Guideline - Assessing Climate Risks and Vulnerabilities in Market Systems

The **overall objective** of the Guideline is to identify the most **climate resilient sub-sectors** in a given context and to **determine the potential impacts and relevant measures** in the field of adaptation to climate change and disaster risk management to further increase resilience in the market system.

The Guideline can be applied for the following exemplary (not exclusive) cases:

- Actors identify best options for the selection of the most resilient sub-sectors.
- Actors adapt their involvement in a market system based on climate risk resilience.
- Actors determine options to make a sub-sector more climate resilient.
- Actors understand the impacts of climate change on natural resource based sub-sectors in the short (1 to 5 years) and mid-term (6-15 years).

The Guideline shall **help (small-scale) businesses, private and public, in better understanding climate risks and opportunities in their sub-sector**, in identifying where emerging market opportunities exist and developing a comprehensive climate risk management approach that shall be part of the enterprise.

The main **causality of change** is that all actors involved in the market system (governmental, non-governmental and private sectors) shift from a reactive to a proactive attitude towards **an integrative management of climate risks with a long-term perspective** by using prevention, preparedness and adaptation measures (short to long-term). This implies that they have a better understanding about adaptation to climate change and disaster risk management. Moreover, the involved actors in the particular market system not only contribute **in economic terms, but do not cause any harm to the environment through unsustainable practices** (e.g. increased use of fertilizers, pesticide etc.).

The Guideline has particularly been elaborated for **natural resource-based market systems**, but can of course be applied and adopted to other contexts. Moreover, the Guideline has a particular focus on **climate-related risks and vulnerabilities** due to the fact that climate-related risks have particular negative impacts on natural resource-based market systems. We recognize that there are other drivers of risks too (such as financial or market related); however, other tools tool exist to tackle them.

Key Features about the Guideline

- **Demand-driven**: The Guideline was developed based on first hands-on experience in ongoing market system projects. Firstly, risk and vulnerability assessments in market systems were conducted. Recognizing the complexity of such risk and vulnerability analysis in market systems, project planners and managers within HELVETAS Swiss Intercooperation began asking how they could systematically integrate risk reduction and adaptation to climate change into market systems. The Guideline was developed to respond to this need.
- **Joint-effort**: The Guideline was developed by a pool of experts at the Advisory Service Department at HELVETAS Swiss Intercooperation in Switzerland and the country programme of Nepal.
- **Not a new tool, builds on existing approaches/tools**: It is important to underline that the Guideline is not a new tool, but builds on existing tools and approaches in adaptation to climate change and market system development. Thus, this Guideline supports practitioners interested in bringing these two approaches – market systems development and the adaptation process – together.
- **Flexible**: The Guideline allows practitioners to apply and adjust the Guideline to their local context and needs.

8- Step approach towards risk resilient sub-sectors

The approach consists of **two Modules A and B** with a **series of eight steps**:

MODULE A) Risk and Vulnerability Assessment of Sub-sectors and their Prioritisation at the Design and Planning Stage

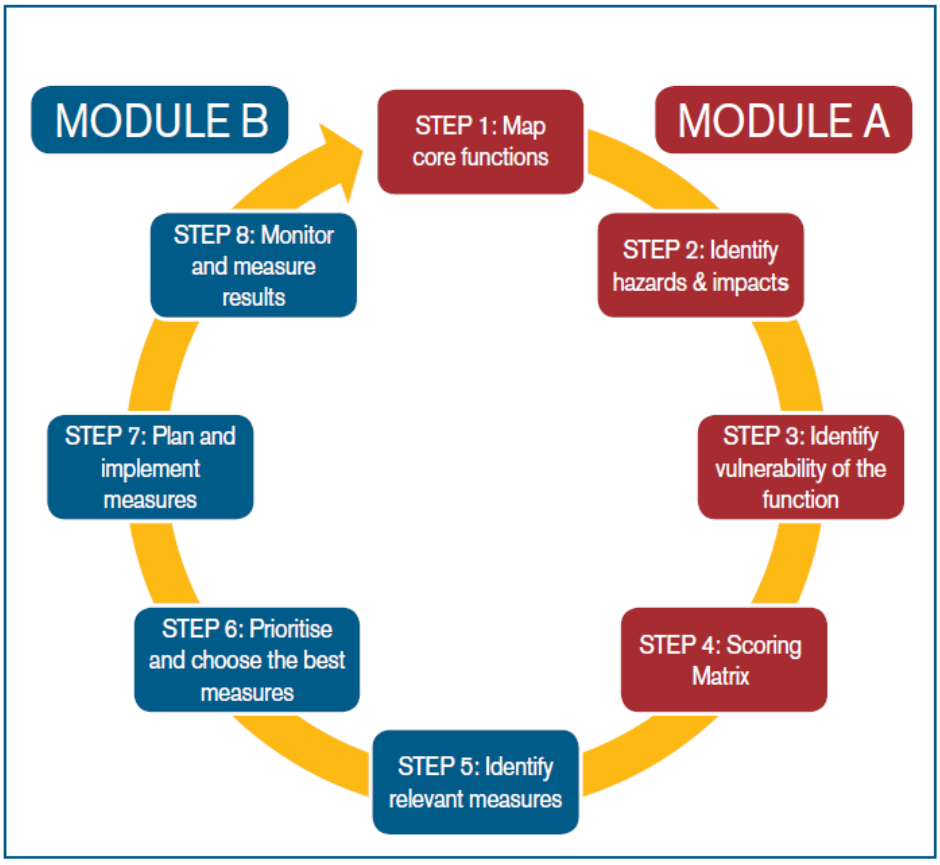
1. Map core functions, support functions and roles/regulations in the selected market system
2. Identify current and potential future hazards, impacts and current coping strategies
3. Identify each function's vulnerability to climate risks
4. Identify most resilient sub-sectors based on a scoring matrix'

MODULE B) Identification and Implementation of Climate Adaptation and Disaster Risk Management Measures

5. Identify possible climate adaptation and disaster risk management measures
6. Prioritize and choose the best/most appropriate measures
7. Plan and implement the selected measures
8. Monitor and measure results

MODULE A launches an analysis of the wider and broader market system that contains a value chain, i.e. the core functions of a market system. This is then followed by an analysis of the different functions and their vulnerability to current and potential climate risks. In case several sub-sectors are assessed, the most resilient systems with highest economic growth potential, poverty relevance and most resilient to climate change can be identified.
With the support of **MODULE B**, most appropriate measures for adapting to climate change and managing disaster risk will be identified, resulting in increased climate resilience of the sub-sector in a given context.

Figure 1: 8-Step approach towards risk resilient sub-sectors



Source: HELVETAS Swiss Intercooperation (2016)

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