ADAPTATION FUND

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16 March 2026

Adaptation Fund Board
Project and Programme Review Committee
Thirty-seventh Meeting
Bonn, Germany, 7-8 April 2026

PROPOSAL FOR CAMBODIA, VIET NAM (1)

ADAPTATION FUND BOARD SECRETARIAT TECHNICAL REVIEW OF PROJECT/PROGRAMME PROPOSAL

PROJECT/PROGRAMME CATEGORY: Pre-Concept for a Regional Project

Countries/Region: Cambodia and Viet Nam
Project Title: Building climate resilience through regional innovation empowering tourism, light Industry, and creative micro-, small and medium-sized enterprise value chains in Cambodia and Viet Nam
Thematic focal area: Innovation in adaptation finance
Implementing Entity: United Nations Industrial Development Organization (UNIDO)
Executing Entities: Cambodia's Ministry of Environment (MoE), Viet Nam's Ministry of Industry and Trade (MOIT) and UNIDO
AF Project ID:
IE Project ID:
Requested Financing from Adaptation Fund (US Dollars): 30,000,000
Reviewer and contact person: Alexandra Munoz
Co-reviewer(s): Naoki Uozawa
IE Contact Person(s):

Technical Summary	The project "Building climate resilience through regional innovation empowering tourism, light Industry, and creative micro-, small and medium-sized enterprise value chains in Cambodia and Viet Nam" aims to The project seeks to strengthen the climate resilience of MSMEs in Cambodia and Viet Nam — particularly in along the value chains of tourism, creative industries, and light manufacturing — by embedding adaptive capacities into MSME clusters, subnational development plans, and national support systems. This will be done through the four components below: <u>Component 1</u>: Localized Climate Risk Intelligence for MSMEs in Tourism, Creative and Light Industries (USD 4,522,958). <u>Component 2:</u> Climate-Resilient MSME Clusters and Skills for Adaptation (USD 7,400,000). <u>Component 3</u>: Climate-Smart Value Chains and Access to Adaptation Finance for Target Sectors (USD 10,300,000). <u>Component 4</u>: Regional Knowledge, Partnerships, and Scale-Up (USD 2,800,000).

	<u>Requested financing overview:</u> Project/Programme Execution Cost: USD 2,249,770 Total Project/Programme Cost: USD 27,272,728 Implementing Fee: USD 2,727,272 Financing Requested: USD 30,000,000 The proposal includes a request for a project formulation grant and/or project formulation assistance grant of USD 30,000. The initial technical review raises several issues, such as climate change adaptation rationale, the need for more specific objectives and components, consistency of the budget throughout the document, and clarification of roles and responsibilities of executing entities, as is discussed in the number of Clarification Requests (CRs) and Corrective Action Request (CAR) raised in the review. *Please be advised that the findings of the AFB Secretariat's review of the funding proposal(s) do not reflect, indicate, or prejudge the outcome of the reaccreditation process currently underway. The Implementing Entity (IE) shall acknowledge that the funding proposal will not be approved by the Board if the IE's accreditation has expired, and reaccreditation has not been achieved at the time of the Board's decision. Notwithstanding this potential risk, the IE has elected to proceed with the development of the funding proposal.*
Date	16 December 2025

Review Criteria	**Questions**	**First Technical Review Comments** **16 December 2025**
Country Eligibility	1. Are all of the participating countries party to the Kyoto Protocol and/or the Paris Agreement?	**Yes.** Cambodia has ratified both the Kyoto Protocol (14 January 2008) and the Paris Agreement (21 September 2016). Viet Nam has ratified both the Kyoto Protocol (22 August 2002) and the Paris Agreement (06 February 2017).

	2. Are all of the participating countries developing countries particularly vulnerable to the adverse effects of climate change?	**Yes.** Cambodia and Viet Nam are increasingly exposed to climate risks—floods, droughts, saline intrusion, and temperature extremes—which directly affect MSMEs across the value chains of tourism, creative industries, and light manufacturing. Please ensure that the concept note provides disaggregated climate risk evidence.
Project Eligibility	1. Have the designated government authorities for the Adaptation Fund from each of the participating countries endorsed the project/programme?	**Yes.** As per the Cambodia Endorsement letter dated August 4th, 2025. As per the Viet Nam letter dated November 13th, 2025.
	2. Has the pre-concept provided necessary information on the problem the proposed project/programme is aiming to solve, including both the regional and the country perspective?	**Unsure** The project provides some regional and subnational information; however, its overall objective is not clear. The proposed project should clearly demonstrate the linkage between MSMEs and climate change for each country, as well as collectively, to justify a regional approach. **CR1:** Kindly provide a clearer, evidence-based linkage between the climate change impacts affecting each country, the critical impact of these climate change effects on MSMEs and vulnerable communities, and the proposed solutions. These references should be specific to show this correlation and properly justify the proposed project.

	3. Have the project/programme objectives, components and financing been clearly explained?	**Unsure.**The proposed project provides an outline of the objectives, components and financing. However, the description of objectives, components and outputs are not clearly defined. **CR2:** Kindly provide brief yet clear explanations of what will be financed under each component. **CR3:** Please revise the objectives to ensure thatthey are properly specified and do not mix aims with results. For example, Specific Objective 1 combines an aim with results (*“more than 1,000 MSMEs”*). It would be helpful if these could begin with verbs in the infinitive form. The proposal states that it targets vulnerable MSMEs and addresses the challenge of MSMEs being highly exposed to climate risks while remaining underserved by adaptation finance (Page 2). However, further clarification is required on the following points: **CR4:** • Please clarify how “vulnerable MSMEs” are defined, and explain why their vulnerability is primarily attributed to climate change impacts, rather than to the competitiveness of the products or services they provide. • Please also provide further explanation as to why the project focuses on MSMEs as the primary entry point, rather than directly targeting vulnerable communities. • Please explain why MSMEs require dedicated access to adaptation finance. • Please also clarify whether the project includes any form of grant-based support for MSMEs.

		Kindly revise the outcomes and outputs for each component to ensure they are properly defined. Not all details should be in the indicators definition. Please note that indicators must beSpecific, Measurable, Achievable),Relevant, and Time-bound(SMART). **CR5:** Paragraph 3 refers to climate-related trade requirements (e.g. ESG scrutiny, the EU Carbon Border Adjustment Mechanism, and deforestation-free regulations). Please clarify how these trade requirements are linked to climate change adaptation.
	4. Has the project/programme been justified in terms of how: - 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?	**Unsure.**The document outlines adaptation actions, solutions, alignment with relevant strategies and plans, cost-effectiveness, a consultative process, and includes a learning and knowledge management component. However, the added value at the regional level and basic information on the outlined topics remain unclear. **CR6:** Please ensure the following: (i) Adaptation actions are specific, clearly explained and well-defined. For example, clarify what is meant by “resilient package”. Actions should be explicitly linked to the objectives and aligned with the project’s Theory of Change. (ii) Additional details on the proposed technical TA and to clarify its relevance to climate change adaptation (iii) The added value of adopting a regional approach should be clearly articulated and justified. (iv) Includes a sustainability approach and describes how it will be integrated. .

	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?	**Yes, but further information is required.** Part III includes all implementation arrangements required. However, while some responsibility roles are outlined for UNIDO and the two executing entities, the specific tasks for each and their corresponding responsibilities by component remain unclear. **CR7:** Please clarify the role of each entity and specify whether their responsibilities are at the regional or national/subnational level. Also indicate if any other entities are involved besides UNIDO, the Ministry of Environment of Cambodia, and the Ministry of Industry and Trade of Vietnam. **CR8:** Please delete the AF project number inserted in the PFG request form as it is inaccurate. The AF project ID is AF00000485. **CAR 1:** Please delete Project / Programme Background and Context section from the cover page of the proposal.
Resource Availability	6. Is the requested project / programme funding within the funding windows of the programme for regional projects/programmes?	**Yes.** The requested financing from the Adaptation Fund is exactly USD 30,000,000.

	7. Are the administrative costs (Implementing Entity Management Fee and Project/ Programme Execution Costs) at or below 10 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?	**Yes, but some amendments are required.** All figures are rounded to a whole number. IE Management Fee (10%) and Project Execution costs (Around 8%) are correct in size. However, the figures do not add up across tables and components (*Project / Programme Components and Financing table vs. Part II: Project / Programme Justification*). The PFG requested is correct in size (USD 30,000). **CAR1:** Kindly revise the budget for each component across the document (*Project/Programme Components and Financing table vs. Part II: Project/Programme Justification*) to ensure consistency.
Eligibility of IE	8. Is the project/programme submitted through an eligible Implementing Entity that has been accredited by the Board?	**No.** United Nations Industrial Development Organization (UNIDO) is a Multilateral Implementing Entity (MIE). Accreditation expiration date: 30 November 2025. **CAR2:** Please kindly note that the UNIDO focal point as per AF website is Ms Haidara and hence her signature is required. Kindly attach change of IE representative name letter if available. *Please be advised that the findings of the AFB Secretariat's review of the funding proposal(s) do not reflect, indicate, or prejudge the outcome of the reaccreditation process currently underway. The Implementing Entity (IE) shall acknowledge that the funding proposal will not be approved by the Board if the IE's accreditation has expired, and reaccreditation has not been achieved at the time of the Board's decision. Notwithstanding this potential risk, the IE has elected to proceed with the development of the funding proposal.*

Version: May 2015

ADAPTATION FUND

PRE-CONCEPT FOR A REGIONAL PROJECT/PROGRAMME

PART I: PROJECT/PROGRAMME INFORMATION

Title of Project/Programme: Building climate resilience through regional innovation empowering tourism, light Industry, and creative micro-, small and medium-sized enterprise value chains in Cambodia and Viet Nam

Countries: Cambodia and Viet Nam
Thematic Focal Area[1]: Innovation in adaptation finance
Type of Implementing Entity: MIE
Implementing Entity: United Nations Industrial Development Organization (UNIDO)
Executing Entities: Cambodia Ministry of Environment (MoE), Viet Nam, Ministry of Industry and Trade (MOIT) and UNIDO

Amount of Financing Requested: 30,000,000 (in U.S Dollars Equivalent)
Letters of Endorsement (LOE) signed for all countries:

Project / Programme Background and Context:

1. Cambodia2 and Viet Nam3 are increasingly exposed to climate risks—floods, droughts, saline intrusion, and temperature extremes—which directly affect MSMEs across the value chains of tourism, creative industries, and light manufacturing[4]. According to the IPCC AR6 (2022, Ch. 3, 6, 10)[5], Southeast Asia faces more frequent extreme rainfall, prolonged droughts, rising sea levels, and intensifying heat extremes. These hazards compound risks to cultural heritage, urban infrastructure, and MSME supply chains, directly undermining sectors that are essential for rural livelihoods, women's economic empowerment, and cultural preservation, yet remain underserved by adaptation finance.
2. In Cambodia, MSMEs contribute over 58% of GDP and play a central role in tourism, creative industry and light manufacturing6. With 6.7 million tourist arrivals in 2024, the sector is rebounding7, but infrastructure and service disruptions from flooding and extreme weather are rising. National plans, including the CCCSP 8, prioritize MSME resilience, supported by the 2023–2028 SP-ISID9 which promotes green value chains. Viet Nam's 98% MSME base accounts for 40% of GDP 10 and is central to the National Adaptation Plan11 and Green Growth Strategy12. New SME policies promote ESG, digitalization, and access to climate-smart finance[11].

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

2 Cambodia Climate Risk Profile 15849-WB_Cambodia Country Profile-WEB.pdf
3 Vietnam Climate Risk Profile 15077-Vietnam Country Profile-WEB.pdf

[4] Activities in these value chains include activities in the mentioned sectors themselves, but also in various sectors providing inputs along the value chains, including, for example, agricultural activities or auxiliary services
[5] IPCC (2022). *Climate Change 2022: Impacts, Adaptation and Vulnerability*. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Cambridge University Press. Available at: https://www.ipcc.ch/report/ar6/wg2/

6 Cambodia MSME share – CCCSP & national statistics https://ncsd.moe.gov.kh/resources/document/cambodia-climate-change-strategic-plan-2014-2023-cccsp-2014-2023
7 Tourism rebounds – Cambodia Ministry of Tourism, 2024 data
8 CCCSP plan – UNFCCC: https://www4.unfccc.int/sites/NAPC/Documents/Parties/Cambodia_CCCSP.pdf:contentReference[oaicite:4]{index=4}
9 National strategy for informal economic development 2023-2028 - Library records OD Mekong Datahub
10 Viet Nam SME stats – SME Development Plan, World Bank data
11 Viet Nam NAP 2024 UPDATE Viet Nam NAP 2021-2030 with vision to 2050
12 National-Green-Growth-Strategy-for-2021-2030-Vision-Towards-2050.pdf

3. MSMEs must adapt to meet climate-related trade requirements. Cambodia's 35% U.S.-oriented exports face ESG scrutiny13 , and Viet Nam must meet the EU carbon border 14and deforestation-free regulations15. While platforms like SPIN16 in Cambodia and green certification schemes in Viet Nam17 are promising, the UNEP Adaptation Gap Report 2024[18] underscores that adaptation finance needs are 10–18 times greater than current flows. Cambodia requires over US$2 billion by 203019; Viet Nam, over US$254 billion by 2040 20.
4. Although multilateral projects exist, few directly support MSMEs along the value chains of tourism, handicrafts and light manufacturing21. Regional platforms22 share knowledge, but uptake is limited. A coordinated regional programme can bridge this gap by supporting MSME adaptation, embedding ESG training, de-risking investment, and promoting circular tourism, creative and light industry value chains. Leveraging UNIDO's tools—this programme will deliver scalable, inclusive adaptation benefits across the Mekong region while addressing the urgent science-policy-finance divide highlighted by the IPCC and UNEP.

Project / Programme Objectives:

The project seeks to strengthen the climate resilience of MSMEs in Cambodia and Viet Nam — particularly in along the value chains of tourism, creative industries, and light manufacturing — by embedding adaptive capacities into MSME clusters, subnational development plans, and national support systems. It will directly target vulnerable MSME hotspots in six high-risk provinces[23] while also creating enabling conditions for national and regional scale-up. Specific objectives include: 1) Providing localized climate risk intelligence through vulnerability maps for six high-risk provinces, digital advisory services for more than 1,000 MSMEs, and cluster-level zoning strategies, with tools embedded in national MSME and enterprise platforms. 2) Building resilient MSME clusters by implementing locally led resilience packages in six clusters, training 12,000 workers and entrepreneurs in climate-smart skills, empowering 400 women and youth leaders, and supporting 100 climate-smart microenterprises to deliver adaptation services and products. 3)Strengthening climate-smart value chains and finance by equipping 600 MSMEs with adaptation business plans, showcasing proven technologies through eight demonstration projects, and providing transaction support and guidance while training 50 financial institutions to expand adaptation lending. 4) Promoting regional knowledge and scale-up by establishing South–South Adaptation Labs, developing a multilingual digital knowledge hub, and institutionalizing adaptation knowledge through partnerships with MSME agencies, chambers, and vocational institutes, complemented by replication briefs for wider Mekong uptake.
The project addresses the problem of MSMEs being highly exposed to climate risks yet underserved by adaptation finance. By providing risk intelligence, building resilient clusters, strengthening value chains and finance, and enabling regional knowledge exchange, the project will empower MSMEs to adopt climate-smart practices. If MSMEs and institutions adopt these measures under supportive policy and finance conditions, then MSMEs will achieve strengthened resilience and safeguard jobs, livelihoods, and cultural assets.

Project / Programme Components and Financing:

Project/Programme Components	Expected Outcomes	Expected Outputs	Countries	Amount (US$)
1.Localized Climate Risk	**Outcome 1.1:** MSMEs and local authorities in vulnerable clusters apply localized climate	Output 1.1.1 Develop GIS-based Climate vulnerability maps for 6 high-risk provinces[24] (3	Cambodia,	4,522,958

13 Cambodia exports to U.S. – UN trade data
14 Carbon Border Adjustment Mechanism - European Commission
15 Regulation on Deforestation-free products - European Commission
16 SPIN: Unlocking Investment Opportunities in Cambodia's Northeastern Provinces – ItaCham
17 Viet Nam green certification – public procurement policy, 2023 https://www.switch-asia.eu/site/assets/files/4038/vietnam_gpp_assessment_report.pdf

18 UNEP (2024). *Adaptation Gap Report 2024: Come Hell and High Water*. United Nations Environment Programme, Nairobi. Available at: https://www.unep.org/resources/adaptation-gap-report-2024

19 Cambodia's NDC 3.0
20 Key Highlights: Country Climate and Development Report for Vietnam
21 GCF/GEF project reviews – fund documents
24 The project will target **six high-risk provinces** — **Kratie, Battambang, and Pursat in Cambodia**, and **Son La, Ninh Binh, and Thua Thien Hue in Viet Nam** — based on climate vulnerability mapping that highlights their exposure to floods, droughts, and typhoons. These provinces also represent **MSME hotspots**

Intelligence for MSMEs in Tourism, Creative and Light Industries	information to adapt production, employment, and supply chains.	each in Cambodia and Viet Nam) integrating available climate hazard data to identify MSME hotspots in tourism, crafts/design, and light industry with design provisions for future digital and real-time upgrades. Output 1.1.2 Climate advisory services (seasonal forecasts, early warnings, practical adaptation tips) delivered through chambers of commerce and TVET centers to reach 1,000+ MSMEs (≥50% women/youth-led). Output 1.1.3 Six MSME zoning/cluster plans including public-private resource mobilization (3 per country) developed in consultation with business support centers and with communities to safeguard enterprises from flooding, heat, and water scarcity. Output 1.1.4 Embed Climate risk tools in national MSME and enterprise platforms (e.g., Cambodia Data Portal, Viet Nam e-Gov systems) to ensure sustained use and generate practical adaptation recommendations based on MSME risk level.	Viet Nam	
2. **Climate-Resilient MSME Clusters and Skills for Adaptation**	**Outcome 2.1:** MSME clusters implement locally led resilience packages, improve adaptive skills, and empower women and youth as leaders of climate action.	Output 2.1.1: Six MSME clusters (two per sector) implement tailored resilience measures (e.g., water harvesting, shade/green roofing, flood-proofing workshops, climate-smart tourism facilities, resilient craft production). Output 2.1.2: 12,000 workers and entrepreneurs trained and certified in practical climate-smart vocational skills (energy-efficient kilns, drought-resilient tourism operations, circular packaging) via HP LIFE, LKDF, business support centers and TVET partners. Output 2.1.3: 400 women and youth complete Leadership for Adaptation programmes, participate in a Cluster Adaptation Advisory Network providing peer guidance and monitoring of solutions at cluster level. Output 2.1.4: 100 climate-smart microenterprises (≥50% women/youth-led) incubated to provide local adaptation services and products	Camb odia, Viet Nam	7,400,000
3. **Climate-Smart Value Chains and Access to Adaptation Finance for Target Sectors**	**Outcome 3.1:** Tourism, creative industry, and light industry MSMEs adopt climate-resilient technologies and supply chain practices, supported by grant-financed TA and better access to local finance for adaptation investments.	Output 3.1.1: 600 MSMEs (≥40% women/youth-led) receive technical support to conduct climate-smart diagnostics and prepare adaptation business plans integrating climate risk reduction and ESG compliance. Output 3.1.2: Implement Eight demonstration projects (four per country) and develop a simple KPI set on climate, social and economic performance integrated into the Toolkit. Output 3.1.3: Provide transaction advisory for 50 MSMEs and train 50 financial institutions; develop guidance on accessing green finance with standardized application templates included in the green finance guidebook.	Camb odia, Viet Nam	10,300,000

in tourism, crafts/design, and light industry, sectors that are both highly climate-sensitive and critical for women and youth employment. Focusing on these provinces ensures that adaptation actions are locally relevant, directly benefit vulnerable MSME clusters, and generate scalable lessons for national and regional replication.

[23] The project will target **six high-risk provinces** — **Kratie, Battambang, and Pursat in Cambodia**, and **Son La, Ninh Binh, and Thua Thien Hue in Viet Nam** — based on climate vulnerability mapping that highlights their exposure to floods, droughts, and typhoons. These provinces also represent **MSME hotspots in tourism, crafts/design, and light industry**, sectors that are both highly climate-sensitive and critical for women and youth employment. Focusing on these provinces ensures that adaptation actions are locally relevant, directly benefit vulnerable MSME clusters, and generate scalable lessons for national and regional replication.

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4. **Regional Knowledge, Partnerships, and Scale-Up**	**Outcome 4.1:** Regional cooperation is strengthened, and project knowledge is sustained, scaled, and effectively shared to support climate-resilient MSMEs in tourism, creative industries, and light manufacturing	**Output 4.1.1:** Regional Adaptation Exchange Platforms established through six South–South Adaptation Labs in Cambodia and Viet Nam, engaging at least 500 stakeholders on climate risk intelligence, climate-smart entrepreneurship, ESG-ready value chains, and adaptation finance. **Output 4.1.2.** Multilingual Digital Knowledge Hub (English, Khmer, Vietnamese) launched and maintained, providing practical adaptation toolkits, MSME case studies, and finance resources, reaching at least 5,000 users. **Output 4.1.** Institutionalize adaptation knowledge through ≥5 partnership agreements and five replication briefs, and support integration of the Climate-Adaptation Training module into national TVET curricula in Cambodia and Viet Nam.	Cambodia, Viet Nam	2,800,000
5. Project/Programme Execution cost				2,249,770
6. Total Project/Programme Cost				27,272,728
7. Project/Programme Cycle Management Fee charged by the Implementing Entity (if applicable)				2,727,272
Amount of Financing Requested				30,000,000

Project Duration: *6 years (72 months)* including 6 months of project inception and startup phase, 5 years of project activities, and 6 months of project closure phase including final evaluation.

PART II: PROJECT / PROGRAMME JUSTIFICATION

5. **Component 1: Climate Risk Intelligence for Tourism, Creative, and Light Industry MSMEs (USD 4,700,000).** This component will map vulnerabilities in six high-risk provinces, identify MSME hotspots, and deliver climate advisory services to over 1,000 MSMEs, including women- and youth-led enterprises. It will develop GIS-based climate vulnerability maps integrating available climate and hazard data, with design provisions for future digital/real-time upgrades, and embed simple risk-tiered adaptation recommendations in national MSME/enterprise platforms. It will also develop six zoning strategies and embed climate risk tools into national MSME and enterprise platforms to ensure long-term use.
6. **Component 2: Resilient Tourism, Creative, and Light Industry Clusters (USD 7,500,000).** This component will strengthen six MSME clusters through tailored resilience packages, train 12,000 workers and entrepreneurs in climate-smart skills, empower 400 women and youth leaders, and support 100 women- and youth-led microenterprises to provide local adaptation solutions. A Cluster Adaptation Advisory Network will support peer-to-peer guidance and light monitoring of solution uptake at cluster level.
7. **Component 3: Climate-Smart Value Chains and Access to Adaptation Finance (USD 10,400,000).** This component will support 600 MSMEs (≥40% women/youth-led) to complete climate-risk diagnostics and prepare adaptation business plans that integrate risk reduction and export-relevant due-diligence/ESG requirements demonstrate practical adaptation solutions through eight site-based projects, consolidate lessons in a Resilience Toolkit, and expand MSME access to adaptation finance by providing transaction support and training 50 financial institutions.
8. **Component 4: Regional Knowledge, Partnerships, and Scale-Up (USD 2,800,000).** This component will strengthen regional cooperation by convening six Adaptation Labs, launching a multilingual Digital Knowledge Hub for 5,000+ users, and embedding adaptation practices through partnerships and replication briefs for wider Mekong uptake. It will also support integration of a Climate Adaptation Training module into national TVET curricula in Cambodia and Viet Nam.
9. **Promoting new and innovative solutions:** Through Components 2 and 3, the project enables MSMEs in the value chains of tourism, creative, and light industries to adopt green skills, climate-resilient

technologies, and circular practices through demonstration projects and adaptation planning, providing scalable and sustainable solutions that reduce risks and strengthen competitiveness.

10. **Cost-effectiveness of the project**: The project delivers concrete, locally led adaptation measures in six high-risk provinces while embedding tools and practices into national systems for scale-up. By leveraging UNIDO's expertise and national partner networks, it ensures efficient use of resources, minimizes duplication, and provides affordable, tailored solutions that foster peer learning and replication across MSME clusters in the value chains of tourism, creative industries, and light industry.
11. **Alignment with sustainable development and adaptation strategies:** The project advances SDGs 1, 5, 8, 9, 12, and 13 by strengthening MSME resilience, creating climate-smart jobs, and promoting inclusive, sustainable value chains. It is directly aligned with Viet Nam's NAP and Climate Strategy 2050 and Cambodia's National Strategic Development Plan, both of which prioritize resilient tourism, enterprise development, and gender equality.
12. **Learning and knowledge management:** Learning is embedded throughout the project via six Adaptation Labs, a multilingual Digital Knowledge Hub, and institutional partnerships with MSME agencies, chambers, and vocational institutes. Replication briefs and regional exchanges will capture lessons from cluster-level adaptation, strengthening governance, partnerships, and long-term MSME adaptation capacity across Cambodia, Viet Nam, and the wider Mekong region. Lessons will inform the integration and periodic update of the Climate Adaptation module in national TVET systems to sustain institutional learning.
13. **Consultative process:** This pre-concept note draws on consultations with ministries in both countries to identify vulnerabilities and adaptation barriers. Aligned with national priorities, interventions will be refined through continued dialogue, with local authorities and communities shaping design via stakeholder analysis.
14. **Considering the sustainability of outcomes during project design:** Sustainability is ensured by embedding climate risk tools, resilience packages, and value chain practices into MSMEs and national platforms. Strengthened technical, financial, and institutional capacities will enable long-term self-sufficiency, supported by partnerships, digital platforms, and replication briefs for wider Mekong uptake.
15. **Economic, social and environmental benefits:** The project generates economic gains by equipping MSMEs with climate-smart tools and finance, and social benefits by securing livelihoods, diversifying incomes, and empowering women, youth, and minorities. Environmentally, it promotes resource-efficient, low-carbon practices, safeguards ecosystems and cultural assets, and builds local resilience.
16. **Gender and vulnerable groups:** The project will apply a gender-responsive, socially inclusive approach aligned with the Adaptation Fund's Gender Policy, national strategies, and UNIDO guidelines. Guided by gender and vulnerability assessments, it will ensure equitable participation, benefit-sharing, and active engagement of women, youth, minorities, and marginalized groups across adaptation planning, skills, and entrepreneurship.
17. **Compliance with technical standards:** The project will deliver small-scale, locally appropriate adaptation solutions for MSMEs in the value chains of tourism, creative industries, and light industry, avoiding major infrastructure or harmful activities. UNIDO will apply its ESS Policy, ensure due diligence, and maintain compliance with national standards and the Adaptation Fund's Environmental and Social Policy.
18. **Avoidance of duplication with other funding sources:** The project will avoid duplication with past and ongoing initiatives by actively mapping and assessing related programmes in Viet Nam and Cambodia, such as AF-funded "*Enhancing Climate Resilience of Rural Communities in the Mekong Delta*" implemented by UN-Habitat in Viet Nam, or GEF-supported "*Mainstreaming Climate Resilience into Development Planning*" implemented by UNDP in Cambodia. Efforts will be made to align with and build on existing investments, policy frameworks, and institutional arrangements, as well as to coordinate closely with relevant stakeholders to ensure complementarity, synergy, and added value.
19. **Justification for funding request:** A. Climate change threatens Viet Nam's and Cambodia's tourism, creative, and light industry value chains—critical for women, youth, and rural livelihoods—through rising temperatures, extreme weather, and disrupted supply chains. MSMEs in these value chains face

a persistent adaptation gap: limited public resources and scarce climate finance prevent investment in resilient infrastructure, technologies, and skills. Adaptation Fund support is essential to cover the full cost of adaptation measures—including risk intelligence, resilient retrofits, climate-smart business models, and knowledge systems—that would not otherwise be financed. By targeting the most climate-vulnerable MSME clusters, the project will ensure adaptation resources are used strategically to protect enterprises, jobs, and communities from escalating climate risks.

20. **Environmental and social impacts and risks:** The project will adhere to UNIDO's and the Adaptation Fund's Environmental and Social Policies. Based on the assigned ESS category, appropriate instruments will be prepared to address potential environmental and social risks and impacts. Screening and selection of MSMEs, as well as any future Unidentified Sub-Projects (USPs), will undergo environmental and social due diligence in full compliance with the Adaptation Fund's USP policy.

PART III: IMPLEMENTATION ARRANGEMENTS

The project will be led by UNIDO as the Implementing Entity. UNIDO brings extensive experience in designing and executing adaptation interventions that integrate climate resilience, sustainable livelihoods, and MSME engagement. The Ministry of Environment (MoE) in Cambodia will be the lead executing entity identified at this stage. The Ministry of Industry and Trade (MOIT) in Vietnam will be the lead executing entity identified at this stage. During the project formulation grant (PFG) phase, UNIDO will carry out an assessment exercise to reconfirm both the identified executing entities' operational and fiduciary capacity for executing its responsibilities under this project.

Leveraging its longstanding technical presence and institutional partnerships in Cambodia, Viet Nam, and the wider Mekong region, UNIDO is well positioned to connect community-based innovation with national adaptation priorities and to channel these lessons into regional dialogue. Under Component 4, UNIDO will execute Regional Adaptation Exchange Platforms, manage a multilingual Digital Knowledge Hub, and formalize partnerships to sustain and scale project knowledge. As UNIDO will serve both as Implementing Entity and, under selected components, as Executing Entity, clear separation of these roles will be maintained to safeguard independent oversight, in line with Adaptation Fund standards. A dedicated oversight function within UNIDO will ensure that implementation supervision, monitoring, and fiduciary controls remain fully independent from day-to-day execution responsibilities.

Oversight and strategic guidance will be provided by a Project Steering Committee (PSC), co-chaired by the Ministry of Environment of Cambodia and the Ministry of Industry and Trade of Vietnam, and also coordinated by UNIDO.. To ensure independence and integrity, the PSC will retain a purely oversight role—and its membership will include representatives of local organisations, civil society, technical experts, and private sector actors to guarantee balanced representation, inclusiveness, and transparency. For example, The PSC will also include the Vietnam Ministry of Agriculture and Environment to ensure environmental-standards compliance, climate-data integration, and alignment with national climate-finance systems. A standing Technical Expert Working Group, co-convened with the Ministry of Agriculture and Environment, will support data/methods alignment and cross-sector interfaces (e.g., OCOP/New Rural Development) without expanding beneficiary scope. The PMU will consist of three interconnected teams – one team hosted by the selected EE for Cambodia and one for the selected EE of Vietnam and one team hosted by UNIDO in Vienna, Austria. UNIDO will ensure effective collaboration among the three PMU teams and foster integrated delivery, knowledge exchange, and reporting throughout the project lifecycle.

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

A. Record of endorsement on behalf of the government[25] *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.*

Dr. Tang The Cuong *General Director* *Climate Change* *Ministry of Natural Resources and Environment* *10 Ton That Thuyet, Ha Noi* *Vietnam* *Tel: +84 965 596 789* *Email: ttcuong@monre.gov.vn;* *Alternate emails: ttcuong@gmail.com;*	Date*: November, 13, 2025*
H.E. Chuop Paris *Secretary of State* *Ministry of Environment* *Morodok Techo Building, Lot 503, sangkat Tonie Bassac, Khan Chamkarmon, Phnom Penh* *Cambodia* *Tel: (855) 17 169 07764 / +855 17 313 366* *Fax: (855) 212 540* *Email: sum.thy@moe.gov.kh;* *Alternate emails: chuop.paris@moe.gov.kh;*	Date*: August, 4, 2025*

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 (Cambodia: Cambodia's Climate Change Strategic Plan (2024-2033), National Adaptation Plan, and MSME Development Policy (2023–2028), and the Circular Strategy for Environment (2023–2028) ; Vietnam: National Adaptation Plan (2021–2030, Vision to 2050), Green Growth Strategy, and SME Development Plan) and subject to the approval by the Adaptation Fund Board, commit to implementing the project/programme in compliance with the Environmental and Social Policy of the Adaptation Fund and on the understanding that the Implementing Entity will be fully (legally and financially) responsible for the implementation of this project/programme.

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.

Ganna Onysko Ms. Ganna Onysko Senior GEF, GCF, AF Coordinator Division of Funding Partner Relations Directorate of Global Partnerships and External Relations United Nations Industrial Development Organization - UNIDO Implementing Entity Coordinator	
Date: November 21, 2025	Tel. and email: g.onysko@unido.org; +43 1 26026 3647
Project Contact Person: Virpi Stucki with cc to Stefan Pahl	
Tel. And Email: V.STUCKI@unido.org (+43 1 26026 3752); s.pahl@unido.org +43 1 26026 4117	

KINGDOM OF CAMBODIA
Nation Religion King

Ministry of Environment
Nº :....6380/0825.................MoE

Phnom Penh, ..4..August.....2025

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

Title of Project/Programme: Building climate resilience through regional innovation empowering tourism, light industry, and creative micro-, small and medium-sized enterprise value chains in Cambodia and Viet Nam.

In my capacity as designated authority for the Adaptation Fund in Cambodia, I confirm that the above regional project proposal is in accordance with the Government of Cambodia's national priorities in implementing adaptation activities to reduce adverse impacts of, and risks, posed by climate change in Cambodia. The proposal directly supports the objectives outlined in Cambodia's Climate Change Strategic Plan (2024-2033), National Adaptation Plan, and MSME Development Policy (2023–2028), and the Circular Strategy on Environment (2023–2028), particularly by strengthening the resilience of micro, small, and medium-sized enterprises (MSMEs) in tourism, creative industries, eco-packaging, and light manufacturing.

Accordingly, I am pleased to endorse the above regional project proposal for submission to the Adaptation Fund. If approved, the project will be implemented by the United Nations Industrial Development Organization (UNIDO) and co-executed by UNIDO in collaboration with the Ministry of Environment (MoE) and other relevant line ministries of Cambodia, which will be identified during the next stage of project development.

Sincerely yours,
For Minister

CHUOP Paris, PhD
Secretary of State and
Adaptation Fund Primary
Contact Point

Ha Noi, November 13th, 2025

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

Endorsement for the project pre-concept proposal titled "Building climate resilience through regional innovation empowering tourism, light Industry, and creative micro-, small and medium-sized enterprise value chains in Cambodia and Viet Nam"

The project titled "Building climate resilience through regional innovation empowering tourism, light industry, and creative micro-, small- and medium-sized enterprise value chains in Cambodia and Vietnam" has been developed by the Agency for Innovation, Green Transition and Industry Promotion, Ministry of Industry and Trade (MOIT) of Viet Nam in collaboration with the United Nations Industrial Development Organization (UNIDO). The objective of the project is to strengthen the climate resilience of micro, small and medium-sized enterprises (MSMEs) in Cambodia and Viet Nam - particularly along the value chains of tourism, creative industries, and light manufacturing - by embedding adaptive capacities into MSME clusters, subnational development plans, and national support systems

On behalf of Department of Climate Change, Ministry of Agriculture and Environment, as Viet Nam's designated authority for the Adaptation Fund, I hereby confirm that the project pre-concept proposal titled "Building climate resilience through regional innovation empowering tourism, light Industry, and creative micro-, small- and medium-sized enterprise value chains in Cambodia and Viet Nam" aligns fully with the priorities of the Government of Viet Nam in strengthening the climate resilience of MSMEs in Viet Nam.

Therefore, I am pleased to endorse the above project pre-concept proposal and support its submission to the Adaptation Fund. If approved, the project will be implemented by the United Nations Industrial Development Organization and executed by the Agency for Innovation, Green Transition and Industry Promotion, Ministry of Industry and Trade of Viet Nam.

Your Sincerely,

CỘNG HÒA X.H.C.N VIỆT NAM
CỤC BIẾN ĐỔI KHÍ HẬU
BỘ NÔNG NGHIỆP VÀ MÔI TRƯỜNG

Tang The Cuong
Director General
Department of Climate Change
Ministry of Agriculture and Environment of Viet Nam

Cc:
- The Agency for Innovation, Green Transition and Industry Promotion, MOIT;
- UNIDO.

ADAPTATION FUND

Revised PFG Submission Form[1]

Project Formulation Grant (PFG)

Submission Date: November 21, 2025

Adaptation Fund Project ID: 250285
Country/ies: Vietnam and Cambodia
Title of Project/Programme: Building climate resilience through regional innovation empowering tourism, light Industry, and creative micro-, small and medium-sized enterprise value chains in Cambodia and Viet Nam
Type of IE (NIE/RIE/MIE): MIE
Implementing Entity: UNIDO

- **Executing Entity/ies**: UNIDO.

A. Project Preparation Timeframe

Start date of PFG	April 2026
Completion date of PFG	August 2026 for the October 2026 Board meeting

B. Proposed Project Preparation Activities ($)

List of Proposed Project Preparation Activities	Output of the PFG Activities	US$ Amount	Budget note[2]
- **Stakeholder Consultations and Engagement:** Engage local communities, government agencies, NGOs, and private sector stakeholders to gather input and ensure	• Stakeholder engagement and consultation report • Minutes of meetings	10,000	- Two national level consultation workshops (one per country) for line ministries, key development partners and private sector stakeholders @ USD2,000 each;

[1] As presented in AFB/PPRC.33/40 Annex 1.
[2] The proposal should include a detailed budget with budget notes indicating the break- down of costs at the activity level. It should also include a budget on the Implementing Entity management fee use.

alignment with local needs and priorities.			- Two local consultation missions in target areas (one per country), executed by the EEs in target areas to consult stakeholders – local authorities, local development actors, local identified value chain actors, and sample communities @USD 3,000 each
2. Baseline Assessments: Conduct assessments to understand current climate vulnerabilities, socioeconomic conditions, and environmental status for further refinement of project design	• Baseline assessment report	10,000	A consultant to carry out the baseline assessment and prepare the findings report
3. Gender and Social Inclusion Analysis: Conduct analysis to ensure the project addresses gender and social inclusion, integrating these aspects into the project design	• Gender analysis report	3,273	A short-term gender expert to support technical working group in conducting gender analysis
4.Project Design and Planning Workshops: Develop detailed project plans, including objectives, activities, timelines, and budgets to ensure alignment with AF mission and strategic plan, alignment with country priorities and to ensure that all aspects of the project are thoroughly planned and that all stakeholders are aligned and prepared for successful project execution.	• AF concept note • Concept note formulation grant request	4,000	- Design and Development of concept note @USD 2,000; - Two validation workshops (one per country) @ USD1,000 each.
Total Project Formulation Grant		**27,273**	
Implementing Entity Fee	• IE admin and technical support for project development, monitoring and supervision • Compliance assurance	2,727	

Total Project Formulation Grant		30,000	

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

<table>
<tr><td>Implementing Entity Coordinator, IE Name</td><td colspan="2">Ms. Ganna Onysko
Senior GEF, GCF, AF Coordinator
Division of Funding Partner Relations
Directorate of Global Partnerships and External Relations
United Nations Industrial Development Organization - UNIDO
Implementing Entity Coordinator</td></tr>
<tr><td>Signature</td><td>Ganna Onysko</td><td>Date: 21 November 2025</td></tr>
<tr><td>Project Contact Person</td><td colspan="2">Stefan Pahl
s.pahl@unido.org</td></tr>
<tr><td>Telephone</td><td colspan="2">+43 1 26026 4117</td></tr>
<tr><td>E-mail</td><td colspan="2">TO: g.onysko@unido.org
CC: gef@unido.org / glo@unido.org / f.haidara@unido.org</td></tr>
</table>