Thematic track on

Mainstreaming climate finance solutions in SMEs including start-ups

World Sustainable Development Summit (WSDS)
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Industries have a key role to play in keeping global warming at less than 2°C. It is the private sector that is expected to lead the way in creating low-carbon pathways for industries to transition. The Indian industry is recognized globally for its proactive, ambitious and pioneering climate actions. However, to meet the climate goals, a wider and deeper industrial transition is required. For this, the sector requires an enabling environment to incorporate sound climate financial decision making and to develop a resilient strategy.

India's vibrant landscape of small and medium-sized enterprises (SMEs) and the growing number of start-ups present a significant opportunity for the country to meet its development objectives while reducing its climate impacts and improving climate resilience across sectors. In particular, climate-smart and eco-inclusive enterprises – offering products and services for climate change adaptation and/or mitigation – are well positioned to absorb and scale the environmental, social and economic impacts while utilizing global climate finance flows in line with India's climate action objectives.

Despite milestones in opening up capital for environmentally sustainable and climate-resilient endeavors in India, challenges persist in increasing financial flows to market-driven climate-smart solutions in the private sector. This shortfall in available capital and tailored financial products is especially true for SMEs, which are the backbone of the Indian economy and key in ensuring that climate action reach populations most impacted by climate change – such as youth, women and rural communities.

The theme focuses on requirements for mobilizing and scaling-up finance from SME perspective that can yield maximum benefits through effective collaboration. Well-designed climate finance solutions that reduce investors' risks, enhance their expected returns or bridge existing infrastructure gaps can help to catalyze investments in climate-smart SMEs and alleviate socio-economic gaps as part of India's climate action and sustainable development agendas. Critical factors for extending climate finance for SMEs to grow include:

(a) Improving the buy-in and institutional capacities of financial institutions and investors to absorb and disburse capital through tailored SME financing products; and

(b) Building the business development and financial management capacities of climate-smart SMEs to better access and allocate funds while scaling climate impacts across their value chains.

Discussions will cover experiences in climate finance for eco-inclusive enterprises, solutions tailored for SMEs around climate-related impact measurement and management including role of collaborators, bottoms-up development of innovative climate finance instruments and strengthening the role of local financial institutions to recognize and tap the potential. It is expected that the discussion will lead to forward thinking required to mainstream the climate finance solutions for SMEs.