



Unlocking investments in gender and youth inclusive early-growth stage adaptation SMEs in Kenya and Uganda

Full proposal development for submission to the Adaptation Fund

Background

The SME sectors in Kenya and Uganda respectively account for approximately 80% and 90% of the private sector and contribute 35% and 75% of the total GDP. These SMEs operate on community level and increasingly target vulnerable populations at the bottom of the pyramid.

The project aims to address three key barriers concerning the adaptive capacities of vulnerable groups in which adaptation SMEs play a key role:

- Limited access to adaptation solutions due to insufficient measures on national policy and private sector level
- Lack of access to appropriate finance and support for growth-stage adaptation SMEs to roll-out adaptive business solutions
- Adaptation SMEs are largely under served by financial institutions, instead rely heavily on private funds, grants and donations



Adaptation Fund's Thematic Window:
Innovation Facility

Focus Sectors:

Agriculture & Water

(incl. energy for productive use, livestock development, and blue economy)

Amount of Financing Requested:

5. Mio USD

Implementing Entity:

UNIDO

Executing Entity:

adelphi (Germany), Kenya Climate Ventures (Kenya), Finding XY (Uganda)

Target countries:

Kenya & Uganda

We target Gender and Youth-inclusive Adaptation SMEs because they



Provide climate adaptation solutions for the agriculture and water sectors in communities highly vulnerable to climate change by:

- strengthening the climate risks response-capabilities of vulnerable groups
- contributing to the prevention or reduction of climate risk in the region



Contribute to rectify gender and/or other socio-economic inequalities by providing products and services that close gender gaps or meet the needs of women, girls or youth as well as of indigenous peoples and marginalised groups.

Support gender diversity and the participation of youth and marginalised groups and strengthen inclusion and diversity across their value chains.

Project Objectives

→ Achieve **transformational change in local financial markets in Kenya and Uganda** to become more inclusive towards early-growth gender and youth inclusive adaptation SMEs.

→ Support gender- and youth inclusive adaptation SMEs to realise their full potential in providing innovative climate adaptation solutions to highly vulnerable groups, **enhancing local climate resilience in the agriculture and water sector** while addressing and rectifying gender and/or other socio-economic inequalities exacerbated by climate change.

Project Components

The project pursues a three-fold approach to support gender and youth inclusive early-growth stage adaptation SMEs in Kenya and Uganda:

Component 1: Regional Coordination Platform (RCP) to connect and promote cross-learning

The Regional Coordination Platform will serve as a pioneering regional knowledge platform on adaptation entrepreneurship for Kenya and Uganda to connect actors in the fields of adaptation, climate-smart finance and entrepreneurship, promote knowledge management and cross-learning and encourage action to sustain and create markets for early-growth gender- and youth inclusive adaptation SMEs.

Component 2: Innovative performance-based blended financing mechanism, investment brokerage services and direct enterprise support

The project will establish a catalytic adaptation finance facility to accelerate access to finance for early-growth gender- and youth inclusive adaptation SMEs. In doing so, it will work on the intersection of the supply and demand side of finance, i) working with partner financial institutions to design and implement blended financing mechanisms targeted for adaptation SMEs; and ii) developing and implementing an adaptation SME support infrastructure that includes financial and non-financial support for a selected number of early-growth gender- and youth inclusive adaptation SMEs.

Component 3: An Adaptation Finance Academy to promote a conducive financial ecosystem

The adaptation finance academy aims to increase awareness and knowledge of local financial institutions on adaptation SMEs' business solutions and financing needs. It will support local financial institutions to develop tailored financial products and institutional climate strategies to anchor climate adaptation in their investment portfolios and internal structures.

By building a pipeline of bankable and scalable adaptation SMEs and co-creating suitable SME financing instruments with local financial institutions, the project aims to transform the financial ecosystems in Kenya and Uganda. Scaling adaptation SME solutions will have a sizeable impact on the adaptive capacities of vulnerable groups – especially with regards to small-scale farmers and low-income communities susceptible to the effects of floods and droughts. Women and youth will benefit from economic empowerment opportunities and other co-benefits that gender- and youth inclusive adaptation SMEs provide.

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