COP31 BUSINESS FORUM

Emerging Economies & SMEs
Working Group Paper

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The COP31 Business Forum, established by the Turkish COP31 Presidency, aims to turn climate commitments into investment and implementation, so that climate action, economic growth and shared prosperity advance together.

It works through thematic Working Groups that bring together business representatives from around the world.

This paper is one of seven working group papers of the COP31 Business Forum. Their policy recommendations are summarised and compiled in the COP31 Business Forum Statement, available in full at http://copbusiness.org/. The paper reflects the work undertaken within the relevant Working Group and is intended to inform the development of policy support recommendations for COP31. Unless otherwise stated, the contents should not be construed as the official positions of the Co-chairs, Knowledge Partner or of any individual participating organization. References within the document to existing initiatives, included solely as practical illustrations of what is possible however not to be interpreted as evidence that these recommendations have been implemented, adopted or formally endorsed.

In the Emerging Markets & SMEs Working Group, business representatives worked together with experts and partner initiatives over three meetings to select priority policy areas, shape and validate the policy recommendations, and identify the private sector initiatives and illustrative case studies most relevant to implementation, drawing on member surveys and consultations throughout. This paper sets out the recommendations of the Emerging Markets & SMEs Working Group, together with the evidence and initiatives that support them, and its key messages are reflected in the COP31 Business Forum Policy Recommendations.

For emerging markets and developing economies (EMDEs), access to concessional climate finance remains a critical challenge. The volume of finance committed falls short of investment needs, while delays in disbursement, high financing costs, currency risks and limited project-preparation capacity constrain investment. Greater availability of concessional climate finance will have limited impact unless committed funds can reach projects more quickly and financing instruments reflect local market conditions.

Many SMEs often face challenges in accessing the in-house expertise and external support needed to advance their climate transition. They are also increasingly expected to respond to Scope 3 requirements from larger buyers, which can place additional pressure on their financial and operational resources. For SMEs, finance alone is insufficient without the technical capabilities and practical support needed to identify, prepare and implement climate investments.

Meanwhile, the expansion of carbon pricing and cross-border mechanisms such as CBAM is creating additional compliance and competitiveness pressures for emerging-market businesses. In export industries, businesses may need to adapt to carbon border measures before adequate support mechanisms are fully in place.

The Business Forum has therefore concentrated its recommendations on three priority areas where government action, supported by business and financial institutions, can help unlock climate investment and accelerate implementation:

01 **Accelerating the deployment of concessional climate finance in emerging markets**
02 **Enabling SME climate transition**
03 **Expanding and strengthening carbon pricing**

The three priorities reinforce one another, as simplified access and integrated support enable SME transition, concessional finance creates the conditions for climate investment, and targeted assistance helps EMDE companies adapt to carbon pricing and cross-border measures. Together, they enable SMEs and emerging economies to participate fully in the climate transition.

COP31 marks the start of this agenda, and the Business Forum should continue its work beyond the conference to see it delivered. Over the coming year, it should broaden endorsement of these recommendations among companies, associations and governments, support the endorsed and newly proposed initiatives, and most importantly, advocate at the national level for implementation of the recommended policies and track their progress. The ambition is to present early progress in implementation at COP32, alongside a wider base of endorsers and initial results from the newly proposed initiative.



01

Accelerate deployment of concessional climate finance in emerging markets

Access to concessional climate finance in emerging markets remains constrained by insufficient funding and slow deployment. High financing costs and currency volatility further constrain investment. Delays can accumulate between financing approval and initial disbursement, including during accreditation, appraisal, legal documentation and transaction execution. Limited project-preparation capacity compounds these delays: without adequate engineering, environmental and social assessments, and financial feasibility work, priority investments may not meet financing requirements.

The Working Group suggests that governments and international financial institutions should accelerate deployment of concessional climate finance by:

- **Increasing the volume of committed concessional support directed toward emerging markets,** including local-currency financing, FX risk mitigation mechanisms and credit-risk-sharing mechanisms.
- **Accelerating disbursement through streamlining IFI internal processes and improving transaction operations,** so that the interval between commitment and money reaching a project is measured, published, and reduced.
- **Dedicating a higher share of investment to adaptation and resilience,** with clear eligibility criteria for adaptation and resilience financing , particularly in markets facing the greatest physical climate risks.

Credit-risk-sharing mechanisms can improve access to affordable financing, while climate-risk insurance can help manage exposure to physical climate risks. These instruments complement the broader deployment of concessional finance in EMDEs and the SME-specific transition measures discussed in the following section.

Delivery Partner: LDC Green Industrialization Facilitation Mechanism (LDC-GIF)

The **LDC-GIF** is a country-led, demand-driven mechanism led by Türkiye, with the UN Technology Bank for LDCs as Secretariat. It connects LDCs with technology, expertise and financing for country-owned green industrial projects through peer-to-peer cooperation. Its initial three-year targets include implementing at least ten LDC projects, contributions to its technical support pool from 10 countries, and mobilizing around USD 100 million[1]. Companies, associations and financial institutions are encouraged to participate in the voluntary technical support pool to support implementation.

Example from Practice

FinDev Canada provides debt, guarantees and blended capital through local financial institutions and funds in Latin America, the Caribbean and sub-Saharan Africa. This approach draws on established lending networks and local market knowledge to extend the reach of development finance. FinDev Canada has supported over 450 thousand MSMEs, including over 100 thousand women-owned MSMEs[2].

The example illustrates complementary approaches to improving climate-finance delivery in emerging markets: strengthening project preparation, working through local financial institutions and combining capital with technical expertise.

02

Enable SME climate transition

SMEs are not consistently recognized as a distinct constituency in international climate-policy discussions, despite differences in their capacities and resources to respond to climate requirements. More explicit recognition of their needs would help shape national programs and financing mechanisms that smaller firms can access.

Beyond this, many SMEs face practical barriers to climate investment, including limited technical expertise and financial resources to measure emissions, identify opportunities and develop viable projects. Differing application and reporting requirements across financial institutions add complexity, while increasing Scope 3 requirements from larger industrial customers place further pressure on SMEs' operational and financial capacity.

Addressing these interconnected barriers requires coordinated technical and financial support rather than stand-alone interventions.

The Working Group suggests that governments, financial and development institutions should enable SME climate transition by:

- **Naming SMEs explicitly as a distinct group within the wider COP process,** recognizing their capacity, data, and resource constraints, and giving them standing representation in co-party discussions through a dedicated SME group.
- **Simplifying access to climate finance,** through standardized requirements, while:
  - Leveraging interoperable digital infrastructure to streamline applications and enable data reuse across institutions, so that one diagnostic can serve multiple funders
  - Encouraging SME-tailored financing products that reflect smaller investment sizes and financing needs[3].
- **Ensuring end-to-end SME investment readiness** by connecting scalable advisory, project preparation, finance, simplified emissions reporting, insurance, and implementation into one pathway rather than leaving firms to assemble it; and
- **Scaling affordable SME support** and capacity building through chambers of commerce and the Scope 3 programs of large buyers, with the support of financial institutions, which already reach firms that public agencies do not.

Delivery Partner: SME Climate Hub

The **SME Climate Hub** provides SMEs with free centralized tools to measure emissions, build climate action plans and track progress, forming a diagnostic foundation for their climate transition. Its planned global SME climate survey would help policymakers, financial institutions, and companies tailor support to SME needs. Companies, chambers and business associations should distribute the survey to their SME members and suppliers once launched, and route their supplier-support programs through the tools.

Delivery Partner: SME Finance Forum

The **SME Finance Forum**, managed by the World Bank Group, is a global network through which banks, fintechs, DFIs, NBFIs and others exchange practical approaches to improving SME access to sustainable finance. It is a platform through which lenders move towards best practice in application requirements; member banks share experience and innovations and move towards common climate-finance documentation and reporting. Business organizations can help by introducing banks, development finance institutions, guarantee providers and fintechs from their networks, to share proven sustainable SME financing solutions and drive collective action.

Proposed Initiative: AI-Enabled SME Climate Advisory

The Working Group has proposed exploring an **AI-enabled SME climate advisory**, investment preparation and financing platform that could standardize the diagnostic and roadmap steps, with a common SME assessment that lenders could use, drawing on existing business data where feasible. Working with potential partners such as chambers, technical experts, banks and insurers, and subject to ownership and funding arrangements, the platform could help scale SME advisory support at a lower cost per firm than traditional manual advisory.

Example from Practice

Canada's Digital Adoption Program (CDAP) reached more than 58,000 businesses through its needs assessment and supported over 29,700[4] through its deeper transformation stream, with a CAD 4 billion budget and delivery through fifteen regional partners. It is replicable because of how it was designed rather than what it funded: two differentiated pathways instead of one product, a light-touch microgrant for basic adoption alongside a deeper stream covering up to 90% of planning costs and followed by an interest-free implementation loan, so that the depth of support matched the maturity of the firm.

İş Bankası and MEXT apply a comparable approach in an emerging market, combining on-site digital and sustainability assessments with tailored transformation roadmaps, technology-provider connections, and access to financing. The **Twin Transformation Project** assessed 100 manufacturing companies across twenty-four cities and

12 sectors[5] in Türkiye. Documented company-level results include an 8% improvement in production-line efficiency, an increase in operating profitability from 18.5% to 24%, and a 68% reduction in carbon emissions.

Denizli's Future is in Cleaner Production demonstrates how local business associations can support climate transition across an industrial sector. The Denizli Chamber of Industry assessed 40 textile dyeing facilities and trained ~200 people, identifying potential savings of 14% in water and 10% in energy[6]. The Chamber subsequently established a dedicated efficiency centre to extend cleaner-production and resource-efficiency services to industrial companies.

Akbank's supply-chain financing programs with ŞOK Marketler and DeFacto combine access to working capital with support for suppliers' sustainability improvements. **EBRD** shares financing risk with Akbank, while technical assistance and EU-supported incentives help eligible suppliers pursue sustainability targets. The programs illustrate how banks, development finance institutions and large buyers can jointly support supplier financing and sustainability transformation.

03

Expanding and strengthening carbon pricing

(Cross-reference with another Working Group's policy paper)

Carbon pricing can deliver industrial decarbonization, provided it is designed to be durable and effective. Jurisdictions introducing an emissions trading system or comparable instrument should follow a balanced approach:

- **Consistent policy frameworks and predictable price trajectories** must give companies confidence to commit capital, with price signals strong enough and sustained over time to make abatement cheaper than continuing to emit and pay.
- **Domestic producers, including SMEs, must be protected against carbon leakage** from imports produced under lower or no carbon prices, for example through border adjustment mechanisms and linked markets with mutual recognition of carbon prices paid.
- Where the price alone does not make the investment case, **effective and balanced government financial support** (for example, carbon contracts for difference) **should close the residual cost gap and de-risk exposures such as price volatility**. These should be financed by recycling a high share of emissions trading revenue into industrial decarbonization and enabling infrastructure.

Applying these principles in more jurisdictions, while supporting companies in emerging markets and developing economies (EMDEs) most exposed to the transition, could turn today's uneven carbon prices into a more consistent international investment signal.

The Working Group suggests that governments should expand and strengthen carbon pricing by:

- Extending stable and predictable carbon pricing mechanisms to new geographies and increasing price levels, with price levels in line with respective national climate goals, while:
  - Considering the contribution of defined limited proportion of Article 6 credits within compliance carbon pricing schemes, with robust accounting, safeguards for domestic abatement, and simplified project criteria
  - Ensuring that revenues are reinvested to support industrial decarbonization and enabling infrastructure;
- Creating a replicable support mechanism, combining financial and technical assistance, for adaptation of companies in EMDEs to cross-border carbon-pricing mechanisms (incl. the CBAM).

Participation in international carbon markets could serve as a steppingstone toward domestic carbon-pricing systems, helping EMDEs build institutional capacity and adapt to evolving carbon-pricing frameworks.

Proposed Initiative: EMDE Transition Support Vehicle

The Working Group proposes a transition support vehicle to identify projects most critical to the competitiveness of EMDE companies exporting to jurisdictions with cross-border carbon pricing mechanisms (incl. the CBAM), and close capacity and financing gaps through concessional financing, targeted advisory, and policy dialogue. As carbon pricing expands, these companies face new costs and compliance requirements, like companies under established emissions trading systems before them, must build costly monitoring and verification systems, often without domestic frameworks or finance to support them. Developed economies, multilateral development banks and other international financial institutions should provide tailored finance and technical assistance, including for smaller companies, ideally via national platforms that already bring these instruments together. The vehicle's support should extend across industrial value chains, covering supplier readiness, emissions-data capability and project preparation.



Enabling SME climate transition is an important part of Working Group's agenda.

SMEs need simplified access to climate finance, proportionate reporting requirements, and integrated technical and financial support to identify, finance, and implement transition investments. Governments, financial institutions, large buyers, and chambers of commerce have complementary roles in making this support accessible and scalable.

More effective deployment of concessional climate finance across EMDEs can create the financing conditions needed to support broader climate investment, including SME transition. Greater availability of capital, faster disbursement, and mechanisms to address currency and credit risks can help financing reaches businesses through local institutions.

Finally, expanding carbon pricing and cross-border measures such as CBAM increases the importance of predictable regulatory frameworks and targeted financial and technical assistance for companies in EMDEs. Together, these priorities can mobilize climate finance, enable practical SME transition, and help emerging economies respond to changing international carbon-pricing requirements.

Sources & References

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Working Group members

- Adana Chamber of Industry
- Aegean Region Chamber of Industry
- Akbank
- Ankara Chamber of Industry
- Antalya Commodity Exchange
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- Boston Consulting Group (BCG)
- Botree Recycling Technologies
- Boyner Group
- CHEF Seasons
- Citi
- Climate Champions Team
- Credit Guarantee Fund (KGF)
- Denizli Chamber of Industry
- Directorate of Climate Change of Türkiye
- Eurochambres
- Experian
- ExxonMobil Low Carbon Solutions
- Finland Chamber of Commerce
- Garanti BBVA
- German Chambers of Commerce and Industry (DIHK)
- Giltaş A.Ş.
- Gürok
- Habitat Association
- Halkbank
- Impact Investing Advisory Board (EYDK)
- Insurance Association of Türkiye
- Integrated Reporting Türkiye Network (ERTA)
- International Chamber of Commerce (ICC)
- International Investors Association (YASED)
- International Monetary Edge Inc.
- Istanbul Chamber of Industry
- Izmir Chamber of Commerce
- Kocaeli Chamber of Industry
- Koton
- Kütahya Chamber of Commerce and Industry (KUTSO)
- MEXT
- Ministry of Industry and Technology (MoIT)
- National Business Initiative (NBI)
- Natura
- Neova Insurance
- Öz Mühendislik Yapı Sanayi ve Ticaret Ltd. Şti.
- QNB Bank A.Ş.
- Research Istanbul
- S360 Consulting
- Sage
- Sintesa Group
- SEKEM
- SME Climate Hub / We Mean Business Coalition
- South-South Collective for the Climate (S2C2)
- Startup Genome
- Turkish Confederation of Employer Associations (TİSK)
- Turkish Enterprise and Business Confederation (TÜRKONFED)
- Union of Chambers and Commodity Exchanges of Türkiye (TOBB)
- Ussal Consultancy
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- World Bank Group


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