

Action Alert

MSME International Day: What Sustainable Way Forward for EAC Agro-Food MSMEs?

Agro-food micro, small and medium enterprises (MSMEs) in the East African Community (EAC) face the adverse consequences of climate change and at the same time may negatively impact the environment. As environmental challenges have been thoroughly addressed in the Sustainable Development Goals (SDGs), their achievement could bring substantial benefits to MSMEs who can also contribute towards their success. However, environmental constraints that MSMEs face in attaining some of these goals need to be addressed and can be resolved with the coherent support of governments, development partners, and larger public private partnerships.

Connections Between MSMEs' Business Development and the Environment

There is a closed feedback loop between agro-food MSMEs and environmental degradation where the MSMEs are suffering because of and while may also be contributing to climate change. Of course, they are not

the main contributors to the current state of the environment which negatively impacts them, but by mitigating their contributions to climate change, they could potentially increase output quantity and quality in the long run.

Raw materials, upon which SMEs heavily depend as inputs, are susceptible to climate change which makes the outputs' quantity and quality of agro-food MSMEs unpredictable, causing uncertainty in the market, the business development, and can ultimately lead to job loss and negatively impacting the communities in the region.

But, MSMEs in the EAC can also face an uncertainty in the quantity and quality of outputs because of their inadequate exploitation of natural resources which decreases the amount of raw materials available for agro-processing and contributes to environmental degradation. This can also be the result of natural disasters which cause infrastructure destruction, energy shortages, and transportation disruptions. Increased agricultural production on the part of

D&M GROUP INTERNATIONAL LIMITED IN UGANDA: VULNERABLE TO CLIMATE CHANGE

According to the funder of this Ugandan agro-food MSME, the company is not protected from unpredictable climate changes, such as bad weather conditions, which can have negative impacts on their quality. Some of these impacts include: aflatoxin contamination, an unguaranteed supply of raw materials, and a fluctuation in capsaicin levels. Since their agricultural supply is unreliable, because of climate change, their production standards are uncertain, which can lead to lack of business development and trade opportunities, and more concretely loss of jobs.

Quick Facts

» Agriculture accounts for 32% of the GDP of East and Southern Africa, and employs 80% of its labour force.

» The EAC Climate Change Policy specifically mentions agriculture. The goal of the climate-smart agriculture section is to bring benefits to 1.2 million small scale farmers through climate-smart agricultural practices that sustainably increase agricultural production.

» Development of sustainable energy can benefit SMEs in the EAC. A geothermal plant in Kenya already provides electricity for 300,000 Small and Medium Enterprises.

MSMEs can lead to water, air and soil pollution. These harmful effects can also be exacerbated through the use of pesticides which is sometimes subsidized by corporations. The use of some industrial processes by MSMEs may also contribute to environmental pollution.

The Sustainable Development Goals and Agro-Food MSMEs: What Nexus for the Environment?

We have identified four (4) SDGs which MSMEs can both contribute to and benefit from in the sustainable development of their agro-food business.

In terms of SDG 13 (take urgent action to combat climate change), MSMEs can add sensitization about the impacts of climate change on trade and agro-industry to their employee training. This will help lead to the achievement of the SDG which could increase the quality and quantity of outputs from MSMEs and lead to higher profits and more jobs.

MSMEs can contribute to SDG 12 (ensure sustainable consumption and production patterns) by engaging in different production and trade methods, such as implementing the aforementioned sensitization training. Achieving this SDG will enable MSMEs to decrease their contribution to environmental degradation, which would ultimately increase the availability of raw materials and thus the quality and quantity of their outputs.

They can shift towards organic production and technological development (such as drip irrigation) to contribute to SDG 6 (ensure access to clean water and sanitation for all) and SDG 7 (ensure access to affordable, reliable and sustainable modern energy for all). Achieving #7 will lead to the same benefits as achieving #12. The attainment of #6 can lead to the eradication of water pollution which can increase the availability of raw materials and thus the quantity and quality of their final tradeable outputs.

CONNECTIONS BETWEEN SDG 7 AND UGANDAN MSMEs

For MSMEs in Uganda, increased agro-industrial activities lead to increased energy demands (usually from fossil fuels) to transport products which intensifies the emissions tied to one product (such as pollution and land degradation). Reaching SDG 7 would allow D&M Group, as well as other agro-food MSMEs in the EAC, to continue increasing its agro-industrial activities without contributing to air pollution and with lower operational costs and better predictability.

Building Bridges for Sustainable Futures in MSMEs

Overall, MSMEs need governmental and financial support to grow their business in a sustainable way, protecting their environment and being resilient to climate change. This funding could come from development partners, governments/public institutions, the private sector (as part of their Corporate Social Responsibility, or from bigger firms looking at including MSMEs in their value chain), or even a combination of all these.

In fact, EAC agro-food MSMEs need governmental support measures to facilitate their business development in the country (i.e. financial/banking, legal, information on market/export opportunities, etc. as well as government-facilitated infrastructure for accessing water and renewable energy. The implementation of the Nationally Determined Contributions to the United Nations Framework Convention on Climate Change, as well as the financing of sustainable infrastructure projects could be an opportunity to provide such support to MSMEs.

MSMEs also need support from non-profit institutions through which agro-food entrepreneurs can develop/share their ideas and receive technical/on-demand training on sustainable business development, available support to face climate change, etc. Civil Society Organizations (CSOs) could also work as facilitator between MSMEs and their governments, representatives in climate & trade negotiations, to make sure their needs and realities are coherently reflected in such fora and that they ultimately receive the relevant support from those national and international public institutions. They can also provide support through advocacy work, networking, and research. Their advocacy could be to help governments translate MSMEs' needs into a more policy-oriented language, in order to facilitate the implementation of the aforementioned measures and infrastructure.

The creation of public-private partnerships or even tripartite partnerships between MSMEs, NGOs and government stakeholders, could be critical in achieving some of the SDGs in the sub-region. Development partners have a key role in all the above endeavours by providing adequate, sufficient and need-based financial and technological support.