



## Joint Declaration

### Baku Climate Coalition for SMEs green transition

We, the representatives of governments and states, parliamentarians, international organizations, chambers of commerce, private sector, non-governmental organizations, science and academia, private investors, financial institutions, and innovation clusters,

**Recognizing** that climate change is generating significant damage, degradation, and impacts to people, economies, and livelihoods,

**Acknowledging** that reducing carbon emissions requires a comprehensive approach from both public and private sectors, as well as a transformation of the global economy, including production and consumption, financing, investment, trade, behavior, and skills,

**Recognizing** that Small and Medium-sized Enterprises (SMEs) are the primary drivers of the world's economy, representing approximately 90% of companies, creating 50% of global employment, and producing 40% of the world's GDP, with an especially important role in global value and supply chains

**Emphasizing** the critical role of SMEs in achieving inclusive and sustainable economic growth, fostering innovation, and decreasing income inequalities across the world, especially in rural areas and among women,

**Noting** that SMEs can play an important role in economic diversification, particularly for resource-rich countries suffering from commodity price fluctuations,

**Stressing** the importance of SMEs in building green economies and developing innovative climate solutions, and their potential to lead green entrepreneurship when encouraged,

**Stressing** that SMEs' transition to green business models can significantly promote sustainable consumption,

**Acknowledging** that although each SME's environmental impact is relatively small, collectively they contribute substantially to greenhouse gas emissions and energy consumption in the business sector,

**Emphasizing** that addressing the climate crisis requires a global net zero transition of SMEs, involving millions of SMEs adopting green business models,

**Highlighting** the significant gap in awareness, access to knowledge, and technology between large corporations and SMEs,

**Accentuating** that despite the growing pool of sustainable finance, SMEs' access to climate finance remains a major challenge impeding their transition to net zero,

**Noting** that the consequences of global warming generate disproportionately negative impacts on SMEs worldwide, whose size, vulnerability, exposure, lack of financial capacity, and scale make it difficult to mitigate these new challenges,

**Acknowledging** that SMEs are to navigate a complex ecosystem of numerous actors, including public and private financial institutions, policymakers, regulators, fintech companies, ESG rating providers, consulting service providers, auditors, and accountants,

**Stressing** the importance of the South-South and the triangular cooperation in identifying country and region specific challenges faced by and capitalizing on the relevant best practices in supporting SMEs in their green transition, as well as in delivering tailor made solutions,

**Underlying** critical importance of the bioeconomy in providing sustainable solutions to challenges posed by climate change and the growing food demand, and emphasizing significant role SMEs could play in developing global bioeconomy when properly supported,

**Commit to** work together towards the objectives of the Baku Climate Coalition for SMEs' green transition, to:

1. Raise awareness among SMEs, enhancing their capacities and capabilities, by:
  - Establishing specialized training programs, digital platforms, mentorship, and consulting services to disseminate knowledge and best practices,

facilitate technology adoption, and encourage innovation and supply chain solutions;

- Enhancing climate risk management knowledge for SMEs in key sectors, including agriculture, manufacturing, and industry;
- Building capacity across food supply chains;
- Facilitating the measurement of SMEs' environmental footprints and integration of climate risks into business models;
- Improving access to technology to enhance energy efficiency and contribute to decarbonized action plans;
- Encouraging larger companies to support SMEs' green transitions and integrate them into supply chains;
- Supporting research initiatives and academic endeavors on SMEs' roles in green transitions and their adaptation strategies;
- Increasing national efforts to upgrade workforce skills in SMEs, enhancing human capital for green transition challenges;
- Recognizing and promoting SME champions in green transitions to foster a climate-sensitive business culture; and
- Considering establishment of Green SME Resource Centers in each country to raise awareness and facilitate access to technology, know-how, and financing for net zero goals.

2. Stimulate SMEs' demand for green finance and investment, by

- Mapping the SME financing ecosystem and enhance coordination through capacity building, policymaking measures, and requisite infrastructure;
- Enhancing SMEs' ability to measure, report, and improve sustainability performance, facilitating access to finance;
- Integrating cleaner production, resource efficiency, and circular economic principles into SMEs' cost optimization efforts;
- Facilitating SME participation in green capital markets with financial incentives, such as subsidies, tax incentives, and credit guarantees for sustainability-linked lending;
- Encouraging large companies to finance SMEs' greening efforts;

- Urging finance providers to offer tailored financing solutions for SMEs considering their specific circumstances and opportunities for greening;
- Supporting SMEs' access to digital and innovative financing solutions, assisting unbanked and underbanked SMEs in green transitions; and
- Allocating additional funds to support energy efficiency measures and the greening of SMEs.