MSD AS A PRACTICAL APPROACH FOR CLIMATE ACTION

MSD cannot solve climate change but it offers tried-and-tested ways to support private sector investment in adaptation, mitigation and resilience in emerging markets

There's been some debate about whether MSD has a meaningful role to play in addressing climate change. Critics argue it's too commercially focused, too incremental and too limited in scope. Proponents argue that it can support practical climate change action – and that practicality is the order of the day. Businesses in emerging markets are already contributors to emissions, exposed to changing weather patterns and will be key drivers of innovation needed to advance climate adaptation and mitigation. And MSD programmes are already being tasked with how to integrate climate adaptation and mitigation. So, action is needed. What does it take to do it well?

MSD programmes, when grounded in real incentives and operating realities can be surprisingly well-positioned to respond to climate change, while staying true to their original purpose of reducing poverty through more inclusive markets. It requires change in how programmes are managed internally and how they work with businesses. Below are seven tips for practitioners trying to integrate climate change into MSD from the experience of Australia's Market Development Facility (MDF), a long-running multi-country, multi-sector programme in the Indo-Pacific.

Programme management

1. Leadership matters: Climate won't integrate itself

Integrating climate into MSD isn't just a technical shift, it's a management decision. Programmes that have made progress didn't do so by accident. They incorporated climate into market and business analysis, intervention design, team meetings, portfolio reviews, measurement and communications. Leadership and team buy-in embeds climate change in programme DNA. Without this, climate remains a side project.

2. Clarity over vagueness: Define what climate means for your sectors

Programmes need to define climate change (ideally involving their clients) clearly and practically. Vague language leads to vague action. MSD teams need to get specific and fast. What are the actual risks and opportunities in the sectors you work in? Climate risk will look different if you are working on commodity export crops, tourism in remote areas or urban services but understanding how climate change (and market response to climate change) is likely to impact your industry is the first step in setting a realistic strategy.

3. Build on what you're already doing: Don't reinvent the [carbon neutral] wheel

Many MSD programmes already contribute to climate adaptation; they just don't call it that. Agricultural resilience, water-saving technologies, disaster preparedness – these are climate interventions. Recognising and building on this work helps establish credibility and generates evidence of the business case. MDF, for instance, conducted a portfolio audit to understand what it was already doing in climate change. Half of active interventions (and 70 percent of those in agriculture) were already addressing climate change risks or opportunities.

4. Measure what matters: Not everything needs a carbon calculator

Be clear about what you will measure, and why. Focus on metrics that are relevant to business, and provide credible evidence to encourage investment, not costly carbon accounting. Measuring the changes in soil carbon in smallholder plots that use an organic soil conditioner is expensive and lacks a clear business case. Data showing how innovations improve resilience and economic returns will likely have more impact on uptake than data on soil carbon. Find out how organic soil conditioners have increased yields, supported farmers to cope with dryer than expected conditions or reduced the impact of a pest or disease outbreak.

Working with businesses

5. Don't sell climate: Help businesses solve problems and unlock opportunities

Climate change is vast and technical. It's easy to get lost. Programmes can help join the dots between the climate risks to sectors and the realities businesses face. Most firms aren't looking to "do climate," they're trying to compete. Translate climate risks into productivity, cost and market opportunities. An agribusiness may want more reliable supply in the face of disrupted production; an island resort may want cheaper power or be concerned about coral bleaching. Successful programmes will build their teams' ability to understand and talk about climate in practical terms, translating risks into addressable business pain points and opportunities. They will add value by doing what they do best – helping firms make sense of climate risks, pragmatically.

6. Give people what they want: Consumer markets as a path to scale

Energy and climate tech aren't just for big firms and governments. Consumer markets for solar home systems, water tanks, efficient appliances and resilient construction materials can drive impact at scale. They offer a direct route to poverty reduction, especially when paired with inclusive financing and smart regulation. MSD can help build these markets, starting with what people want and need. As prices for emissions-reducing technologies continue to reduce, MSD can help businesses to shift from B2B models to consumer mass markets. Some of MSD's biggest success stories have come from convincing large firms that smallholders and low income groups are a viable market segment.

7. Making sustainability make cents: climate services to raise finance and reposition

Mitigation often demands upfront capital. Energy-efficient equipment – solar panels, electric vehicles – are capex heavy (but opex light). Payback periods can be poorly understood. Financial products to smooth out capex outlays are underdeveloped. One area where MDF has found traction is in climate services, such as emissions verification and energy and water audits. These services can project costs and benefits, to inform decision making and emissions reductions strategies and raise capital for investment. Climate services can also assist firms position for green markets. From tourism in Sri Lanka to outsourced services in Fiji to coffee in PNG, expanding access to climate services has stimulated investment, reduced costs and emissions and opened new opportunities.

Climate change is reshaping the development and business landscape: deal with it

MSD cannot solve climate change. But it can help firms and people innovate, adapt and unlock opportunities to build more resilient economies. Not net zero but a good place to start.

Read more about MDF's climate change work at: https://marketdevelopmentfacility.org/what-we-do/

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