



Unlocking Investments in Gender and Youth - inclusive early growth stage Adaptation SMEs in Kenya and Uganda



ADAPTATION FUND



KEY PROJECT INFORMATION



Target Countries:



AF Thematic Focal Area: Innovative Adaptation Financing

Value of Funding: 5 Mio. USD

Implementing Entity: UNIDO

Executing Entities:





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**PROFILES OF IMPLEMENTING
/ EXECUTING ENTITIES**

UNIDO at glance

CREATING SHARED
PROSPERITY



ADVANCING
ECONOMIC
COMPETITIVENESS



STRENGTHENING
KNOWLEDGE &
INSTITUTIONS



SAFEGUARDING THE
ENVIRONMENT



Technical Cooperation - Analytical, Research and Policy Advisory Services -
Convening Function, Partnerships and Networks - Normative Role (Standard - Setting and
Compliance)

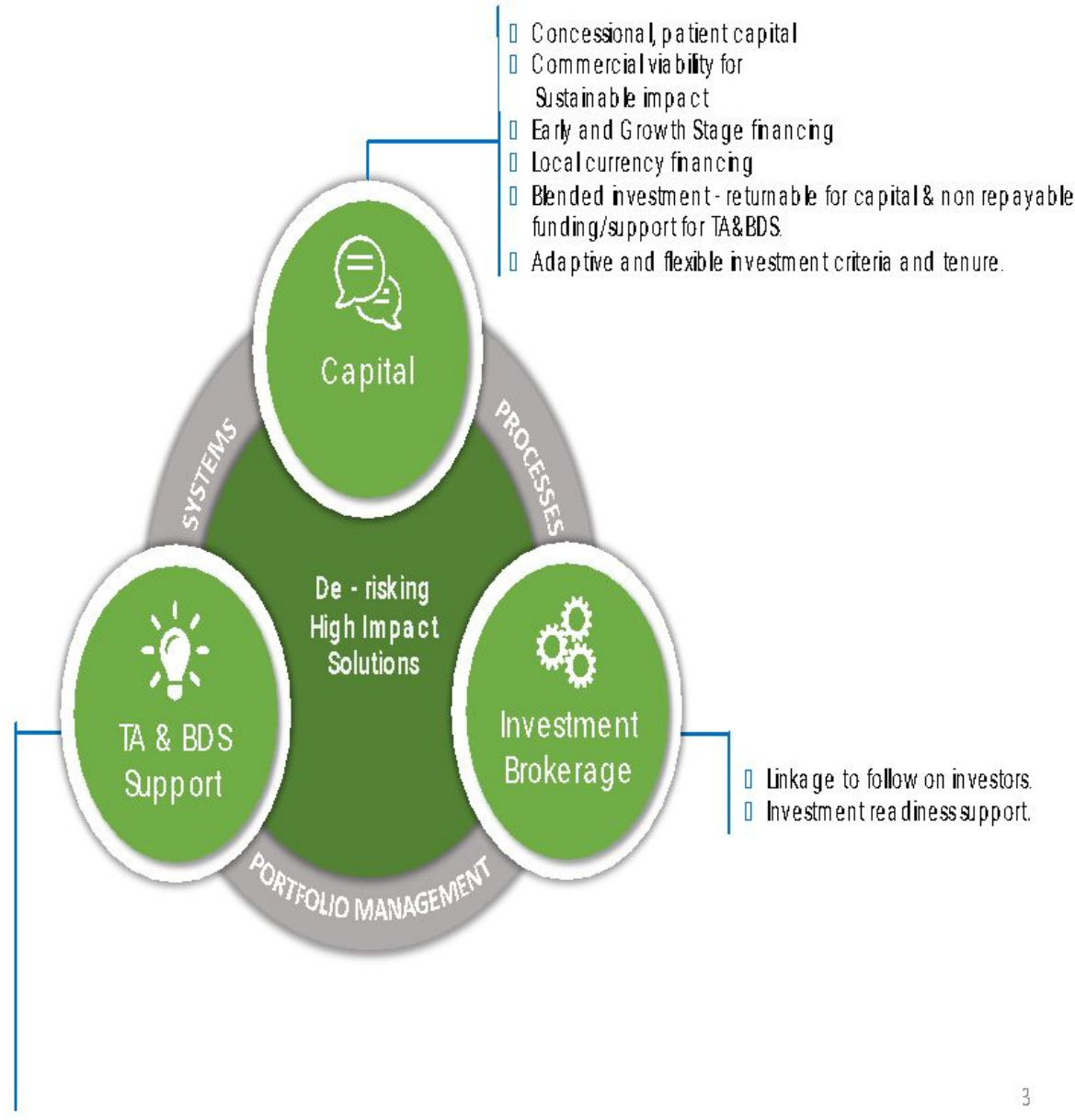
UNIDO's engagement in Kenya is outlined in the self-starter PCP 5 year framework, that aims to accelerate inclusive sustainable industrial development in Kenya

UNIDO in Kenya: Self-starter Programme for Country Partnership (PCP)

<p>Aligned to key national policy/strategy supported by the self-starter PCP</p>	<p>Vision 2030, MTP III & draft MTP IV National Industrialization Policy Kenya National Trade Policy Kenya Investment Policy Micro & Small Enterprises (MSE) Policy Agricultural Sector Growth Transformation Strategy (ASGTS) Fast-tracks implementation of the Kenya Industrial Transformation Plan (KITP)</p>
<p>Key stakeholders</p>	<p>National Government –Ministeries, Department and Agencies COG & County Governments Private Sector Development Partners Academia and Research</p>
<p>Priority areas</p>	<ul style="list-style-type: none"> • Industrial policy and governance • ICT and Digitalization • Industrial Zones • Blue economy <ul style="list-style-type: none"> Agro - processing Trade and Investment Promotion Green industry Youth and women

UNIDO Portfolio in Kenya

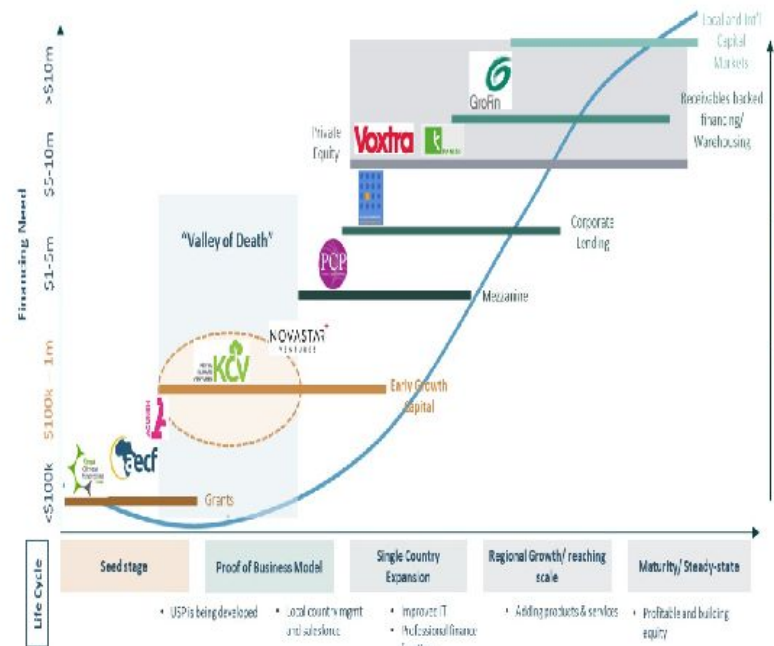
Project Title	Brief Description
1. Sustainable conversion of waste into clean energy to reduce GHG emissions	To promote the use of Waste to Energy (WTE) technologies. This area was selected due to their rapid scaling up and greenhouse gas (GHG) emissions reduction potential.
2. EU-EAC MARKUP (Market Access Upgrade Programme)	To contribute to the economic development of the Kenya by increasing the value of both extra and intra-regional agricultural exports in selected horticulture sub sectors (snow peas and peas, mangoes, passion fruit, chilies, herbs and spices, nuts).
3. Generating energy capacity from geothermal power generation and its related technologies for sustainable development	To promote geothermal power generation and its related technologies in African countries.
4. Supporting the establishment of Integrated Agro-industrial Parks in Kenya	To support the government of Kenya in the conceptualization and design phase in the establishment prioritized IAIPs and related Rural Transformation Centres (RTC s).
5. Supporting business-friendly and inclusive national and regional policies, and strengthening productive capabilities and value chains	To provide technical assistance and support to selected countries, and their pertaining investment promotion agencies (IPAs) so as to improve investment promotion strategies and spearhead business friendly inclusive and regional policies.
6. Enhancing business acceleration through public private partnership approach	To systematize partnerships with and among the E4Impact programme partners, to achieve synergies and scale as well as to contribute to accelerating the growth of Kenyan Small and Medium Enterprises (SMEs).



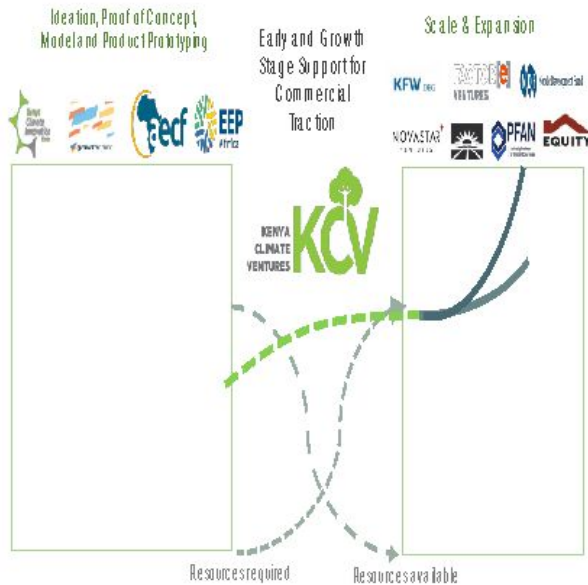
- KCV is not set-up as a purely commercial venture/PE fund, but an impact investment fund with financial sustainability and impact maximization as key objectives.
- De-risking climate smart early growth stage enterprises to gain market traction, sustaining business growth, market stability & sustainable impact.



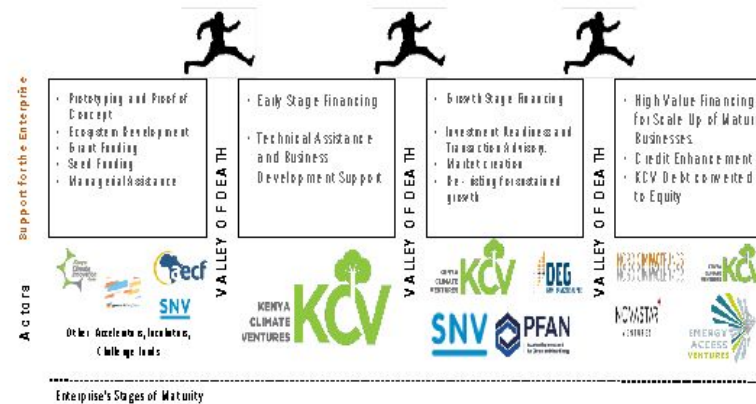
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INDUSTRY, INNOVATION AND INFRASTRUCTURE



KCV's Niche in the Market



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18 INVESTMENTS

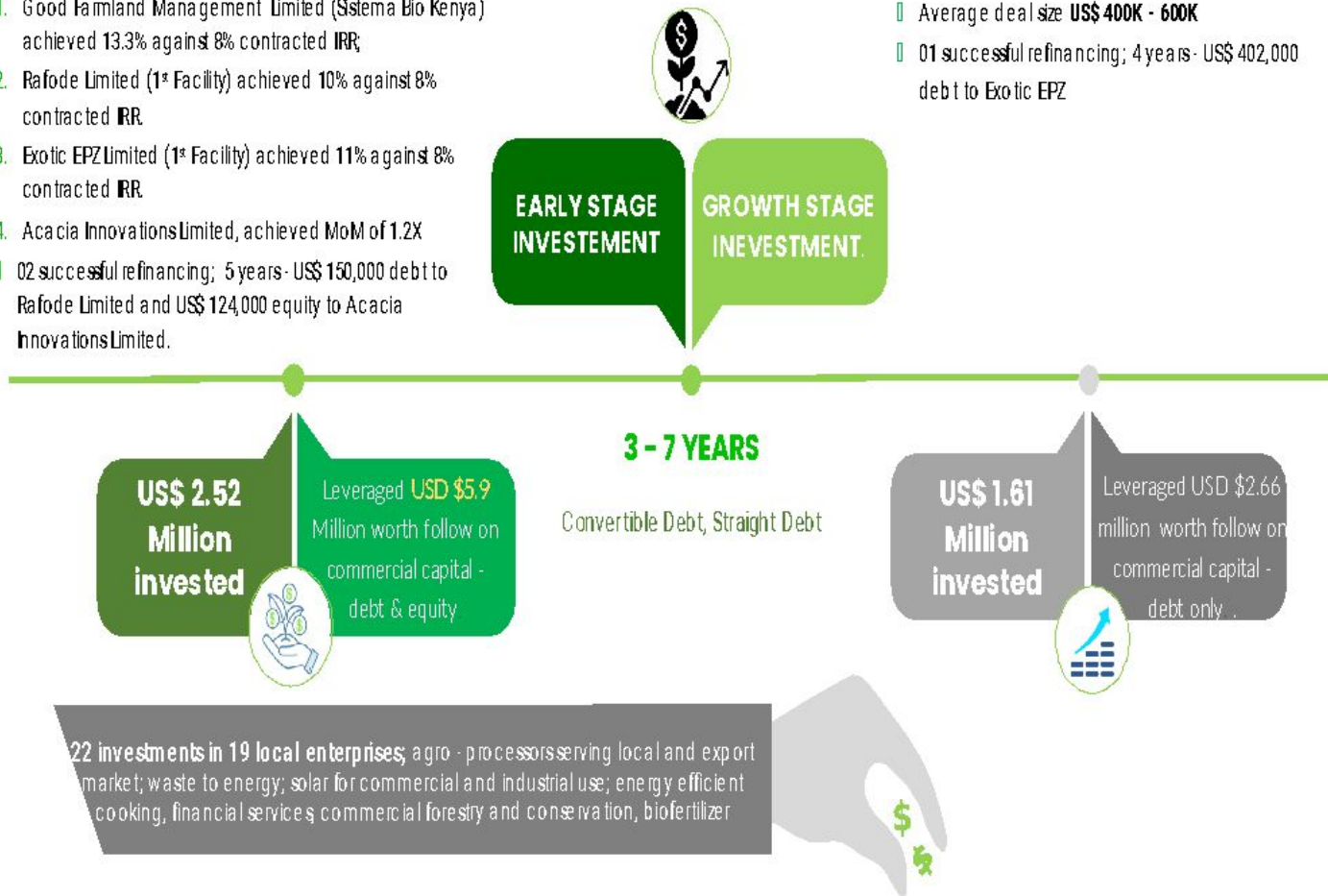
- Actual range of deal size **US\$ 50K - 152 K**
- 04 successful exits

 1. Good Farmland Management Limited (Sistema Bio Kenya) achieved 13.3% against 8% contracted IRR;
 2. Rafode Limited (1st Facility) achieved 10% against 8% contracted IRR.
 3. Exotic EPZ Limited (1st Facility) achieved 11% against 8% contracted IRR.
 4. Acacia Innovations Limited, achieved MoM of 1.2X

- 02 successful refinancing; 5 years - US\$ 150,000 debt to Rafode Limited and US\$ 124,000 equity to Acacia Innovations Limited.

04 INVESTMENTS

- Average deal size **US\$ 400K - 600K**
- 01 successful refinancing; 4 years - US\$ 402,000 debt to Exotic EPZ



Business & Impact Performance



4 years Target;

- **67,500 households** access markets, clean & affordable cooking and lighting solutions
- **77 MSMEs** access business opportunities

Achieved - Year 2.5;

- **43,600 households** access markets, clean & affordable cooking and lighting solutions
- **290 MSMEs** access business opportunities
- **240 institutions** access energy efficient briquettes

Customers/ households benefiting



4 years Target;

- o **7.2 MW** of clean off grid solar energy installed
- o **484,000 tons** of Co2 emissions reduced

Achieved - Year 2.5;

- o **6.2 MW** of clean off grid solar energy installed
- o **320,400 tons** of Co2 emissions reduced
- o Estimated **3 million tones** of agricultural waste recycled

Environmental



4 years Target;

- o **40 local enterprises** invested
- o Min. **30% women owned/ led** businesses supported
- o Min. **20% youth owned businesses** supported.
- o Est. **16,000 direct & indirect decent jobs** created & sustained

Achieved - Year 2.5;

- o **18 local enterprises** invested; 21 investments made.
- o **47% women owned businesses**; **42% women led businesses** supported
- o **20% youth owned businesses** supported.
- o Est. **11,520 direct & indirect decent jobs** created & sustained

Jobs & Gender



Target;

- o **US\$ 3 million** worth of follow-on commercial capital.

Achieved - Year 2.5;

- o **US\$ 9.1 million** worth of follow-on financing; **62%** is commercial capital

Leverage

Business & Impact Performance



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Founded in 2001, adelphi is an **independent think - and -do tank for climate, environment and development**

- We are some **280 strategists, thought leaders and practitioners from 27 different nationalities** working at the local and global levels to find **solutions to the most urgent political, economic and social challenges** of our time.
- Since 2001, we have successfully completed **more than 1,000 projects worldwide** for **more than 100 international clients and partner organizations**.



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adelphi's Themes



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adelphi is working globally for clients from public and private sector, international organizations and civil society.



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Bundesministerium
für Wirtschaft
und Energie



Bundesministerium für
wirtschaftliche Zusammenarbeit
und Entwicklung



Bundesministerium
für Umwelt, Naturschutz
und nukleare Sicherheit

giz



UN
DP

Empowered Lives.
Resilient Nations.

adelphi's Partners

KfW
Bank aus Verantwortung



European
Investment
Bank
The EU bank

AFD
AGENCE FRANÇAISE
DE DÉVELOPPEMENT

 **THE WORLD BANK**
IBRD • IDA

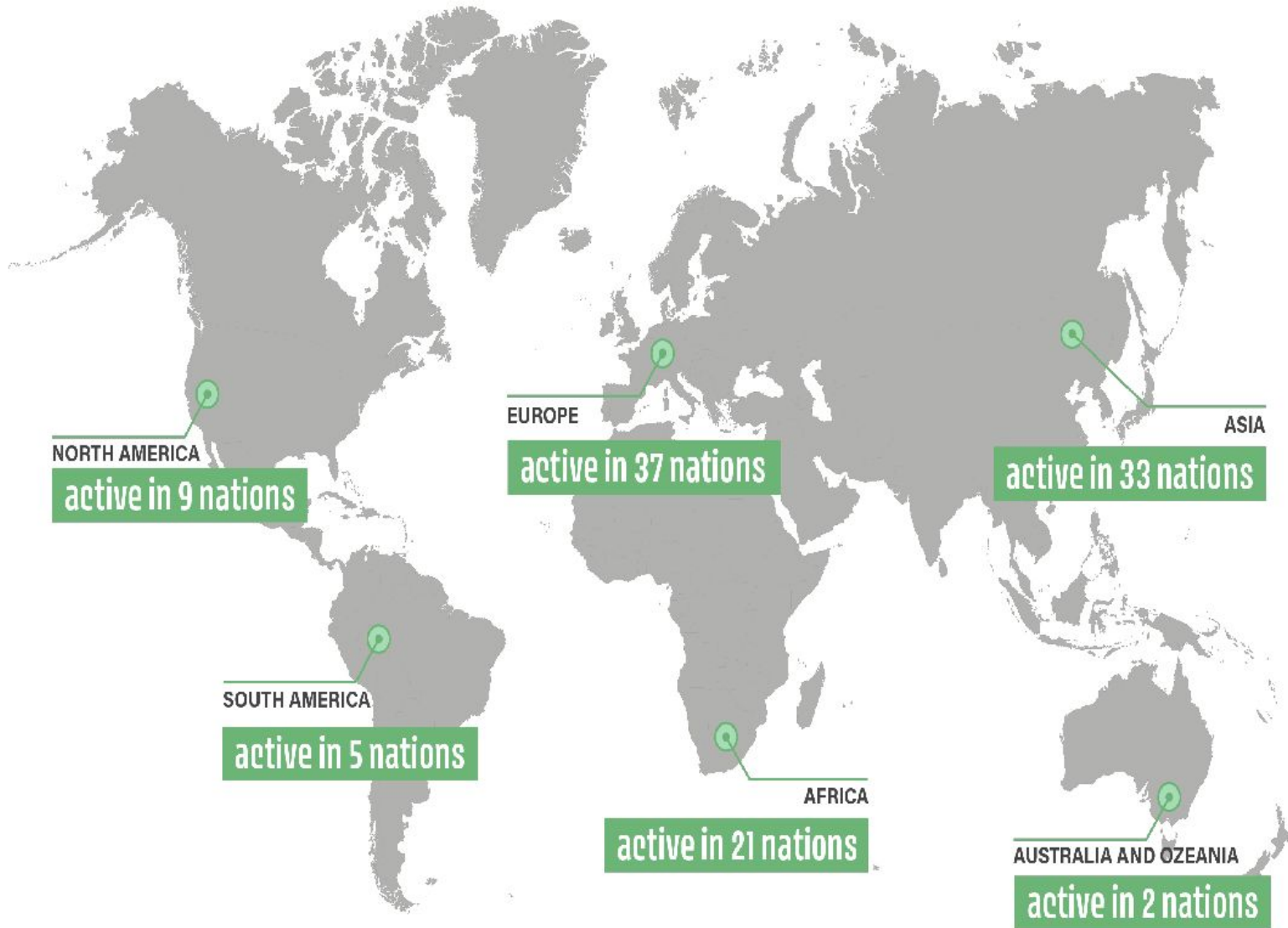
ADB
ASIAN DEVELOPMENT BANK

KfW
Bank aus Verantwortung

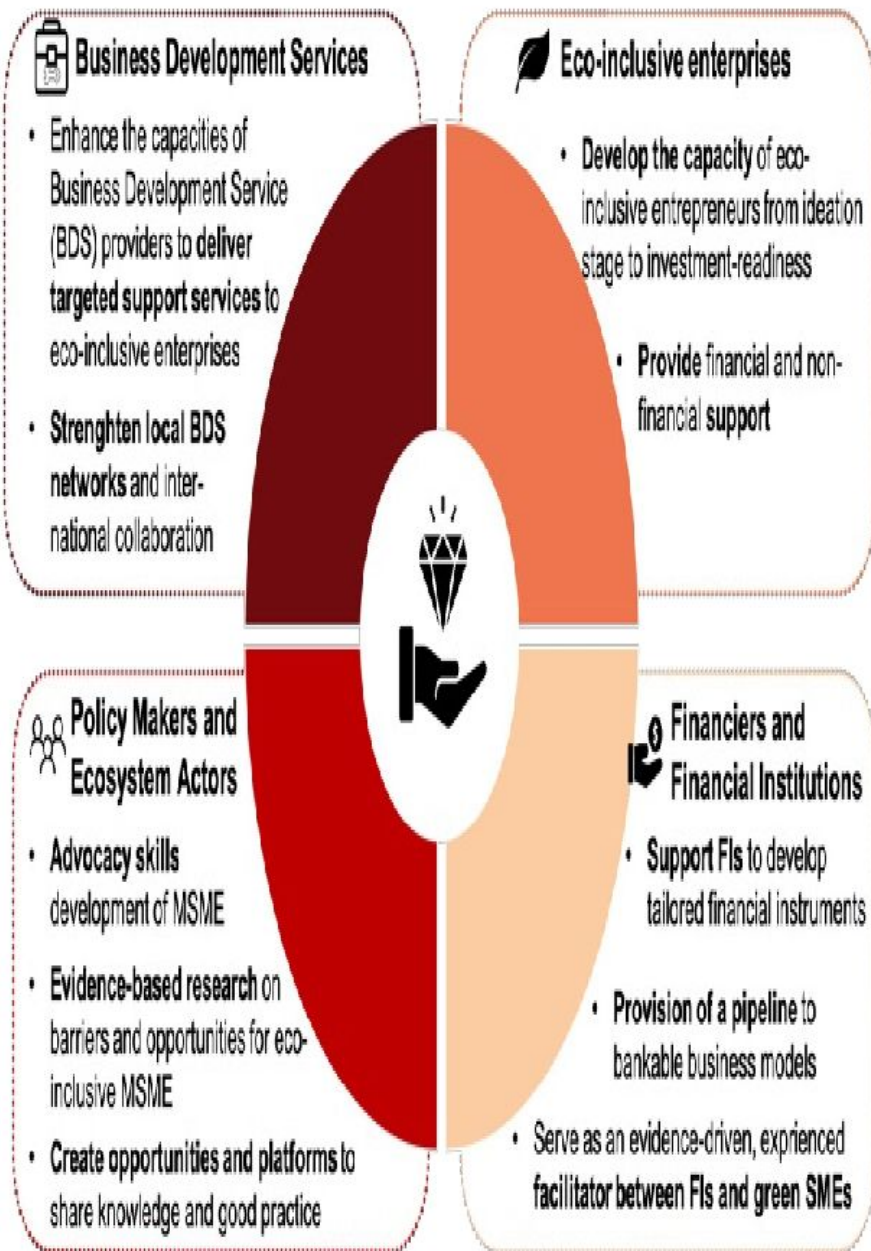
adelphi is conducting projects on **6 continents** in **107 nations**



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adelphi's Global Activities



- More than **15 years of experience** in the field of green and inclusive entrepreneurship with a **focus on Sub-Sahara Africa**.
- Make **green and inclusive enterprises thrive and maximize their impact potential** for a Green Economy transition and the achievement of the Sustainable Development Goals (SDGs).
- Holistic methodology targeting both, green enterprises across economic sectors and key ecosystem stakeholders.

Adelphi's Green Entrepreneurship Programming



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THE PROJECT: THEORY OF CHANGE, WORK PACKAGES AND ACTIVITIES

SMEs Role and Challenges

1. Small and Medium-Sized Enterprises (SMEs) are the backbone of the economy:

- In **Kenya** approximately 80% of the private sector are SMEs and were expected to provide about 35% of the country's GDP
- In **Uganda** the SME accounts for approximately 90% of the private sector, 80% of manufactured output and constitutes nearly 25% of the GDP

2. SMEs in Kenya and Uganda access inadequate and inappropriate financing:

- SMEs are **largely underserved by financial institutions**, instead relying heavily on private funds, grants and donations
- Available SME financing tends to be **dominated by smaller ticket sizes, shorter repayment periods and a lack of diversity of financing models** tailored to SME needs
- "Missing Middle" finance gap as the main barrier to grow and scale
- Exacerbated for women- and youth-led enterprises mainly operating in the informal sector (> 60%) and not having access to collateral.
- **Adaptation SMEs are higher risk**, do not attract conventional lenders/ investors' attention, a combination of environmental risks, business risks and weak capacity challenge their establishment and growth.

Adaptation SMEs?



Adaptation SMEs are enterprises providing technologies, products or services that;

- **Strengthen the user ability to understand and respond to climate risks** and related impacts

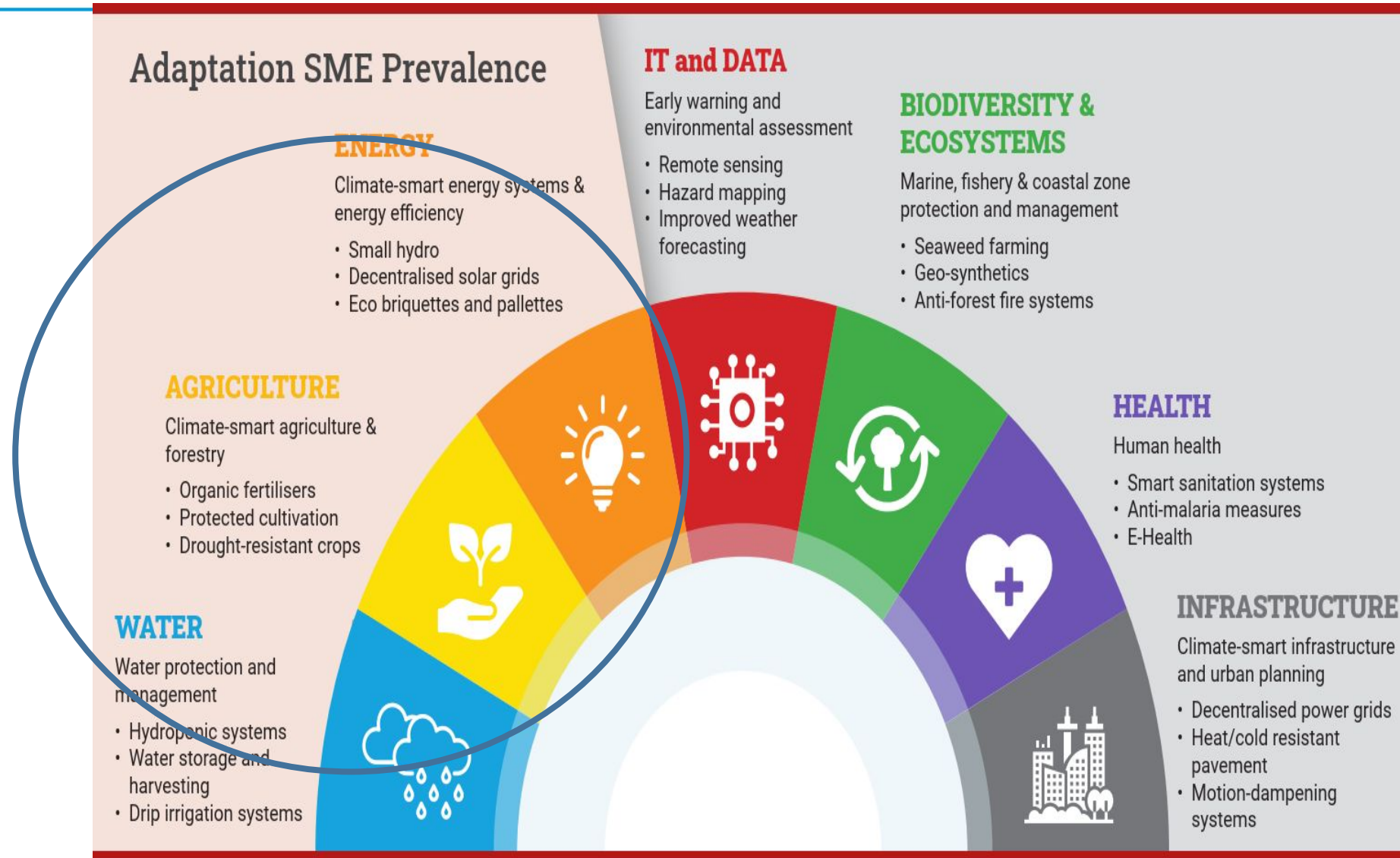
e.g. weather and climate analytics, Hydrological forecasting, climate information services, value chain based insurance services,

- Contribute to **preventing or reduce climate risk** and or the adverse impacts on assets, economic activities, people or nature

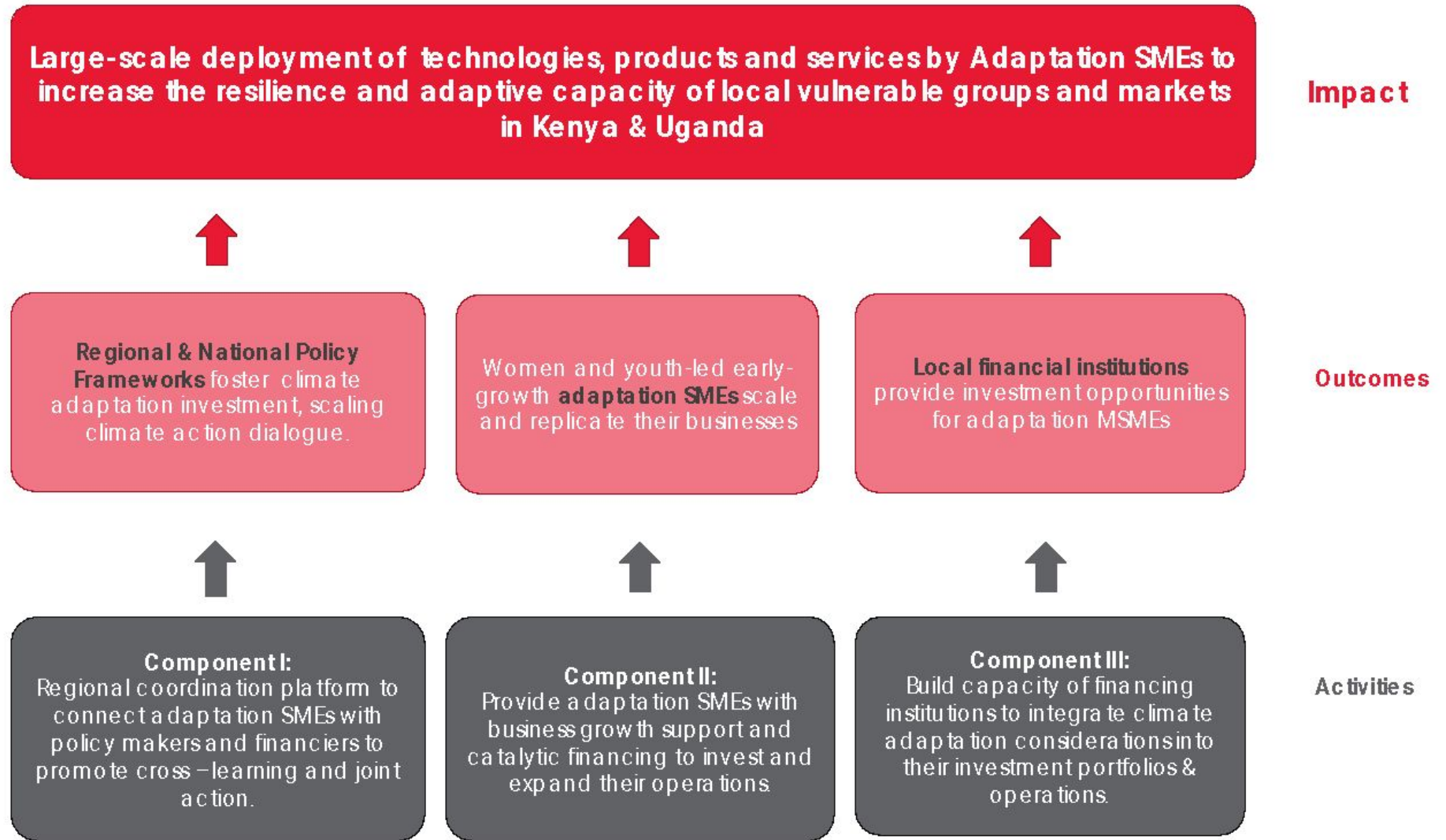
e.g. water – efficient systems _ irrigation systems, water storage and harvesting, drought tolerant crops value chains, livestock off take supply chains, agricultural systems and value chains providing alternative livelihoods.

- Provide market - based solutions contributing to climate resilience.

Focus Sectors



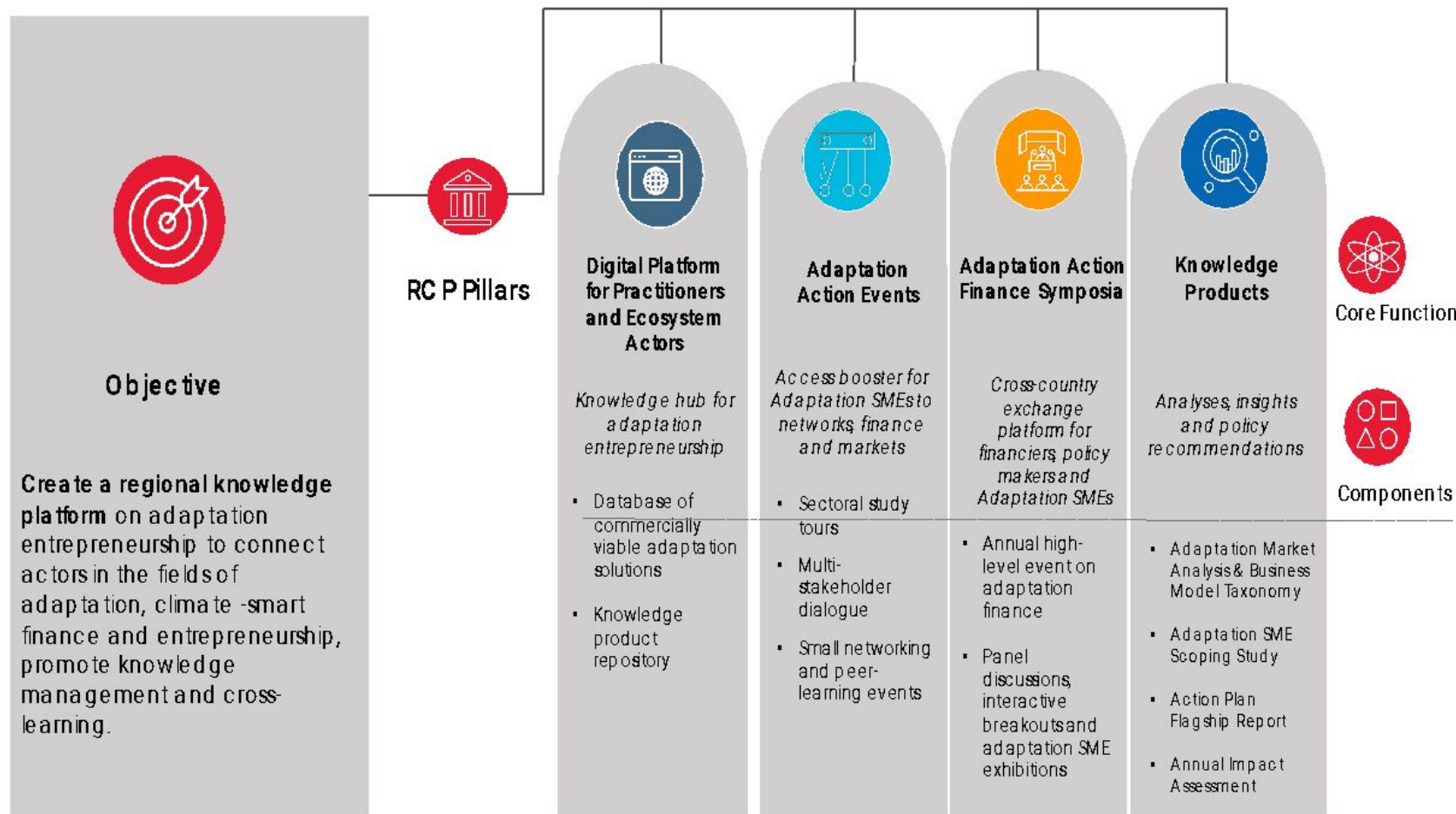
Theory of Change

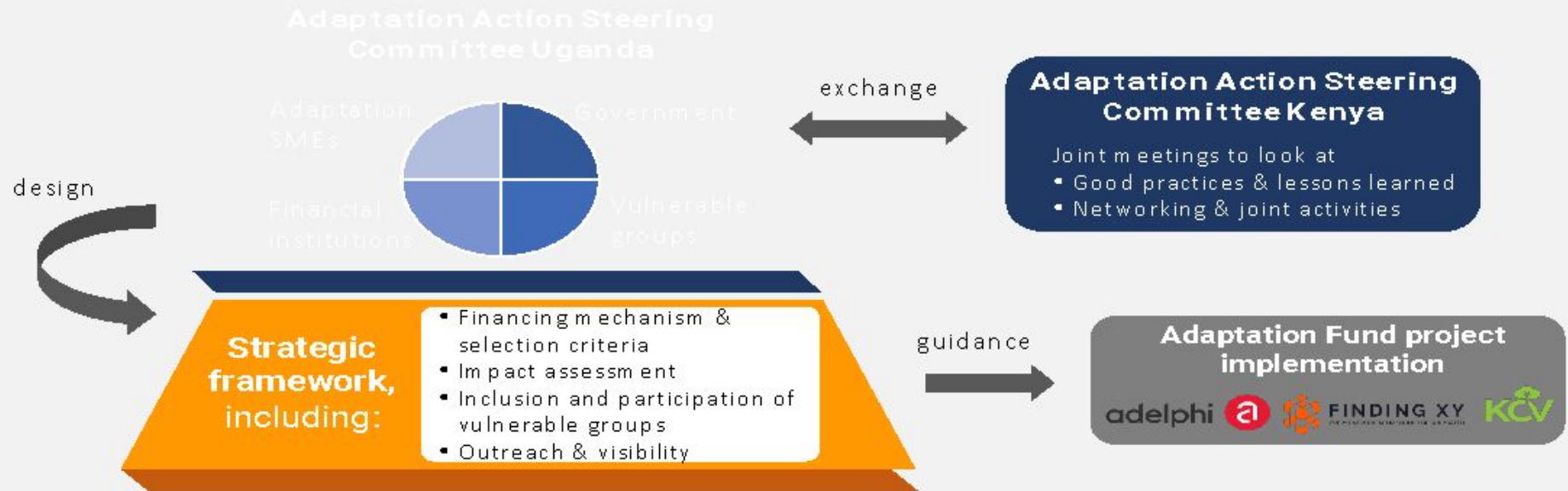




PROJECT COMPONENTS

1. Regional / National Coordination Platform





2. Catalytic Adaptation Finance Facility



Objective

The project supports 30+ gender and youth-inclusive early-growth stage adaptation Small and Medium-sized Enterprises to access tailored business support, de-risking blended financing instruments & performance-based payments



Proposed impactful combination of blended finance with performance-based and incentive mechanisms

Deep-dive into the Adaptation Finance Facility:

Overview of instrument options and grant amounts



Blended Financing Mechanisms	Value of Catalytic Grant, per SME
Option 1: Partial Repayment Scheme	25 - 33 % of loan ticket size* 18.750 - 24.750 USD
Option 2: Guarantee Scheme	35% portfolio or individ. guarantee
Option 3: Origination costs incentives	Average appraisal subsidy 20.000 USD
Performance-based & Incentive Mechanisms	Value of Catalytic Grant, per SME
Option a: Grant for collateral valuation	3.000 - 5.000 USD
Option b: Cash Flow Gap Cover	20% of Partial Repayment Scheme 3.750 - 4.950 USD
Option c: Due Diligence & Loan Prep. Grant	5.000,00 USD
Option d: Performance-based payments	Up to 15% of loan ticket size* 11.250 USD

*Assumption: Average ticket size: 75.000 USD.

3. Adaptation Finance Academy



- Build capacity of local FIs – banks and other lenders in **assessing climate risks, co-plan with clients on mitigation, and reduce potential business losses** posed by climate risks in their lending portfolios;
- **Prototype new and innovative adaptation SME finance instruments** in a co-creative manner with the financial sector;
- Capacitate financial institutions to **develop Climate Strategies**, outlining strategic pillars for climate action and action fields for operationalisation



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OUTLOOK & NEXT STEPS



ADAPTATION FUND

- **April - May 2023:** Ongoing Stakeholder Consultations & Finalizing Proposal development
- **June 2023:** UNIDO-internal review of full proposal document
- **July 2023:** Submission of full proposal to the Adaptation Fund Board
- **August - December 2023:** Adaptation Fund Review of Full Proposal & possible Approval
- **2nd/3rd Quarter 2024:** Project Inception Phase (post Proposal Approval by the AF Board);
 - **Stakeholder Engagement Workshop** towards the foundation of the Regional Coordination Platform & Adaptation Action Steering Committee
 - **Official Launch Event**