

Understanding the need for climate adaptation of small and medium enterprises in Kenya and Uganda

Doreen Akeeh runs a bakery in Kampala. She fears a fire outbreak might happen at anytime. This is why she is part of Uganda Red Cross' efforts to work with small and medium enterprises to prepare for disasters.



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Extreme weather threatens businesses worldwide, but there is relatively little understanding of climate risks to small and medium enterprises (SMEs) in Africa, where they contribute on average more than 60 per cent of all employment and half GDP.¹

In Kenya and Uganda, for example, the focus of this study, SMEs employ approximately 80 and 90 per cent of the workforce respectively, and contribute close to 45 per cent of Kenya's GDP.^{1,2} SMEs also play an important role in community recovery from disaster. A 2013 study by the United Nations Development Programme notes that micro, small and medium enterprises help to restore the economic fabric of communities in the wake of disasters.³

The study

It is against this background that the Uganda Red Cross Society and the International Center for Humanitarian Affairs in collaboration with the Red Cross Red Crescent Climate Centre and the Global Disaster Preparedness Center conducted consultations on the needs for climate adaptation of SMEs in eight urban areas of Kenya and Uganda.

These included eight focus group discussions, and 258 surveys and key informant interviews. The consultations gathered information on awareness of climate change, access to climate information, observed and anticipated impacts of climate on business operations, as well as actions to reduce potential impacts.

- 1 Muriithi, S. M. (2017). African Small and Medium Enterprises (SMEs) Contributions, Challenges and Solutions. *European Journal of Research and Reflection in Management Sciences*, 5(1).
- 2 The Republic of Uganda. (2015). *Uganda Micro, Small and Medium Enterprises (MSEPU) Policy*.
- 3 UNDP. (2013). *Small Businesses: Impact of Disasters and Building Resilience*. New York.

Awareness of climate change and its impacts

Results indicate 85 per cent of the 258 respondents were aware of climate change; most SME representatives saw it as taking the form of more unpredictable seasons and an increase in extreme-weather events.

Nearly 70 per cent of respondents felt they are already being impacted by climate change. The top five impacts cited were: disruption in the transportation of goods, fluctuations in the price and supply of raw materials, losses to customers reducing demand from them for products and services or changes in their preferences, and business premises being directly affected by disasters. They were expected to continue.

Floods and droughts were the most common natural disasters facing the SMEs surveyed, while fires and political instability were also widely cited.

Climate information

Sixty-five percent of respondents indicated they had accessed climate information such as seasonal forecasts and warnings about extreme-weather events; most trusted it.



Peter Musomba runs a warehouse in Kampala, Uganda. He has been trained by the Uganda Red Cross Society in business preparedness concepts.

Actions to reduce risk

Despite the high levels of awareness of climate and its impacts and their trust in forecast information, many SMEs surveyed are arguably not doing enough to prepare. Only 36 per cent of respondents reported acting to prepare for climate change, while another 29 per cent felt climate change would have an impact on them but they were not taking action to prepare. The remainder either did not feel they were at risk or were not sure.

Of those putting measures in place, the two most commonly cited were insurance and disaster preparedness. For those not taking action, the most commonly cited reasons were cost, not being sure what to do, and feeling they could not prepare for “acts of God”.

Enhancing the resilience of SMEs

The resilience of SMEs is critical to GDP; they are also essential for the recovery of communities after a disaster. So a concerted effort to enhance such resilience is called for, and some possible steps for SMEs, and their partners, are:

- Partnering with business alliances to develop training for managing climate risk and outreach materials on low-cost strategies.
- Planning for business continuity to minimize climate-related disaster losses and speed recovery.⁴
- Partnering with financial institutions to document the value of business continuity planning that is climate-smart, and developing incentive schemes such as discounted loans.⁵
- Generally promoting insurance against climate impacts,⁶ and partnering with insurance companies to incorporate the *forecast-based financing* model into preparedness.
- Developing strategies to mitigate risks to or fluctuations in the transportation of goods, the price and supply or price of raw materials, and customer preferences.

4 58 per cent of survey respondents indicated they do not have a business-continuity plan.

5 48 per cent indicated that had taken out a loan.

6 39 per cent indicated they do not have insurance coverage.