



**GTZ Center for Cooperation with the Private Sector (PPP)
Expert Meeting * 9th October, 2009, GTZ Eschborn, Auditorium**

Building momentum for Strategic Alliances addressing Climate Change

MINUTES

Innovative partnerships to cope with climate change are urgently required, and the challenge is increasingly being taken up by actors in the agricultural sector. Several practical experiences to address climate adaptation and mitigation have been made and were presented at the Expert Meeting. Based on lessons learnt of the existing practical experiences the one-day Expert Meeting aimed at exploring further potential for strategic alliances between the civil society, the public and the private sector to support the implementation and financing of climate change adaptation and mitigation strategies in the agricultural sector. In this context, Strategic Partnerships are understood as Public-Private Partnerships (PPP) projects that support sustainable development in developing countries. Adequate structures for cooperation were discussed between different stakeholders while the presented initiatives served as good practices.

More than 80 representatives from private companies, NGOs, certification systems and public sector participated in the event. The different perspectives and demands for adaptation and mitigation strategies were controversially discussed at a panel discussion. Technical questions could be answered by experts and scientists from carbon market, agriculture and insurance sector. During a marketplace session, international exhibitors presented their contributions for climate adaptation and mitigation.

Four thematical workshops in the afternoon served as platform to discuss further strategic alliances and forms of cooperation between different sectors to address climate change adaptation in agriculture, access to carbon markets and climate friendly certification systems, adaptation strategies for businesses and insurance and other micro-finance solutions to support climate adaptation and reduce risks.

Several new project ideas for strategic alliances addressing climate change could be identified and will be followed up within the next months.

The following documentation of the Expert Meeting highlights the key messages and main issues and findings that have been discussed during the event. The individual presentations can be downloaded at <http://www.adapcc.org/>.

The event was facilitated by Ms. Constanze Helmchen, Center for Cooperation with the Private Sector (PPP) at GTZ Berlin.



Documentation of Expert Meeting sessions

9:00 – 9:30 Opening Speech by Mr. Michael Plesch, Deputy Head of Division, Division 300 Economic Policy; Financial Sector, Federal Ministry for Economic Cooperation and Development

Climate change is a global challenge which affects the activities and framework conditions for all stakeholders in societies in developing and industrialized countries. Thus, it requires action which can also be pursued in collaborative action, e.g. in form of strategic alliances. In the run-up to the next UNFCCC COP in Copenhagen in December 2009 not only the global temperature is warming, but also the global debate on climate change is heating. Agriculture sector is one of the most affected and at the same time the sector is the mainstay of livelihoods of the majority of the world's poor. Therefore, climate change will remain an important topic under the new government elected in September 2009 and is focused on supporting private and public investments to improve framework conditions for small scale farmers. The BMZ so far has supported more than 1000 development partnerships in the last ten years, among them successful strategic alliances to respond to climate change in the insurance and agriculture sector. While it is clear that public action and international support are needed to maintain and improve food security and strengthen sustainable agriculture and livelihoods in the view of climate change, investments of the private sector are also key to both adaptation and mitigation of climate change.



The primary goal for adaptation in agriculture is to strengthen the adaptive capacity of people and agricultural production systems so they can cope with and prepare for climate risks. Strengthening the resilience could start with implementing no-regret measures, which reduce the vulnerability of people or a production system and generate co-benefits no matter if climate change is taking place or not. Besides capacity building it is necessary to improve the political framework conditions, to support public and private investments, to create strategic alliances between public, private and civil society sector and finally find practical solutions on the ground.



9:30 – 11:45 Impacts and results of implemented adaptation and mitigation approaches with the private sector

The individual presentations can be downloaded at <http://www.adapcc.org/>.

a. Adaptation for Smallholder Farmers to Climate Change – AdapCC

PPP between Cafédirect plc. and GTZ presented by Kathleen Schepp (GTZ) and Wolfgang Weinmann (Cafédirect)

Adaptation for Smallholders to Climate Change (AdapCC) is a pilot initiative, which supports coffee and tea farmers in developing and implementing adaptation strategies to cope with the risks and impacts of climate change. The reason for Cafédirect to get involved in this public-private partnership with GTZ was the wish to reduce the carbon footprint and thereby making a contribution to mitigate greenhouse gases. At the same time adaptation to climate change played an increasing role for securing the livelihoods of the producers and the quality of their products. Climate Change is affecting coffee and tea production. While in Nicaragua for example, in the future some existing lower coffee production areas will not be suitable for coffee growing anymore and therefore diversification strategies are needed, in some higher areas technical adaptation strategies will help to continue a rentable coffee production. Even some new cultivation areas will arise. But according to impact models based on IPCC climate scenarios, the area suitable for coffee production is predicted to reduce dramatically until 2050. Through a participatory Risk and Opportunity Analysis (ROA) climate change risk, farmers' vulnerabilities and adequate adaptation strategies were identified and implemented in the framework of AdapCC.



The subsequent discussion showed some of the obstacles the project faces as for example the lack of financial support for small-scale farmers to implement adaptation and mitigation measures. Furthermore, the access to CO2 markets for small-scale farmers is very limited and needs to be improved. More in-depth scientific studies in respect to the production of more suitable crops for the future, the conservation of genetic diversity and the selection of resistant plants as well as better access to climate information and future scenarios are essential to design long-term adaptation strategies.



b. Climate Change Adaptation and Mitigation in the Kenyan Coffee Sector



PPP between Sangana Commodities Ltd and GTZ presented by Julius Nganga (Sangana Commodities Ltd / Sustainable Management Services Ltd.) and Kerstin Linne (GTZ) Kenya is one of the countries affected most by climate change. The lack of access for smallholder agriculture to the emissions

markets and their financial resources as well as the lack of a verifiable coffee standard that recognizes climate friendly production are so far a great obstacle for smallholder farmers to apply mitigation and adaptation measures to face climate change. The PPP between Sangana (the Kenyan subsidiary of the Swiss ECOM Agroindustrial Corporation Ltd.) and GTZ therefore has two main goals: to create a link for coffee smallholders to the carbon markets by developing a baseline and a methodology for an agricultural carbon project in cooperation with the **World Bank**. Another goal is to create a verifiable additional standard module acknowledging climate change adaptation and mitigation together with the **4C Association**. This add-on standard module will include agricultural practices for adapting coffee production to changing climate conditions and for sequestering greenhouse gases in coffee ecosystems, trainings for producers and verifiers, a data base on coffee and climate change and verification instruments.



c. Managing the climatic risks of (smallholder farmers) in developing countries

The insurers´ and reinsurers´ perspective presented by Dr. J. Herbold, MunichRe

Smallholder farmers in developing countries face a relatively high exposure to climate risks such as droughts or excess of rain, which are predicted to increase through climate change. At the same time they only have a limited access to financial services, including insurances, adding to the vulnerability of the farmers. So far, purely state and private insurance programs have failed over the last decades. This makes the establishment of a public private partnership essential. One solution is the introduction of micro insurances, which are characterized by low caps and low coverage limits and are designed to service low-income people and businesses not served by typical insurance schemes. However, there are still some challenges dealing with micro-insurances in crop production as for example illiteracy concerning insurance issues, the lack of data to calculate technical insurance premiums and to establish technically sound triggers for index-based insurances, and the risk of loss of adjustment on individual level.



11:45 – 13:00 Panel discussion: Sustainability of investments in climate adaptation and mitigation strategies



In the panel discussion, representatives from public, private and civil society sector discussed their motivations, incentives and approaches to engage in adaptation to climate change and related mitigation strategies. Furthermore, the need for multi-stakeholder partnerships to address climate

change was highlighted. Future challenges, opportunities and limits were controversially discussed together with the audience.

Anne MacCaig is CEO for **Cafédirect plc.**, a leading Fairtrade company for hot beverages



in the United Kingdom. Cafédirect cooperates with more than 40 different small-scale producer organizations and more than 250.000 small-scale coffee, tea and cocoa farmers in Asia, Africa and Latin America. As the hurricane, which hit Mexico in 2005, destroyed huge areas of coffee plants, Cafédirect also started to work on climate risk mitigation for producers and environmental footprints.

Cafédirect was the first coffee trader to support farmers to cope with climate change and develop exemplary adaptation strategies in cooperation with GTZ.

Stefan Dierks is a senior manager of **Tchibo GmbH**, one of the leading household coffee



brands in Germany. According to Mr. Dierks, Tchibo's motivation to be active on issues of climate change adaptation and mitigation is due to the company's high dependence on high quality coffee. It is considered essential for the company to implement strategies for climate change adaptation and mitigation in terms of business models and sustainability. Another motivation is to be in line with the EU policy supporting sustainable consumption. Tchibo informs the consumers about coffee cultivation compatible with climate change and methods for adaptation and mitigation. It uses an integrated management business model, which integrates social and ecological aspects as success factors for sustainability into their quality assessment.

Mohammed Rafiq is vice-president of the **Rainforest Alliance**. The mission of

Rainforest Alliance is to conserve biodiversity and to ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behavior. It is of primary concern for the Rainforest Alliance to analyze climate footprints and climate risks, their influence on benefits for local



communities and the supply chain. According to his observations, private companies are



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increasingly interested and open to this issue, though the profit aspect is an important motivator. Rainforest Alliance supports the implementation of standardized certification systems and develops methodologies to add carbon aspects to their existing SAN standard.

Lorenz Peterson is the head of **GTZ's** "Climate Change Protection Program in Developing Countries". He stated that due to the fact that the impacts of climate change are distributed very unfairly worldwide, the role of the development cooperation is to develop opportunities to adapt to climate change impacts especially for developing countries and to assist to their implementation. There



exist a lot of very broad and reliable impact models though information on the regional level often remains limited. Accordingly, amongst many other activities, GTZ works on information for decision-making regarding climate change. Based on this information, counterparts are supported in developing and implementing practical adaptation and mitigation strategies. The impact assessment and monitoring of climate programmes still poses methodological challenges, but practical experiences lead to increasing knowledge on possible approaches. With its Climate Check, GTZ started to analyze the options for their own projects to take adaptation needs or mitigation potentials into account and to plan for appropriate action needs for adaptation and mitigation.

Lucio Pedroni works for **Carbon Decision**, a company assisting customers who develop or



invest in activities that generate carbon credits. According to his opinion, adaptation to climate change entails for instance to build up similar adaptation capacities in Bangladesh as they exist already in the Netherlands and to avoid large migration flows. Therefore, the policy framework needs to be optimized, though not all adaptation measures can be financed by the public sector. Hence, a link to the polluters, e.g. consumers, companies and countries is considered to be necessary. The Reduced Emissions from Deforestation and forest Degradation (REDD) could be options for mitigation projects with significant adaptation co-benefits. According to his observations, REDD is often primarily considered in the forest sector and less in the context of agriculture. The two sectors have a strong link and should collaborate closer, as a) the shift of agricultural areas increases the pressure on forest and b) agricultural agro forestry systems can qualify eligible for carbon projects and existing methodologies under this project type.

Robert Dilger works as a senior technical advisor in environmental policies for the Regional Unit for Technical Assistance (RUTA) in Central America. RUTA was founded 25 years ago by the agrarian ministers of the seven Central American countries and seven international donor agencies as technical





advisory group for technical advisory and rural development. According to his explanations, the issue of climate change adaptation takes centre-stages in the development and implementation of regional political strategies. Central America is a hot spot of climate change and thus threatened seriously. More than half of the population lives in rural areas depending on agricultural production and crop exports. Climate change adaptation and mitigation becomes more and more a pressing issue on the political agenda. The Regional Strategy of Agro-Environment and Health – ERAS sets the first trans-sectorial political framework for political action addressing rural development and food security and integrates climate change adaptation and mitigation measures to be implemented in Central America. The climate change policy is mainly focusing on reducing people’s vulnerabilities and strengthening the agricultural sector as the backbone of food security and the region’s economies.

At first, the discussion focused on *emission reductions and the role of the carbon market to finance adaptation in the agricultural sector*.

Jan Börner (Amazon Initiative / CIAT / CIM) argued that mutual benefits of adaptation and mitigation strategies should be fostered. Adaptation strategies should also maximize their mitigation benefits as well as mitigation strategies should also support adaptation opportunities.

Lucio Pedroni (Carbon Decision) pointed out that carbon projects bring on high transaction costs. Therefore, a high amount of carbon reductions is required to make the project financially viable – especially in the complex agricultural sector. Thus, so far it is rather an exception than the rule that the benefit of carbon reductions reaches to support adaptation activities. This field needs further research and an enhanced legal framework for enabling further projects benefitting the agricultural sector.

Alan Smith (Forest Stewardship Council) confirms that REDD is more an agriculture than a forest issue. The threat to forests is caused by large-scale agricultural interventions, e.g. for soya and palm oil production. It is a common problem that small-scale framers cannot enter the carbon market due to their low emission-levels for which the carbon market is not designed.

Mohammed Rafiq (Rainforest Alliance) argued that there is not enough money provided by the adaptation funds to address climate change challenges. Market mobilization and more incentives are necessary.



Another issue discussed was the way how private companies could and should be more engaged to climate change topics. Stefan Dierks (Tchibo) commented that his company would be interested to sell climate neutral coffee. The big challenge is to harmonize and standardize the methodologies and certificates on an international level. This needs to be resolved commonly.

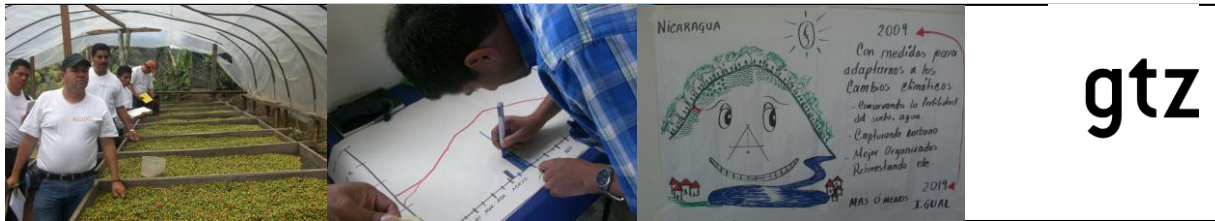
Robert Dilger (RUTA) raised the question what is missing to get the adaptation measures being trickled down to farmers. According to his observations, various instruments are used to trickle adaptation action down to the national and local level, but private sector engagement is often missing in the political strategies of public institutions. Sectors and stakeholders have to be more interlinked.

Lorenz Petersen mentions that the preparations for the UNFCCC negotiations in Copenhagen in December 2009 are challenging and reflect the difficulties of addressing public goods in an international process. However, the implemented programs and their impacts reached provide the stakeholders with motivation and enthusiasm to continue in its way. Development-orientated partnerships of public sector institutions, including those active in development cooperation with the private sector can be an enriching part of adaptation strategies in developing countries.

14:00 - 14:45 Marketplace

Several exhibitors presented their promising adaptation and mitigation approaches and ideas. This session allowed open and interactive bilateral discussions and served as a platform for networking. Following exhibitors participated on the marketplace:

- **CEPICAFE** – Santiago Paz, presenting climate friendly certification (Stop Climate Change) for coffee (pilot group of AdapCC project).
- **Rainforest Alliance** – Adam Gibbon, presenting climate aspects in Rainforest Alliance standard, monitoring of carbon sequestration.
- **FSC** – Alan Smith, enhancing FSC Forest Management Certification at the Landscape Level through incorporating additional Eco-system Services: a project approved in principle by the GEF for implementation by FSC through partners in Chile, Indonesia, Nepal and Vietnam
- **GTZ** – Marion Künzler: GTZ activities on Climate Change, GTZ Climate Task Force, “Climate Change Protection Programme for Developing Countries”, climate change in agriculture, PPP projects on climate change



- **Amazon Initiative** (CGIAR) – Dr. Jan Börner, representing the Amazon Climate Change Adaptation Project
- **BaumInvest** – Leo Pröstler, representing reforestation and investment in sustainable wood management
- **Soil & Energy GmbH** – Saro Ratter, representing development and promoting projects for sustainable land and energy use

14:45 – 16:15 Workshops aiming at designing project approaches and strategic alliances

a) Access to micro-finance and insurance services

Moderation: Brigitte Klein, GTZ

Technical input: Lúgia María Castro Monge, RUTA

Lúgia Castro presented a project proposal for Central America which aims at developing financial innovations in order to promote adaptation to climate change. The general objective of the project proposal is to reduce exposure to climate risks in the productive rural sector of Central America and thus to contribute to the improvement of the future growth of the region.

The participants summarized the following results:

The three most pressing issues and challenges

- Customers/producers: To provide incentives to farmers to adapt to climate change/ sensitization
- Institutions: To consolidate microfinance in order to offer flexible, accessible, simple and affordable products
- Policy makers: regulatory framework, private public dialogue,
- Modern risk management methods at government level

Most interesting opportunities:

- Design flexible financial products
- Government contracts

Possible ways to confront these challenges

- Mobile new technologies
- Public Private Partnerships initiatives
- Data availability, research and products
- Comprehensive capacity development

Potential partners and cooperation schemes



- Development cooperation (experts and knowledge transfer)
- Insurance companies, reinsurance companies
- Stakeholders like disaster management institution and association of farmers, IT providers

What is needed to tackle the challenges (knowledge, expertise, financing, etc)

- Technology
- Capacity development (products, regulation at political level)
- Common understanding of the issue

Micro-insurance for adaptation to climate change of the rural sector is an innovative issue that implies a large risk for private investors. During a lively discussion at the workshop, the participants agreed that adaptation to climate change requires to work both at the political level and at the institutional level to achieve needed impacts and results. Therefore, cooperation between the private and public sector is necessary condition for success.

It became clear, that a concept for financial service has to take into account the given local or regional context and define precisely the target group of financial products. Distribution channels are a decisive factor for the success of financial products, so possible options how to reach the target group have to be carefully analyzed as well.

The presented concept for Central America is in an initial phase and has to be further developed. However, the proposal sparked interests in participants of the private sector.

b) Climate-friendly certification systems and access to carbon markets

Moderation: Kerstin Linne, GTZ

Technical Input: Lucio Pedroni - Carbon Decisions and Marco Lange - Stop Climate Change
 Lucio Pedroni from CarbonDecisions gave a comprehensive overview on possibilities and limits for agricultural projects on the carbon markets. Agriculture is not eligible under the Clean Development Mechanism so far and therefore the sector is challenged with a lack of suitable methodologies and an insufficient regulatory framework.

Marco Lange from AGRA-TEG GmbH presented the certification system “Stop Climate Change” aiming at climate protection. This certification scheme has four main pillars:

1. Analyzing the emissions caused by a product or a company
2. Reducing these emissions where possible
3. Neutralizing emissions that cannot be reduced within own systems through buying further carbon credits generated by different carbon projects
4. Certification of a company or a product



The participants summarized the following results:

The three most pressing issues and challenges

- High transaction costs vs low volume
- Lack of methodologies / regulatory framework
- Lack of finance

Three most interesting opportunities

- Grouping project types (soil carbon + methane + renewable energy + energy efficiency)
- Regional financial schemes
- Using best practices for Mainstreaming
- Generation of carbon credits + their financial backflows need to be additional (co-benefits)

Three possible ways to confront these challenges

- Capacity building, think in an integrated way
- Clear communication and alignment of strategies across sectors/countries
- Choose value chain approach

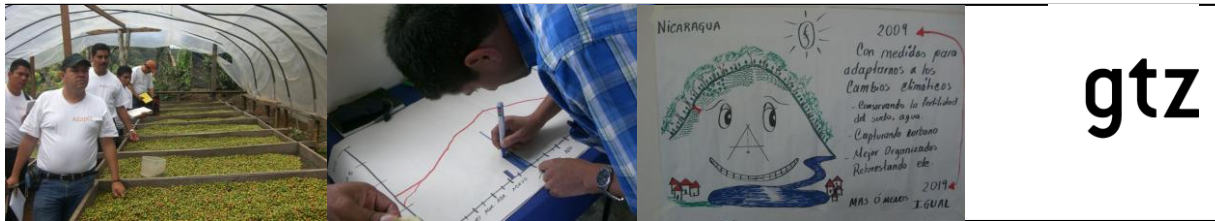
Potential partners and cooperation schemes

- All actors along the value chain
- Financing institutions (donors)
- Regionally based institutions

What is needed to tackle the challenges (knowledge, expertise, financing, etc)

- Finance
- Clear regulatory framework
- Instruments (methodologies, validation / verification)

There was a strong interest from the participants on both aspects: climate friendly certification schemes on the one hand and carbon credits generated through carbon projects on the other. It was stated that both approaches do not count with much practical experience in the agricultural sector and more research and testing are required. In order to tackle climate change in agriculture via both mechanisms all actors along the value chain need to be included, financing is a crucial aspect so that donors are needed and regional institutions should be included and regional capacities need to be build. In order to achieve this all participants agreed on the necessity of partnerships between the public and the private sector as well as civil society.



Potential follow-up meetings to discuss further project ideas especially in the coffee sector could be agreed.

Adaptation in agricultural production systems

Moderation: Kathleen Schepp, AdapCC/GTZ

Technical Input: Peter Läderach, CIAT

Peter Läderach from the International Centre for Tropical Agriculture (CIAT) presented the methodology to forecast climate impacts on crop production in selected regions and focused on climate impacts on coffee production in Latin America. As the suitability of current coffee growing regions will decrease dramatically diversification strategies and technical adaptation measures are highly recommendable.

The participants summarized the following results:

The three most pressing issues and challenges:

- Lack of information and data
- Lack of awareness – breaking down the effects of climate change to a specific context
- Need for critical mass of industry participation and linkage between national / international policies and implementation on the ground

Three most interesting opportunities:

- Competitive advantages if we have limited amount of high quality coffee
- Combination of climate change and agriculture leads to new funds available

Three possible ways to confront these challenges / What is needed to tackle the challenges:

- Institutional capacity building
- Integration of climate change aspects into strategic planning at all levels / interdisciplinary work
- Public and private investments

Potential partners and cooperation schemes:

- Strategic alliances between public, civil society and private sector / bottom up linked to umbrella institutions and joint national policy advice
- Public-private partnerships / cooperation among different commodity actors (agriculture and forestry)
- Retailer participation to address climate change in coffee sector

As a good half of the participants were interested in adaptation in coffee sector and the other half in agricultural adaptation measures in general for group work we divided the participants



into two groups: coffee and no-coffee adaptation. The high interest in adaptation and mitigation especially in the coffee sector represents the strong need and high demand for coping strategies to reduce negative climate effects on coffee production, but also to use climate change potential and new opportunities. Follow up meetings for further project planning could be arranged. All participants agreed that trans-sectoral approaches and partnerships between public, private and civil society are needed to tackle the challenges.

c) Climate change strategies for businesses

Moderation: Alexander Fröde, Division Environment and Climate / GTZ

Technical Input: Katrin Gothmann, Division Environment and Climate / GTZ

Kathrin Gothmann presented the results of a research on the need and possible outlines of adaptation strategies for businesses.

The participants summarized the following results:

Which experiences exist on strategies for adaptation of businesses to CC in a development context ?

- Examples of companies that changed their production / business activities because of cc exist, but are limited
- Existence of a CC strategy does not correlate with risk exposure
- Motivation for enterprises: ethical interest, compliance with regulations, reduction of supply risks, use of opportunities (oil companies invest in RE), reputation
- Most companies focus on emissions → adaptation focus is rather new development in corporate cc strategies

Where are common interests from a corporate and a development perspective?

- Future Economic development in partner countries depends on cc adaptation of all relevant sectors
- Sustainability of business guarantees income and jobs
- Need to address possible consequences of cc in programmes focusing on sustainable economic development
- Long term thinking is necessary in businesses and cc adaptation, but is often not taken into account in short- to medium-term planning

Which are concrete future cooperation possibilities?

- Integrate cc aspects in advisory services to SME
- Support up scaling of good practices



- OR: Scaling down: start with big company and create good example for smaller companies (strategic alliances)
- Improve technologies, make them accessible, GTZ to serve as a problem solver and catalyzer (multi-level approach)
- Use and adapt training for strategies developed by InWEnt (piloted in India)

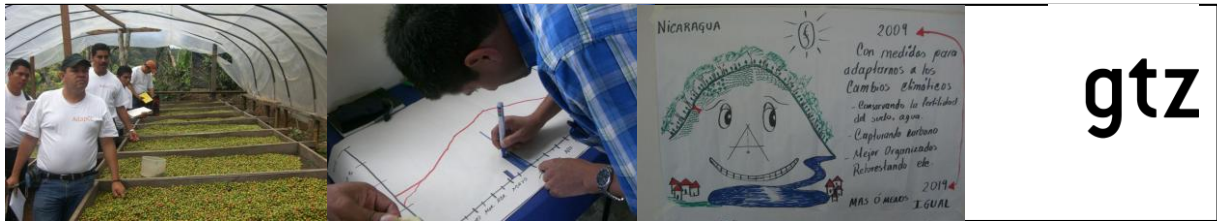
The debate focused on options for development cooperation to support adaptation of businesses to climate change. It became clear that there is a considerable potential in pursuing a multi-level approach, i. e. to support small- and medium-level-enterprises in the context of ongoing programmes to adapt their activities to Climate change as well as to work with bigger companies and to scale down. Methodological experiences of GTZ with adaptation strategies and support to economic development can successfully be interconnected in this field, on the base of a successful understanding of roles.

16:20 – 17:10 Closing session: Carsten Schmitz-Hoffmann, Head of Program Office for Social and Ecological Standards / GTZ

Mr Schmitz-Hoffmann closes the expert meeting connecting the discussion to a general debate concerning the global responsibility in the prevention and handling of climate change. Therefore he cites Sir Nicholas Stern author of 'The Global Deal' who concludes that "we have to anticipate the catastrophe to avoid it" and that therefore the global community has "to act together to create a global deal".

In this context the green house gas emissions can be described as a big market failure the correction of which requires public and private action. The handling of industry, infrastructure, but as well forest and agriculture is a very important factor determining if climate change can be kept manageable. Mr. Schmitz-Hoffmann emphasizes that agriculture as the major source of income for many developing countries is one of the most effected sectors of climate change. Therefore he underlines the importance of adaptation as a field in which, due to rising costs, immediate action is required. Two great problems do overlap here which are inextricably linked: poverty and climate change. This is why development and climate change policies have to go together.

Major problems constraining development in these issues are high credit default rates, growing debts and therefore increasing risks. Investment costs are high which increases the vulnerability of the implementation of mitigation and adaptation activities in developing countries. This demonstrates the need for new effective lending instruments and risk management schemes to secure agriculture.



Mr. Schmitz-Hoffmann underlines that relevant action combating climate change and its consequences is a question of policy architecture. The public sector is not responsible to provide all resources; a great part has to result from private investments. This underlines the high relevance of the discussions during the Expert Meeting that brought together relevant actors from public, private and civil organizations.

The role of GTZ in this scenario is that of a broker, knowledge manager and multiplier to leverage empowerment and capacity development. PPP can be seen as a very suitable instrument to combine these public and private forces.

Eschborn, 30th October 2009, Karen Corrales, Sophie Grunze, Dorothea Netz