

The Coalition for Innovation, Circularity, and Entrepreneurship (CICE)
The Voice of SMEs for Green Climate Action
DRAFT

Background-Rationale: SME-led innovations as engines for change in the transition to sustainability

Global awareness of the urgency of tackling pollution, climate change and the destruction of nature is growing exponentially. However, today's policies and solutions do not match the scale of the planetary crisis. Equally, the large potential of the private sector in addressing the multiple crises resulting from existing unsustainable consumption and production patterns is increasingly recognised.

When addressing the multiple crises, the private sector has a crucial role to play. However, the focus is all too often only on large corporations which are frequently the centre of attention. A potential that is largely untapped are SMEs and their impact as drivers of innovations that secure local jobs, protect ecosystems and enhance local resilience.

With environmental pollution and over-exploitation of resources challenging their own existence, a large number of SMEs have been looking for innovative ways to keep their business alive. Many have developed innovative business ideas to address existing environmental and social challenges, recognising that environmental sustainability and inclusiveness itself is a viable business proposition. In doing so, they are solving local pollution problems, improving resource efficiency, creating jobs, and better managing local resources. While transformative and systemic change is needed, green and eco-inclusive enterprises deliver change that the Coalition aims to further enhance by combining innovation, circularity and entrepreneurship to push for impact at scale.

Based on SEED's 20-year experience and of other SMEs related initiatives, many SME-led resource efficient and nature positive innovations were identified, ready for replication and scale. However, scaling these innovations requires adequate **enabling conditions with supportive technical and financial resources as well as tailored non-financial support.**

“The Coalition”, Theory of Change

The Coalition will serve as a Voice of SMEs, while providing needed enabling services. It will move SMEs from the edge to the centre of attention of the global sustainability discourse and will enhance the capacities and finance-access for scale-ready SMEs fuelled by collective actions with value chain, policy-making and finance partners accelerating the transition to a low-carbon, circular and inclusive economy. In doing this, the Coalition will build on the existing groundwork of Coalition partners consisting of business associations, SME/industry networks, larger companies, governments and international organisations. The Coalition will focus its work mainly to **SME-led Resource Efficient, Decarbonising, Circular and Nature-positive Innovations (“Net-positive SMEs”)**.

The Coalition will **connect SME-led net-positive innovations with larger companies**, in the context of **sustainable and inclusive value chains**, and also **with policy makers and financiers**. It will:

1. **Build partnerships** among SMEs and between SMEs and larger companies, to boost demand and offers for the joint development of new solutions by research centres, large companies and SMEs, including peer advice.
2. **Collaborate with business associations and industry networks**, to further promote the role of SMEs in delivering net-positive solutions.
3. **Engage with policy makers, regional networks and international organisations** (such as the EU and the UN), to trigger more net-positive innovations and initiatives.
4. Induce and empower SMEs in digital transformation so as to enhance efficiency, access to tools, and ensure reach-out to larger number of SMEs, with linkages across LAC, Africa and Asia, and with networks in developed economies.

5. **Analyse progress of net-positive innovations and facilitate knowledge-sharing**, generating robust evidence to inform effective decision making.
6. **Leverage financing**, to demonstrate the results of net-positive innovations at scale.

“The Coalition”, Objectives

The **Coalition for Innovation, Circularity and Entrepreneurship/CICE** will:

1. **Support and Enable SMEs** in developing technological as well as systemic /strategic innovative solutions, and where possible in implementing them.
2. **Scale-up and Replicate, leveraging the work of SME-led** Resource Efficient, Decarbonising, Circular and Nature-positive Innovations (“Net-positive”) by connecting them with larger companies, policy makers and financiers.
3. **Provide a Global Voice of SMEs, catalysing global actions through collaborative** platforms, dedicated fora and active communication, while building next generation net-positive innovations to accelerate progress and synergies in the implementation of the 2030 Sustainable Development Agenda and the Paris Agreement goals.
4. **Enhance system-wide innovation, identifying ambitious transformative actions**, capitalising on **collective expertise and resources** of private and public stakeholders to accelerate implementation at scale, contributing to the effective delivery of the **SDGs**.

Multi-stakeholder Coalition (Indicative Partners)

The Coalition will combine the advantages and expertise of different actors and thereby amplify the impact of net-positive innovations globally, through development and deployment of innovations, circularity and entrepreneurship, facilitating enabling conditions and access to technologies and finance.

Indicative list of Partners:

- **SMEs deploying Resource Efficient, Low-Carbon, Circular and Nature-positive Innovations (“Net-positive”)**: from the SEED Network and partners’ networks providing support to SMEs.
- **Large companies / Corporates deploying decarbonising and circularity innovations**: Covestro, Unilever, Danone, Siemens, Cemex, BROAD/China, others.
- **Business-Industry Associations**: ICC, WBCSD, ASCAME, FIESP/SEBRAE/Brazil, CII/India, Federations of Enterprises and Entrepreneurs in EU.
- **Financial institutions** with mechanisms to support SMEs, such as AFD, KfW, ADB, AfDB.
- **Civil Society/Major Groups**: such as TERI, Hivos, ENDA, WWF, Consumers International, Conservation International, WGBC.
- **International Partners**: such as SEED, EC, UNEP, UNDP, IUCN, UNIDO, UNFCCC, GGGI; relevant programs-platforms: GO4SDGs, 10YFP/OPN, GGKP/I-GO, GABC.
- **National Policy Makers**: countries with dedicated SMEs policies, such as Germany, Sweden, Belgium, the Netherlands, South Africa, Ghana, Uganda, Indonesia, Brazil.

Some of these expected partners would join in the initial phase, while the number of partners will progressively increase with the evolution of the programme and actions..

Scale-up Activities of the Coalition

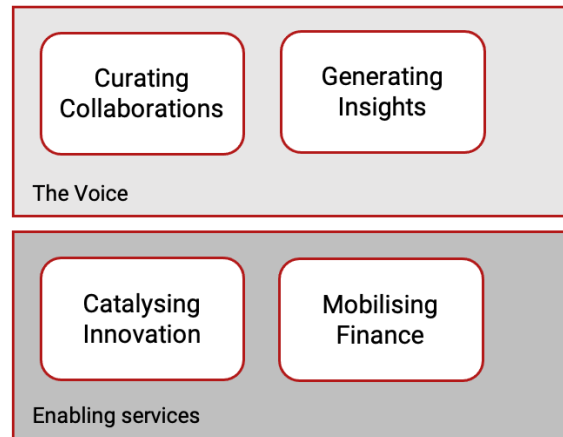
The Coalition will catalyse net-positive innovations along four scale-up work streams:

Curating public-private collaboration around net-positive innovations: To create systemic change, the Coalition will bring together net-positive innovations deployed by SMEs and larger companies connecting them with policymakers and markets to trigger collective action across countries and sectors, considering trade opportunities. Through multi-

stakeholder dialogues, at global, regional or national levels, the Coalition will activate global leaders ensuring that the on-the-ground delivery of actions will be recognised and simultaneously embedded in high-level policy processes.

Generating insights and action roadmaps for priority sectors, products and services:

The Coalition will identify action roadmaps per sectors, together with opportunities for technical know-how for innovation, access to finance / mobilising finance and developing an enabling policy environment. It will support the development and/or application of relevant toolkits. In addition to reviewing and communicating relevant existing studies, scoping studies, position papers and impact reports on net-positive innovations, the Coalition will demonstrate good practices, lessons and action roadmaps for leapfrogging, scaling up and replication.

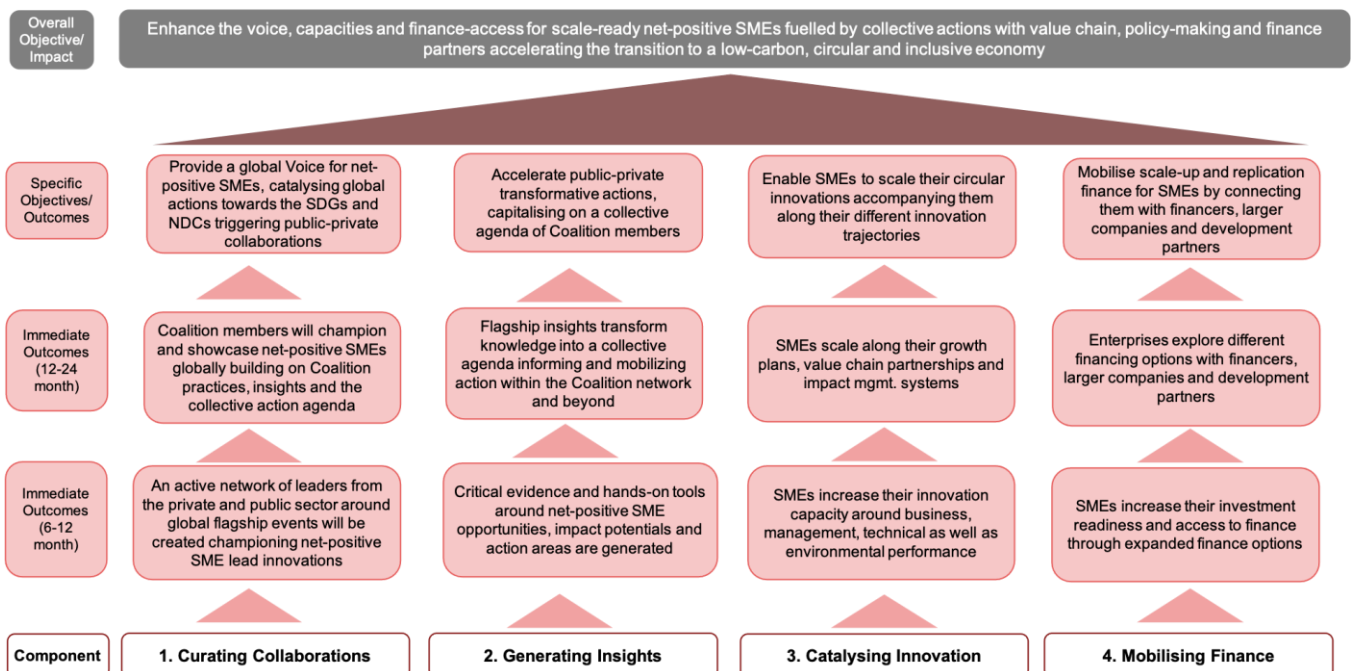


Catalysing Resource Efficient, Low-Carbon, Circular and Nature-positive Innovations (“Net-positive”):

The Coalition will provide technical assistance to net-positive innovations within the thematic areas and cross-cutting themes, functioning as an innovation catalyst. It will gather and connect key actors and leaders who are committed to identify innovative solutions accessible to SMEs and scaling up of existing innovations developed by SMEs. It will facilitate the scaling up and/or replication of such innovations by facilitating connections among SMEs, supporting and coordinating action between SMEs and larger corporates to build cooperation and develop joint strategic partnerships, joint ventures or value chain collaborations.

Mobilising finance for high-potential net-positive innovations: The Coalition, supported by members with the right resources, will connect game-changing net-positive innovations to scale-up their expansion. The Coalition will provide support to access financing by organising regional and national policy and finance labs which will catalyse the scale-up of net-positive innovations. It will provide facilitation support by leveraging the linkages, networks and recognition of its members.

Project Theory of Change Visual



Target group

SMEs are the main target group as the Coalition aims to bring the realistic on-the-ground perspectives of SMEs to the centre of transformative policy development, public-private partnerships, and sustainable value chain initiatives; to do this more efficiently and at scale, **larger companies** deploying net-positive innovations, **business-industry associations**, **national and local policy makers** will also be active partners and mutual beneficiaries.

The Coalition will start with selected members and will grow over time adding members and funding partners to the overall architecture; it will build first on countries where the Coalition partners have a strong network or presence, **leading by example for further scaling-up**; the Coalition will have a regional approach and/or focus on selected countries.

Key thematic areas of the Coalition

The Coalition will focus its thematic work on internationally recognised **priority sectors/clusters** and approach them from the **SME, innovation, circularity and entrepreneurship perspective**: 1. **Construction and Housing**, 2. **Agri-Food** (chains/systems), 3. **Fashion** (textile-apparel systems), 4. **Waste-Plastic**, 5. **Green Energy**. These thematic areas will guide the overall work of The Coalition while including the topics of Responsible **Consumption and Production** patterns, **Green and Circular Economy**, **Green Value Chains**, **Employment/Job Creations**, **Digital Transformation** and **Green/Sustainable Public Procurement** as **cross-cutting issues** across the five thematic areas.

A phased approach to address those sectors and cross-cutting issues will be adopted, exploring quick wins by engaging with initiatives that are already active in those sectors / themes and capitalise on these, while also building on the innovative actions of SMEs in SEED's and other networks.

Structure and Governance:

Hosted by SEED, in close collaboration with UNEP, GO4SDGs, the 10YFP/OPN and GGKP/I-GO programmes, the "Coalition" will have a small Secretariat together with experts from partner organisations. Learning from other international initiatives, the Coalition would be governed by a Steering Committee of about 15 members. The specific thematic areas will be built around the work of SMEs, aiming at promoting relevant collaborations, generating insights, catalysing innovations and elucidating financing mechanisms.

Timeline

Scoping: Jan-Jun 2022

Coalition Project implementation period: Jul 2022 – Dec 2026, hopefully extended to cover at least a decade, until Dec 2031;

Indicative expected budget: EUR 10-12 million by multiple donors, for the first 5 years.

Next Steps

1. **Advocate for and follow up with potential partners for this Coalition**
2. **Organise workshops/webinars, to exchange and discuss about innovation, circularity and entrepreneurship, to inform and support the elaboration of the Coalition programme of work and partnerships.**
3. **Present the Coalition at the Stockholm+50 Conference, 2-3 June 2022, at HLPF, 5-18 July 2022 and at UNFCCC COP27, 7-18 Nov 2022.**
4. **Launch the Coalition early 2023.**