

Climate & Environment
Assessment: Deauville
Partnership Small and Medium-
Sized Enterprise Mentoring
Initiative for the Middle East and
North Africa



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December 2012



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This Helpdesk Report has been produced by Evidence on Demand with the assistance of the UK Department for International Development (DFID) contracted through the Climate, Environment, Infrastructure and Livelihoods Professional Evidence and Applied Knowledge Services (CEIL PEAKS) programme, jointly managed by HTSPE Limited and IMC Worldwide Limited.

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DOI: http://dx.doi.org/10.12774/eod_HD028.dec2012.selby



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Report Summary

Evidence on Demand was requested by DFID to carry out a climate and environmental appraisal for the Deauville Partnership Small and Medium-Sized Enterprise (SME) Mentoring Initiative for the Middle East and North Africa (MENA). The initiative, a joint collaboration between DFID and the FCO has two components: 1) 12 months of mentoring support for up to 250 entrepreneurs in the transition countries of Egypt, Jordan, Tunisia, Morocco, Libya and Yemen; and ii) sharing with the transition country governments, knowledge and expertise on best practice national mentoring policy and programming. The consultant completed the draft climate and environmental assessment by identifying high-level climate and environmental impacts/opportunities, confirming the final risk categorisation and drafting a climate and environment assurance note.

Note to readers: Climate and Environment Assessments are used to ensure that climate and environment risks and opportunities are considered as part of the process in developing new DFID Business Cases. The CEA presented here is in draft form, as submitted by Evidence on Demand to DFID for quality assurance and approval by a DFID Climate & Environment adviser.



Climate and Environment Contextual Background

C&E Background

Rapid population growth alongside rapid economic growth, have also contributed to a number of environmental challenges in the MENA region. These include, water scarcity and quality; land degradation and desertification; urban and industrial pollution; inadequate capacities for waste management; coastal and marine environmental degradation; air pollution; and weak environmental and legal frameworks¹. These challenges only differ in terms of magnitude and severity between countries in the MENA region, which is particularly vulnerable to climate change given already scarce water resources, high levels of aridity and a large coastal stretch. Potential climate change impacts include reduced rainfall, rising sea levels and changes to the growing season and these can result in a range of socioeconomic secondary impacts notably food shortages and water insecurity. Both have contributed to regional conflict and instability. It is this interdependence of environmental, social, political and economic factors that highlights the need for more sustainable growth pathways driven by the private sector.

Although it is clear that SMEs contribute to high employment, their contribution to sustainable growth is more questionable. SMEs are reportedly more resource intensive (for example water and energy) and contribute a high proportion of private sector environmental impacts². Smaller entrepreneurs can find it more difficult to comply with environmental legislation than large companies. To promote sustainable growth the mentoring initiative has an opportunity to mainstream environmental and climate issues and raise awareness and skills to manage these issues.

¹ The Economic Research Forum (2010) *Sustainable Development and Environmental Challenges in the MENA Region: Accounting for the Environment in the 21st Century*

² According to one study, this is 64 percent in Europe and this figure is likely to be much higher for the MENA region: Danish Technological Institute (2010) *SMEs and the Environment in the EU*.



Climate and Environment Sensitivity Analysis

What is the likely impact (positive and negative) on climate change and environment for each feasible option?

Option 1 – UK does not establish and fund an SME mentoring initiative (counterfactual scenario)

C Low potential risk / opportunity

Negative Impacts:

- Opportunities to promote eco-efficient, low carbon, sustainable enterprise thereby reducing the environmental footprint of mentee SMEs are missed. Studies show that SMEs are resource intensive.³ The cumulative environmental impact from the large number of SMEs in the MENA region is therefore high, particularly from: the food/beverages; metal and non-metal products; furniture; clothing and fur; wood products; leather and tanning; and textile sectors. Without UK funding for the mentoring initiative, opportunities to decrease the environmental footprint of mentee SMEs will be forgone.

Opportunities:

- No opportunities identified for this option.

Option 2 – Support to a multi-country initiative implemented by a supplier under a DFID framework agreement

B Manageable/medium potential risk

Negative impacts:

- *Resource use from administration, management and monitoring of the intervention.* On-going operation of the initiative will result in resource use (e.g. energy, water and paper) as will key project activities such as training and networking events (e.g. greenhouse gas emissions from travel).
- *SMEs can be a significant source of environmental damage* although this is size/sector dependent. They can be less resource efficient than their larger counterparts and are often associated with fossil fuel and water intensive growth. SMEs in the MENA region are therefore contributing to the regional challenges of resource scarcity (e.g. water); land degradation and desertification; and air and water pollution from inadequate waste management. Supporting SME growth through the mentoring initiative will have wide-ranging socio-economic benefits; however there is a risk that these benefits will not be long-lasting if their growth is fuelled by inefficient resource use and environmental degradation.
- *SMEs find it more difficult to comply with environmental legislation than larger companies.* They can lack the knowledge and capabilities for compliance, particularly for waste management.

³ Danish Technological Institute (2010) *SMEs and the Environment in the EU*



- *SMEs are particularly vulnerable to external shocks.* Climate change and environmental degradation pose a real threat to natural, social, political and economic systems in the MENA region. They could undermine the mentoring initiative by eroding the mentee enterprise resource base and resilience of participating enterprises to future crises⁴. Climate change impacts are already being felt in the region and have exacerbated social unrest: “a proximate factor behind the [Arab Spring] unrest was a spike in global food prices, which in turn was due in part to the extreme weather throughout the globe over the past year.”⁵ Current and future impacts of climate variability, climate change and environmental degradation must therefore be considered by mentee SMEs to assure sustainability.


Opportunities:

- *Mentoring provides an opportunity to promote socially and environmentally responsible grassroots enterprise.* Mentors can support the mainstreaming of environmental issues throughout SME operations resulting in improved productivity and competitiveness. Mentoring creates an opportunity to share environmental expertise and can: i) raise awareness and knowledge of environmental issues, impacts, risks and legislation; ii) secure skills through training on environmental management, lifecycle thinking and their benefits; and iii) ultimately promote SME eco-efficiency in terms of products, processes, raw materials and waste.
 - It is recommended that as part of the initiative, stakeholder and sector specific toolkits and website guidance are developed on environmental issues and their management (from raw material inputs to waste). This knowledge sharing could target SMEs, policy makers, associations and networks to secure environmental improvements according to each stakeholder’s perspective.
- *Mentoring provides an opportunity to stimulate eco-innovation and for SMEs in the MENA region to leapfrog to a green future.* Raising awareness of low carbon technology, clean technology and importantly for the region renewable energy⁶ will benefit both SMEs and the environment. These innovations can result in reductions in energy consumption, environmental resources, and waste generation with concomitant cost savings. Although there are barriers to investing in tools and solutions (to reduce environmental impacts), the mentors can highlight the cost savings. The potential for engaging SMEs, particularly women-led micro-enterprises, to deliver low-carbon, water and resource efficient development is therefore significant.
 - Networks built among all benefiting SMEs provide an opportunity for participant entrepreneurs (mentors/mentees) to share eco-innovation best practice (e.g. through regional/national seminars or web-based communities of practice).
- *The mentoring initiative supports inclusive and sustainable growth.* UK support for a mentoring scheme which specifically targets women and young entrepreneurs would help reduce vulnerability of these groups to climate change and environmental hazards; thus mitigating against the downward spiral of poverty. Small organisations are particularly good at creating jobs and invaluable for fighting poverty and building resilience to climate change. Similarly, women are important environmental stewards

⁴ O’Sullivan, A *et al.*, (2011) *Opportunities and Challenges in the MENA region* www.OECD.org/MENA/4903603.pdf

⁵ IISS (2011) “Global Warming and the Arab Spring” *Survival*: Johnstone and Mazo

⁶ Renewable energy, particularly electricity generation from solar sources, has huge potential in the region



and this role could be harnessed through promoting mentee training on environmental issues.

- *The mentoring initiative could stimulate related environmental initiatives.* UK's leadership in funding this initiative could increase the number of beneficiaries but also catalyse support from other international actors for new SME initiatives more directly targeting environmental and/or climate change issues.

Option 3 - Support to a multi-country initiative implemented by an IFI

B Manageable/medium potential risk

Negative impacts:

- As for option 2
- The main risk lies in the dilution of control DFID could exert over the IFI's activities. This includes control over the environmental and climate change outcomes of the initiative especially if activities are co-funded by other donors.

Opportunities:

- The IFI could be well placed to use the mentoring initiative to discuss the environmental implications of enterprise development. If the IFI implementing partner has good environmental credentials/safeguard policies and a good track record in assisting transition countries in their efforts to reduce the environmental footprint of SMEs, it could be well placed to mainstream environmental and climate issues throughout the initiative.

What are the risks and how will these will be managed?

ENVIRONMENTAL/ CLIMATE CHANGE RISKS				
Risk	Impact	Probability of Occurring	Mitigating Actions	Residual Risk
Resource use from administration, management and monitoring of the intervention	Low	High	<ul style="list-style-type: none"> Use of mentors from local offices/ subsidiaries based in the mentee's home country Promote carbon and environmental saving measures 	Low
SMEs can be a major source of environmental damage	High	High	<ul style="list-style-type: none"> Mentoring scheme to raise awareness and commitment to sustainable resource use Training to build local environmental expertise Support to develop tailor made simple environmental management systems integrating environmental concerns into core business activities in a coherent/cost effective way 	Medium
SMEs find it more difficult to comply with environmental legislation	Medium	Medium	<ul style="list-style-type: none"> Mentor support/training on compliance National knowledge sharing networks/websites increasing access to environmental regulatory information and tools 	Low
SMEs are particularly vulnerable to external shocks (e.g. climate change)	Medium	Medium	<ul style="list-style-type: none"> Mentor support to include awareness raising on climate change adaptation and disaster risk reduction 	Medium