



# Sustainable SME Action Agenda

## Scaling Green SME Support for 2030



**SEED**  
promoting entrepreneurship  
for sustainable development







## Imprint

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### About SEED

SEED was founded in 2002 at the World Summit on Sustainable Development in Johannesburg by UNEP, UNDP, and IUCN. It is a global partnership for action on sustainable development and the green economy. Today, we seek to unlock the full potential of social and environmentally focused ('eco-inclusive') market-based enterprises. We help to tackle climate change effects and solve the world's social problems, as captured in the Sustainable Development Goals (SDGs).

### About GO4SDGs

Global Opportunities for SDGs (GO4SDGs) aims to accelerate the shift to more inclusive green economies and sustainable production and consumption patterns in order to strengthen public and private sector capacities to deliver on the Sustainable Development Goals and the Paris Agreement.

### About UNEP

Founded in 1972, the UN Environment Programme aims to set the environmental agenda, promote the coherent implementation of the environmental dimensions of sustainable development within the UN system and serve as an advocate for the global environment. UNEP's mission is to provide leadership and encourage partnerships in caring for the environment by inspiring, informing and enabling nations and peoples to improve their quality of life without compromising that of future generations.

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## ABOUT THE SUSTAINABLE SME ACTION AGENDA

Today, we are confronted with major challenges: Climate Change, nature loss and pollution, as well as the post-COVID-19 recovery. These challenges have endangered the progress of our most important ambitions: realising the promise of the Agenda 2030, the Sustainable Development Goals (SDGs), and the Paris Agreement. To overcome these challenges and build forward better in the transition to circularity and sustainability, it is ever more crucial to empower one of the key drivers and game changers of sustainable development, which are the micro, small and medium-sized enterprises (hereafter SMEs). To do so, we must step up our advocacy for entrepreneurship and our support for SMEs, further enabling them to progressively reach their full potential. This is the purpose of this Sustainable SME Action Agenda, which outlines the path forward to consolidate the successes made, together with SMEs and partners, and further drive the progress towards realising the SDGs and the Paris Agreement. Along five key areas of action, **Innovation, Non-Financial Support, Finance, Policy and Market**, this Sustainable SME Action Agenda details concrete actions for an impactful and transformative change.

The Sustainable SME Action Agenda draws inspiration and lessons from 20 years of experience of the SEED Programme, a global partnership for action on sustainable development and the green economy. Further insights have been gathered through the partnership between SEED, UN Environment Programme (UNEP) and Global Opportunities for SDGs (GO4SDGs), an initiative to accelerate the shift to more inclusive economies and sustainable consumption and production patterns in order to strengthen public and private sector capacities to deliver on the SDGs and the Paris Agreement. Together, we have gathered important lessons learnt to contribute to this Sustainable SME Action Agenda and outline the pathway to further improve SME support over the decades to come.

To consolidate and validate these experiences and lessons learnt, we initiated a global consultation process through the four regions of Africa, Asia, Latin America and the Caribbean, and West Asia (see Annex 1). Jointly with our partners – UNEP and GO4SDGs – SEED organised four Regional Future Labs for Innovation and Policy. Facilitated in close collaboration with UNEP’s Regional Offices and GO4SDGs, these labs offered a platform for green SME stakeholders, such as policy makers, intermediaries, financiers and green SMEs, to develop future-proof actions for today’s challenges. Engaging a community of experts and practitioners, the Regional Future Labs focused on two key sectors of the green transition: the agri-food sector in Africa and Latin America and the Caribbean and the textile-fashion sector in Asia and West Asia. Drawing on their knowledge, experiences and critical insights into regional SME Ecosystems, the Future Labs helped synthesise critical next steps to design actions that are ready for the challenges of 2030 already today.



*Figure 1: The Global Future Labs for Innovation & Policy*

## EXECUTIVE SUMMARY

SMEs make up 90% of businesses worldwide and account for 50% of employment. In emerging economies, SMEs make up 40% of GDP and are responsible for 7 out of 10 newly created jobs (World Bank, n.d.). This makes them key actors in the global economy. As a sub-segment of SMEs, Green SMEs differ from conventional ones as environmental impacts are embedded in their business models and strategies. By producing, distributing, applying and promoting green products and services, often using eco-innovation approaches, Green SMEs create additional social benefits. They frequently include low-income and vulnerable groups in their value chain as employees, suppliers, distributors and consumers, enabling deeper and wider social and environmental – or green – impacts. In so doing, Green SMEs offer various important ecosystem services, contributing to several SDGs, such as SDG 1 on No Poverty, SDG 5 on Gender Equality, SDG 12 on Responsible Consumption and Production, SDG 13 on Climate Action and many more. They play a pivotal role in the transition to a just, inclusive and green economy, especially in the critical sectors of action for the green transition, such as agri-food, textiles-fashion, waste, energy and construction.

Green SMEs frequently pioneer ground-breaking and future-proof actions that drive the green and just transitions. These actions are available today and address the challenges of today as well as of 2030. They do so within the five key areas of action, **Innovation, Non-Financial Support, Finance, Policy and Market**. However, they frequently face challenges and limitations that prevent them from bringing their future-proof actions to scale, including a lack of access to finance, non-financial support programmes and markets.

Based on the joint experiences of SEED, GO4SDGs and UNEP in providing needed and tailored support to Green SMEs, validated through a global consultation process (see Annex 1), this Sustainable SME Action Agenda outlines the critical next steps to scale Green SME support for 2030 (see the section Future-Proof Green SME Support for more details). These critical next steps include:

Sustainable SME Action Agenda for 2030	
Tier 1 Actions: Enable SMEs as Gamechangers for the Transition	
Action Area	Future-Proof Implementation Actions
<b>Innovation</b>	<ul style="list-style-type: none"> <li>• Advance the bottom-up innovation capacity of Green SMEs</li> <li>• Mainstream the concept of green innovation among customers and consumers</li> </ul>
<b>Non-financial support</b>	<ul style="list-style-type: none"> <li>• Provide support that is tailored to the local SME context</li> <li>• Strengthen the workforce through and with SMEs</li> </ul>
<b>Finance</b>	<ul style="list-style-type: none"> <li>• Elevate SME Financial Literacy and Enabling Capacity</li> <li>• Make SME Financing more Accessible</li> </ul>
<b>Policy</b>	<ul style="list-style-type: none"> <li>• Design comprehensive Policy Support Packages to enable Green Entrepreneurship</li> <li>• Improve the Policy Environment for Green SMEs through coordination among key Policy Actors</li> </ul>
<b>Market</b>	<ul style="list-style-type: none"> <li>• Increase Green SME Capacity to enter the Market</li> <li>• Simplify regulatory information for Green SMEs to support Market Access</li> </ul>

<b>Tier 2 Actions: Build an Empowering SME Support System</b>	
<b>Innovation</b>	<ul style="list-style-type: none"> <li>• Support the development of information infrastructure to collect reliable data about Green SMEs, their innovations and achievements</li> <li>• Build a network of innovative SMEs to share success stories and encourage replication</li> </ul>
<b>Non-financial support</b>	<ul style="list-style-type: none"> <li>• Build knowledge hubs and tools for Green SMEs</li> <li>• Identify best practices for incubators, accelerators and other business development support services</li> </ul>
<b>Finance</b>	<ul style="list-style-type: none"> <li>• Monetise Green, Social and Environmental Impacts in Financial Terms</li> <li>• Facilitate access to seed capital for Green SMEs for the development and roll-out of green innovations</li> </ul>
<b>Policy</b>	<ul style="list-style-type: none"> <li>• Ensure that Green SMEs are given due consideration in Green Public Procurement Policies</li> <li>• Encourage Green Public-Private Partnerships</li> </ul>
<b>Market</b>	<ul style="list-style-type: none"> <li>• Establish Green Product Standards and eco-labels</li> <li>• Promote multi-stakeholder partnerships along the Value Chain</li> </ul>
<b>Tier 3 Actions: Scale-up Green SME Potential for the Agenda 2030</b>	
<b>Innovation</b>	<ul style="list-style-type: none"> <li>• Promote partnerships between higher education institutions, research institutions and Green SMEs in the development of innovative green technologies</li> <li>• Support the development of science parks and technology centres</li> </ul>
<b>Non-financial support</b>	<ul style="list-style-type: none"> <li>• Enable Green SMEs to utilise the potential of Impact Assessment</li> <li>• Build Enterprise Resilience</li> </ul>
<b>Finance</b>	<ul style="list-style-type: none"> <li>• Design alternative and accessible Green Financing Products for SMEs</li> <li>• De-Risk start-up Capital for Green SMEs</li> </ul>
<b>Policy</b>	<ul style="list-style-type: none"> <li>• Mainstream and Scale Green SME Involvement in the Policy Process</li> <li>• Promote interactive South-South dialogues at the governmental level to showcase successful policies that foster inclusive business models</li> </ul>
<b>Market</b>	<ul style="list-style-type: none"> <li>• Promote replication and scale-up through lesson-sharing in a network of Green SMEs</li> <li>• Build Green SME Export Capacities</li> </ul>

# INTRODUCTION

This Sustainable SME Action Agenda outlines future pathways for critical actions to support micro, small and medium-sized enterprises (SMEs). It is intended for key SME stakeholders, such as policy makers, intermediaries, financiers and SMEs. Its main objective is to offer insights and critical next steps for action to scale the support to SMEs, a key stakeholder and driver of sustainable development and the Agenda 2030. To do so, it analyses the SME Ecosystem and – through an elaborate global consultation process with key SME stakeholders – develops concrete recommendations to close the gaps and maximise SME contributions to the SDGs.

SMEs are a critical actor in the global economy and a cornerstone in the transition towards circularity and sustainability. They account for 90% of registered businesses and over 50% of jobs worldwide, and contribute to well over 40% of GDP across emerging economies (World Bank, n.d.). A smaller sub-segment of SMEs goes beyond economics, aiming to create deeper and wider social and environmental – or green – impacts.

**SMEs** are businesses with a size of operation below a certain threshold. They work with a staff of

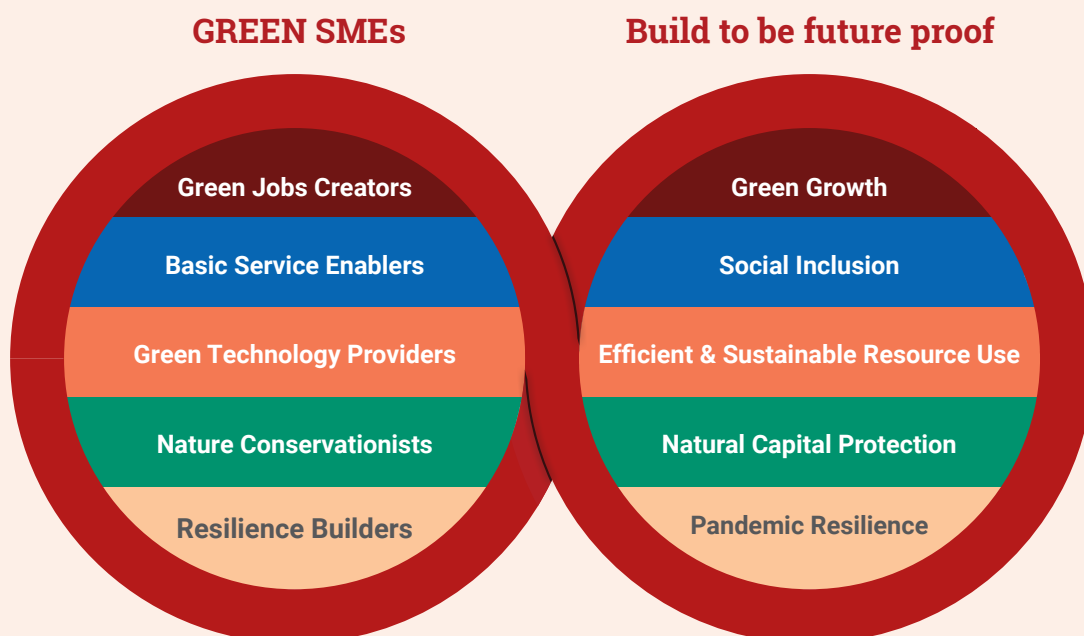
- Micro:** 1 – 9 people
- Small:** 10 – 49 people
- Medium:** 50 – 249 people



## What are Green SMEs?

As a smaller sub-segment of SMEs, Green SMEs differ from conventional ones as environmental and social impacts are embedded in their business models and strategies. By producing, distributing, applying and promoting green products and services, often using eco-innovation approaches, Green SMEs create additional social benefits. They frequently include low-income and vulnerable groups in their value chain as employees, suppliers, distributors and consumers, enabling deeper and wider social and environmental – or green – impacts (Figure 2 below). In so doing, Green SMEs offer various important ecosystem services, contributing to several SDGs.

*Figure 2: From Innovative Enterprises to Ecosystem Sustainability*



Key contributions to the SDGs



Source 2: SEED, 2022a



### Green SMEs drive Green Growth

Green SMEs generally play a critical part in national economies, especially by providing economic opportunities to often marginalised, low-income and underserved communities. As creators of direct and indirect jobs, Green SMEs actively contribute to green growth and economic empowerment. SEED (2022b) has supported over 1,000 SMEs in Africa, Asia and Latin America, which have created over 5,000 jobs, with 74% of enterprises offering a living wage (defined in terms of national minimum wages). Additionally, SMEs engage as key actors along the supply chain. They are customers of larger companies and provide key services to peri-urban and rural communities. Moreover, eco-innovation – a UNEP-methodology that incorporates sustainability throughout the business models – enables Green SMEs to comply with the toughest environmental requirements and regulations and gain access to new markets. In so doing, Green SMEs set the performance bar in the market, inform regulation and influence standards (UNEP, 2017a & 2021a).

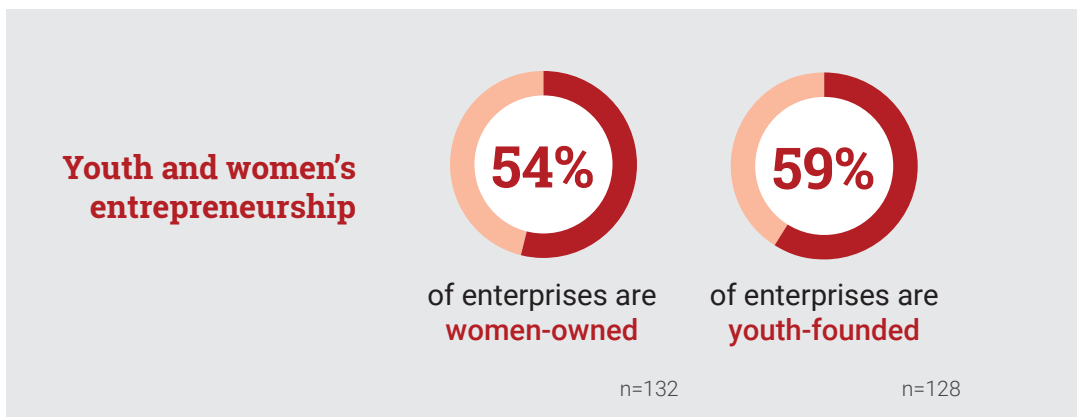


### Green SMEs steer social inclusion

Green SMEs provide basic services and goods to underserved communities while supporting gender and youth empowerment. Of SEED-supported enterprises, 54% are women-owned, and 59% are youth founded (2022b). They also provide a source of income to low-income and marginalised groups in informal economies worldwide. The OECD estimates that SMEs support and provide opportunities to four billion people living at the economic Bottom of the Pyramid (BoPs), a market opportunity of roughly 5 trillion USD globally. SMEs integrate these communities from the demand side as customers, as they receive basic access to essential goods and services, as well as from the supply side as suppliers, distributors and employees. Thus, the sustainability of SMEs has a direct impact and influence on communities and the environment they operate in.



Figure 3: Green SME Social Impact



Source 3: SEED, 2022b

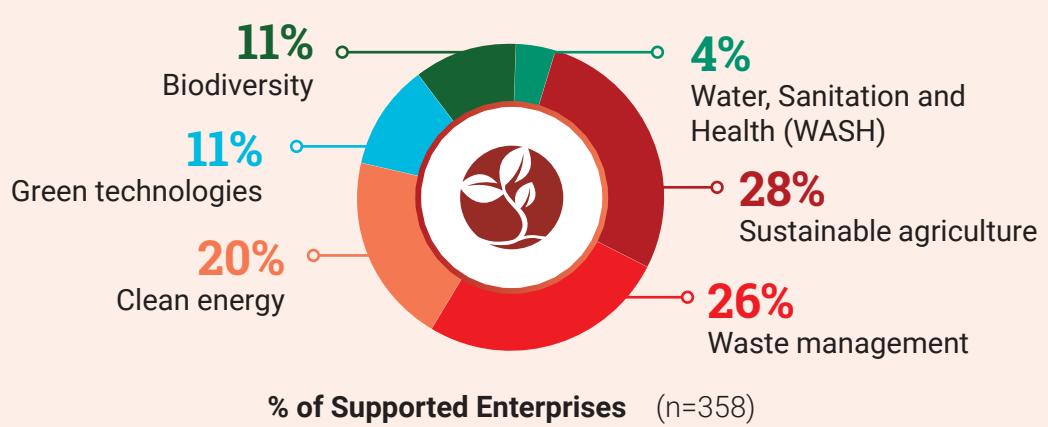




### Green SMEs pioneer efficient and sustainable resource use

Through the delivery of green products and services, Green SMEs foster sustainable production and consumption and positively contribute to the green economy. For instance, they use resource-efficient materials in their products, make use of renewable energy, and/or produce organically. The most common sectors of SEED-supported enterprises are sustainable agriculture (28%), waste management (26%) and clean energy (20%) (SEED, 2022c).

Figure 4: Green SME sectors of work



Source 4: SEED, 2022c

SMEs also contribute to the green economy as eco-innovators, eco-entrepreneurs, and eco-adopters, i.e., by developing new or significantly improved products and services that reduce environmental impact (eco-innovators), by adopting green business models and seeking opportunities in the transition to a green economy (eco-entrepreneurs), and by taking up greening practices to comply with regulation and standards (eco-adopters).



### Green SMEs innovate on Natural Capital Protection

Natural capital protection is a major sustainability challenge globally, and SMEs are heavily affected by environmental degradation. As part of their role as nature and biodiversity conservationists, Green SMEs protect and restore natural ecosystems, which supports nature conservation and protection. Of SEED-supported enterprises, 83% implement at least one climate change adaptation practice or technology and 91% implement at least one climate mitigation practice or technology (SEED, 2022b). They also, directly and indirectly, advocate for natural resource protection, and promote the sustainable use of natural capital. Nature conservation also provides an economic opportunity to many communities. Fostering healthy ecosystems and conserving our natural systems is therefore important to maintain and sustain local livelihoods. Green SMEs have an important role to play in this process of securing sustainable access to the economic and social potential provided by nature.



## Green SMEs build resilience

SMEs are the bedrock of global, national, and local markets. However, they are often very vulnerable to economic fluctuations and crises. When a pandemic such as COVID-19 occurs, SMEs are more affected, suffer longer and are slower to recover than larger businesses. Pandemic resilience requires entrepreneurs to engage in two activities: one is bouncing back from the collapse of markets, the breaking of supply chains, and the depletion of workforce capacity. The other is learning how to leap forward into new markets, supply chains and talent markets where the rules for survival and success are unclear and changing. Green SMEs are resilience builders as they operate flexible and adaptable business models, provide important digital solutions to COVID-19-related challenges, protect natural resources which serve as the basis for future economic opportunities and livelihoods, and foster social inclusion which allows communities to thrive and make positive societal change for a resilient future. Consequently, they adapted quicker to the economic challenge of the pandemic. In fact, over 80% of SEED-supported enterprises reported growth despite the pandemic, with an average growth of revenues of 27% (SEED, 2022b).

9 INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



11 SUSTAINABLE CITIES  
AND COMMUNITIES



Against the backdrop of the potential green and social impact that Green SMEs can deliver, this enterprise group remains overlooked in research, enterprise support and the high-level political debate on climate change and nature loss. However, looking at the support landscape, alternative financing mechanisms and tailored capacity building for Green SMEs are increasingly being offered by concerned stakeholders in the national and international support ecosystem. To better enable effective and tailored support programmes for Green SMEs, it is necessary to properly grasp the sector and regional characteristics – which this report set out to do.



Last Forest, India

## Key Sectors for Action

Green SMEs are key actors in a large number of sectors and innovate on processes, technologies and business models that drive the green transition. Frequently, these are sectors that contribute significantly to global greenhouse gas emissions. Five sectors were identified, considering their critical importance in the context of the transition to a green, circular and inclusive economy, namely agri-food, waste, textile-fashion, energy and construction. These sectors account for a significant part of environmental pollution and are responsible for a large share of global CO<sub>2</sub> emissions. Moreover, these sectors are expected to experience major growth over the next few decades, as global demand for production and consumption increases. Hence, it is of immense importance to mainstream sustainability across all five sectors to ensure that this growth occurs in line with the green transition (Ritchie et al., 2020).

Green SMEs are an important part of this work. They operate in all five sectors and provide on-the-ground innovations to mainstream sustainability throughout these five key sectors (SEED, 2022a).

**Figure 5: Critical Sectors of Action for the Green Transition**



**Agri-Food** is one of the key sectors for a sustainable future. With a growing population, the demand for sustainable food production has increased. However, agricultural practices frequently fail to meet the necessary levels of sustainability to ensure the protection of local ecosystems and the environment.



The **textile-fashion** industry is a major contributor to local environmental pollution. Particularly, the impact of chemicals on water sources has caused environmental stress and increased the health risk for workers and people in surrounding communities.



Global **waste** generation is increasing rapidly. The majority of the waste is not recycled and re-introduced into the economy. Instead, it is incinerated, contributing to air pollution, or it ends up in landfills or in nature, damaging the ecosystem and threatening biodiversity.



With countries continuing on their path of development, the global demand for **energy** is growing. At the same time, the energy system is dominated by fossil-fuel-based, large-scale energy producers, which slows down the renewable energy transition.



Housing and building infrastructure require large amounts of materials that are often CO<sub>2</sub>-intensive in their production. With little material recycled, the **construction** sector heavily contributes to waste production and high demands for energy, thus further increasing the stress on the environment.

Source 5: SEED, 2022a

This Sustainable SME Action Agenda presents a clear action roadmap to scale Green SME support across all five sectors. To allow for an in-depth assessment of regional ecosystem characteristics, two sectors were put in focus of the Global Future Labs for Innovation & Policy: Agri-Food and Textile-Fashion.



## Agri-Food: Challenges and Opportunities in our Food System

The Agri-Food sector is a key driver of the SDGs. As the world's largest employer, counting over half a billion farms, the agri-food sector directly affects the lives of many communities. These communities often entail marginalised and vulnerable groups, as well as rural communities. With a high share of smallholder farms, that is 84%, these small- and micro-sized farms produce over one-third of the world's food; a share that is even higher in emerging economies (Ritchie, 2021).

Changes in the agri-food sector have the potential to reduce poverty, promote social equity and improve livelihoods (UNEP, 2019). Over the past decades, huge progress in agricultural production has made it possible to feed a growing population, reduce real food prices worldwide and limit food-borne illnesses. This progress happened despite the added challenges of climate change-related effects on agriculture (FAO, UNDP and UNEP, 2021). However, this progress has come at a huge environmental cost. Globally, food and agriculture are responsible for 26% of all greenhouse gas emissions. Moreover, 51% of all habitable land is used for agricultural purposes, as well as 70% of all freshwater withdrawals. Due to the use of pesticides and other harmful substances in agricultural practices, the sector is responsible for almost 80% of the global ocean and freshwater pollution (Ritchie & Roser, 2020).

With climate change and biodiversity loss impacting the global ecosystem, the food and agriculture system are under additional pressure. These include the still-growing population that will reach 9 billion people by 2050, increasing food demand by an estimated 60% globally. Additionally, chronic hunger persists, with roughly 10% of the population in developing regions suffering from hunger, while 30% of produced food is lost or wasted along its value chain (UNEP, 2017b). These challenges have been exacerbated by the COVID-19 pandemic, which has disproportionately affected the world's most vulnerable groups (WHO, 2021).

In the agri-food sector, SMEs play an important role. They engage throughout the entire food value chain, including post-harvest, transport, processing and retail. They constitute over half of most food economies (ISF Advisors, 2021; Netherlands Food Partnership, 2021). Green SMEs have begun to drive innovation and mainstream environmentally sustainable, socially inclusive and economically profitable processes throughout the food system.

## Textile-Fashion: Challenges and Opportunities in the Textile System

The textile-fashion sector is one of the world's key industries, employing more than 300 million people, many of whom are women. Thus, the textile-fashion sector presents a major opportunity to reach often marginalised groups and remains the commitments made under the SDGs (UNEP, 2021b). However, the textile-fashion sector is also a major contributor to global environmental problems. Locally, the sector hurts water quality and people's health through the use of chemicals. Studies have found that the fashion industry uses or contaminates 215 trillion litres of water (Quantis, 2018). A pair of jeans alone may require as much as 10,000 litres of water from production to the market. This is as much as the average person drinks in 7 years (Khamis, 2022). The textile-fashion sector is estimated to be responsible for between 2 and 8% of Global Greenhouse Gas Emissions (Quantis, 2018, Ellen MacArthur Foundation, 2017). This is increasing, as people are consuming more rather than less, with fast-fashion on the rise. Today, the average consumer buys 60% more clothing and wears each item 36% less often before discarding it than they did 15 years. Combined with low recycling and re-use rates, this trend increases the amount of waste the textile industry creates (UNEP, n.d.-a). Increasing the number of circular practices, such as repair, refurbishment and recycling, could reduce the environmentally harmful impact of the industry by 143 million tons of greenhouse gas emissions by 2030 (UNEP, 2021c).

SMEs comprise the majority of businesses in the textile industry. They engage in activities across the entire textile value chain, including small-scale cotton farmers, fibre, yarn and fabric producers, dyeing and finishing facilities, apparel manufacturers and recyclers. Social groups that are marginalised in formal employment, such as women and rural migrants, represent a large share of their workforce. Scaling up green and social business models in the textile-fashion sector can directly translate into improvements in the livelihoods of many marginalised groups.

However, the push toward sustainable and circular practices in the textile industry presents a challenge to SMEs as they struggle to find the resources to engage in sustainable practices (UNEP, 2020). Support from and partnerships with big brands and governments that work along the entire supply chain are essential to set production standards and provide the necessary support to SMEs to enable them to drive the transition. Moreover, Green SMEs can lead by example in overcoming many of these difficulties and turn the textile-fashion sector into a global driver of sustainable development, reaching marginalised and vulnerable groups through Green SMEs from the beginning to the end of the textile value-chain.



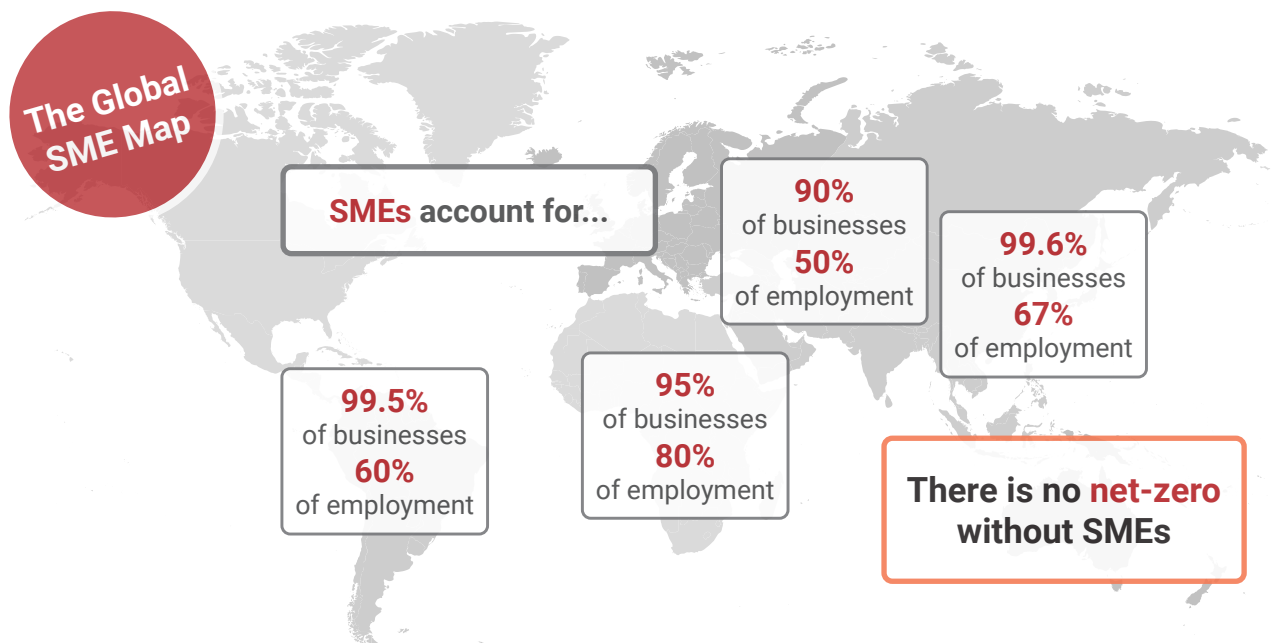
Kibebe, Malawi

Trash

## THE GREEN SME ECOSYSTEM: REGIONAL AND SECTOR PERSPECTIVES

SMEs are key actors in the global economy, but especially in emerging economies across sub-Saharan Africa, Asia, West Asia and Latin America, SMEs comprise an even more significant part of the economies. In sub-Saharan Africa, 95% of all businesses are SMEs, providing jobs for 80% of the workforce. In Latin America and Asia, SMEs make up 99.5% and 99.6% of all businesses and are responsible for 60% and 67% of employment, respectively. In West Asia, SMEs account for 90% of businesses and for 50% of employment. Overall, formal SMEs generate 40% of the GDP in emerging economies and are responsible for 7 out of 10 newly created jobs. If informal SMEs are included, these numbers are significantly higher (Asian Development Bank, 2021; CSIS, 2021; OECD, 2019; World Bank, n.d.).

**Figure 6: SME Economic Participation in Regions**



Source 6: Asian Development Bank, 2021; CSIS, 2021; OECD, 2019; World Bank, n.d.

To account for the diverse characteristics of the regional Green SME Ecosystem, this ecosystem assessment concentrates on only one sector for each region. To ensure the comparability of the outcomes, each sector is considered for two regions. Thus, the Agri-Food sector is the focus of the Global Future Labs in sub-Saharan Africa and Latin America and the Caribbean (LAC), while the Textile-Fashion sector is the focus of the Global Future Labs in Asia and West Asia.





## Sub-Saharan Africa – Agri-Food

Across the region, SMEs account for 95% of businesses and are responsible for 80% of employment. This share is even larger in the region's rural areas, where SMEs also act as the main service providers (CSIS, 2021).

Small-scale farms produce 70% of the sub-Saharan African food supply through an estimated 33 million smallholder farms (IFAD, n.d.). Throughout the rest of the food value-chain, SMEs provide a range of services, such as transport, logistics, the sale of inputs (fertilizers, seeds, etc.) and improve market access for smallholder farmers (IFPRI, 2019).

The sub-Saharan African agricultural sector is estimated to account for over 50% of regional employment and generates 20% of the national GDP across the regions. In countries such as Niger and Chad, it stands as high as 38% and 46%, respectively (Pereira, 2017; World Bank, 2020a & 2021). The majority of the population, that is between 65% and 80%, depends on small- and micro-scale farmers as their primary source of livelihood (African Union & GIZ, 2012). However, the number of medium-sized farmers has recently increased (Goedde et al., 2019).

The sub-Saharan African agricultural sector is under immense pressure from climate change and population growth. The region is expected to experience some of the harshest effects of climate change, with temperatures increasing as much as 3.5°C in some northern and southern parts of the region. The agri-food sector is particularly vulnerable to these challenges due to the weak (or complete lack of) infrastructure. Livestock and cropping systems are 95% rainfed, improved seeds and fertiliser remain limited, and 50% to 85% of farming work is done manually, without machinery or draft animals (Woetzel et al., 2020). The agricultural produce lost before and during the harvest could feed 250 million people. Poor processing and storage infrastructure lead to additional losses. Post-harvest food losses are estimated to be enough to feed almost 50 million people (UNEP, n.d.-b). Adding onto these challenges, sub-Saharan Africa has the fastest-growing population in the world, putting even more pressure on the food system. The population of sub-Saharan Africa is projected to double in the next 30 years, leading to an even larger generation of young people (UN, n.d.). According to a recent study, two out of three young people outside urban areas in developing countries live near areas of high agro-ecological potential (Aduroja, 2021).

Home to the world's youngest population, there is immense potential in sub-Saharan Africa to connect the need for increased agricultural productivity with the creation of jobs for young people by promoting green and circular jobs in agriculture (African Union, n.d.). Driven by the rising food demand, increased urbanisation and an emerging middle-class, there is already evidence that sub-Saharan Africa has embarked on an agricultural transformation. This transformation includes the growth of farmers' per-capita income, increased agricultural output and the emergence of commercially oriented African entrepreneurs who invest in the regional agricultural value chain (Ehui, 2019). Green SMEs can drive this development further by scaling their activities and providing additional jobs for the young and rural population.

## Latin America & the Caribbean – Agri-Food

SMEs are a crucial part of the LAC economies, accounting for 99.5% of businesses and 60% of formal employment. Micro-enterprises comprise the most significant share of businesses, accounting for almost 9 out of 10 businesses (OECD, 2019). Especially in the agri-food sector, SMEs are key actors in LAC. They engage in production, transportation, storage, etc. Smallholder farms are responsible for much of the agricultural output across the region. In Brazil and Mexico, smallholder farms account for nearly 40% of agricultural output. In Central America, they account



for more than 60%. Despite this enormous contribution, they often belong to the poorest people in the region and struggle with a lack of secure access to land, technology, financial services and markets (Nwanze, n.d.).

In the LAC region, the agri-food sector holds special significance. The region is often called the world's breadbasket. In fact, LAC is the world's largest food-net exporting region, with many countries as lead exporters of certain goods, such as Brazil and Colombia for coffee, Uruguay and Argentina for cattle, Bolivia, Argentina, Colombia and Mexico for grain, Chile for fruit, etc. The growth of the regional agri-food sector has been driven by large-scale farms and made it possible to stabilise global food prices and providing better access to food worldwide (IDB, n.d.; Morris et al., 2020). Additionally, LAC is often referred to as the world's lungs (World Bank, 2020b). The region is a major producer of ecosystem services, home to 57% of the world's primary forests that store 104 gigatons of carbon and to 40 – 50 % of all biodiversity (Morris et al., 2020). Economically, agriculture marks a key industry for the region, contributing to more than 5% of GDP in 20 countries, reaching as much as 18% in Haiti. Even though high urbanisation rates have led to lower workforce participation in the agricultural sector, the larger food system still accounts for 15 – 20% of the workforce, including many vulnerable groups, such as smallholder farmers, women and indigenous people (Morris et al., 2020). These groups are often particularly vulnerable to informal employment. For women, informality rates stand at 49.7% (compared to 44.5% for men) and for youth aged 15 to 24, they are even higher at 55.7% (ILO, 2016). This makes the agriculture-food sector crucial in improving social conditions for these vulnerable groups.

Despite these major contributions to the global food system, the ecosystem and the regional economy, the LAC agri-food sector faces major challenges: the fast growth of the sector often comes at the expense of environmental degradation, compromising the health of the local population and the destruction of biodiversity ecosystems. Agriculture uses over one-third of the region's land area, three-quarters of freshwater resources and contributes to half of the region's greenhouse gas emissions (Morris et al., 2020). Moreover, even though LAC countries are the world's breadbasket, the region's own food security is not guaranteed, with 42.5 million undernourished people. This is despite the fact that food is sufficiently available. A major challenge is the high food prices, forcing people to spend between 20% and 60% of their income on food (compared to only 10% in the US and Canada) (IDB, n.d.).

## West Asia – Textile-Fashion

In economies across West Asia, SMEs make up the vast majority of businesses at over 90% and 50% of employment (Stepanyan et al., 2019). However, the regional textile industry is highly competitive, with big brands dominating the market and progressively driving the change towards new trends of sustainability. SMEs are dominantly engaged in the production of traditional fashion products. Yet, they increasingly enter the field of sustainable and circular production by engaging in the second-hand market and advancing the field of recycling (Mordor Intelligence, 2021).

Across the region, textiles have played an important role in history and culture. Yet, West Asian countries have imported fashion trends from Europe and North America for many years. This is increasingly changing, with West Asia beginning to export fashion trends. The success of designers such as Lebanon's Rami Khadi, Rabih Kayrouz and Elie Saab, Kuwait's Yousef Aljasmī and Bahrain's Hala Kaiksoo on the international stage has led to increased attention to the West Asian fashion and textile sector (Iftahy et al., 2019, UNEP, n.d.-c). The sector has experienced tremendous growth across the region, with activity highly concentrated in fashion hubs such as the United Arab Emirates, Qatar and Lebanon. Even if traditional and international brands continue to dominate the market (Khamis, 2022), the sector growth has been accompanied by increased attention to sustainable fashion and consumption patterns are shifting towards more

sustainability. Recent studies have found that 75% of poll respondents in West Asia prefer to buy from eco-conscious fashion companies (compared to only 54% globally) (Khamis, 2022). This is happening in an already large and still rapidly growing industry. In the UAE, the average person spends 1,600 USD annually on fashion, which is double the US average (Koelblin, 2021). With the market quickly developing toward online fashion and production and consumption moving toward sustainability, there is an enormous need for future-proof actions.

The UNEP Regional Office for West Asia has established, within the framework of the GO4SDGs initiatives, the West Asia Sustainable Fashion Academy aimed at raising awareness about the fashion industry's socio-economic and environmental impacts to spark behavioural change, build capacity across the value chain and inspire policy action.

## Asia & the Pacific – Textile-Fashion

Across the region, SMEs account for 99.6% of all enterprises and employ more than two-thirds of the workforce. They serve the national and, even more so, the local markets, with 80% of SMEs across the region reporting selling their products locally (Asian Development Bank, 2021; Mordor Intelligence, 2022).

In Asia, the textile-fashion sector is characterised by a highly fragmented market. SMEs often work as specialised sub-supplier units and engage in spinning, weaving and finishing mills, as well as textile and garment factories. Engaging in these activities, SMEs are crucial to the employment of women. Almost 80% of employees in SMEs in the Asian textile-fashion sector are women, often in countries' rural areas (SWITCH-Asia, 2019). Despite their important role in the economy, SMEs only account for one-third of the GDP. Larger companies concentrate on profit-generating activities and dominate the export markets, especially in the textile-fashion sector.

The textile-fashion sector has always been particularly strong in Asia. In 2021, China remained the top-ranked global textile exporter. With exports worth approximately 118.5 billion USD, China accounts for more than half of Asia's total export market (Mordor Intelligence, 2022). However, other Asian countries are increasing their market share. Especially Asia's graduating Least Developed Countries, namely Bangladesh, Cambodia, Lao PDR, Myanmar and Nepal, have registered impressive growth in recent years, accounting for 8% of world Textile & Clothing exports and about 14.5% of global apparel exports (WTO et al., 2022). This emerging shift can be further illustrated with the example of the leather industry. Asia is the global export leader, with a share of nearly 60%. China, Vietnam, Indonesia and India account for 50% of total exports. However, China's market share has decreased by 10% since 2010 due to higher labour costs and improved environmental regulation. Nevertheless, the region's market share remains high, as other countries have increased their textile production and exports (SWITCH-Asia, 2019).

As the negative effects of the textile-fashion sector on the environment (i.e. water pollution) are increasingly visible, governments have increasingly implemented and improved environmental standards. For example, China's Ministry of Environmental Protection recently published data that the textile industry was the third-largest source of industrial wastewater. This represents 10% of China's total industrial wastewater discharge (Ravelo, 2018). Moreover, the chemicals used in the manufacturing and processing of textiles are harmful to the ecosystem, threaten biodiversity and harm human health. For instance, producing one kilogram of cotton garments requires as much as 3 kilograms of chemicals, much of which enters the environment due to run-offs and inefficient production techniques. A major challenge faced by the textile-fashion sector in Asia is that it stands at the end of a long and complex system of global supply chains. While big fashion brands begin to green their activities on their end of the supply chain, these greener policies and ambitions do not reach the beginning of the supply chain that often lies in Asia (Fashion Revolution Singapore & Oxford Development Consultancy, 2021).



Finally, the region's major economic progress over the past decade has resulted in increasing consumption, especially from within the growing middle class. Based on this growing number of consumers, the local fashion markets have gained momentum, especially in Vietnam, the Philippines, Indonesia, Malaysia, Thailand and Singapore. For instance, apparel imports in Thailand grew by 48% between 2016 and 2019, reaching over 1.2 billion USD (Thailand Textile Institute, 2021). Moreover, studies have found that there is a growing awareness of sustainability among Asian consumers. According to a recent poll, 80% of the respondents reported that they were willing to pay more for goods with a better social and environmental impact (Fashion Revolution Singapore & Oxford Development Consultancy, 2021).



# FUTURE-PROOF GREEN SME SUPPORT: ACTION AGENDA FOR 2030

This Action Agenda is informed by the regional stakeholder consultations through the Global Future Labs and synthesizes critical actions on how to better support Green SMEs in the agri-food and fashion-textile sector.

This Action Agenda provides a list of actions that can be taken up by different SME stakeholders. These actions are designed to be future-proof to enable Green SMEs to drive the transition towards more sustainability. SME stakeholders are expected to further expand on these actions, complementing them through their activities and adapting them to their contexts. An overview of key SME stakeholder groups and how they can drive this change can be found at the end of this chapter. Moreover, even though focused on two sectors, agri-food and textile-fashion, the derived insights on the five action areas are useful for other critical sectors, such as waste, construction and energy.

## Green SME support: What are future-proof actions?

The world is constantly undergoing rapid changes but today, more than ever before, it is important to address these changes. This is why future-proof support actions are needed to enable Green SMEs to drive the transition towards more sustainability having a 2030 perspective in mind. Future-proof support actions will continue to be successful in 2030 even if the situation changes. Future proof support actions anticipate the changes that are going to happen or act in an adaptive manner to the potential changes. Taking this into account this Action Agenda has identified support actions that are future-proof integrating the perspective of future events in the design of those actions.

## Ecosystem Readiness: Actions tailored to the country-specific contexts<sup>1</sup>

The Action Agenda for 2030 aims to outline the critical next steps to design future-proof support actions for the existing and upcoming challenges and help enable Green SMEs to further drive the process. In so doing, the Action Agenda is designed along the five action areas of Innovation, Non-Financial Support, Finance, Policy and Market – key areas of action to overcome current and future challenges and realise the ambitions of the Agenda 2030.

In addition to the five action areas, the Action Agenda provides an overview of support actions tailored to different SME ecosystems, depending on how advanced they are in terms of SME support. To do so, the Action Agenda is structured around three tiers of action depending on the specific ecosystem readiness. The following overview of ecosystem readiness across Tier 1 – 3 aims to help guide a preliminary self-assessment, which should be complemented with an in-depths ecosystem assessment.

**Tier 1 Actions** focus on countries in the early stages of SME support without many pre-existing structures and programmes. The first level of the Action Agenda aims to build a strong foundation by empowering Green SMEs.

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<sup>1</sup> Within the scope of this report and the future-labs it was not possible to have a detailed ecosystem readiness assessment of the different countries and regions. The description of Tier 1 – 3 actions are aimed at key SME stakeholder to aid in a self-assessment of their ecosystems and the selection of the appropriate future-proof actions. A proper ecosystem assessment should be conducted and validated when implementing the specific support actions.

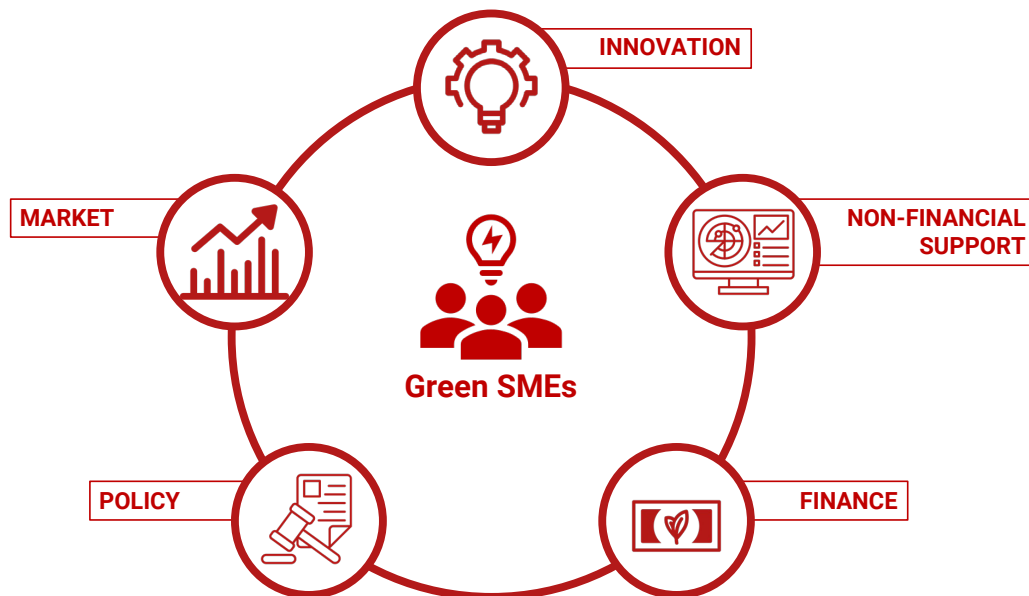
**Tier 2 Actions** are designed for countries in the mid-stages of SME support. They already have a strong network of innovative SMEs but struggle to provide systemic support. The second level of the Action Agenda intends to develop a strong SME support system that can accommodate and advance Green SMEs’ growth potential.

**Tier 3 Actions** concentrate on advanced SME ecosystems, where both a network of SMEs and systemic support are already in place. The third level of the Action Agenda aims to further scale-up the impact of Green SMEs through tailored support to realise the Agenda 2030.

### Five Key Areas of Action

Working on Green SME support for many decades, SEED, UNEP and GO4SDGs have gained critical insights into the SME ecosystem and identified five key action areas where there is a critical need for future-proof actions. These five action areas are Innovation, Non-Financial Support, Finance, Policy and Market.

Figure 7: Action Areas for Green SME Support



Source 7: SEED



### Innovation

**Innovation** is the foundation for all future-proof actions, and Green SMEs are key actors to innovate on existing processes and technologies. Green SMEs provide on-the-ground solutions to improve the management of natural resources and combat climate change. They are at the frontline of resource-efficient break-throughs to improve people’s lives in local communities.

**Challenge:** Green SMEs often lack the resources to engage in more intensive and long-term research to develop and test new technologies. Moreover, Green SMEs often have to compete with larger enterprises that have more resources available for their operations and R&D.





## Non-Financial Support

To drive innovation forward, Green SMEs rely on access to **Non-Financial Support**, such as training, capacity building and knowledge exchanges. These support programmes are particularly important in the sectors that are key to the green transition, including agri-food and textile-fashion. Green SMEs rely on training to gain access to new technologies and practices that help improve the sustainability of the sectors. In the agri-food and textile-fashion sector, many processes are still done manually, which slows down innovation and hinders efficiency.

**Challenge:** Non-Financial Support Programmes are not always available for Green SMEs due to their small size and as they often operate in rural or remote areas, whereas support programmes target medium to larger enterprises concentrated in economic centres. Moreover, they often do not consider the specific Green SME context, their special financing needs and their unique triple bottom line potential for positive economic, environmental and social impacts.



## Finance

**Finance** is of immense importance for Green SMEs to innovate new processes, build up their resilience and scale their activities. Especially in start-up finance, to realise an innovative idea and new business model is crucial for Green SMEs. Moreover, improved access to finance helps ensure business survival and builds resilience in the market.

**Challenge:** Access to Finance presents a key challenge for Green SMEs. They are often disadvantaged in obtaining financing, as they do not have the necessary collateral. Especially in the agri-food and textile-fashion sectors, finance presents a challenge, as these sectors are associated with high risks and low returns (African Union & GIZ, 2012).



## Policy

Green SMEs rely on a supportive regulatory **Policy** environment. Green SMEs have the advantage that they often already meet more ambitious environmental and social standards, but they still have to navigate through the national bureaucracy.

**Challenge:** Green SMEs are often not sufficiently considered as key actors of the green transition, even though they make up the majority of companies and economic activity. Consequently, their input and specific needs are not considered when designing policy. Moreover, SMEs often lack the necessary documents and bureaucratic capacities to engage with governments, be considered in public procurement and cooperate on a business level.



## Market

Green SMEs rely on their access to the **Market** to scale their operation. In so doing, Green SMEs primarily work in their local markets, where they can easily offer their products and services. On national and global markets, Green SMEs are generally underrepresented.

**Challenge:** Market access often presents a challenge for Green SMEs, as multinational companies increasingly dominate local and global markets. Green SMEs are at a particular disadvantage, as they often operate in rural areas and rely on poor infrastructure, facing logistical challenges when trying to gain access to the market. Being left out of the corporate value chain has hindered Green SMEs from scaling up their activities.

The following section outlines critical next steps and key future-proof actions within the five action areas to scale-up Green SME support:

## Action Area: INNOVATION

### Tier 1 Actions: Build SME Innovation Capacity

#### ▶ Advance the bottom-up innovation capacity of Green SMEs

The agri-food and textile-fashion sectors, as well as the remaining critical sectors for the transition, are well-established industries that have spent decades defining their production techniques and supply chains throughout the global economy. Today, the Green Transition aims to radically change these established processes and replace them with newer, more sustainable alternatives. To do so, innovation is key to identifying and implementing new models for sustainable production and consumption patterns worldwide. Green SMEs are crucial innovators throughout value chains. It is important to enable them to pioneer new products and services by advancing their green innovation capacity, thus strengthening their innovative business models and technology development. This will help to boost the needed bottom-up development of green products and services and empower green SMEs as local innovators within global value chains.

#### ▶ Mainstream the concept of green innovation among customers and consumers

The understanding of the importance and challenges of Green SME Innovation constitutes a precondition to building their capacity to innovate. However, Green SMEs often struggle to obtain finance, receive policy support and compete in the market against cheaper but unsustainable products, as they have to explain the benefit of their green innovations. In order to realise their full potential and drive innovation in the green economy, it is important to generate a thorough understanding of the situation of Green SMEs among their customers and partners along their value chain within domestic as well as international markets.

### She Wins Arabia

*West Asia*

As a new collaboration between the International Finance Cooperation (IFC), the World Bank and Abu Dhabi Global Market, She Wins Arabia aims to help women-led enterprises across the Middle East and North Africa to get advice, mentorship and finance to scale their activities. To do so, the programme combines a support incubator and business accelerator and strengthens to business skills of women entrepreneurs. Moreover, the programme helps connect women-led enterprises to financiers to help them acquire financial support.

Since it was launched in 2021, She Wins Arabia has worked with over 80 women entrepreneurs and 20 investment fund managers across the region, including Algeria, Egypt, Jordan, Morocco, Tunisia, the UAE, the West Bank, Gaza and Yemen.

### Tier 2 Actions: Increase System Innovation Capacity

#### ▶ Support the development of innovation infrastructure to collect reliable data about Green SMEs, their Innovations and Achievements

Lack of information on SMEs – Green SMEs in particular – presents a significant barrier for Green

SMEs to receive support and visibility to scale their solutions along the value chain. Governments and Development Partners are encouraged to support the creation of databases and to invest in new information technologies to help facilitate the collection of data about Green SMEs, their role and their needs in the market.

**► Build a network of innovative SMEs to share success stories and encourage replication**

Many of today's challenges occur across countries, regions and sometimes even globally. Operating on-the-ground in their local contexts, Green SMEs are continuously pioneering future-proof actions to overcome these challenges through innovation of processes, technologies and business models. Through an SME Innovation Network, SMEs can learn from each other in a global exchange and build upon each other's innovations to scale future-proof actions globally.

### **International Centre of Insect Physiology and Ecology (ICIPE)**

*Kenya*

The International Centre of Insect Physiology and Ecology (ICIPE) aims to use insect science for sustainable development. ICIPE pioneers science in entomology to improve the well-being and resilience of people and the environment to the challenges of a changing world. To do so, ICIPE drives innovative and applied research, in addition to exploratory study, impact assessments, evaluation and sustainable capacity building.

In so doing, ICIPE hopes to reduce poverty, ensure food security and improve the overall health status of people. ICIPE is working on capacity building of individual researchers and institutions in Africa, empower women and youth and transfer technologies to the communities where they are needed.

### **Tier 3 Actions: Scale-up Green Innovation**

**► Promote partnerships between higher education institutions, research institutions and Green SMEs in the development of innovative green technologies**

Green SMEs are key pioneers and innovators across critical green and circular economy sectors. They frequently identify processes that can work on-the-ground and improve their businesses. However, Green SMEs generally lack the resources to invest in long-term research that is needed to invent and design completely new technologies. In comparison, universities, research institutions and think tanks have the advantage that they often receive financing targeted for research and innovation. Therefore, their innovations initially do not need to be market-based. Through enhanced lab-to-market cooperation between Green SMEs and research institutions, Green SMEs will benefit from improved access to new technologies, while researchers will benefit from the Green SMEs' experience to utilise green technologies in a market-based approach, making them more cost-effective and allowing them to reach scale.

**► Support the development of science parks and technology centres**

To further improve Green SMEs' access to innovative technologies, science parks and technology centres in which Green SMEs and researchers can work jointly provide an immense opportunity to facilitate knowledge transfers. Platforms and mechanisms to conduct applied research, facilitate lab-to-market innovations and diffuse technologies are very much needed.



## Food and Agricultural Research and Extension Institute (FAREI)

Mauritius

Operating under the Ministry of Agro-Industry and Food Security, the Food and Agricultural Research and Extension Institute is mandated to carry out farmer-oriented applied research. This aims to support the development of farming communities through innovative solutions and technical advancements.

Working as a bridge between farming communities, researchers and policy makers, FAREI helps implement government policies and disseminate new technologies and practices while prioritising farmers, helping them to increase their revenue in line with environmental ambitions. FAREI does so through advisory field visits and technical assistance that is offered to the farmers. Moreover, operating under the Ministry of Agro-Industry and Food Security, FAREI participates in the development of green standards and regulations, bridging the gap between farmers and policy makers.

### Action Area: Innovation

Ecosystem Readiness	Future-Proof Implementation Actions
<b>Tier 1: Build SME Innovation Capacity</b>	<ul style="list-style-type: none"> <li>• Advance the bottom-up innovation capacity of Green SMEs</li> <li>• Mainstream the concept of green innovation among customers and consumers</li> </ul>
<b>Tier 2: Increase System Innovation Capacity</b>	<ul style="list-style-type: none"> <li>• Support the development of information infrastructure to collect reliable data about Green SMEs, their Innovations and Achievements</li> <li>• Build a network of innovative SMEs to share success stories and encourage replication</li> </ul>
<b>Tier 3: Scale-up Green Innovation</b>	<ul style="list-style-type: none"> <li>• Promote partnerships between higher education institutions, research institutions and Green SMEs in the development of innovative green technologies</li> <li>• Support the development of science parks and technology centres.</li> </ul>

### Action Area: NON-FINANCIAL SUPPORT

#### Tier 1 Actions: Build SME Non-Financial Capacity

- ▶ Provide support that is tailored to the local SME context

Non-Financial Support is crucial for Green SMEs to realise their full potential economically, but also to maximise their social and environmental impact. Yet, non-financial support programmes are often not tailored sufficiently to the specific context of Green SMEs. This includes the accessibility

and relevance of non-financial support programmes. As Green SMEs often operate in local, sometimes rural environments, they struggle to access non-financial support programmes that are concentrated in economic centres. Moreover, many support programmes do not sufficiently address the specific needs of Green SMEs, including not only support on maximising economic but also social and environmental impacts. To scale-up Green SME support, the support must become more tailored, accessible and relevant to the specific Green SME context.

#### **Strengthen the workforce through and with SMEs**

Green SMEs account for the majority of employment globally. They work in sectors that are essential for the employment of women, youth and people from rural communities. Green SMEs already lead by example by offering a living wage and better workplace standards. By further enabling SMEs to build the capacity of the workforce, the overall workforce will be strengthened and often marginalised groups can be reached and included in the process.

### **Dar Abu Abdullah**

*Jordan*

As a non-governmental and non-profit organisation, Dar Abu Abdullah works to empower individuals by building their capacities to sustain their livelihoods. To do so, the organisation works with partners in the private sector to identify necessary skills and competencies that inform the organisation's training programmes. Building on these partnerships with the private sector, Dar Abu Abdullah helps individuals establish micro and home-based enterprises, linking the beneficiaries directly to the market through the value chain of various projects that achieve the sustainable development cycle. In so doing, Dar Abu Abdullah tailors its support to the local context, which allows micro and small businesses from rural areas to benefit from the support programmes.

Based on the belief that the individual presents the nation's greatest asset, Dar Abu Abdallah works to build individual and enterprise capacity and to realise the Sustainable Development Goals through local action.

## **Tier 2 Actions: Accelerate Non-Financial Support systemwide**

#### **Build Knowledge Hubs and Tools for Green SMEs**

To drive an enterprise from an innovative idea to an effective solution, it is essential to have a business model at hand, a business strategy in place and a long-term business plan in mind. However, most business development (BDS) service providers – key actors in helping enterprises build this capacity – focus on conventional SMEs or on larger enterprises. They often lack knowledge about the specific context of Green SMEs, their unique challenges and opportunities, such as the special requirements to obtain green financing and measure triple bottom line impacts. To scale the activities of Green SMEs, improve their product delivery to end-users and enable long-term strategic planning, Non-Financial Support to Green SMEs needs to become more available, accessible and tailored to Green SMEs. Through the creation of knowledge hubs, BDS Providers can be trained on these tools to maximise the systemic impact.

#### **Identify best practices for incubators, accelerators and other Business Development Support Services**

To identify and disseminate best practices for Green SME support, BDS Providers, governments and

Development Partners are encouraged to engage increasingly in knowledge-sharing activities and peer-to-peer learning. These best practices shall inform some general standards and guidelines for Green SME Support and ensure the availability of better-tailored and more accessible training.

### **I-GO (Green Industry Platform)**

I-GO is a global initiative of the Green Industry Platform and partners such as the Global Green Growth Institute, the OECD, UNEP, UNIDO, the World Bank, GO4SDGs and the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety. It is dedicated to assisting SMEs in up-scaling their efforts of resource efficiency. To do so, the I-GO platform provides an extensive resource efficiency support structure and simplifies access to tailored information and support services that are relevant to SMEs. This includes information that is relevant to the specific local context of the SMEs.

Through the interactive online tools, SMEs can conduct a first self-assessment to get access to information such as case studies, technical guides, online tools regarding assessments and methodologies, etc. To ensure the accessibility of the information, the tool is available in different languages and can be tailored to the specific sectors of operation of the SMEs.

### **Tier 3 Actions: Scale-up Green Non-Financial Support**

#### **▶ Enable Green SMEs to utilise the potential of Impact Assessment**

Impact assessment, monitoring and evaluation are resource intensive, and Green SMEs often do not have the time or staff to spare on these activities. Consequently, the full impact potential of many Green SME Innovations has not yet been recognised. To identify potential future-proof actions and their impact, impact monitoring and evaluation mechanisms should be developed in a way that they are accessible and readily applicable for Green SMEs.

#### **▶ Build Enterprise Resilience**

SMEs are a major cornerstone of national and global, formal and informal economies; they create revenue, provide services and employ large parts of society. As such, they help increase societies' resilience to economic and political fluctuations. Green SMEs go even further by providing social and environmental services to the benefit of all. Yet, they are often vulnerable to economic crisis due to their small size. It is necessary to improve SME resilience by assisting them in building a more secure relationship with their clients, diversifying their supply chains, elevating their participation in policy making and developing strategies for crisis management.

### **SWITCH-ASIA SCP Facility**

*Asia*

A consortium of stakeholders, including the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), adelphi and the Institute for Global Environmental Strategies (IGES), implements the activities of the SWITCH-ASIA programme. The Sustainable Consumption and Production Facility (SCP Facility) aims to strengthen SCP Policies at the national level to enhance the overall environmental performance of products throughout their life cycle and to stimulate demand for better products and production technologies. Moreover, through analyses, pilot



projects and dialogue, SWITCH-ASIA encourages information sharing and knowledge exchanges between key regional stakeholders.

Working in 24 countries across Asia, SWITCH-ASIA encourages fundamental changes beyond increasing efficiencies or complying with regulations, which are changes in the way business is done and the way the world consumes.

## Action Area: Non-Financial Support

### Ecosystem Readiness    Future-Proof Implementation Actions

<b>Tier 1: Build SME Non-Financial Capacity</b>	<ul style="list-style-type: none"> <li>• Provide support that is tailored to the local SME context</li> <li>• Strengthen the workforce through and with SMEs</li> </ul>
<b>Tier 2: Accelerate Non-Financial Support systemwide</b>	<ul style="list-style-type: none"> <li>• Build knowledge hubs and tools for Green SMEs</li> <li>• Identify best practices for incubators, accelerators and other business development support services</li> </ul>
<b>Tier 3: Scale-up Green Non-Financial Support</b>	<ul style="list-style-type: none"> <li>• Enable Green SMEs to utilise the potential of Impact Assessment</li> <li>• Build enterprise resilience</li> </ul>

## Action Area: FINANCE

### Tier 1 Actions: Improve SME Readiness for Finance

#### ▶ Elevate SME Financial Literacy and Enabling Capacity

Dedicated Green SME financing instruments and support schemes are often already in place, designed and implemented by national policy makers and financial institutions. However, Green SMEs are often not made aware of these schemes and struggle to navigate between different loans, equity and grants, including preparing their eligibility to apply for these schemes. Therefore, training on financial literacy should be included more consistently in Green SME support. Through partnerships with financiers and banks, Green SMEs should receive better-tailored advisory support on their financing opportunities. Moreover, the incentives and benefits for green business models and green finance should be mainstreamed in Green SME support and going green should be increasingly incentivised and rewarded by partners along the value chain.

#### ▶ Make SME Financing more Accessible

Green SMEs typically have difficulties obtaining finance from commercial, international and bilateral finance institutions. This is, on the one hand, due to a lack of formal credit history, comparatively low returns on investments and perceived high risk in working on green innovations. On the other hand, these difficulties result from the fact that Green SMEs tend to have little experience presenting their case to financial institutions and might not be familiar with the intricate application

procedures. Moreover, Green SMEs often fall into the niche of “missing middle” finance, as they are too large to meet the criteria for available microfinance of under 10,000 USD but too small for institutional funding in the range of 500,000 USD and up. Financers shall adapt the application process for capital as well as decision-making parameters to the specific circumstances of Green SMEs. This would entail a larger role of non-monetary considerations, e.g., environmental impact, in the decision-making process, as well as less time and resource-consuming application processes for loans from international and bilateral finance institutions.

### Uganda Green Enterprise Finance Accelerator

*Uganda*

The Uganda Green Enterprise Finance Accelerator (UGEFA) supports enterprises that generate environmental impact in obtaining access to finance. To do so, UGEFA facilitates tailored loans and direct acceleration support to Green SMEs. Furthermore, UGEFA aims to synthesise key information for financial stakeholders to help them better understand the specific context of Green SMEs, their business models, their financing needs and their contribution towards high-level goals. Bridging the gap between financers and Green SMEs, UGEFA helps elevate SME financial literacy while building an understanding of Green SMEs, their potential and challenges among financing partners.

UGEFA aims to reach 200 Ugandan Green SMEs through the Catalyser Programme to prepare them for external financing and help additional enterprises successfully submit applications to commercial banks to gain access to tailored loan finance.

## Tier 2 Actions: Advance Finance for Green SMEs

### ▶ Monetise Green, Social and Environmental Impact in Financial Terms

Green SMEs create triple bottom line impact, that is, economic, environmental and social impact. This makes Green SMEs a key target group for impact investment. However, since impact investment has emerged in the last decade, only small advances have been made in terms of Green SME Financing. One major challenge is to help Green SMEs measure, report and communicate their impacts to financers and banks to gain access to designated financing schemes.

### ▶ Facilitate access to seed capital for Green SMEs for the development and roll-out of green innovations

Green SMEs in low-income countries face considerable constraints when wanting to develop innovations. They are specifically hindered by the lack of available capital from financial institutions due to the high perceived risk, the need to focus on established businesses and technologies to obtain finance and the high risk to the inclusive business during the uncertain innovation process. Development partners and governments could support the development and roll-out of innovations through technical assistance, grants and risk-sharing facilities. It is particularly difficult for Green SMEs to obtain seed capital in the start-up phase, but also when a successful business tries to replicate in a different locality. Governments and development partners shall support programmes that provide crucial seed capital both for pilot projects and for replication efforts in different locations.

**Aceli Africa***Sub-Saharan Africa*

Aceli Africa aims to bridge the gap between supply and demand for finance for agri-food SMEs. To do so, the organisation works along three paths. First, Aceli incentivises financial institutions to provide more finance by sharing the risk of the investment. Secondly, to ensure the highest impact of the investment, Aceli facilitates technical assistance pre- and post-investment. Finally, by engaging in evidence-based research, the organisation aims to inform policy and create lasting system change. Moreover, by drawing on its experiences working directly with agri-food SMEs, Aceli's research is informed by hands-on insights into the local SME Ecosystem, which helps policy makers to build better regulations and standards.

Improving the situation of Green agri-food SMEs has the potential to contribute significantly toward the Sustainable Development Goals through improved livelihoods for farmers and workers, climate-smart and resilient agriculture, gender inclusion, food security and nutrition safety.

**Tier 3 Actions: Scale-up Green Finance for SMEs****► Design alternative and accessible Green Financing Products for SMEs**

Today, there is an increasing number of financing products available, including hybrid finance and Fintech finance. These new sectors have experienced enormous growth over the past years, especially with regard to Green Finance. However, relatively little attention has been paid to SME financing from these new solutions, as SMEs are not yet considered major economic actors or profitable investments. Governments and Development Partners are encouraged to initiate a dialogue with key financial stakeholders to mainstream the importance and potential of SME financing and impact investment and encourage the development of new financing products for Green SMEs.

**► De-Risk Start-up capital for Green SMEs**

In partnership with banks and international financial institutions, Governments and Development Partners could initiate guarantee schemes and risk-sharing processes to enable Green SMEs to obtain financing solutions. In so doing, more entrepreneurs will be able to realise their ideas and establish Green SMEs, while already established SMEs will be able to expand, replicate and scale up their activities.

**The Inter-American Development Bank (IADB)***Latin America & the Caribbean*

The Inter-American Development Bank (IADB) works to improve the lives in Latin America and the Caribbean. To do so, IADB provides technical and financial support for countries working to reduce poverty and inequality, improve health and education and advance infrastructure. For instance, IADB pioneered the No Waste Platform, a partnership with private sector actors aiming to reduce food waste and emissions from the food system. For the No Waste Platform, IADB works directly with SMEs as suppliers to identify practical, on-the-ground solutions to loss and waste.

To support SMEs to go green and lead the way towards circularity and sustainability, IADB facilitates innovative financial instruments, including long-term credits, loans that convert into equity, blended finance or non-reimbursable funds.



## Action Area: Finance

### Ecosystem Readiness    Future-Proof Implementation Actions

#### Tier 1: Improve SME readiness for finance

- Elevate SME Financial Literacy and Enabling Capacity
- Make SME Financing more accessible

#### Tier 2: Advance Finance for Green SMEs

- Monetise Green, Social and Environmental Impact in Financial Terms
- Facilitate access to seed capital for Green SMEs for the development and roll-out of green innovations

#### Tier 3: Scale-up Green Finance for SMEs

- Design alternative and accessible Green Financing Products for SMEs
- De-Risk start-up Capital for Green SMEs

## Action Area: POLICY

### Tier 1 Actions: Enable SMEs as actors in the policy system

#### ▣ Design a comprehensive Support Package to enable Green Entrepreneurship

Even though Green SMEs provide an extensive array of services beyond economic ones, they are generally considered primarily economic entities. As such, they are subject to the same regulations and taxes as their unsustainable counterparts. To create an enabling environment for green entrepreneurship, governments are encouraged to design a comprehensive support package for Green SMEs. Through tax incentives and benefits, green businesses should be rewarded, while unsustainable businesses have to scale up their sustainability efforts to meet more ambitious performance standards. These should be designed as long-term goals to ensure a predictable environment to navigate economic activity. Governments and business partners are encouraged to facilitate the exchange with Green SMEs to establish a culture of peer-to-peer learning.

#### ▣ Improve the Policy Environment for Green SMEs through coordination among key Policy Actors

Green SMEs working in agri-food, textile-fashion or any other sector of the economy are often subject to different regulations. These differences become more profound across different sub-national levels. Through a cohesive cross-governmental strategy for Green SMEs, policy makers are encouraged to establish best practices and peer learning between the different sectors of the economy and ensure an enabling policy environment for Green SMEs nationwide.

## Kenya Climate Innovation Center (KCIC)

Kenya

The Kenya Climate Innovation Center (KCIC) offers incubation, capacity building and financing options to existing and aspiring Kenya-based Green SMEs that are developing innovations to address the challenges of climate change. KCIC provides support to accelerate the development, deployment and transfer of locally relevant climate technologies in the energy, water and agribusiness sector.

KCIC is working with several private sector and public sector leaders in Kenya to raise their commitments fighting climate change. Working with government actors at national and at county level on policy and regulatory questions, the KCIC aims to create an enabling environment for climate-smart and green SMEs in the energy, water and agriculture sectors of Kenya.

### Tier 2 Actions: Increase System Support for Green SMEs

#### ► Ensure that Green SMEs are given due consideration in Green Public Procurement policies

The state is a major economic actor, as it often functions as a consumer of large amounts of goods and services. Through Green Public Procurement laws, governments can lead by example, drawing mainly on sustainable businesses to meet their own demand for goods and services. Simultaneously, by integrating SMEs as green suppliers into the supply chain, green public procurement laws can help scale Green SMEs' businesses and encourage other businesses to upstream and midstream processes to become more sustainable.

#### ► Encourage Green Public-Private Partnerships

Policy makers frequently use public-private partnerships to steer the private sector in a certain direction or benefit from the private sector's efficiency. These public-private partnerships dominantly occur between governments and large companies. Building on these partnerships, key public and private sector actors should emphasise sustainability along the supply chain. Moreover, at the local level, public-private partnerships present a great opportunity to involve and enable Green SMEs. By working directly with SMEs, policy makers will be increasingly aware of the specific SME context and the potential of Green SMEs. At the same time, public-private partnerships can ensure stable revenues for SMEs that help them grow.

## Environmental Statistics Department

Jordan

The Environmental Statistics Department of Jordan works to assess and quantify environmental efforts and challenges to inform policies, regulations and standards and help drive the change towards more sustainability. In the textile-fashion sector, this includes, for instance, the share of recycled fabrics. To improve recycling in the Jordanian textile-fashion sector and mainstream circularity, the Environmental Statistics Department coordinates its activities with key partners from government, industry and society, including relevant ministries, chambers of industry and the clothing and household industrial sectors.

Working together with fashion-textile SMEs and the Jordan Green Building Council, the Environmental Statistics Department pioneered a project to promote circularity by re-using textiles, such as wool and nylon, as insulation materials in buildings. This improved the energy efficiency of buildings. Moreover, by working with SMEs on-the-ground, the programme aimed to create jobs for youth and women.

### Tier 3 Actions: Scale-up Green SME Growth Potential

**▶ Mainstream and Scale Green SME Involvement in the Policy Process**

Green SMEs frequently struggle to navigate the complex environment of regulation and standards. This challenge becomes more severe as SMEs grow and try to engage in trade countrywide or internationally. To improve SMEs’ access to the relevant regulations and standards, it is necessary to increase their availability, for example, by translating them into local languages. It is further encouraged to establish digital platforms and online tools to allow SMEs to easily find relevant legal information and business standards to help them navigate the policy environment. Moreover, knowledge of Green SMEs should be mainstreamed among policy makers, especially local government officials, to build a better understanding of Green SMEs and their role in the transition and help better facilitate Green SMEs’ access to relevant regulations and standards.

**▶ Promote interactive South-South dialogues at the governmental level to showcase successful policies that foster Green SME models**

Governments often lack expertise regarding the implementation of policies promoting Green SMEs. Development Partners can contribute to policy development through their expertise, networks and the leverage to foster inclusive business policies. By showcasing successful policy examples, governmental leaders can learn from their peers and adopt policies that are geared towards their national background and needs.

#### Ministry of Textiles

*India*

The Samarth Scheme for Capacity Building in the Textile Sector provides demand-driven, placement-oriented training programmes to enhance the capacity of the workforce. Beyond this, the programme also aims to incentivise the textile-fashion sector to create more jobs, especially formal jobs, and collaborate in upgrading the workforce’s skills. Tapping into the potential of SMEs to reach vulnerable and often marginalised groups, this programme makes it possible to build capacity and skills through and with SMEs.

Due to the wide reach of the textile-fashion sector in India’s economy, the scheme manages to reach many people, especially many vulnerable groups, such as women and youth, and offer them training programmes to build their capacity.

#### Action Area: Policy

Ecosystem Readiness	Future-Proof Implementation Actions
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**Tier 1: Enable SMEs as actors in the policy system**

- Design a comprehensive Support Package to enable Green Entrepreneurship
- Improve the policy environment for Green SMEs through coordination among key policy actors

**Tier 2: Increase System support for Green SMEs**

- Ensure that Green SMEs are given due consideration in Green Public Procurement Policies
- Encourage Green Public-Private Partnerships

**Tier 3: Scale-up Green SME Growth Potential**

- Mainstream and Scale Green SME Involvement in the Policy Process
- Promote interactive South-South dialogues at the governmental level to showcase successful policies that foster Green SME models

**Action Area: MARKET****Tier 1 Actions: Increase SME readiness for the market****▶ Increase Green SME Capacity to enter the Market**

Due to their small scale, SMEs often lack visibility in the market. This comes from a lack of financing to run advertisements and awareness-raising campaigns. At the same time, Green SMEs provide essential services and could immensely benefit from increasing outreach capacities. Therefore, Green SMEs' access to practical communication tools and storytelling techniques should be enhanced to help them facilitate their market entrance.

**▶ Simplify regulatory information for Green SMEs to facilitate Market Access**

The lack of concise and reliable information regarding the regulatory environment of their countries of operation constitutes a major barrier to market access for Green SMEs. This becomes even more challenging when SMEs aim to start exporting their products and must access the different regulatory information from different countries. "One-stop information shops" could lower transaction costs for Green SMEs to enter new markets or to extend their supplier network.

**China National Textile and Apparel Council (CNTAC)***China*

The China National Textile and Apparel Council (CNTAC) established in 2005 the Office for Social Responsibility in order to develop a public governance platform for the industry to deliver its social responsibility and play a leading role in the sustainable development of China's textile and apparel industry.

CNTAC established with CSC9000T the first Chinese sustainability standard in the textile and apparel sector supporting sustainable manufacturing and sourcing across Chinese textile value chains. CNTAC supports overall self-regulatory mechanisms with the Chinese textile sector engaging also a broader set of Chinese industry associations acting as a sustainability knowledge hub across China.



## Tier 2 Actions: Facilitate Market Access for Green SMEs

### ▶ Improve and Mainstream Green Product Standards and eco-labels

Green SMEs often offer products and services that are more environmentally sustainable and socially inclusive. Green product standards allow economic actors to measure and benchmark economic activity related to the green transition and the circular economy. By improving and mainstreaming these product standards and eco-labels, Green SMEs can increasingly differentiate their products and activities from unsustainable alternatives and gain access to green niche markets.

### ▶ Promote multi-stakeholder Partnerships along the Value Chain

Green SMEs frequently pioneer circular economy practices by reintroducing waste back into the economy. To successfully do so, Green SMEs rely on partnerships along the entire value chain. The facilitation of these partnerships should be rewarded to encourage their replication. Moreover, through consultations with key actors along the value chain, potential support needs and opportunities could be identified to scale-up green and best practices.

## Virtual Agri-Food Business Roundtable

*Latin America and the Caribbean*

To help enterprises with the post-COVID-19 recovery, the Central American Trade Network and the Secretariat for Central American Economic Integration, in collaboration with the Inter-American Institute for Cooperation on Agriculture, the Food and Agriculture Organisation and the Central American Agricultural Council, organised a Virtual Business Roundtable of the Agri-Food Chains of Latin American and Caribbean countries. The goal of the roundtable was to support enterprises in consolidating and diversifying their export markets, building networks and forming new partnerships for sustainable economic development.

Enterprises from over 20 countries participated in the third edition of the roundtable in June 2021, including over 600 SMEs. In addition to network building and the exchange of lessons learnt, the roundtable led to the conclusion of business deals worth more than 35 million USD. This new format helped to connect enterprises during the COVID-19 pandemic and enabled them to continue their networking efforts and knowledge exchanges and facilitate peer-to-peer learning.

## Tier 3 Actions: Scale-up the Green Economy

### ▶ Promote replication and scale-up through lesson-sharing in a network of Green SMEs

Different SMEs often face similar challenges. Additionally, many Green SMEs work on solutions addressing similar issues across countries. However, there is a very limited exchange between them that allows them to benefit from each other's experiences. A growing network of Green SMEs would allow them to draw inspiration from and share learnings with one another to facilitate replication and scale-up of their green activities.

### ▶ Build Green SMEs Export Capacities

Most Green SMEs operate locally. Their solutions, however, can be applied not only in their community but also globally, as various communities around the globe face similar issues. Additionally, there

is a growing interest in green products and services from consumers and markets at national, regional and global levels. Establishing triangular North-South-South cooperation between Green SMEs from different parts of the world could enable Green SMEs to tap into this growing market and allow them to grow, develop their solutions, and increase their impact.

## Africa Circular Economy Network (ACEN)

*Sub-Saharan Africa*

The Africa Circular Economy Network aims to build a restorative African Economy that benefits the well-being and prosperity of all people. Through innovative forms of production and consumption, ACEN promotes maintaining and regenerating the continent’s environmental resources.

By bringing together circular economy experts, experts of the African context and local partners, ACEN facilitates a dialogue and knowledge exchange on how to embark on the green transition while promoting incubation and business support to scale up promising green projects.

### Action Area: Market

Ecosystem Readiness	Future-Proof Implementation Actions
<b>Tier 1: Increase SME readiness for the market</b>	<ul style="list-style-type: none"> <li>• Increase Green SME Capacity to enter the market</li> <li>• Simplify regulatory information for Green SMEs to facilitate market access</li> </ul>
<b>Tier 2: Facilitate Market Access for Green SMEs</b>	<ul style="list-style-type: none"> <li>• Establish Green Product Standards and eco-labels</li> <li>• Promote multi-stakeholder partnerships along the Value Chain</li> </ul>
<b>Tier 3: Scale-up the Green Economy</b>	<ul style="list-style-type: none"> <li>• Promote replication and scale-up through lesson-sharing in a network of Green SMEs</li> <li>• Build Green SME Export Capacities</li> </ul>








## Key Stakeholders driving the Action Agenda

These future-proof actions aim to scale up Green SME support for 2030 to realise the commitments outlined in the SDGs and the Paris Agreement. In so doing, the following key stakeholders can lead the way and drive the Sustainable SME Action Agenda through key actions in the five action areas: **Innovation, Non-Financial Support, Finance, Policy and Market**. While each stakeholder is a major contributor in all five action areas, each one can drive progress, particularly in one area. More importantly, for the abovementioned actions to be most effective, it is crucial that all stakeholders collaborate to scale up Green SME support throughout the ecosystem.

### *Green SMEs & large companies: Leading the Way in Innovation*

By nature, Green SMEs are built on the idea of sustainable impact through positive environmental, economic and social action. This does not mean, however, that they have achieved full sustainability,

neither within their own business models nor throughout the ecosystem. Therefore, Green SMEs constantly improve and drive innovation forward to become more sustainable, scale their social impact and reach economic competitiveness. In so doing, they participate in the transformation of the global economy by leading the private sector by example. Moreover, they can share their experience and insights into sustainable business models and encourage others to embark on the green transition.

Similarly, large companies increasingly aim to go green. They set trends and standards in the market that help SMEs to orient themselves. Through their demand along their supply chain, they can further guide SMEs towards green products and services and by increasingly offering and promoting green products and services themselves, they can raise awareness among customers and consumers for the green transition.

### ***Support Organisations and Intermediaries: Driving the change in Non-Financial Support***

Green SME Support organisations take many forms: Non-Governmental Organisations, technical support organisations and BDS Providers offer a wide range of support services to Green SMEs, but also higher education institutions and other development partners have begun to scale their activities relating to Green SME support. These Support Organisations help enable Green SMEs to realise their full potential; thus, they are a crucial and large stakeholder group to scale Green SME support for 2030. Furthermore, these Support Organisations are often well-placed to offer technical insights to Green SMEs on value chain support, market developments, and on the green transition. They are also in a position to engage multiple actors to initiate collaboration and network building throughout the ecosystem. These Support Organisations are often ideally placed to facilitate the discussion on Green SME Support and start the dialogue on how to further scale Green SME support for 2030.

### ***Financial Institutions: Realising Green SME Finance***

There are several actors belonging to the group of Financial Institutions, such as investment banks, venture capital, impact investors, philanthropic funders, commercial lenders, trade financiers, institutional investors, development banks and organisations. Their primary task is to facilitate the accessibility of finance to allow innovation and create economic growth. Today, Finance is increasingly considered as having the potential to encourage green innovation and create sustainable economic growth, thus, driving the green transition. Nevertheless, there remains room for much-needed improvements in terms of Green SME finance. Financial Institutions can take a leading role in developing innovative financial models and practices that enable green entrepreneurship and encourage other stakeholders to use these tools to facilitate finance for Green SMEs.

### ***Policy Makers: Building an enabling Policy Environment***

Green SMEs rely on a supportive environment to initiate and scale their activities. Policy Makers are responsible for creating this environment through legislation at the local, national and regional levels, but also for promoting an enabling environment through the global political discourse. Through standards and regulations, benefits and incentives, Policy Makers can guide where economic trends are going. Green SMEs are often already in line with more ambitious environmental legislation. Frequently, they are even ahead of the environmental standards by independently pioneering climate adaptation and mitigation, as well as biodiversity protection measures. Policy Makers can help Green SMEs to scale these activities through benefits and supporting incentives to guide Green SMEs as to where Innovation is most needed.



### *Consumer Engagement Actors and Civil Society: Preparing the Market for 2030*

Several organisations and institutions take part in shaping the societal view, including big brands, advertisement companies, print, digital and social media, influencers, film, television, radio and many more. These organisations have an immense influence on consumer decisions and can therefore steer demand in different directions. They are key stakeholders in guiding Civil Society, as well as individuals, and communicate important messages, such as the relevance of the green transition. Consumer Engagement and Civil Society Actors are crucial to ensure that the green transition succeeds by having wide societal acceptance and support.



Amazoniko, Colombia



## OUTLOOK

The importance of addressing climate change, nature loss, pollution and to build forward better by putting the world on a path of sustainable development has become centre stage for the UN Decade of Action. The role of Green SMEs in this process, offering low-carbon, circular products and services while supporting the needs of the bottom of the pyramid and providing green jobs, is increasingly being recognised.

Governments, financiers and development partners are working towards these goals and are looking for investment opportunities that have a long-lasting impact across social, environmental and economic goals. Green SMEs present such an opportunity, but they need financial, non-financial and ecosystem support to scale their activities and maximise their impact. This Sustainable SME Action Agenda outlines some critical next steps and future-proof actions to scale Green SME support for 2030 and empower Green SMEs to drive the process towards realising the SDGs and the Paris Agreement.

The current decade is an important period where there is an opportunity not only to consolidate the progress achieved and the successes and lessons learnt, but also a chance to use these experiences, networks and partnerships to scale Green SME support for a more impactful and transformative change.

The Sustainable SME Action Agenda, scaling Green SME support in the five key areas of action **Innovation, Non-Financial Support, Finance, Policy and Market**, focuses on three key levers: Scale, Impact and Finance. Around these levers, various lessons learned and future-proof actions were defined to meet tomorrow’s challenges around circular economy, low-carbon growth and inclusive economies.

**Figure 8: Critical next steps on the Action Agenda**

SCALE	IMPACT	FINANCE
<p><b>Pathways to scale</b></p> <p>Provide tailored non-financial support services that consider the different scale pathways of eco-inclusive SMEs.</p>	<p><b>Recognise SME impact for the SDGs</b></p> <p>Recognise and track the contribution of eco-inclusive SMEs towards the SDGs.</p>	<p><b>Bridge the ‘missing middle’ gap</b></p> <p>Facilitate innovative financing products tailored to the needs of eco-inclusive SMEs to support them along their scale pathways.</p>
<p><b>Ecosystems for scale</b></p> <p>Strengthen existing capacities, networks and support institutions to cater better to the different scale pathways of eco-inclusive SMEs.</p>	<p><b>Enable impact evidence creation</b></p> <p>Foster the collection and monitoring of SME impact data simplifying existing frameworks and promoting evidence-based impact evaluations.</p>	<p><b>Facilitate financing partnerships</b></p> <p>Enable collaboration among investors and funders, creating risk-sharing and co-investing mechanisms to finance SMEs along their scale pathways.</p>
<p><b>Foster collective action</b></p> <p>Create a community of collective action engaging SMEs, financiers, development actors and policy-makers in order to support the pathways to scale.</p>	<p><b>Build impact capacities</b></p> <p>Enhance the ability of eco-inclusive enterprises to track their social, environmental and economic impact in light of the SDGs.</p>	<p><b>Mobilise climate finance for SMEs</b></p> <p>Recognise the significant contribution of private sector actors by tailoring existing climate finance products and frameworks to their needs.</p>

Source 8: SEED

Building on these lessons and to realise the critical next steps of this Sustainable SME Action Agenda, SEED, UNEP and GO4SDGs move forward jointly with our partners to establish the **Coalition for Innovation, Circularity and Entrepreneurship (CICE)**. This Coalition marks the next step to catalyse scale-ready SMEs and accelerate collective action towards Green SME support. The Coalition will bring together various partner organisations to close the gap between top-down programmes and bottom-up initiatives and drive system-wide innovation. While implementing this Sustainable SME Action Agenda, the Coalition marks the next step towards the promise of thinking globally while acting locally.



ListenField, Thailand



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## ANNEX 1: THE GLOBAL FUTURE LABS SERIES



SEED and GO4SDGs jointly organised the Future Labs for Innovation and Policy Series to validate lessons learned and gather critical next steps to scale Green SME support for 2030.

Each Future Lab brought together 30 – 40 key SME stakeholders to leverage their expertise in the five action areas **Innovation, Non-Financial Support, Finance, Policy and Market**. In total, four Future Labs were organized to analyse the agri-food sector for sub-Saharan Africa and Latin America and the textile-fashion sector in Asia and West Asia in-depth. The agri-food sector is the largest employer worldwide, making it a key driver of the SDGs. However, the agri-food sector has been characterised by harmful environmental practices. Globally, the agri-food sector is responsible for 26% of greenhouse gas emissions, while it contributes to environmental degradation locally using pesticides and other toxic chemicals (Ritchie & Roser, 2020). Similarly, the textile-fashion sector is one of the world's key industries, offering employment to more than 300 million people, many of whom are women. Therefore, the textile-fashion sector remains crucial to realise the ambitions set out in the SDGs. Yet, the textile-fashion sector is a major contributor to global environmental problems, responsible for water pollution and endangering the ecosystem and people's health.

In Africa, the agri-food sector is highly vulnerable. At the same time, the region is expected to experience some of the harshest effects of climate change, such as temperature increases and more frequent droughts and floods. Additionally, sub-Saharan Africa is home to the fastest-growing population, adding pressure to the food system. The Africa Future Lab discussed solutions and exemplary cases for these challenges, focusing on the role of Green SMEs in driving this change (for more information on the Africa Future Lab, see <https://seed.uno/articles/blog/the-africa-future-lab-for-innovation-and-policy>).

In the LAC region, the agri-food sector holds a specific significance, as it is the world's largest food net-exporting region. Therefore, LAC is often referred to as the "world's breadbasket". At the same time, one of the major providers of ecosystem services through its large forest areas, the



productivity of the agri-food sector often clashes with the preservation of the natural environment. Green SMEs often pioneer new solutions to ensure ecosystem sustainability with economic growth. The LAC Future Lab discussed these solutions to inform critical next steps to scale Green SME support (for more information on the LAC Future Lab, see <https://seed.uno/articles/blog/insights-from-the-lac-future-lab-for-innovation-and-policy>)

Textiles have played an important role throughout West Asian history and culture. However, West Asian countries have emerged only recently as exporters of fashion trends. This has led to tremendous growth in the textile-fashion sector across the region, creating many economic opportunities. At the same time, this growth of the textile-fashion sector has led to an increased environmental impact. SMEs are key economic actors in the West Asian textile-fashion sector in production, recycling and reuse. The West Asian Future Lab, organised in collaboration with the West Asia Sustainable Fashion Academy (which has been established and coordinated by ROWA with the support of GO4SDGs), looked into these examples of how SMEs can drive the transition to a more sustainable textile-fashion sector (for more information on the West Asia Future Lab, see <https://seed.uno/articles/blog/insights-from-the-asia-future-lab-for-innovation-and-policy>).

For a long time, Asian countries have dominated the global textile export markets. The size of the textile industry has been accompanied by often severe environmental challenges, such as water pollution. Today, after years of economic progress, Asia has also emerged as a major consumer of textile and fashion products. The Asia Future Lab discussed practical solutions and exemplary cases for the industry's challenges. Green SMEs are pioneers in this process. With consumption patterns shifting toward more sustainability, green enterprises have a chance to step up by scaling their environmentally more sustainable products and services (for more information on the Asia Future Lab, see <https://seed.uno/articles/blog/insights-from-the-west-asia-future-lab-for-innovation-and-policy>).

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### List of Abbreviations

<b>BDS</b>	Business Development Support
<b>BoPs</b>	Bottom of the Pyramid
<b>CICE</b>	Coalition for Innovation, Circularity and Entrepreneurship
<b>ECOWAS</b>	Economic Community of West African States
<b>FAREI</b>	Food and Agricultural Research and Extension Institute
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit
<b>IFAD</b>	International Fund for Agricultural Development
<b>IFC</b>	International Finance Cooperation
<b>IGES</b>	Institute for Global Environmental Strategies
<b>GDP</b>	Gross Domestic Product
<b>GO4SDGs</b>	Global Opportunities for the Sustainable Development Goals
<b>LAC</b>	Latin America and the Caribbean
<b>NEPAD New</b>	Partnership for Africa's Development
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>SCP</b>	Sustainable Consumption and Production
<b>SDGs</b>	Sustainable Development Goals
<b>SMEs</b>	Micro, Small and Medium-sized Enterprises
<b>UGEFA</b>	Uganda Green Enterprise Finance Accelerator
<b>UNEP</b>	United Nations Environment Programme
<b>UNIDO</b>	United Nations Industrial Development Organisation
<b>WAAPP</b>	West Africa Agricultural Productivity Programme

## ANNEX 3: GLOSSARY

<b>Agenda 2030</b>	The Agenda 2030 for Sustainable Development is a global framework agreed upon within the United Nations focusing on the 17 SDGs
<b>BoPs</b>	The bottom of the pyramid concept is an economic term that refers to the poorest two-thirds of the economic human pyramid; it is estimated to include approximately four billion people
<b>Eco-Adopters</b>	Enterprises that take up greening practices to comply with environmental regulations and standards
<b>Eco-Entrepreneurs</b>	Enterprises that adopt green business models and seek economic opportunities in the transition to a green economy
<b>Eco-Innovation</b>	The process of developing new or improved products and services to reduce environmental impacts  UNEP builds on eco-innovation as a methodology that incorporates sustainability throughout the entire business models
<b>Eco-Innovators</b>	Enterprises that develop new or significantly improved products and services that reduce the environmental impact of their activities
<b>Future-Proof Actions</b>	Actions that are readily available today and incorporate future challenges into their design to be more resilient  (for more information on future-proof actions, see the Chapter “Future-Proof Green SME Support”)
<b>Key SME Stakeholders</b>	Key SME Stakeholders include policy makers, financiers, intermediaries and SMEs  (for more information on key SME stakeholders in this Action Agenda, see the Chapter “Future-Proof Green SME Support”)
<b>Missing Middle Finance</b>	Missing Middle Finance refers to those with financing needs that are too large to meet the criteria for available microfinance of under 10,000 USD but are still too small for institutional funding in the range of 500,000 USD and up
<b>Public-Private Partnerships</b>	A partnership between the public and the private sector, generally aiming to deliver a project or a service that is traditionally provided by the public sector
<b>Public Procurement</b>	The purchase by governments and state-owned enterprises of goods, services and works

**SMEs** Micro, small and medium-sized enterprises are defined in terms of the number of employees that is micro with 1 – 9 employees, small with 10 – 49 employees, medium with 50 – 249 employees

**SME Ecosystem** The environment in which SMEs operate, including the market, legal framework and financial system in which they are integrated

**Supply Chain** The network of individuals, organisations, resources, activities and technologies that are part of the creation and sale of products and services

**Triple Bottom Line** A framework that includes the three dimensions of social, environmental and economic performance

**Value Chain** The full chain of business activities in the creation of a product or service



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