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Engaging the private sector in climate action

Lessons learned from the implementation of the SCALA programme

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1. Introduction

The **"Scaling up Climate Ambition on Land Use and Agriculture through Nationally Determined Contributions and National Adaptation Plans" (SCALA) programme** supports countries in Africa, Asia and Latin America to translate their national climate plans into transformative actions in the land-use and agriculture sectors. It is co-led by the Food and Agriculture Organization of the United Nations (FAO) and United Nations Development Programme (UNDP) with the generous support of the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV) through the International Climate Initiative (IKI).

One of the key objectives of the SCALA programme is to increase the engagement of the private sector in climate action in land-use and agriculture sectors. The private sector can be instrumental in helping implement the priorities countries have set in their nationally determined contributions (NDCs) and National Adaptation Plans (NAPs) by investing in climate-smart solutions in land use and agriculture and as a source of expertise, networks and innovation.

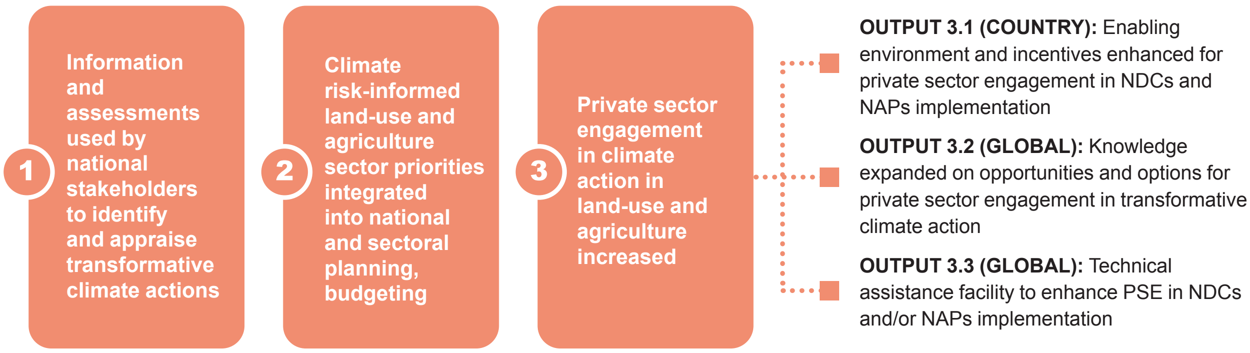
Guided by the SCALA private sector engagement (PSE) strategy, the SCALA programme actively engages with national and international private sector stakeholders to explore how they can participate in climate action. The support provided to 12 programme countries includes identifying obstacles that prevent businesses from getting involved in climate action, identifying entry points for private sector engagement, and co-designing concepts and creating solutions to address climate change, which also minimize risks for businesses. In addition, the SCALA Private Sector Engagement Facility (PSEF) provides targeted technical support to an additional eleven countries through various tools and expertise to catalyse the private sector in delivering climate solutions.

Based on SCALA's experience in 23 countries, including affiliate countries in SCALA's Private Sector Engagement (PSE) Facility, this brief examines the main challenges faced in private sector engagement in climate action, how SCALA is addressing them, and lessons learned that can be used to devise strategies to further strengthen efforts to mobilize private sector engagement for climate change adaptation and mitigation in land-use and agriculture sectors.

2. SCALA's approach to private sector engagement

The lessons learned shared in this brief are drawn from the implementation of SCALA since 2020, which is guided by the SCALA PSE strategy. This strategy outlines how SCALA can engage the private sector in achieving climate goals by including them in identifying, assessing, and implementing climate actions outlined in NDCs and NAPs. SCALA achieves this through multistakeholder engagement and collaboration between the public and private sector stakeholders, strengthening the evidence base that shows how businesses can benefit from climate action and removing investment barriers and risks for businesses through public de-risking instruments which includes incentivizing technology adoption, providing blended finance solutions, and implementing supportive regulatory reforms.

Figure 1. SCALA programme outcomes



Source: **FAO and UNDP.** 2022. *SCALA Private Sector Engagement Strategy. Scaling up Climate Ambition on Land Use and Agriculture (SCALA)*. https://openknowledge.fao.org/server/api/core/bitstreams/9ff56cbb-a587-449e-a0d4-b174a6d1131f/content

As a programme designed to address the barriers to climate action in agrifood systems, SCALA addresses information and governance issues, in addition to private sector engagement. One pillar of the programme focuses on engaging the private sector and mobilizing resources for climate action. The overarching target for each country is to establish strong partnerships between the government and the private sector to implement transformative climate action in agriculture, forestry, and other land-use sectors. To achieve this, each country aims to develop a plan to reduce barriers and risks for businesses involved in climate action and design projects that attract and increase private sector investment. On a global level, the programme continues to develop and share guidance materials and technical knowledge to encourage greater private sector involvement in climate action.

To amplify the programme's impact, SCALA addresses private sector engagement as both a targeted issue and a cross-cutting issue across all its activities. While countries supported by SCALA focus on specific activities for private sector engagement, PSE is integrated across all programme outcomes. For instance, private sector partners are engaged in conducting systems-level assessments (SLAs), implementing the

[Climate Action Review (CAR) Tool](), and advancing planning and governance efforts to identify, appraise and implement transformative actions proposed in NDCs/NAPs. Results from the SLAs provide useful information on ways to engage the private sector, and programme activities focus on promoting inclusive processes and multistakeholder collaboration to include the private sector.

Figure 2. Private sector actors, barriers, and engagement modalities in the SCALA programme

Private sector actors

- **National private sector actors within the NDC-prioritized value chains/commodities.**
- **Global private sector actors that have supply chains in SCALA countries.**

Barriers and risks to private sector engagement

- **Limited involvement of the private sector in the planning processes of NDCs and NAPs.** Lack of institutional frameworks for engaging multiple stakeholders and a perceived gap between public climate goals and private sector priorities. The resulting information gap limits the ability of businesses to integrate recommended climate actions into their operations.

- **Lack of accessible and understandable climate risk information.** Smallholder farmers and micro, small and medium-sized enterprises (MSMEs) often lack access to clear and understandable climate risk information, which limits their ability to factor climate risks into their business decisions. Limited climate information systems in some countries also hinder investments in climate risk management from larger companies.

- **Risks and insufficient commercial incentive.** Climate-related investments in agriculture often involve high upfront costs, extended payback periods, and significant financial uncertainties, deterring agribusinesses and financial institutions. MSMEs are more vulnerable to climate shocks and face particular challenges accessing finance for climate resilience, including limited collateral, credit history, and awareness of suitable financial products.

- **Lack of pipeline for marketable projects among NDC and NAP priorities.** Scalable and bankable opportunities with adequate risk-adjusted returns for their investment are not readily available for the private sector. The problem is a lack of identifiable, actionable interventions that offer viable investment prospects to businesses.

Modalities to engage with private sector

- **NDCs and NAPs opportunity mapping and outreach.**
- **Facilitate multistakeholder engagement.**
- **Assess risks and business opportunities.**
- **De-risk and enable private investments.**

Source: Authors' elaboration.

3. Challenges and lessons learned

Challenge 1. Difficulty in leveraging NDCs and NAPs as entry points and identifying a compelling business case for private sector engagement

SCALA aims to identify concrete investment opportunities for the private sector by analysing the priorities outlined in NDCs and NAPs. However, many national climate plans do not clearly identify feasible investment opportunities that are attractive to private businesses. In addition, many global and national private sector actors are unaware of NDCs and NAPs, or perceive them only as strategic documents, rather than as entry points for catalysing private investment. For example, large agrifood companies often focus on net zero commitments of their host countries and science-based targets as the main drivers for their climate actions.

Moreover, governments and the private sector often have different priorities when implementing NDCs and NAPs. Governments may focus on staple foods, while private businesses may prioritize high-value cash crops. For example, private companies engaged in high value cash crops and commodities, such as cocoa and coffee, have higher cash flows and greater export potential. This financial advantage enables them to invest more readily in climate-smart practices. In contrast, producers of low-value staple crops often face thin profit margins and limited market reach. This financial constraint, along with existing challenges such as low yields, inadequate income, and poor livelihoods makes climate action seem like an added financial burden. For instance, while the Government of **Senegal** prioritizes organic practices in its NDC, the private sector struggles to adopt them due to high costs and existing subsidies that favour conventional methods of farming.

How the SCALA programme is addressing this challenge

- Several SCALA country teams are conducting value chain scoping studies to identify the most promising value chains for private sector engagement and investment contributing to NDC goals.
- In **Uganda**, SCALA is analysing integrated systems instead of focusing solely on individual commodities like cassava. By using this approach of examining the integrated systems for cattle, cassava and cocoa, SCALA combines high value-added products with staples, thus aligning private sector interests with national priorities.
- SCALA country teams are analysing the investment potential of agrifood priorities identified in the SLA and CAR reviews, particularly in countries where NDCs and NAPs lack clear guidance for private sector engagement. For example, in **Côte d'Ivoire**, SCALA is designing investment ideas for the cashew value chain, which include measures to implement the country's NDC priorities, such as reducing deforestation and preventing forest area loss. Financial analyses are being done to assess the bankability of these ideas. In **Egypt**, analyses are being conducted for investments in dairy farming, a priority sector for the country. This includes examining barriers, de-risking solutions and cost–benefit analysis to evaluate the feasibility of these measures in consultation with private sector actors.
- In all SCALA countries, the programme collaborates with national and global business associations and networks to ensure transparency and impartiality in private sector activities, raise awareness among key

agrifood stakeholders, promote the prioritization of adaptation practices within corporate agendas, and foster knowledge sharing within industry networks. Additionally, these collaborations enhance the programme's visibility across the sector. In **Colombia**, SCALA partners with the Potato Trade Association (FEDEPAPA) to promote community-led adaptation and biodiversity practices implemented by native potato farmers in the Moorland regions, expanding these efforts across FEDEPAPA's nationwide membership. In addition, knowledge exchanges between the Costa Rican Livestock Federation and the Colombia Federation for Cattle Ranchers promote sharing of best practices on governance and organization of livestock production systems and showcase a deforestation-free beef certification implemented under SCALA **Costa Rica**.

- SCALA collaborated with the World Business Council for Sustainable Development to organize dialogues between private sector actors and government representatives on collaborative efforts to align company actions with the NDCs in countries where they source their raw materials and supply their products. Notably, this collaboration included partnering to host a side event at the Conference of the parties (COP) 27 on 'Accelerating the Transition to Resilient Food Systems'.
- To address the lack of awareness among agrifood companies about NDCs and NAPs, SCALA is developing a Climate Resilience Net Zero Guide to help global agrifood companies align their supply chain commitments with the NDCs and NAPs of developing countries. This guide will help agrifood companies understand the business case and benefits of aligning with NDCs. For example, by meeting the expectations of the European Union supply chain legislation and the United Nations Framework Convention on Climate Change (UNFCCC) accountability framework, companies can improve the integrity of their supply chain commitments and achieve their net zero goals.

Lessons learned

- It is crucial to raise awareness among both government stakeholders and the private sector about the important role of public–private collaboration in implementing NDC and NAP priorities. Supporting governments in creating an enabling environment for private sector businesses by introducing de-risking strategies and financial incentives to stimulate investment and strengthen private sector involvement is paramount for this engagement to happen.
- Private sector involvement in planning stages of a country's climate plans can be a strong incentive for them to implement climate action activities in the agrifood sector. It is important to facilitate collaboration through multistakeholder platforms, to enable public–private partnerships and to ensure that the private sector can be involved in the earliest stages of formulating the NDCs and NAPs. This approach ensures that private sector perspectives, priorities and expertise are incorporated into climate plans, thus enabling and encouraging private sector participation in both planning and implementation.
- Given the relatively early stage for private sector engagement in climate initiatives in most developing countries, it is essential to identify key commodities based on the countries' NDCs and NAPs and engage with companies that champion climate action by focusing on specific sectors and leading businesses.

Challenge 2. Limited understanding of climate adaptation solutions and expertise on adaptation among the private sector in some countries

Without sufficient understanding of how climate change impacts their business, companies often mis-categorize their regular sustainability efforts as adaptation and mitigation initiatives. This misunderstanding prevents the private sector from pursuing meaningful adaptation initiatives. As a result, there is a lack of genuine adaptation initiatives from the private sector. For example, consultations with companies show that they often tend to categorize yield improvement practices as adaptation practices.

Additionally, in the absence of knowledge on what a climate intervention is, companies tend to deploy short-term coping strategies. For example, a company may install shelters for cows and implement water management practices, which are beneficial, however a more comprehensive and effective approach would be to complement these with transitioning to the production of different commodities like cashew, and rice. Such initiatives can help with making a gradual shift to a long-term system change.

Climate impacts occur at all stages of the agricultural supply chain, from production to transportation to replace the word producers with storage, processing, and retail as well as at the aggregation level. Private companies and farmers often lack the knowledge and expertise to manage climate risks and reduce climate-related losses due to lack of sufficient knowledge and capacity at these levels.

In addition to the limited understanding of effective adaptation solutions, the private sector in some SCALA countries has been struggling to adopt, maintain and expand adaptation practices due to insufficient on-farm technical expertise. Private sector actors, particularly micro, small and medium-sized enterprises (MSMEs) in developing countries, often face significant challenges in ensuring that farmers properly deploy, operate, and maintain technologies for managing climate risks. For example, challenges in operating milk cooling centres in **Egypt**, biogas plants in **Thailand**, and cassava processing and drying in **Uganda** highlight the technical difficulties faced in implementing measures for managing climate risks.

How the SCALA programme is addressing this challenge

- SCALA country teams are conducting surveys and dialogues with the private sector to understand their knowledge of climate change. These dialogues aim to enhance private sector companies' understanding of climate impacts and adaptation investments, while guiding them to differentiate between business-as-usual measures and genuine climate adaptation actions and raise their awareness on existing climate policies with the goal of aligning their efforts with NDCs and NAPs. In some countries, capacity-building activities specifically target the private sector (cooperatives, MSMEs or local financing institutions) to disseminate findings on business relevance of investing in adaptation to boost their engagement.
- SCALA is translating various studies into accessible information materials to inform and engage private sector actors on climate action. Five priority actions identified through the SLA in **Uganda**, and results from a value chain analysis in **Ethiopia**, were packaged and shared with private sector actors to highlight adaptation and mitigation priorities.
- SCALA is developing project ideas that will involve cooperatives and aggregators as key actors in building capacity on adaptation practices among farmers. Such initiatives are being implemented in **Egypt**, **Uganda** and **Côte d'Ivoire**.

- In **Costa Rica**, SCALA works jointly with the Ministry of Agriculture's extension services and the private sector to enhance knowledge transfer on feeding practices, emission-reduction technologies and systems for quantifying greenhouse gas emissions in support of NDC/NAP implementation.
- The SCALA global team has developed a guidance series to build the capacity of policymakers and planners to engage the private sector in climate action initiatives. The guidance was accompanied by online training sessions for development practitioners, decision makers and technical personnel in developing countries to build capacity on private sector engagement in climate action on topics such as activity sequencing, outreach, engagement strategies, value chain analysis, de-risking, and concept note development.

Lessons learned

- Businesses often lack access to reliable information on climate risks, adaptation strategies, and best practices. This includes the need for clear evidence on the benefits of incorporating climate action into business activities, such as through value chain assessments and identification of high-return, profitable activities.
- Information must be translated into accessible formats tailored to the specific stakeholder, considering language, culture, literacy, and education levels. This is particularly crucial for farmers and grassroots stakeholders. A key aspect is clarifying the distinction between sustainability measures and climate adaptation to enable effective planning.
- Training and capacity building on the technical aspects of climate interventions are essential at all levels of the agricultural value chain, for all stakeholders. This includes strengthening technical capacity at both the production and aggregation levels for effective implementation.
- Collaborating with governments is an essential foundation to create an enabling environment through supportive policies, subsidies, and access to appropriate technologies for farmers and private sector stakeholders.
- Conducting a cost analysis of NDC and NAP priorities can identify actionable, investable interventions that offer the private sector scalable, bankable opportunities with adequate risk-adjusted returns.

Challenge 3. Reluctance among private sector actors to adopt climate-smart practices due to lack of clear regulatory, fiscal and financial incentives, insufficient guarantees of return on investment and difficulties in accessing finance

National private sector companies are often hesitant to adopt climate adaptation and mitigation measures due to lack of clear financial benefits. MSMEs and farmers face difficulty in accessing the necessary funding for climate-resilient practices due to lack of sufficient collateral, limited credit history, and uncertainty about how the investment will impact their agricultural output and income. For instance, SCALA surveys in **Uganda** and **Egypt** revealed that while businesses identified numerous opportunities, a major obstacle was lack of accessible finance with attractive terms.

Development banks often prioritize smaller loans for low-value commodities based on a perception that higher-value commodities inherently involve lower transaction costs and risks for lenders, potentially limiting overall support for the agriculture sector. While microfinance institutions often play a vital role as the primary source of funding for small-scale investments for small businesses, they typically offer loans with higher interest rates and those with short maturity duration, compared to those provided by development or commercial banks to larger investors. Furthermore, some Green Climate Fund accredited banks in SCALA countries prioritize sectors such as transport and energy within their green lending portfolios, potentially overlooking the critical role of the agrifood sector.

How the SCALA programme is addressing this challenge

- SCALA is helping countries establish standards to foster sustainable agricultural production to meet their climate commitments. By developing a business case for adaptation measures, SCALA encourages businesses to shift towards climate-smart practices. It is also generating evidence to demonstrate that financial incentives can encourage sustainable farming practices and that adaptation interventions can be profitable investments that will make it easier for businesses to access finance for climate-resilient practices and projects.
- In **Costa Rica**, SCALA is piloting a certification scheme for deforestation-free beef production. This pilot project is being implemented on 15 farms and aims to create a scalable model that can be replicated across other regions. In addition, a market study has been conducted to assess the national market potential of sustainable beef that highlights the economic benefits of climate-smart practices. In **Côte d'Ivoire**, the programme is focusing on identifying adaptation practices within the cashew and cassava value chains that offer attractive financial returns. By demonstrating the business case for these adaptations to value chain stakeholders, SCALA aims to reduce perceived risks and encourage greater adoption of climate-resilient practices, thus facilitating a shift for businesses towards these opportunities and simplified access to financing services. Beyond financial returns, the programme seeks partnership with commodity brokers interested in promoting higher environmental quality cashews, to expand the market for climate-resilient products. A market study is also exploring the interest of investors in an innovative financing mechanism, Vulnerability Reduction Credits (certificates representing the value of avoided climate-related damage), to generate additional resources for climate resilience investments. This study provides an opportunity to diversify funding sources for private (or public) stakeholders investing in adaptation-related activities.

- Under its PSE Facility, SCALA is conducting feasibility assessments, value chain studies and economic/financial analyses in several countries including **Belize, Djibouti, The Gambia, Grenada, Solomon Islands, Uzbekistan,** and **Zambia**. These studies aim to build a strong evidence base that will incentivize private sector investment in bankable adaptation interventions. By demonstrating profitability of climate-resilient interventions, these studies aim to enhance access to finance for businesses undertaking climate-resilient actions.
- SCALA supports farmers and small and medium-sized enterprises in accessing finance for climate-resilient technologies and equipment. In **Senegal**, SCALA is supporting specialized financial instruments that provide loan opportunities to farmers. It is collaborating with La Banque Agricole – a local private development bank and Direct Access Entity accredited by the Green Climate Fund – to increase farmers' access to tailored technical assistance packages and concessional loans specifically designed for climate investments. In **Egypt** and **Uganda**, SCALA is strengthening the capacity of aggregators and cooperatives, empowering these intermediaries to facilitate access to finance and improve the climate resilience of agricultural value chains.

Lessons learned

- Conducting evidence-based feasibility assessments, profitability analyses and market studies can demonstrate a business case for benefits of climate-smart practices which is crucial for driving private sector adoption and climate-smart investments. This includes highlighting financial returns and creating market demand through certification and standards. This evidence is essential for encouraging greater commitment from private companies and financial institutions to scale up adaptation measures.
- Tailored solutions need to be designed for addressing multiple barriers for various stakeholders in the value chain, such as insufficient collateral and lack of technical knowledge for successful climate adaptation.
- For investments with lower returns, public financing support, such as concessional finance or favorable tax policies, are necessary to engage the private sector in climate action while ensuring the sustainability of their businesses. Tailored financial products, such as low interest or affordable loans, and technical assistance, are essential for overcoming the financial barriers faced by farmers and SMEs. Strengthening intermediaries like aggregators, cooperatives, and local banks is key to reaching these groups and channeling finance effectively.

4. Conclusion

Implementing the SCALA PSE Strategy has provided the SCALA programme with valuable insights into key challenges in engaging with the private sector and ways to address them to find solutions that can help boost investments in climate-smart practices in the agriculture and land-use sectors. These challenges include difficulties in leveraging NDCs and NAPs as entry points for private investment, a limited understanding of climate adaptation solutions and technical expertise among some private sector actors, and reluctance to adopt climate-smart practices due to perceived financial risks and barriers to accessing finance. Lack of favourable regulatory and fiscal policies in countries poses an additional barrier to attracting investments from private companies for climate adaptation activities in the agricultural and land-use sectors.

The SCALA programme is addressing these challenges through a variety of targeted approaches. These include developing resources and guides to raise awareness of NDC and NAP priorities and opportunities, conducting value chain scoping studies to identify promising investment areas, facilitating multistakeholder engagement platforms, and providing capacity building and technical assistance on climate adaptation solutions. SCALA also prioritizes de-risking private investments through mechanisms like certification schemes and financial analyses, demonstrating the business case for climate-smart practices, and supporting access to tailored financial products for farmers and MSMEs. The programme's engagement with local banks and financial institutions is crucial for channeling concessional climate finance to those who need it most.

The lessons learned from SCALA's experience in private sector engagement highlight several key factors for engagement of the private sector in climate action. Raising awareness among all stakeholders on the added value of public–private sector collaboration can contribute significantly to the integration of the private sector in climate action. It is important to work with governments to create an enabling environment through de-risking strategies and financial incentives. Meaningful private sector involvement in the early planning stages of NDCs and NAPs is essential to ensure alignment of priorities and encourage private sector participation. Access to reliable information, tailored training, and capacity building on climate risks and adaptation solutions are essential for effective implementation of climate smart initiatives by private businesses. Demonstrating a clear business case, including financial returns and market demand, is critical for driving private sector adoption of climate-smart practices and attracting investment.

The SCALA programme's ongoing work provides valuable insights and best practices for engaging the private sector in climate action within the agriculture and land-use sectors. By continuing to address the identified challenges and applying the lessons learned, SCALA can contribute significantly to achieving national climate goals and building a more sustainable future. The programme's experience also offers solutions to other countries seeking to effectively mobilize private sector resources and expertise in the fight against climate change. SCALA will continue to take into account the diverse needs and motivations of private sector actors, while simultaneously creating an enabling environment that fosters collaboration and shared ownership of climate solutions.

The SCALA programme is funded by Germany's Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV) through the International Climate Initiative (IKI). Implemented since 2020, it provides in-depth support to 12 countries in Africa, Asia and Latin America: Argentina, Cambodia, Colombia, Costa Rica, Côte d'Ivoire, Egypt, Ethiopia, Mongolia, Nepal, Senegal, Thailand and Uganda.

SCALA specifically helps countries turn their climate action plans – nationally determined contributions (NDCs) and/or National Adaptation Plans (NAPs) – into practical and actionable solutions. The programme focuses on helping countries to adapt and become more resilient to the impacts of climate change, such as droughts or floods. It also aims to lower the amount of greenhouse gases released from the agriculture and land-use sectors and supports actions that absorb greenhouse gases from the atmosphere. This involves working with multiple stakeholders, including farmers, businesses, and government agencies. A core objective of SCALA is to encourage and engage the private sector to contribute to climate solutions that align with countries' NDCs and NAPs in the agriculture and land-use sectors.

Apart from providing private sector engagement support to its 12 programme countries, SCALA also provides assistance to non programme countries that include Belize, Djibouti, Equatorial Guinea, The Gambia, Grenada, Maldives, Sao Tome and Principe, Solomon Islands, Somalia, Uzbekistan and Zambia through the SCALA Private Sector Engagement Facility to catalyse the private sector in delivering climate solutions.

Food and Agriculture Organization of the United Nations
www.fao.org/in-action/scala/en

United Nations Development Programme
www.adaptation-undp.org/scala

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