



ADAPTATION FUND

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17 March 2025

Adaptation Fund Board
Project and Programme Review Committee
Thirty-fifth Meeting
Bonn, Germany, 8-9 April 2025

PROPOSAL FOR GEORGIA, MOLDOVA



ADAPTATION FUND

ADAPTATION FUND BOARD SECRETARIAT TECHNICAL REVIEW OF PROJECT/PROGRAMME PROPOSAL

PROJECT/PROGRAMME CATEGORY:

Countries/Region: Georgia, Moldova

Project Title: Agriculture Climate Resilient Outcomes Platform (Agri-CROP)

Thematic focal area: Innovation in adaptation finance

Implementing Entity: EBRD

Executing Entities: EBRD

AF Project ID: AF00000423

IE Project ID:

Reviewer and contact person: Estefanía Jiménez

IE Contact Person(s):

Requested Financing from Adaptation Fund (US Dollars): 14,000,000

Co-reviewer(s):

Technical Summary

The project "Agriculture Climate Resilient Outcomes Platform (Agri-CROP)" aims to increase the capacity of the agricultural sector to adapt to the increasing hazards resulting from climate change. This will be done through the two components below:

Component 1: Scaling climate adaptation technologies and solutions through providing financing to PFIs⁵ and incentive grants to PFIs and end beneficiaries (USD 8,300,000).

Component 2: Capacity building of stakeholders to increase adaptation activities, adopt new technologies and enhance resilience to climate risks through technical assistance to PFIs and end beneficiaries (USD 4,400,000).

Requested financing overview:

Project/Programme Execution Cost: USD 190,000

Total Project/Programme Cost: USD 12,890,000

Implementing Fee: USD 1,100,000

Financing Requested: USD 14,000,000

The proposal does not include a request for a project formulation grant and/or project formulation assistance grant.

	<p>The initial technical review raised some issues, such as, the use of USPs, the sustainability of the project after its competition, and the involvement of local and/or regional organizations, as is discussed in the number of Clarification Requests (CRs) and Corrective Action Request (CAR) raised in the review.</p> <p>The second technical review raised some issues, such as, incorporation of tangible adaptation interventions, the sustainability of the project after its competition, and the involvement of local and/or regional organizations, as is discussed in the number of Clarification Requests (CRs) and Corrective Action Request (CAR) raised in the review.</p>
Date	March 4, 2025

Review Criteria	Questions	Comments First Technical Review December 13, 2024	Comments Second Technical Review March 4, 2025
Country Eligibility	1. Are all of the participating countries party to the Kyoto Protocol and/or the Paris Agreement?	Yes.	-
	2. Are all of the participating countries developing countries particularly vulnerable to the adverse effects of climate change?	Yes. Georgia and Moldova's agricultural sectors are particularly vulnerable to changes in temperature and precipitation, including droughts.	-
5Project Eligibility	1. Have the designated government authorities for the Adaptation Fund from each of the participating countries endorsed the project/programme?	<p>Yes. As per the Endorsement letter dated September 12, 2024 for Georgia, and June 25th, 2024, for Moldova.</p> <p>CR1: Please number all paragraphs in the document for the next submission.</p>	<p>CR1: Not cleared. Paragraphs are now numbered, however, please ensure that the proposal does not exceed 5 pages (in addition to the first cover page). Onward, please indicate the paragraph where the additions and clarifications have been made in the proposal document</p>
	2. Has the pre-concept provided necessary information on the	Yes, but more information is needed.	

	<p>problem the proposed project/programme is aiming to solve, including both the regional and the country perspective?</p>	<p>The pre-concept note indicates that smallholder farmers lack access to financial services and that financial products catered to addressing the climate impact challenges faced by farmers are limited. These challenges result from the sector's informality, lack of sufficient acceptable collateral for financiers, and lack of capacity to reach these farmers.</p> <p>CR2: Kindly provide more details on the specific climate threats and vulnerabilities farmers face in Moldova and Georgia. Please include similar numbers for both countries (e.g., % rainfed production) if possible. This should help justify the project interventions and approach.</p> <p>CR3: Please include background information on the limits of the existing adaptation investments in the agricultural sector in both countries. The explanation would benefit from brief overview of current or past projects that have tackled the adoption of adaptation technologies by farmers in the target countries and region, and lessons learned and challenges that underscore the need for working with financial institutions. Also, it would be beneficial to explain whether</p>	<p>CR2: Cleared as per information provided in para 2.</p> <p>CR3: Not cleared. Information provided in review sheet is not reflected in the proposal document. Please review and indicate the page number where it can be found in the proposal in the response sheet.</p>
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		<p>EBRD has taken the proposed approach elsewhere and the lessons learned.</p>	
	<p>3. Have the project/programme objectives, components and financing been clearly explained?</p>	<p>Partially.</p> <p>CR4: Please describe the target beneficiaries, vulnerable communities and other stakeholders that will ultimately benefit from the project. If possible, please also indicate an estimated number of communities and/or farmers to be targeted.</p> <p>CR5: Please briefly explain the process and associated criteria through which the project would select the project beneficiaries.</p> <p>CR6: Please explain the potential financing instruments and incentives to be deployed in more detail.</p> <p>CR7: Regarding Component 1, please provide an estimate of how the funds (USD\$8.3 million) will be distributed between the development of the financial instruments and the actual financed investments.</p> <p>CR8: Please provide an estimate on how the total project financing requested will be allocated between countries and on which basis/criteria.</p>	<p>CR4: Not cleared. Information provided in review sheet is not reflected in the proposal document. Please review.</p> <p>CR5: Not cleared. Information provided in review sheet is not reflected in the proposal document. Please review and indicate the page number where it can be found in the proposal in the response sheet.</p> <p>CR6: Cleared. As per information provided in paras 10 and 11.</p> <p>CR7: Not cleared. Please revisit CR7 and provide the funding details for Outputs 1.1.2 and 1.1.3, specifically the actual financed investments or tangible investments. The Adaptation Fund's mandate is to finance concrete adaptation interventions. Projects financed by the AF must go beyond merely providing access to financing and capacity building.</p> <p>CR8: Not cleared. Please revisit CR8 and provide an estimate of how the total financing will be distributed between the two countries.</p>

	<p>4. Has the project/programme been justified in terms of how:</p> <ul style="list-style-type: none"> - it supports concrete adaptation actions? - it builds added value through the regional approach? - it promotes new and innovative solutions to climate change adaptation? - it is cost-effective? - it is consistent with applicable strategies and plans? - it incorporates learning and knowledge management? - it will be developed through a consultative process with particular reference to vulnerable groups, including gender considerations, in compliance with the Environmental and Social Policy of the Adaptation Fund? - it will take into account sustainability? 	<p>Partially.</p> <p>CR9: Given that the project proposes to finance sub-projects, please be advised that fully unidentified activities are not allowed. A strong justification is needed for why it would not be possible to identify these activities at the time of project formulation. Kindly refer to the Fund's revised guidance on Unidentified Sub-Projects (USPs) available here: https://www.adaptation-fund.org/wp-content/uploads/2021/05/Updated-guidance-on-USPs-.pdf</p> <p>CR10: Kindly describe how the proposed project aligns with national strategies and plans (in addition to the national NDCs), particularly those related to climate adaptation, agriculture, and finance.</p> <p>CR11: Please elaborate on the new and innovative approach of the proposed interventions.</p> <p>CR12: Please kindly briefly describe i) how the consultative process to be undertaken during project design will take into account the interests and concerns of vulnerable groups and ii) how the consultation will be made gender-responsive to</p>	<p>CR9: Not cleared. EBRD has reviewed the guidance on USP and confirm that 'fully unidentified activities for which both the nature of the activity and the environmental and social setting in which the activity will take place are unknown' is not relevant in this case.</p> <p>CR10: Cleared. As per information in para 18.</p> <p>CR11: Not cleared. Information provided in review sheet is not reflected in the proposal document. Please insert in the response sheet where the information can be found in the main proposal document. A brief description will be sufficient.</p> <p>CR12: Cleared. As per additional information in para 19.</p>
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		<p>ensure compliance with the AF Gender Policy.</p> <p>CR13: Please describe how the proposed project will ensure that the required investment flows continue after the project completion.</p>	<p>CR13: Cleared. As per information in para 21.</p>
	<p>5. Does the pre-concept briefly explain which organizations would be involved in the proposed regional project/programme at the regional and national/sub-national level, and how coordination would be arranged? Does it explain how national institutions, and when possible, national implementing entities (NIEs) would be involved as partners in the project?</p>	<p>No.</p> <p>CR14: EBRD will be the project's implementing entity, as well as executing agency. However, this needs to be thoroughly justified explaining the exceptional circumstances that support this arrangement.</p> <p>CR15: Please indicate which other organization will be involved at the regional, national, and sub-national levels, and what would be their roles.</p>	<p>CR14: Not cleared. The justification provided is not sufficient. As per the Board (decision B.18/30), please provide written evidence that execution services by the Implementing Entities on an exceptional basis has been requested by the recipient countries, involving designated authorities in the process, and providing rationale for such a request. The responsibility for these services shall be stipulated, their budget estimated in the fully developed project/programme document and covered by the execution costs budget of the project/programme. Please also note CAR1 below.</p> <p>CR15: Not cleared. Additional information was provided; however, this CR needs to be revisited once the project includes tangible adaptation interventions.</p>
<p>Resource Availability</p>	<p>6. Is the requested project / programme funding within the funding windows of the programme for regional projects/programmes?</p>	<p>Yes.</p>	<p>-</p>
	<p>7. Are the administrative costs (Implementing Entity Management Fee and Project/ Programme Execution Costs) at or below 10</p>	<p>Yes.</p>	<p>Yes. However, amendment is required.</p> <p>CAR1: If EBRD will serve as executing entity for component 2 (\$4,400,000) then the EC cost to EBRD should be 1.5% of the value of that component which is \$66,000. Please also note CR14 above.</p>

	per cent of the project/programme for implementing entity (IE) fees and at or below 10 per cent of the project/programme cost for the execution costs?		
Eligibility of IE	8. Is the project/programme submitted through an eligible Implementing Entity that has been accredited by the Board?	Yes. Accreditation Expiration Date: 06 February 2029	-



PRE-CONCEPT FOR A REGIONAL PROJECT/PROGRAMME

PART I: PROJECT/PROGRAMME INFORMATION

Title of Project/Programme: Agriculture Climate Resilient Outcomes Platform (Agri-CROP) (formerly Climate-smart Agriculture and Resilience Platform for Expedited Transition (CARPET))

Countries: Georgia, Moldova

Thematic Focal Area¹: Innovation in adaptation finance

Type of Implementing Entity: Multilateral Implementing Entity

Implementing Entity: EBRD

Executing Entities: EBRD

Amount of Financing Requested: 14,000,000 (in U.S Dollars Equivalent)

Project Formulation Grant Request: Yes No

Amount of Requested financing for PFG: (in U.S Dollars Equivalent)

Letters of Endorsement (LOE) signed for all countries: Yes No

NOTE: LOEs should be signed by the Designated Authority (DA). The signatory DA must be on file with the Adaptation Fund. To find the DA currently on file check this page: <https://www.adaptation-fund.org/apply-funding/designated-authorities>

Stage of Submission:

- This pre-concept has been submitted before
- This is the first submission ever of the pre-concept

In case of a resubmission, please indicate the last submission date:

Please note that pre-concept should not exceed 5 pages (in addition to this first cover page)

¹ Thematic areas are: Food security; Disaster risk reduction and early warning systems; Transboundary water management; Innovation in adaptation finance.

Programme Background and Context:

1. Climate change poses a significant threat to global agriculture, with hazards that can lead to damaged crops and infrastructure, emergence of new pests and diseases, declining productivity, water scarcity and irrigation challenges, and soil degradation, disproportionately affecting the most vulnerable farmers and local communities. Many barriers to adaptation exist, including a lack of access to financial services and the provision of financial products catered to addressing the climate impact challenges faced by farmers, attributable to informality of the sector, lack of sufficient acceptable collateral to financiers, and lack of capacity to reach these target groups. In addition to access to finance challenges, vulnerable farmers often have limited access to modern technology, knowledge and resources.

2. The regions of Eastern Europe and the Caucasus face similar challenges that impact agricultural productivity, food security and rural livelihoods. Farmers in Moldova and Georgia face significant climate vulnerabilities, threatening livelihoods and food security from rising temperatures, reduced water availability, and reliance on rainfed agriculture. These risks underscore the need for targeted interventions to improve water management, enhance climate resilience, and promote sustainable farming practices. In Moldova, agriculture employs 30% of the workforce and contributes 13% to GDP, with 90% of crop production being rainfed. Climate change causes annual economic losses equivalent to 3% of GDP due to droughts and floods. Rising temperatures and erratic rainfall threaten yields of key crops like grapes and apples, while water resources in major basins are projected to decline by up to 58% by 2080. Without adaptation, crop yields could drop 10–30% by 2050, exacerbating risks for a sector heavily reliant on subsistence farming. In Georgia, agriculture employs 40% of the workforce and contributes 6–8% to GDP, with most farming rainfed (an estimated 69%) and vulnerable to precipitation changes. Rising temperatures and extreme weather events have already halved wheat yields in some years. By 2090, temperatures may rise by 4.9°C, and river flows could decrease by 30–55%, threatening irrigation-dependent regions. Soil salinization and desertification are worsening, particularly in arid areas such as the Shiraki Plain, where soil quality has significantly degraded.

3. Additional challenges result from systemic barriers that arise from a high-risk perception of the sector by financial institutions (FIs). While access to finance to the agriculture sector globally continues to be among the lowest sectors, only 1.5% of global climate finance is channelled towards small-scale agriculture². Vulnerable populations across the agriculture value chain have limited ability to build resilience from climate hazards through financial means, as the financial sector may not possess the experience and capacity to appropriately assess the inherent risks. Existing financial instruments often come with restrictive terms such as limited tenors, prohibitive costs, and excessive collateral requirements which preclude access by vulnerable populations. Due to the highly specialized nature of adaptation and perceived riskiness of these investments, dedicated adaptation finance through FIs is scarce in the markets of the countries covered. For adaptation finance to be available at the required scale, and reach climate and economically vulnerable populations, greater financial sector engagement and shift of perspective is required.

4. Access to finance therefore remains a key element to enhancing the livelihoods and resilience of sub-borrowers (i.e. farmers, households and SMEs, including women-led/owned SMEs, cooperatives, and others in the agricultural value chain who are impacted by climate hazards such as aggregators) through access to much needed technologies and commercialization. It is instrumental in facilitating the uptake of impactful climate adaptation solutions, including but not limited to: transitioning to climate-smart agriculture practices, improved irrigation, purchase of drought-resistant crop varieties, switching to practices that improve soil health, improved transportation of goods to market, and dealing with disasters and emergencies. The Programme proposes a multi-pronged approach to tackling these issues using a range of financial instruments, capacity building and incentives to FIs and sub-borrowers. It will support FIs to adequately assess the bankability of investments in agricultural activities, while enhancing the commercial viability of such investments, which in turn will increase adaptation finance to farmers in target regions and promote their uptake of new technologies and knowledge to enhance their climate resilience. In addition, by incorporating a dedicated gender lens to the programme, it ensures that women benefit from access to finance and technical assistance enhancing their climate-smart agriculture

² <https://isfadvisors.org/the-challenge-of-climate-financing-for-agri-smes/>

practices and wider climate change adaptation, effectively strengthening the overall agricultural sector's capacity to adapt to climate impacts, fostering more sustainable and inclusive growth.

Programme Objectives:

5. The EBRD proposes to establish the Agriculture Climate Resilient Outcomes Platform (Agri-CROP) in Georgia and Moldova, with the intention to expand this to other countries depending on needs. Through increasing access to finance and providing advisory to FIs and sub-borrowers, the Programme will support FIs in developing their capacity and new financial and knowledge products that increase the availability of finance to vulnerable end borrowers in the agricultural sector, as well as supporting beneficiaries with new adaptation tools, sector strategies, and other climate solutions.

6. The intermediated financing approach of working through partner FIs (PFIs), serves to leverage private sector financing to exponentially increase outreach to farmers in various regions and value chains beyond EBRD's own reach, accessing those that have often been neglected by traditional banking, thus increasing their access to finance and ultimately enhancing their capacity to withstand and recover from climate impacts. Technical assistance (TA), with a dedicated gender-lens, provided by the programme will empower end borrowers to make choices that cater to the specific needs of their crops and differing exposure to climate risks. As skills and knowledge are acquired by participating FIs, the impact of the Programme will continue after the end of the implementation period, adding to the sustainability of the Programme and maintaining adaptive capacities of communities.

7. The Programme is well aligned to build on the commitment and momentum developed with EBRD's substantial experience in the target markets working with partner FIs through EBRD's Green Economy Financing Facilities³. By enabling PFIs to identify and manage climate-related risks in the agriculture sector and target additional climate finance opportunities that help them manage these risks, the delivery of direct adaptation impacts to sub-borrowers will be magnified, increasing the availability of adaptation finance to end borrowers.

The proposed programme has three objectives:

- Scale uptake of climate adaptation technologies and solutions through increased access to finance for these technologies and increased capacity of FIs to develop and increase agriculture-related projects in their investment portfolios;
- Increase the ability of the financial system to identify and manage climate-related risks and shocks in the agriculture sector;
- Enhance the capacity of stakeholders in the agricultural sector to adopt climate resilient measures, practices and technologies.

8. The ultimate objective of the Programme is to increase the capacity of the agricultural sector to adapt to the increasing hazards resulting from climate change through increasing the resilience of the financial sector and using the distribution networks of financial institutions to reach a wider network of end borrowers. To achieve these objectives the Programme will deploy TA, incentives and investment grants described below, that will be utilised alongside EBRD financing to PFIs. Through this combination, the Programme will not only enhance capacity of individual end borrowers in enhancing their own adaptation needs, but also enable and build the capacity of FIs to become leading market players offering the required adaptation financing, ultimately transforming the financial system.

³ <https://ebrdgeff.com>

Programme Components and Financing:

Programme Components	Expected Outcomes	Expected Outputs	Countries	Amount (US\$)
1. Scaling climate adaptation technologies and solutions through providing financing to PFIs ⁴ and incentive grants to PFIs and sub-borrowers	1.1. Increased adaptation finance to the agriculture sector 1.2 Decreased barriers for sub-borrowers to accessing finance	1.1.1 Innovative financial products offered by FIs to support climate adaptation technologies (number of adaptation-related products) 1.1.2 Increased financing of climate adaptation technologies and solutions (USDm financed) 1.1.3 Increased investments financed (number of sub-projects financed) 1.2.1 Increased number of agri sub-borrowers (i.e. farmers, households, SMEs, women-led-owned SMEs) reached through FIs	Georgia, Moldova	8,300,000
2. Capacity building of stakeholders to increase adaptation activities, adopt new technologies and enhance resilience to climate risks through technical assistance to PFIs and sub-borrowers	2.1 Increased resilience of FIs to manage and respond to climate-related risks and shocks in their agriculture portfolio 2.2 Enhanced FI systems and processes to identify opportunities and support investments for adaptation in agriculture 2.3 Increased awareness of the value of climate adaptation technologies by sub-borrowers	2.1.1 Provision of best-practice recommendations for introducing climate risk management elements at the institutional level by FIs 2.1.2 Established effective climate risk management processes, monitoring and reporting for the agriculture sectors by FIs 2.2.1 Increased capacity of financial institutions to develop, monitor, and verify portfolios of investments for adaptation in agriculture 2.2.2 Improved knowledge and learning through development of sector-specific, gender-responsive thematic training knowledge materials for PFIs 2.3.1 Increased capacity of stakeholders to respond to climate risks and opportunities in the agricultural sector 2.3.2. Improved knowledge and learning through development of sector-specific and thematic training knowledge materials for sub-borrowers, with a dedicated gender-lens	Georgia, Moldova	4,400,000
4. Project/Programme Execution cost				190,000
5. Total Project/Programme Cost				12,890,000
6. Project/Programme Cycle Management Fee charged by the Implementing Entity (if applicable)				1,110,000
Amount of Financing Requested				14,000,000

Project Duration: 7 years (84 months)

PART II: PROGRAMME JUSTIFICATION

9. Agri-CROP focuses on adaptation through systemic climate risk assessment and opportunity identification, capacity building and awareness-raising to promote adaptation investments by PFIs, linking the financing sources to the adaptation hazard being addressed. This will contribute to systemic change within the financial sector, ultimately providing sustainable financing for adaptation that caters to the needs of sub-borrowers in the target countries. Through a combination of financial instruments, financial incentives, TA, and capacity

⁴ EBRD will deploy financing to PFIs for up to the equivalent of USD 60 million for on-lending to sub-borrowers that shall complement the funding requested from the Adaptation Fund

building, the Programme will help PFIs to identify commercially viable financing opportunities and develop appropriate financing instruments suited for the nature of the agricultural sector. This will allow PFIs to enable the bankability of adaptation projects, establish a track record of lending to new business opportunities and segments within this sector, and assess the performance of the loan portfolios to this sector and segment over time, allowing them to ultimately realize actual risk levels associated with those assets and accept the level of risk and scale and develop case studies for these new business opportunities.

10. **Component 1** aims to deploy financing instruments and incentives to support adaptation projects. Financing from EBRD to PFIs for on-lending to sub-borrowers and incentives to PFIs and sub-borrowers to support the commercial viability of such projects will increase the availability of adaptation finance to the agricultural sector and incentivize end beneficiaries to pursue climate adaptation investments. All funds under Component 1 shall be used in the form of investment incentive grants to be provided alongside EBRD's financing to PFIs and will be channeled towards eligible PFIs and sub-borrowers. This is expected to be coupled with TA to PFIs under Component 2 that aims to strengthen the capacity of PFIs to identify investment opportunities in the climate-vulnerable agricultural sector. Programme incentives and eligibility criteria will be designed to channel financial support via PFIs to work with individual farmers, producers, and others in the agri-business value chain to unlock adaptation investment opportunities. This component will directly support the mobilization of financial resources from PFIs towards agricultural investments perceived as high risk, and the development of innovative financial products by PFIs (e.g. flexible repayment schedules, alternative credit assessment mechanisms, non-conventional collateral, etc.) that are tailored to the needs of sub-borrowers.

11. EBRD financing will be provided in the form of funded or unfunded operations to local PFIs to support financing of eligible adaptation sub-projects, either via associated capex investments or working capital financing with associated adaptation-driven changes to management practices. Eligible PFIs will be provided with medium- to longer-term financing to reflect the characteristics of green economy financing, i.e. higher upfront cost of high-performance technologies resulting in longer payback periods. Investment incentives, in the form of incentive grants, will be provided to PFIs and sub-borrowers to accelerate and promote the prioritization of adaptation investments by beneficiaries, address market barriers driven by higher upfront costs compared to business-as-usual technologies on the market and incentivize sustainable behavior change at the PFI level. Investment incentives to sub-borrowers are paid ex-post, therefore serving to ensure the sub-project is duly implemented before payment is made; any investment incentive amount is subject to return to AF at maturity of the implementation period where the expected results for the sub-project have not been met. One of the key sources of innovation derives from working with PFIs, via the technical assistance and availability of investment incentives, to develop and structure responsive financial products that will enable adaptation investments in these markets where such financing is not currently present.

12. **Component 2** will leverage TA resources to support PFIs and sub-borrowers in building the necessary capacities to increase the adoption of adaptation technologies and enhance the agriculture sector's resilience to climate risks. This component will support PFIs in formulating, designing and implementing comprehensive climate risk management frameworks for the agricultural sector, which will in turn support sustained growth in adaptation finance through strengthening their assets that are particularly vulnerable to climate change in vulnerable market segments. FIs with enhanced climate risk management are anticipated to be more aware and willing to provide meaningful support in form of financial products and advisory to their clients to address their climate vulnerabilities. Activities for FIs will also include supporting outreach to potential sub-borrowers and developing investment opportunities via addressing affordability constraints and knowledge gaps on the part of beneficiaries, supporting the assessment of projects, building capacity to develop and issue green financial instruments, and scaling the uptake of climate adaptation technologies solutions in the agricultural sector. Increased capacity for monitoring, reporting and verification of the portfolios of investments will also be developed as a result. In addition, this component will deliver bespoke capacity-building and knowledge sharing activities to strengthen the capacity of sub-borrowers to respond to climate risks and opportunities in the agricultural sector. Knowledge sharing activities for sub-borrowers will include sector-specific training and workshops (horticulture, cattle farming, orchards, greenhouses, drip irrigation, soil testing, composting, pest management, etc.) as well as support with preparation of loan applications and climate-responsive farm management plans.

13. These activities will provide access to a knowledge base of high-performance technical solutions that result in clear climate adaptation benefits, helping to originate new investment opportunities. Supported adaptation activities of the programme could include:

- Investments in climate adaptation technologies (e.g., irrigation equipment, no-till machinery, greenhouses, solar water heaters, cooling systems, drip irrigation systems),
- Supporting climate-resilient farming practices (e.g., regenerative agriculture, crop conversion, nutrient management, alley cropping, terracing, integrated pest control, no-till farming),
- Improved identification and understanding of disaster risks,
- Increased financial resilience of households (e.g. climate adaptation measures in buildings, related infrastructure, cold storage capacities, etc.).

14. The EBRD will specify and guide the use-of-proceeds as part of legal agreements so that programme proceeds are channelled to generate intended, concrete adaptation impacts in alignment with social objectives. Benefits of this approach with FIs are that the Programme will reach economic actors that otherwise have limited access to green or climate finance. The intermediated model enables financial intermediaries to identify and finance climate adaptation projects tailored to the unique challenges faced by smaller borrowers. Sub-projects that would be financed under this Programme are subject to strict eligibility criteria for the project and the beneficiary that are applied via legal agreements between EBRD and the FI. Sub-projects financed by FIs will be governed by strict eligibility criteria and have environmental and social risks identified and managed as part of the framework established by EBRD. Furthermore, through the intermediated finance model, the Programme will enable FIs to identify and implement sub-projects based on borrower needs and local climate risks.

15. In addition to being governed by strict eligibility criteria, sub-projects will have environmental and social risks identified and managed as part of the framework established by EBRD. An Environmental and Social Management Plan (ESMP) will be prepared and included in the full programme proposal. As part of this plan, the EBRD ensures that sub-projects among its FIs comply with the Environmental & Social policy of the Bank (ESP)⁵, outlining E&S risks identification and management processes of all operations financed by EBRD, as well as excluded activities. The EBRD will also monitor the environmental and social performance of FIs and their sub-projects financed by the Bank by undertaking site visits and/or through annual reporting mechanisms.

16. The programme will also leverage tools that the EBRD has developed and successfully applied across its operations, including the Green Technology Selector, which is a climate technology transfer platform listing best-in-class climate technologies available across EBRD's countries of operations and technology suppliers. Through these solutions, the programme will magnify the delivery of direct adaptation impacts with a transformative approach to enable the financial sector to ultimately shift their business models, assets, and operations towards helping vulnerable sub-borrowers.

17. Adopting a regional approach to increasing agricultural resilience in Eastern Europe and the Caucasus will enhance the programme's efficiency and impact by sharing knowledge and best practices. By leveraging regional synergies, countries can collectively address common climate vulnerabilities. The selected countries will serve as case studies to provide valuable insights and successful models that others across the sub-regions can replicate and adapt. By leveraging PFIs' local presence, network of branches, client base and market experience the programme interventions will be able to reach beneficiaries in a cost- and process-efficient manner. Importantly, this approach offers opportunities to leverage private sector capital mobilized by the PFIs to finance investments in these projects, which is expected to provide sustainable financing resources beyond the completion of this programme through an established loan portfolio and increased capacity to support investments in those projects.

18. The intersection of agriculture and access to finance is highlighted in climate policy in Georgia and Moldova due to its strategic importance in benefitting people's livelihoods. In Georgia, the NDC emphasises the need to support the low-carbon development of the agricultural sector through encouraging climate-smart

⁵ <https://www.ebrd.com/environmental-and-social-policy-esp-2024>

agriculture and high-potential agricultural technologies for investment, creating synergies with needed regulation that will significantly enhance agricultural productivity and promote protection and adaptation to climate change. Agricultural measures in responding to adaptation needs have also been mentioned in Georgia's Climate Change Strategy and Action Plan, the Climate Change National Adaptation Plan for Georgia's Agriculture Sector, and the Agriculture and Rural Development Strategy of Georgia 2021 – 2027, and will also be included in the planned National Adaptation Plan. Moldova's NDC mentions its goal to promote sustainable and effective scale-up and deployment of adaptation finance, including engaging the banking sector in scaling up private sector climate finance through in-country FIs, and supporting transformative and replicable investments at scale, particularly through donors such as the Adaptation Fund. Other national strategies and plans that address this are the National Climate Change Adaptation Programme (NCCAP), Country Strategic Opportunities Programme (COSOP), the development of the Sectoral Adaptation Plan for the agriculture sector (Ag-SAP), and Moldova's Law No. 74 on Climate Action.

19. A crucial role of the programme is also the cooperation between relevant stakeholders to establish a network for knowledge sharing and capacity building among participating PFIs and other key stakeholders. This will be done through various structured mechanisms, such as workshops, seminars, and online platforms, to ensure best practices are widely shared. This engagement will allow these entities to learn from global best practices and reflect the feedback and experiences of PFIs in their policies and regulations, along with facilitating peer learning. The programme has been designed based on insight from consultations with key stakeholder groups, including PFIs and relevant government ministries. During the consultation period, EBRD will consult with relevant women stakeholders and organizations in the sector to ensure gender considerations are incorporated into the project design. Discussions with other stakeholders (such as PFIs, ministries, etc.) will include the topic of gender to better understand their perceptions of the gender gaps and opportunities in the sector. Based on these consultations, a combination of proposed gender-responsive activities will be proposed as part of the programme. A baseline assessment may also be conducted to survey women and men beneficiaries and further understand their differentiated needs.

20. Improving the capacity of the financial sector to manage climate-related risks and seizing market opportunities will strengthen the resilience of the financial system in the region and encourage financing flows towards net zero. This objective will be complemented by other EBRD tools active in the target regions and market segments, for example the EBRD-GCF Greening Financial Systems programme, or the EBRD's Corporate Climate Governance Facility. As there are currently limited instruments for adaptation in the agricultural sector in local markets, the programme will have significant demonstration effects on how local FIs can play a catalytic role in promoting access and availability of climate resilient agriculture technologies and practices. Such a transformational change will allow projects to be replicable in the participating countries and beyond, and benefits to continue beyond the life of the programme.

21. The Programme will provide longer-lasting impact, as commercial PFIs participating in the programme are expected to adopt practices, criteria and financial products and continue providing much needed financing to end beneficiaries, hence having meaningful market development impact and sustainability, beyond the programme lifetime. PFIs and the sub-borrowers will be able to continue to use knowledge gained (e.g. in assessing risks, adaptation technologies, creating tailored instruments to increase climate resilience, access to climate finance etc.) after the lifetime of the Programme, and the FIs that participate in this programme will be able to induce further change in the overall financial sector after having benefitted from the Programme, creating a multiplier effect and ultimately contributing to transformation of the financial sector.

PART III: IMPLEMENTATION ARRANGEMENTS

22. The implementation period of the programme will be seven years (84 months). The AF will provide resources to the EBRD as the Implementing Entity; the EBRD is responsible for the overall management and implementation of the programme, in accordance with its relevant rules and procedures. The EBRD will monitor implementation progress and provide regular reporting to the AF. EBRD will also serve as Executing Entity working with FIs located in participating countries (see below for further detail). The implementing team will be based in EBRD's existing offices in each of the target countries and its London headquarters; no project-specific

office will be created. The programme was designed based on substantial consultations with key stakeholders, including FIs (as the programme leverages and seeks to strengthen the financial sector's capacity to reach vulnerable communities), Ministries of Environment, Ministries of Finance, Ministries of Economy, and the AF Designated Authorities. A Steering Committee will be established to update on programme implementation and provide overall guidance and steering. Key stakeholders at the country level may be included as observers within the Steering Committee to ensure synergies and complementarity with other relevant initiatives in the target countries. A stakeholder engagement plan at the country level will be developed during the full project preparation phase.

23. For Component 1 of the Programme, EBRD will be the Implementing Entity while PFIs will be considered Executing Entities. Through its Loan Agreements with PFIs, EBRD will be responsible for ensuring compliance with the Fund's standards, policies, and guidelines, including fiduciary and safeguard requirements. PFIs will be selected based on their commitment to the Programme objectives and capacity to implement. Robust due diligence will be conducted before EBRD approves each PFI under the Programme and each PFI will be presented to the EBRD's investment committee for review. PFIs will disburse the funds to sub-borrowers and be responsible for day-to-day delivery of Programme objectives. For Component 2 of the Programme, EBRD will carry out the functions of Implementing Entity and Executing Entity, through its collaboration with external procured consultants to support project implementation and capacity building. Consultants are selected in accordance with EBRD's Corporate Procurement Policy and with the Procurement Policies and Rules (PP&R). Technical assistance will be delivered by EBRD and the consultants, combining the capacity of EBRD's experience and strategic oversight with the consultant team's operational expertise.

PART IV: ENDORSEMENT BY GOVERNMENTS AND CERTIFICATION BY THE IMPLEMENTING ENTITY

- A. Record of endorsement on behalf of the government¹** *Provide the name and position of the government official and indicate date of endorsement for each country participating in the proposed project/programme. Add more lines as necessary. The endorsement letters should be attached as annexes to the project/programme proposal.*

Ms. Nino Tandilashvili Deputy Minister Environmental Protection and Agriculture of Georgia	Date: <i>September 12, 2024</i>
Ms. Aliona Rusnac State Secretary Ministry of Environment Moldova	Date: <i>June 25, 2024</i>
	Date: <i>(Month, day, year)</i>

- B. Implementing Entity certification** *Provide the name and signature of the Implementing Entity Coordinator and the date of signature. Provide also the project/programme contact person's name, telephone number and email address*

I certify that this proposal has been prepared in accordance with guidelines provided by the Adaptation Fund Board, and prevailing National Development and Adaptation Plans of Georgia and Moldova, and subject to the approval by the Adaptation Fund Board, <u>commit to implementing the project/programme in compliance with the Environmental and Social Policy of the Adaptation Fund</u> and on the understanding that the Implementing Entity will be fully (legally and financially) responsible for the implementation of this project/programme.	
<i>Alexis Franke, Associate Director, Green Partnerships, Donor Partnerships</i>	
[signature]	
Date:	Tel. and email: frankea@ebrd.com
Project Contact Person: Mouhanad Atta	
Tel. And Email: attam@ebrd.com	

Each Party shall designate and communicate to the secretariat the authority that will endorse on behalf of the national government the projects and programmes proposed by the implementing entities.



**MINISTRY OF ENVIRONMENTAL PROTECTION
AND AGRICULTURE OF GEORGIA**

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12 September 2024



N 7057/01

To: The Adaptation Fund Board
c/o Adaptation Fund Board Secretariat
Email: Secretariat@Adaptation-Fund.org
Fax: 202 522 3240/5

Subject: Endorsement for Climate-Smart Agriculture and Resilience Platform Expedited Transition (CARPET)

To whom it may concern,

In my capacity as designated authority for the Adaptation Fund in Georgia, I confirm that the above regional 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 Georgia.

Accordingly, I am pleased to endorse the above programme proposal with support from the Adaptation Fund. If approved, the programme will be implemented by the European Bank for Reconstruction and Development and executed by the European Bank for Reconstruction and Development.

Sincerely,

Nino Tandilashvili
First Deputy Minister

<https://edocument.ge/mea/public/#/7057-01-2-202409121400>







MD 2004, mun. Chişinău, bd Ştefan cel Mare şi Sfânt, 162, tel. 022 20 45 87, e-mail: cancelaria@mediu.gov.md

Nr. 01-07/1756 din 25.06.2024

June 25th, 2024

To: The Adaptation Fund Board
c/o Adaptation Fund Board Secretariat
Email: Secretariat@Adaptation-Fund.org
Fax: 202 522 3240/5

Subject: Endorsement for Climate-Smart Agriculture and Resilience Platform Expedited Transition (CARPET)

In my capacity as designated authority for the Adaptation Fund in the Republic of Moldova, I confirm that the above regional 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 country.

Accordingly, I am pleased to endorse the above programme proposal with support from the Adaptation Fund. If approved, the programme will be implemented by the European Bank for Reconstruction and Development and executed by the European Bank for Reconstruction and Development.

Sincerely,

Ms. Aliona Rusnac
State Secretary
Ministry of Environment

A handwritten signature in blue ink, appearing to read 'Aliona Rusnac', written over the typed name.

