.

Governments in emerging markets are also providing 'guarantees' to permit better access to credit for low income households.

Financial support from the **international arena** is growing rapidly. In very generic terms, the climate **mitigation agenda tends to benefit more from loans** than grants, as the majority of mitigation actions are seen as being able to generate returns over time.

Adaptation actions on the other hand are treated quite differently as expenditure on adaptation actions are not as likely to generate substantial direct returns. **Grants are therefore more commonplace in adaptation** projects. This is also reinforced by the UNFCCC Principle of "*Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC)*" – that places an obligation on developed nations to provide new, additional, adequate and predictable financial flows to developing nations.

Financial Support for Action in ASEAN Member States

International Climate Finance

Multilateral climate funds are channeled through two main mechanisms.²⁴

1) The UNFCCC:

- **Green Climate Fund (GCF)**
- **the Adaptation Fund (a financial mechanism of the Kyoto Protocol)**
- **the UN Reducing Emissions from Deforestation and Forest Degradation (REDD) initiative.**

2) Non-UNFCCC:

- **the Global Energy Efficiency and Renewable Energy Fund (GEF)**
- **the Climate Investment Funds (CIFs),**
- **the Global Climate Change Alliance (GCCA)**
- **the Forest Carbon Facility**

Some of the earliest mechanisms are:

- **The Least Developed Countries Fund (LDCF)**
- **The Pilot Program for Climate Resilience (PPCR, as part of the Climate Investment Funds) = US\$973 million**
- **The Special Climate Change Fund (SCCF) = US\$299 million**
- **The Adaptation Fund (AF) = US\$213 million**

There is a wide range of intermediaries that channel climate finance from different International sources.

While the institutional structures and capacities to channel many of these funds are still being developed, there is already much progress.

Part of the challenge is supporting institutions at national level to provide enough transparency to show they are using the funds appropriately.

While the private sector is benefiting considerably through these funds already (either as intermediaries or end users), direct targeting to SMEs and MNCs has not been the focus thus far.

There are also numerous Bilateral funds. An estimated US\$ 12 billion was directed through bilateral finance institutions in 2014:²⁷

- **Germany's International Climate Initiative has approved US\$ 1.1 billion for a total of 377 mitigation, adaptation, REDD+ projects**
- **The UK's International Climate Fund, which has pledged US\$ 5.95 billion**
- **Germany & UK also contributes to the NAMA Facility**
- **Norway's International Forest Climate Initiative has approved a total of US\$ 305 million**
- **Australia has approved US\$ 126 million through its International Forest Carbon Initiative (IFCI)**

Financial Support for Action in ASEAN Member States

International Climate Finance

In 2013 the amount of climate finance invested in developing countries was US\$ 165 billion. 13% of this was to adaptation, while the rest went into mitigation actions. Although this may seem like a rather low percentage for adaptation, it is still much higher than in developed countries, where only 1% has gone towards adaptation.²⁸

Placing more emphasis on targeting the private sector as vehicles for climate smart development has recently been gaining more ground.

A recent decision by the Board of the Green Climate Fund is that funds should be targeted towards the participation of private sector actors in developing countries - including SMEs. Exactly how this will unfold remains to be seen. However it highlights that finance instruments will be targeting business development. However it confirms that climate finance will increasingly target private sector development and sites “information-related market failure and capacity constraints” as key areas for development. This therefore aligns very well with the objectives and opportunities in developing Inclusive Business that has climate change benefits.

Inclusive Business with climate change benefits would appear very well positioned to benefit directly from these funds. Accessing the funds will however be dependent upon the specific intermediaries who become accredited to allocate them.

In order for Inclusive Business to benefit from these funds by providing climate change benefits, it is important to **ensure that the Inclusive Business approaches are explicitly aligned with:**

- regional , national and local development strategies
- regional, national and local climate change strategies and plans

However, this would seem highly plausible given how well aligned the business cases for both climate change and Inclusive Business in agricultural value chains are (please see page 10).

It would nonetheless seem prudent to ensure that the design of **Inclusive Business interventions with Climate Change benefits are co-created in partnership with those responsible for the design and delivery of the regional, national and local climate change policy frameworks.** If possible, this should also be done in **collaboration with those undergoing accreditation as National Implementation Entities (NIEs)** – to ensure not only that their value is recognised, but to establish trusted and collaborative relationships with financial decision makers.

Financial Support for Action in ASEAN Member States

National Climate Finance

Numerous approaches to mobilising, managing and channeling international and national climate finance for investment in adaptation and mitigation initiatives are evolving at the national level. However institutional and systemic capacities to mobilise funds appropriately remains the main limiting factor to wider uptake.

The flow of finance from source to end user can be very complex and requires considerable institutional capacity to deliver. Funds move from source, through intermediaries, and onto financial instruments, - where they then need to be aligned with planning systems before finally reaching the end user.

This institutional capacity is still being developed. Funds are however already getting through to projects on the ground, and to longer-term programmes of activity. More financial assistance is on its way for private sector development.

The Indonesian Climate Change Fund (ICCTF) is the first nationally managed trust fund established to help manage, blend, evaluate and monitor climate change activities through a centralised mechanism.

Identifying and accrediting NEIs is still underway in ASEAN. Financial intermediaries in the national systems include: ²⁷

- a) national agencies - such as central and sector ministries,
- b) national financial institutions - such as development banks, and
- c) climate change funds established to mobilise and disburse climate finance.

Dedicated National Climate Funds (NCFs) can also be designed as separate budgetary systems that pool climate funds together into one 'basket' for allocation. These are very good for streamlining allocations as they are not limited to the specific agendas of particular agencies (e.g. they can be exempt from annual rules).

We can expect climate finance to flow more freely through ASEAN in the near future, and this should provide significant opportunity for Private Sector development.

Cambodia and Indonesia have developed Climate Change Fiscal Frameworks (CCFF). These provide for better governance in tracking, integration and prioritising of finance.

Resources and further reading on climate finance

Tools and Guidance:

Mainstreaming Adaptation through NAPs (GIZ, 2013):

<https://gc21.giz.de/ibt/var/app/wp342deP/1443/index.php/knowledge/mainstreaming/tools/>

Nationally Appropriate Mitigation Actions – A Technical Assistance Sourcebook for Practitioners (GIZ, 2012):

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UNFCCC Guidance on National Adaptation Programmes of Action (NAPAs):

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UNFCCC Guidance on Nationally Appropriate Mitigation Actions

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ASEAN integrated food security framework and strategic plan of action on food security 2015–2019. (ASEAN & FAO, 2014)

Closing Remarks

Inclusive Business is making good business and good development sense. Climate change is being increasingly recognised as a critical component of business and development strategies. This is being increasingly reflected within the design and focus of a growing number of projects and other interventions.

There is still much to be done to identify good practices and to scale them, where possible, across the world. However, we live in exciting times. There are billions of US dollars of climate finance designed to target climate responses in development. The institutional capacities to mobilise these funds continue to be developed. We are already seeing some of this funding reaching projects on the ground.

The sums of money available within these pots of 'Climate Finance' are nowhere near enough to address climate change in full. **However they do provide some exciting opportunities to explore new approaches and to help scale successes out and up.**

This report has shown that, with a little more effort, Inclusive Business approaches could provide ideal conditions for exploring, embedding and scaling good climate change practices.

Through applying the lessons in our report to the design, delivery, monitoring and scaling of interventions we believe it is possible to accelerate action at the scale and pace needed.

A specific emphasis upon developing institutional capacity is critical. It cannot be assumed that capacity will just grow autonomously with good ideas. This means that special attention has to be paid to working with people and organisations where they are at (not where we think, or feel, they should be at). This recognition is at the heart of our report.

It is our strong belief that private sector development can benefit from Inclusive Business approaches, and that Inclusive Business Approaches can benefit from embedding climate change within them. Likewise, it is our strong belief that the private sector can therefore benefit from Inclusive Business through accessing climate finance.

We wish you all the greatest success in your endeavours and hope that this resource will provide valuable support to your work.

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This resource was produced from a collaboration between three German development projects (below) on behalf of the German Ministry for Economic Cooperation and Development (BMZ):

Responsible & Inclusive Business Hubs (RIBH)

RIBH develop innovative approaches that advance collaboration between private sector and low-income populations through: targeting products to their needs (as customers); creating decent jobs and income opportunities (as workers); and facilitating direct access to markets for their goods (as suppliers). The RIBH Southeast Asia Team was the main contributor to this project.

ASEAN-German Programme on Response to Climate Change (GIZ GAP-CC)

The goal of GIZ GAP-CC is to strengthen collaboration and joint initiatives between the ten member states of the Association of Southeast Asian Nations (ASEAN) in promoting sustainable agriculture, sustainable forest management and concerted action for adaptation to climate change and the mitigation of greenhouse gases.

Inclusive Business Action Network (IBAN)

IBAN is the entry point to the global inclusive business community. It is a vibrant, global multi-stakeholder network unlocking the power of inclusive business for sustainable development. The strengths of the Inclusive Business Action Network are the collective expertise, commitment and operational resources of its members and partners.

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Climate Sense is a UK-based consultancy working globally to develop the human and institutional capacity to address climate change issues. This includes working at:

1. The individual level (championing and leadership),
2. The organizational level (private, public and civil society organisations and businesses), and
3. The Systemic level (networks, projects, supply chains, sectors, industries and geographical areas).



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