



## ADAPTATION FUND

AFB/PPRC.30/46/Add.1  
03 October 2022

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Adaptation Fund Board  
Project and Programme Review Committee  
Thirtieth Meeting  
Bonn, Germany, 11-12 October 2022

Agenda Item 9 d)

### **PROJECT FORMULATION GRANT FOR KENYA AND UGANDA**

## I. Background

1. The Board at its eleventh meeting discussed the document “Funding for Project Formulation Costs” (AFB/11/6) and agreed, in its Decision B.11/18, that:

- i. project formulation grants (PFG) should be given once a project concept has been approved;
- ii. consideration should be given in terms of differentiating between NIEs and MIEs, since some NIEs might have financial difficulties in trying to formulate project or programme proposals;
- iii. a flat rate should be given for project formulation costs;
- iv. a list of eligible activities and items still needed to be prepared; v. the grant should be additional to the project cost; and
- v. the fate of funds if the final project document was rejected should be determined.

2. There was consensus that a three-tiered system should be considered for project formulation grants: endorse a project concept with a PFG amount, endorse a project concept without a PFG amount, or reject the project concept.

3. Following the discussion, the Board decided:

*“To request the secretariat to reformulate the document, to include a comparison of eligible activities provided by other funds for project formulation grants, to take into account guidance provided by the Board at the present meeting, and to submit the document to the Board at its twelfth meeting, through the EFC. The EFC should review and finalize the process and policy of the project formulation grant focusing, in particular, on: the issue of unspent project funds; the procedures followed by other funds in that regard; and the determination of a flat-rate.”*

4. A document was prepared by the secretariat in response to the above mandate and presented at the third EFC meeting, which made specific recommendations to the Board at its twelfth meeting. Having considered the recommendation of the Ethics and Finance Committee, the Board, in its Decision B.12/28, decided that:

*(a) Project Formulation Grants (PFGs) will only be made available for projects submitted through NIEs. The Board would continue reviewing the question of PFGs for projects submitted through MIEs and would solicit comments from members and alternate members by February 14, 2011; the views would be compiled by the secretariat for presentation to the Board at its March 2011 meeting;*

*(b) If a country required a project formulation grant, a request should be made at the same time as the submission of a project concept to the secretariat. The secretariat will review and forward it to the PPRC for a final recommendation to the Board. A PFG could only be awarded when a project concept was presented and endorsed;*

*(c) A PFG form, reproduced in Annex V, should be submitted;*

- (d) Only activities related to country costs would be eligible for PFG funding;*
- (e) A flat rate of up to US\$30,000 shall be provided, inclusive of the management fee, which cannot exceed 8.5 per cent of the grant amount. The flat fee would be reviewed by the Board at its thirteenth and all subsequent meetings;*
- (f) If the final project document is rejected, any unused funds shall be returned to the Adaptation Fund Trust Fund;*
- (g) Once a project/programme formulation grant is disbursed, a fully developed project document should come to the Board for approval within 12 months. No additional grants for project preparation can be received by a country until the fully developed project/programme document has been submitted to the Board; and*
- (h) The Trustee was instructed to remove the set-aside of US\$100,000 for project preparation that had been decided at the June 2010 meeting, as project preparation would be approved on a project-by-project basis.*

5. In its twenty-fourth meeting, the Board had initiated steps to launch a pilot programme on regional projects and programmes, not to exceed US\$ 30 million and had requested the secretariat to prepare for the consideration of the Board a proposal for such a pilot programme (Decision B.24/30). In its twenty-fifth meeting, the secretariat submitted such document and the Board decided to:

- (a) Approve the pilot programme on regional projects and programmes, as contained in document AFB/B.25/6/Rev.2;*
- (b) Set a cap of US\$ 30 million for the programme;*
- (c) Request the secretariat to issue a call for regional project and programme proposals for consideration by the Board in its twenty-sixth meeting; and*
- (d) Request the secretariat to continue discussions with the Climate Technology Center and Network (CTCN) towards operationalizing, during the implementation of the pilot programme on regional projects and programmes, the Synergy Option 2 on knowledge management proposed by CTCN and included in Annex III of the document AFB/B.25/6/Rev.2.*

*(Decision B.25/28)*

6. The approved document AFB/B.25/6/Rev.2 contained provisions for the approval of project formulated grants for regional project and programme proposals, at different development stages, as follows:

*"It is proposed that the Board open a structured call for MIEs and RIEs to submit pre-concepts for regional projects and programmes. The optional pre-concepts would be very brief proposals of maximum 5 pages that would explain the proposed regional adaptation project/programme. The pre-concepts would be screened and technically reviewed by the secretariat, and subsequently reviewed by the PPRC.*

*Together with the pre-concept, the proponent could submit a Phase I PFG request, up to the maximum level of US\$ 20,000. While endorsing the pre-concept, the Board could also approve the Phase I PFG request. The endorsement of the pre-concept would not create an obligation for the Board for later funding. As the next step, the proponent would submit a concept, and with it the proponent could submit a Phase II PFG request. The maximum AFB/PPRC.18/25/Add.1 level of the Phase II PFG would be US\$ 80,000 for proposals that had been previously granted Phase I PFG, and US\$ 100,000 for proposals that bypassed the optional pre-concept stage. While endorsing the concept, the Board could also approve the Phase II PFG request. The endorsement of the concept would not create an obligation for the Board for later funding, as it is the case for the national projects. The final stage of the proposal process would be the submission of the fully-developed regional project document”.*

7. The Board in its thirty-seventh meeting, having considered the recommendation of the Project and Programme Review Committee (PPRC), the Adaptation Fund Board decided:

*(a) To request the secretariat to analyse the issues related to the use of unidentified sub- projects and present the findings to the PPRC at its twenty-ninth meeting;*

*(b) To further request the secretariat to clarify regional implementation and execution costs, including where implementing entities provide part or all of the execution services, and present the findings to the PPRC at its twenty-ninth meeting;*

*(c) To limit, for all projects where the implementing entity provides a portion of the execution services, the execution costs of the implementing entity proportionally to the cost of the part of the project or programme executed by the implementing entity;*

*(d) To raise the maximum amount of individual project formulation grants available to national implementing entities to US\$ 50,000;*

*(e) To discontinue project formulation assistance grants for future review cycles.*

**(Decision B.37/1)**

## **II. The Project Formulation Grant Request**

8. This addendum to the document AFB/PPRC.30/46 “Proposal for Large Innovation Project for Kenya and Uganda” includes a request for a Project Formulation Grant, requesting a budget of US\$ 30,000, which was received by the secretariat along with the concept for the project ID AF00000276 . This proposal was submitted by United Nations Industrial Development Organization (UNIDO), the Multilateral Implementing Entity of the Adaptation Fund, in time for consideration by the Adaptation Fund Board at its thirty-ninth Board meeting.

9. In accordance with Decision B.12/28, paragraph (b), the secretariat carried out an initial review of the PFG request and found that the document provided detailed information on the

use of the requested funds. The proposed activities were aligned with the goal of the project and would undertake workshops and consultations, gender policy studies, diagnosis of governance arrangements, components detailed analysis and detailed budget development.

10. Therefore, the PPRC may want to consider and recommend to the Board to approve the PFG Request, provided that the related concept proposal is endorsed.



## Project Formulation Grant (PFG).

Submission Date: 08.August 2022

, Adaptation Fund Project ID: AF00000276

Country/ies: Kenya, Uganda

Title of Project/Programme: Unlocking investments in gender and youth-inclusive early-growth stage adaptation Small and Medium-sized Enterprises in Kenya and Uganda

Type of IE (NIE/MIE): Multilateral Implementing Entity (MIE)

Implementing Entity: United Nations Industrial Development Organization (UNIDO)

Executing Entity/ies: adelphi, Kenya Climate Ventures (KCV), Finding XY)

### A. Project Preparation Timeframe

Start date of PFG	<b>November 1, 2022</b>
Completion date of PFG	<b>March 30, 2022</b>


### B. Proposed Project Preparation Activities (\$)

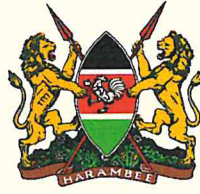
Describe the PFG activities and justifications:

List of Proposed Project Preparation Activities	Output of the PFG Activities	USD Amount
Coordinate with project Executing Entities to finalize project outline and develop implementation arrangement, including micro-assessments of the Executing entities	Finalization of the project outline and definition of implementation arrangements	15,000
Finalize the gender assessment and development of the Environmental and Social Management System	Gender Assessment Report Environmental and Social Management System	10,000
Further stakeholder consultation and validation of the final project outline	Validation of the project outline through a consultative process, including the respective community consultation reports	5,000
Total Project Formulation Grant		30,000

### C. Implementing Entity

This request has been prepared in accordance with the Adaptation Fund Board's procedures and meets the Adaptation Fund's criteria for project identification and formulation

Implementing Entity Coordinator, IE Name	Signature	Date (Month, day, year)	Project Contact Person	Telephone	Email Address
Mr. Akos KOESZEGVARY		August, 4, 2022	Mr. Alois MHLANGA	+43 1 26026 5169	A.Mhlanga@UNIDO.org



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**Ref:** MEF/EMC/6/VOL.VIII/85.....

5<sup>th</sup> July, 2021

The Adaptation Fund Board  
c/o Adaptation Fund Board Secretariat  
Email: [Secretariat@Adaptation-Fund.org](mailto:Secretariat@Adaptation-Fund.org)

**Letter of Endorsement**

**ENDORSEMENT FOR “UNLOCKING INVESTMENTS IN EARLY-GROWTH  
STAGE ADAPTATION MSMES IN KENYA AND UGANDA”**

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In my capacity as designated authority for the Adaptation Fund in Kenya, I confirm that the above regional project/programme proposal is in accordance with the Government's National priorities in implementing adaptation activities to reduce adverse impacts of, and risks, posed by climate change in the region.

Accordingly, I am pleased to endorse the above project/programme proposal with support from the Adaptation Fund. If approved, the project/programme will be implemented by the United Nations Industrial Development Organization and executed by Kenya Climate Ventures and Uganda Green Enterprises Finance Accelerator, in close collaboration with the relevant Government Agencies under the coordination of the Climate Change Directorate.

Dr. Chris Kiptoo, CBS  
**PRINCIPAL SECRETARY**



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In any correspondence on  
this subject please quote No. ALD 72/251/02

17<sup>th</sup> August 2021

The Adaptation Fund Board  
C/o Adaptation Fund Board Secretariat  
Email: [secretariat@Adaptation-Fund.org](mailto:secretariat@Adaptation-Fund.org)  
Fax: 202 522 3240/5

**ENDORSEMENT FOR A PROJECT PROPOSAL: UNLOCKING INVESTMENTS  
IN FEMALE AND YOUTH-LED EARLY-GROWTH STAGE ADAPTATION  
MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES (MSME) IN KENYA AND  
UGANDA**


I have the honor to refer to your call for proposal under the Large Innovation Grants to support innovations and enhanced direct access.

With the support of the United Nations Industrial Development Organization (UNIDO), Uganda has developed a project proposal aimed at Unlocking investments in female and youth-led early-growth stage adaptation Micro, Small and Medium-sized Enterprises in Kenya and Uganda. The Project aims at;

- 1) Developing Regional coordination platform to connect adaptation, climate-smart lending, entrepreneurship, knowledge management and promote cross-learning
- 2) Developing Innovative blended financing mechanism and investment brokerage services
- 3) Building Capacities of Local financing institutions to support adaptation MSMEs

In my Capacity as the appointing Authority of the Designated Authority for the Adaptation Fund in Uganda, I confirm that the above project proposal is in accordance with the National Climate Adaptation Priorities of the Government of Uganda.

Accordingly, I am pleased to endorse this project proposal for support from the Adaptation Fund. If approved, the project will be executed by the Uganda Green Enterprise Finance Accelerator and Implemented by the United Nations Industrial Development Organization.

  
Maria Kasajja (M.P)

**MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT**

Copy: -The Permanent Secretary/ Secretary to the Treasury  
-The Country Representative, UNIDO Uganda Office

*Mission*

*"To formulate sound economic policies, maximize revenue mobilization, ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development"*



## UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

OFFICE OF THE UNIDO REPRESENTATIVE TO KENYA, ERITREA, SOUTH SUDAN, COMOROS AND SEYCHELLES

UNITED NATIONS OFFICE AT NAIROBI, GIGIRI

P.O. BOX 41609, 00100 GPO NAIROBI, KENYA

TELEPHONE: (+254 20) 7624369/70 FAX: (+254 20) 7625286 E-MAIL: office.kenya@unido.org

File: AF/01/2021

25 May 2021

Dear Dr. Chris Kiptoo,

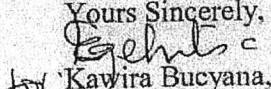
Subject: Request for endorsement letter to the Adaptation Fund for the unlocking investment in early growth adaptation MSMEs in Kenya and Uganda proposal

UNIDO presents its compliments to the Ministry of Environment and Forestry and has the honor to thank you for your continuous support, guidance, partnership and trust.

UNIDO was recently accredited to the Adaptation Fund (AF), which means that the organization can now submit proposals for funding. The Adaptation Fund has recently issued a call for Large Innovation Grants: <https://www.adaptation-fund.org/adaptation-fund-launches-call-for-proposals-for-projects-up-to-us-5m-to-support-innovation-and-enhanced-direct-access/>. The application and endorsement of the Large Innovation Grants does not reduce the country allocations under the Adaptation Fund.

In response to the call for proposals, UNIDO has developed the attached draft proposal that seeks to unlock funding for early-growth adaptation MSMEs in Kenya and Uganda. As we work towards finalization of the proposal and as per the Adaptation Fund guidelines on their submission, we kindly request an endorsement letter from you, as the Designated Authority, confirming that the proposed activity is in accordance with government adaptation priorities. Templates for endorsement letters are available on: <https://www.adaptation-fund.org/generic/government-endorsement-letter-template-submitted-through-niesriesmies/>

We will be happy to schedule a call to discuss the proposal.

Yours Sincerely,  
  
for Kawira Bucyana,  
UNIDO Country Representative, OIC

**Dr. Chris Kiptoo, CBS**  
Principal Secretary,  
Ministry of Environment and Forestry,  
Nairobi.