

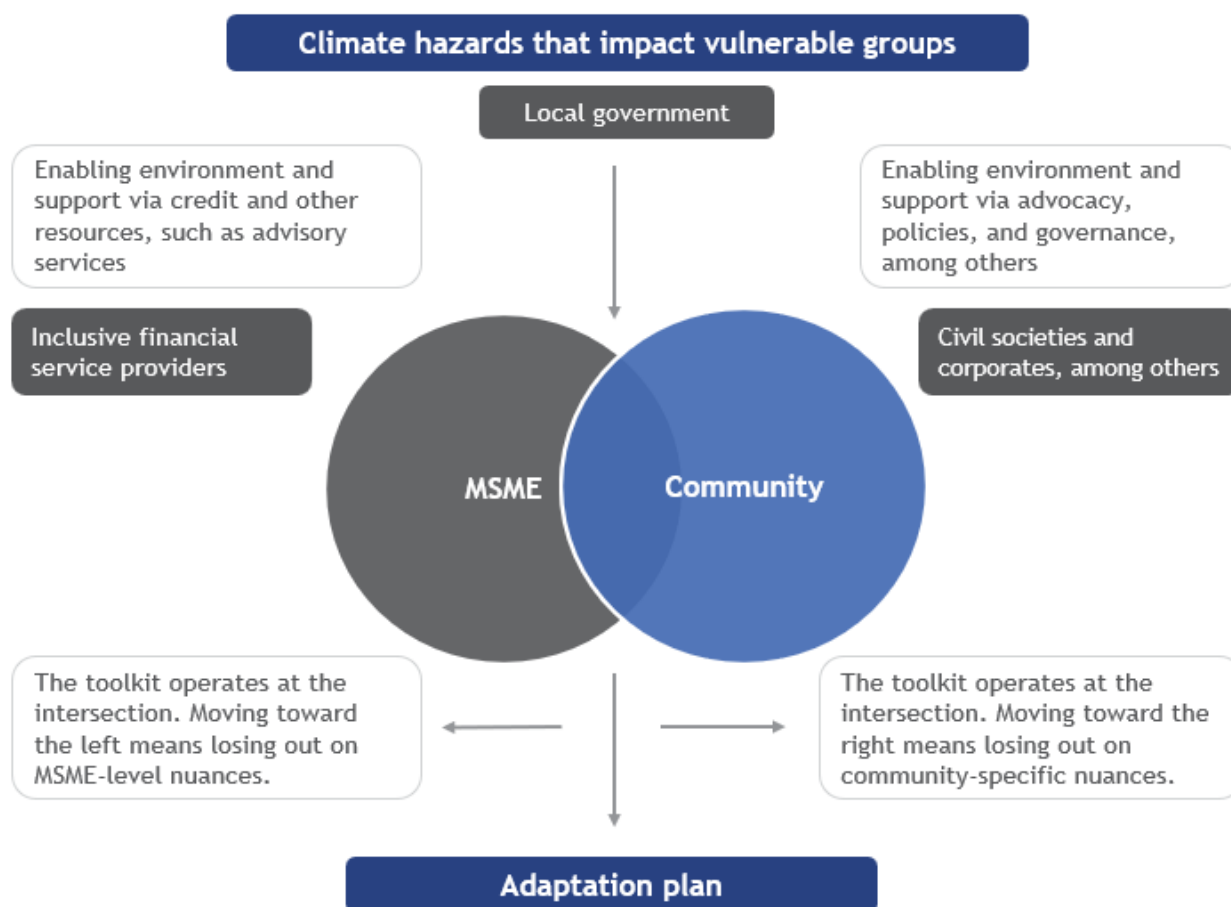
Summary of the toolkit on locally-led adaptation for IFSPs

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Overview

MSC's (MicroSave Consulting) approach to locally-led adaptation (LLA) is grounded in the belief that climate resilience must be built through a recognition of the hyperlocal contexts and priorities of different local actors. MSC envisions that LLA will operate at the intersection of communities and MSMEs, two of society's most vulnerable groups.



The toolkit on locally-led adaptation for **Inclusive finance service providers** (IFSPs) addresses the critical global gap in climate adaptation and resilience finance for micro, small and medium enterprises (MSMEs). Despite being vital to economic systems, MSMEs are disproportionately exposed to climate risks and often lack the capacity or resources to respond effectively.

This toolkit provides a practical, participatory framework to assess vulnerability, map supply chain risks, and codevelop sustainable adaptation plans for MSMEs supported by financing from IFSPs. We have tested the toolkit in India and Uganda. It enables IFSPs to drive climate adaptation and resilience for MSMEs, and their enablers by developing feasible, context-relevant financial products that ensure continuity, competitiveness, and long-term sustainability in a changing climate.

Toolkit components and key insights

Tool	Key insight
Tool 1: Supply-side assessment from the IFSPs' perspective	It helps IFSPs understand the climate risk in their MSME portfolio and design specialized products to support MSME adaptation.
Tool 2: Mapping of climate hazards and exposure	It identifies climate hazards MSMEs are exposed to and their perceived changes over time.
Tool 3: Vulnerability assessment	It measures the vulnerability of MSMEs through the Sustainable Livelihood Framework capitals—human, social, physical, natural, and financial.
Tool 4: Identification of climate impacts	It maps the direct and indirect impacts of climate events on MSME operations via supply chain analysis.
Tool 5: Current and potential adaptation strategies	It captures existing responses and explores new adaptation options through the ACTA framework—accept, control, transfer, and avoid.
Tool 6: Prioritization	It ranks adaptation options by feasibility, sustainability, and maladaptation risk.
Tool 7: Adaptation planning	It develops costed, time-bound plans with internal and external action pathways, and informs IFSPs' development of specialized products to support MSME adaptation

Benefits:

The LLA Toolkit for Inclusive Finance Service Providers (IFSPs) is a practical, transformative resource that enables IFSPs to direct climate finance more effectively to MSMEs, supporting their ability to adapt to climate risks and build resilience.

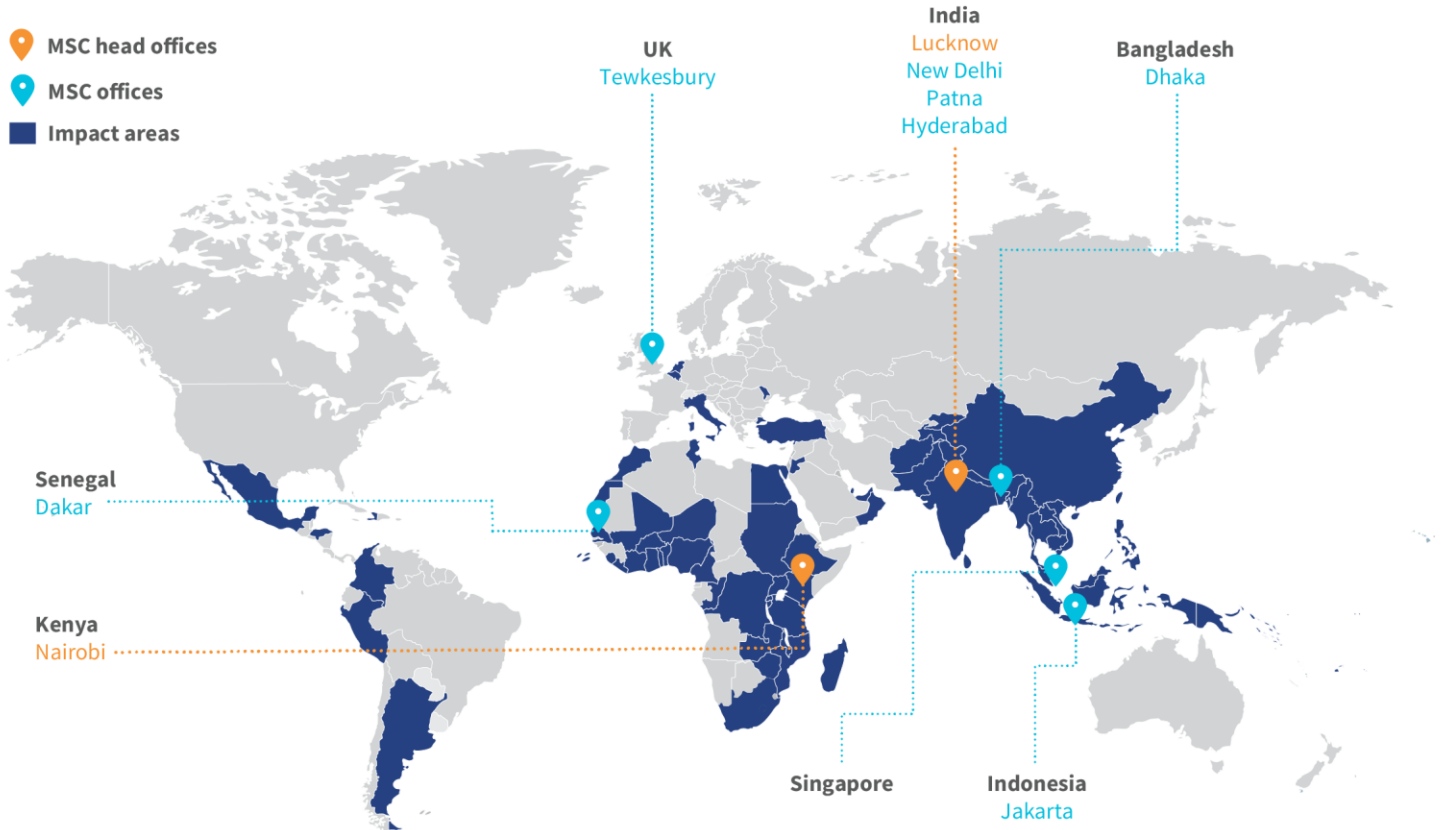
- The toolkit allows IFSPs to manage risk in MSME portfolios, which promotes the design of targeted financial products that address climate-specific needs and improve the sector's resilience strategies.
- It empowers MSMEs to climate-proof their operations through the identification of vulnerabilities and the creation of adaptive capacity suited to local realities, which ensures business continuity, reduced operational losses, and long-term sustainability.
- It also identifies best practices and encourages the creation of ideal adaptation plans, drawing from local knowledge and participatory engagement.

Moreover, the toolkit enhances the decision-making capacity of local actors, including governments, trade unions, and industry associations, through structured insights into MSME risks and resilience strategies. This supports alignment with broader climate action and development goals. The toolkit provides a framework for MSMEs to understand and act on climate risks, which ensures they can sustain their operations and contribute to resilient, thriving communities.

Who should use this?

The IFSP LLA toolkit stands to be used by diverse stakeholders with varying priorities to help build a resilient ecosystem for MSME adaptation. Some of the primary stakeholders who should use it are as follows:

- **Inclusive Financial service providers (FSPs)** are the primary users of the toolkit. They can use it to evaluate climate-related risks in MSME portfolios and design tailored financial products.
- **MSME owners and managers** can use the toolkit to assess climate risks and develop actionable strategies to safeguard their operations and assets.
- **Civil society organizations (CSOs)** can apply the toolkit to facilitate capacity-building and cocreate community-driven adaptation solutions with MSME clusters.
- **Supply chain partners, industry associations, and corporates** can use the toolkit to promote collective resilience, support supplier adaptation, and strengthen climate-aligned industry practices and value chains.



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