ADAPTATION FUND BOARD SECRETARIAT TECHNICAL REVIEW OF PROJECT/PROGRAMME PROPOSAL

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

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:
IE Project ID:
Requested Financing from Adaptation Fund (US Dollars): 14,000,000
Reviewer and contact person: Camila Florez
Co-reviewer(s):
IE Contact Person(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: <u>Component 1</u>: Scaling climate adaptation technologies and solutions through providing financing to PFIs5 and incentive grants to PFIs and end beneficiaries (USD 8,300,000). <u>Component 2:</u> 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). <u>Requested financing overview:</u> 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.

	The initial technical review raises some, 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.
Date	December 20, 2024

Review Criteria	**Questions**	**Comments December 13, 2024**	**EBRD response**
Country Eligibility	1. Are all of the participating countries party to the Kyoto Protocol and/or the Paris Agreement?	**Yes**.	**N/A**
	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.	**N/A**
5Project 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 Endorsement letter dated September 12, 2024 for Georgia, and June 25th, 2024, for Moldova. **CR1:** Please number all paragraphs in the document for the next submission.	**CR1:** Thank you. Paragraphs are now numbered.
	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?	**Yes, but more information is needed.** 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,	**CR2:** Farmers in Moldova and Georgia face significant climate vulnerabilities, threatening livelihoods and food security. Both countries face similar challenges 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

		lack of sufficient acceptable collateral for financiers, and lack of capacity to reach these farmers. **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. **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 EBRD has taken the proposed approach elsewhere and the lessons learned.	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 like Kakheti. Soil salinization and desertification are worsening, particularly in arid areas such as the Shiraki Plain, where soil quality has significantly degraded. **CR3:** Existing adaptation investments in the agricultural sector for financial intermediaries (FIs) have been limited due to a number of reasons, including lack of knowledge around relevance and bankability of adaptation investments due to the highly specialized nature of adaptation, leading to the perceived riskiness of such investments, particularly for smaller investments, which can limit their availability on commercially viable terms. Dedicated adaptation finance through FIs is scarce in the markets of the countries covered, and without dedicated focus and incentives, the level of adaptation finance and investments that target small-scale borrowers will remain on the same limited level as FIs continue to conduct business-as-usual. For adaptation finance to be available at the required scale, and reach climate and economically vulnerable populations, financial sector engagement and shift of perspective is required to establish the business case for lending and the impact of adaptation financing in enhancing the resilience of these sub-borrowers and mitigating potential credit risks from the perspective of financiers. Working through FIs offers opportunities for larger impact by leveraging their wide outreach to smaller most vulnerable beneficiaries, as well as increased multiplier effect through their natural ability to mobilize additional financial resources as financial intermediators. EBRD will use its substantial experience in the target markets to approach working with FIs to develop and implement the adaptation

			facility. The FIs that gained implementation experience of EBRD's Green Economy Financing Facilities (GEFFs) have developed the capacity to identify specific climate finance opportunities among their client base – and it is worth noting that the portfolio of these facilities contains relatively few adaptation-related investments (the rest being mitigation-related investments), underscoring that the natural level of such investments by Partner Financial Institutions (PFIs) in the target countries is very low. Agri-CROP will build on this experience, magnifying the delivery of direct adaptation impacts to enable the FIs it partners with to identify and manage climate-related risks in the agriculture sector and target additional climate finance opportunities that help them manage these risks, while increasing the availability of adaptation finance to end borrowers. The EBRD has therefore to the extent possible taken into account lessons learned and key ingredients for success determined through the implementation of prior GEFF programmes in the design and implementation approach of this Programme, for example in setting realistic timelines for signing and disbursement of loans, the value of investment incentives in spurring demand for higher performing technologies and sparking market demand and demonstration effects, flexibility in responding to changing market dynamics, the importance of market awareness raising as well as utilising market knowledge on key trends and technologies at the country level to focus and tailor activities on key barriers.
	3. Have the project/programme objectives, components and financing been clearly explained?	**Partially**. **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.	**CR4:** The direct beneficiaries will be the businesses and communities in the selected countries vulnerable to the impacts of climate change working across the agricultural sector. Target beneficiaries will include underserved groups, including women – who historically face high(er) barriers to accessing climate finance, the micro, small and medium-sized businesses, including cooperatives, that are the backbone of emerging economies, and hard to reach segments such as farmers in rural areas, alongside larger businesses in the agricultural value chain that are drivers of employment and climate impact in emerging markets. The estimated volume of adaptation to be provided under the Programme is ~USD 55 million. Given this is a new product approach for EBRD, the average sub-loan size per target country is not known ex-

		CR5: Please briefly explain the process and associated criteria through which the project would select the project beneficiaries. **CR6**: Please explain the potential financing instruments and incentives to be deployed in more detail. **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. **CR8:** Please provide an estimate on how the total project financing requested will be allocated between countries and on which basis/criteria.	ante, however given market dynamics, sub-loan sizes are expected to be small to medium-size, up to USD 100,000; target beneficiaries such as community or aggregator sub-projects might necessitate larger sub-loans. Moreover, given the focus on the agricultural sector and adaptation finance, the broader impact on rural communities is expected to be significant. **CR5**: Eligible criteria for the Programme beneficiaries will be defined in the full concept note stage but will include definitions of the above target beneficiary groups (see CR4 above). PFIs will be selected based on their commitment to the Programme's objectives and capacity to implement. PFIs will disburse the funds to sub-borrowers for sub-projects. Sub-projects' specific technical eligibility criteria will be in accordance with the loan agreements that will be entered into between the EBRD and the PFI (please see CR9 below), which will set forth among others, the eligibility criteria of sub-loans or financial lease, and/or the eligibility criteria and the implementation arrangements of financial incentive grants. Technical eligibility criteria will be in accordance with EBRD's methodology to determine Paris Agreement alignment and relevant technical guide (e.g., EBRD's technical guide on implementing its Green Economy Transition approach 2021-2025).[1] **CR6:** EBRD financing will be provided in the form of funded or unfunded operations to local PFIs to support their financing of an agreed list of eligible adaptation sub-projects and technologies by target beneficiaries (sub-borrowers). PFI on-lending to sub-borrowers will be in the form of loans to acquire capex investments or financing solutions to cover their working capital requirements. 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 provided through the AF and channeled to sub-borrowers and PFIs, will be provided alongside EBRD's financing to accelerate and promote the prioritization of adaptation investments by beneficiaries, address market barriers driven by higher upfront costs

[1] https://www.ebrd.com/get-technical.pdf

			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 to beneficiaries 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 achieved. One of the key sources of innovation derives from working with PFIs, via the technical assistance and provision 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. This is expected to establish the business case for PFIs' financing of adaptation projects and to sub-borrowers in this sector that is expected to continue beyond the implementation of this programme thus creating sustainable financing flows and a larger leverage effect through mobilization of PFIs own resources. **CR7:** All funds (USD$8.3 million) 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. AF funding under this component will not be deployed for the development of the financing product. Monitoring and verification costs are considered within the technical assistance costs. **CR8:** The PFIs under the Programme are not determined ex-ante; however, making this Programme available to a broad selection of PFIs with coverage across the target countries is an important consideration to achieve the objectives of the Programme. The Programme will be actively marketed to all potential PFIs with which EBRD is able to work in the target countries and it is expected than all countries will benefit.
	4. Has the project/programme been justified in terms of how: - it supports concrete adaptation actions? - it builds added value through the regional approach?	**Partially**. **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	**CR9:** Thank you. We have reviewed the guidance on USP and would like to 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 as further elaborated below, noting that eligibility criteria for sub-projects and sub-borrowers will be put in place under this programme which will also be further clarified in the full concept.

	- 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?	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 **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. **CR11:** Please elaborate on the new and innovative approach of the proposed interventions. **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 ensure compliance with the AF Gender Policy. **CR13**: Please describe how the proposed project will ensure that the required investment flows continue after the project completion.	The EBRD will specify and guide the use-of-proceeds as part of legal agreements so that programme proceeds are channeled 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. While the specific identity of the sub-borrower is not determined ex-ante, the sub-investments that would be financed under this Programme are subject to strict eligibility criteria for the investment and the beneficiary that are applied via legal agreements between EBRD and the PFI. Although sub-projects financed by PFIs cannot be explicitly defined at the design stage, they 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. As per Adaptation Fund guidance, 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),[1] outlining E&S risks identification and management processes of all operations financed by EBRD, as well as excluded activities. All sub-projects financed by the PFIs must comply with EBRD's Environmental and Social Exclusion List as well as applicable local and national environment, health, safety and labour regulations and standards. All sub projects in the FI portfolio will need to comply with Environmental and Social Requirement (ESR) 9,[2] which requires that PFIs put in place a clearly defined Environmental and Social Management System (ESMS), including an environmental and social policy, as well as environmental and social procedures commensurate with the nature of the FI, the level of environmental and social risks associated with its business activities, and the type of project and subprojects. The EBRD will 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.

			Due to the flexibility and scalability of this approach, benefits outweigh the risks of non-compliance, which will be effectively managed through strict eligibility criteria and robust environmental and social due diligence. [1] https://www.ebrd.com/environmental-and-social-policy-esp-2024 [2] https://www.ebrd.com/sites/Satellite?c=Content&cid=1395324227937&d=&pagename=EBRD%2FContent%2FDownloadDocument **CR10:** Moldova has developed several national strategies and plans that address the intersection of climate adaptation, agriculture, and finance, in addition to its NDCs: • National Climate Change Adaptation Programme (NCCAP) until 2030 and its Action Plan aim to integrate climate change adaptation measures into development planning across priority sectors, including agriculture, and emphasizes the need for financial mechanisms to support adaptation efforts. • The development of a Sectoral Adaptation Plan (SAP) for the agriculture sector (Ag-SAP) will focus on the development of adaptation responses in the agriculture sector. • Country Strategic Opportunities Programme (COSOP) 2024-2029 outlines strategic objectives to enhance climate resilience in rural areas and includes plans for mobilizing climate finance to support sustainable agricultural practices and improve rural livelihoods. • Moldova's Law No. 74 on Climate Action establishes the legal framework for Moldova to achieve net-zero emissions by 2050 and establishes key mechanisms for implementing adaptation and resilience measures. For Georgia: • Georgia's 2030 Climate Change Strategy and Action Plan: Outlines the country's approach to reducing greenhouse gas emissions and adapting to climate change across various

			sectors, including agriculture, and stresses the need to mobilize financial resources to support these initiatives. • Adaptation has been mentioned since Georgia's Initial National Communication, submitted to the UNFCCC in 1999. The Fourth National Communication (FNC) identifies plans for addressing adaptation (and mitigation) concerns. • While Georgia's National Adaptation Plan is still in progress, it has identified several adaptation measures to be adopted in its NDC. • Climate Change National Adaptation Plan for Georgia's Agriculture Sector aligns economic planning with climate resilient sector strategies • The Agriculture and Rural Development Strategy of Georgia 2021 – 2027 focuses on adaptation as a strategic goal. **CR11:** Adaptation investments and adaptation finance via the financial sector is almost totally unknown in the target countries, with limited capacity in the agricultural sector to identify and assess the return on investment considerations of such investments and financial institutions unprepared to assess the associated risk-return considerations. The Programme is new and innovative due to its focus on adaptation, through systemic climate risk assessment and opportunity identification, capacity building and awareness-raising to promote adaptation investments by end beneficiaries, linking the financing sources to the adaptation hazard being addressed. Green financing has remained in short supply within the selected countries, and especially for the underserved and vulnerable individuals and MSMEs who often face difficulties in accessing financing due to lack of sufficient collateral as well as restrictive financing terms mainly due to high interest rates resulting from higher credit spreads due to their perceived risks. Moreover, financial institutions often possess limited capacity and awareness to assess and manage the projected impact of climate-related risks in adaptation. The project would increase the availability of finance to vulnerable end borrowers in the agricultural sector by identifying low-carbon or climate-resilient practices as opportunities for banks to lend to, which as mentioned above is financing that not easily available in the target

			countries. PFIs will be enabled to identify specific climate finance opportunities in the agricultural sector among their client base, allowing them to increase access to finance for farmers and the agricultural value chain and thus improving the adaptational resilience of the end borrowers. Moreover, PFIs' capacities to assess and manage climate-related risks will be enhanced, thus reducing their perceived risk of financing to this sector. Without this intervention, banks will be unprepared to manage high-climate risk sectors within their portfolios such as agriculture, which could lead to a more risk-adverse approach where banks reduce their exposure to sectors deemed high-risk in terms of climate impact, leaving end borrowers without the crucial financial support needed to build resilience and adaptive capacity. **CR12:** The Programme builds on EBRD's solid experience and strong institutional relationships in the target countries as a key investor. The EBRD considers stakeholder engagement as an essential part of good business practices and corporate citizenship, and a way of improving the quality of its projects. As part of the Programme's specific design phase, an extensive consultation process will take place with relevant stakeholder groups in each target country to engage with a broad base of economic actors at a national or sub-national level, including businesses, individuals, households, community/civil society and economic actors such as relevant associations, financial sector and governmental actors that may act as beneficiaries or crucial influencers and enablers of the Programme's success. An inclusive consultation process will be adopted where a range of stakeholders, including those identified as vulnerable, are effectively engaged, and adequately represented. Consultation methods will vary according to audience. These will include knowledge and information transfer, general information sessions and technical trainings for women specifically. 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. Eventually, a dedicated gender expert will be included as part of the broader implementing technical assistance programme and consulting group to ensure all capacity building initiatives have a gender lens incorporated into the design and outcomes set at the programme level. Lastly, each investment project under this proposal will go through EBRD's internal Gender SMART process, which includes a diagnostic to assess the gaps in access to finance and know-how women beneficiaries have in the sector and the capacity of PFIs to address these gender-related gaps. **CR13:** The Programme will provide longer-lasting impact, as commercial financial institutions participating in the programme are expected to adopt practices, criteria and financial products and continue providing much needed financing to farmers and agribusiness, hence having meaningful market development impact and sustainability, beyond the programme lifetime. FIs 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. This is expected to create lasting and sustainable financing beyond the implementation of the Programme which benefits from a larger leverage effect through mobilization of PFIs own resources in the future.
	5. Does the pre-concept briefly explain which organizations would be involved in the proposed regional project/programme at	**No.** **CR14:** EBRD will be the project's implementing entity, as well as executing agency. However, this needs to be thoroughly justified explaining	**CR14:** 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

	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?	the exceptional circumstances that support this arrangement. **CR15:** Please indicate which other organization will be involved at the regional, national, and sub-national levels, and what would be their roles.	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. EBRD will carry out the functions of Implementing Entity and Executing Entity for Component 2 of the Programme, 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. As the Implementing Entity, EBRD ensures compliance with fiduciary, environmental, and social standards set by the funding mechanism, while overseeing the facility's alignment with broader adaptation and development goals. Simultaneously, as the Executing Entity, the bank's in-house technical expertise, sectoral knowledge, and operational capacity enable efficient design and delivery of technical assistance to PFIs and sub-borrowers. As explained above, through its work with PFIs, the Programme will reach a greater number of beneficiaries that would not have been possible via other methods such as direct investment. Because financial institutions typically have branches spread throughout the country, including in rural regions, PFIs could enable outreach to a broader range of farmers and other agri actors across the value chain across various regions, likely by providing more resources, infrastructure, or financial support, as well as reaching remote beneficiaries that are not usually accessible. **CR15:** EBRD and other organizations in the Programme will cover the following roles: • The EBRD oversees programme implementation, including signing and disbursement of loans to PFIs, risk management, M&E, and reporting to the Adaptation Fund.

			• PFIs act as Executing Entities, disburse Programme Loans to sub-borrowers in line with the Loan Agreement signed with EBRD, and report on use of proceeds of the Loan to EBRD. PFIs will include local commercial banks, microfinance institutions, and leasing companies in the target countries. • Project consultants deliver technical assistance to PFIs and sub-borrowers, including monitoring and verification of sub-projects. Qualified consultants will be selected by the EBRD in accordance with the organisation's Corporate Procurement Policy and Procurement Policy and Rules and managed using its thorough experience of provision technical assistance to its clients under similar programmes. • End beneficiaries will implement the funded sub-projects in line with the agreements signed between the sub-borrower and the PFI, resulting in the realised adaptation benefits to the sub-borrower and wider community.
Resource Availability	6. Is the requested project / programme funding within the funding windows of the programme for regional projects/programmes?	**Yes.**	
	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.**	

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 Area[1]:	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: Click or tap to enter a 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. ~~The regions of Eastern Europe and the Caucasus face similar challenges that impact agricultural productivity, food security and rural livelihoods. In Moldova, 90% of crop production is rain fed thus exposing farmers (98% of which are comprised of smallholders which tend to be the most vulnerable) to higher vulnerabilities to changes due to climate risks[2]; while in Georgia, rising temperatures and increasing droughts are expected to lead to lower crop yields[3].~~ 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 agriculture[4]. ~~Without~~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 ~~and especially for the highly informal smallholders, agricultural households and SMEs, FIs have limited willingness and appetite to serve this sector and segment, given the skewed risk-return profile~~. Existing financial instruments often come with restrictive terms such as limited tenors, prohibitive costs, and excessive collateral requirements which preclude access by ~~beneficiaries.~~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 ~~smallholders, agricultural~~ 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 ~~impact~~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

~~[2] Creating Markets in Moldova: Country Private Sector Diagnostic (ifc.org)~~
~~[3] Climate Risk Country Profile: Georgia (World Bank Group/Asian Development Bank)~~
[4] https://isfadvisors.org/the-challenge-of-climate-financing-for-agri-smes/

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt, Indent: Left: 0", First line: 0", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

Formatted: English (United Kingdom)

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt

Formatted: English (United States)

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt, Indent: Left: 0", First line: 0", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

Formatted: English (United States)

Formatted: English (United States)

Formatted: English (United States)

Formatted: English (United States)

Formatted: English (United States)

Formatted: English (United States)

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt, Indent: Left: 0", First line: 0", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

~~programme~~Programme proposes a multi-pronged approach to tackling these issues using a range of financial instruments, capacity building and incentives to FIs and ~~end-beneficiaries.~~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 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 ~~end beneficiaries (i.e. farmers, households and SMEs), the programme~~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 ~~end~~ 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 ~~beneficiaries~~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~~Programme will continue after the end of the implementation period, adding to the sustainability of the ~~programme~~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 Facilities[5]. 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:

- ~~1:~~ 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;
- ~~2:~~ Increase the ability of the financial system to identify and manage climate-related risks and shocks in the agriculture sector;
- ~~3:~~ Enhance the capacity of stakeholders in the agricultural sector to adopt climate resilient measures, practices and technologies.

8. The ultimate objective of ~~this programme~~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~~Programme will deploy TA, incentives and investment grants described below, that will be utilised alongside EBRD financing to PFIs. Through this combination, ~~Agri-CROP~~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.

[5] https://ebrdgeff.com

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt, Indent: Left: 0", First line: 0", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

Formatted: English (United States)

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt, Justified

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt, Indent: Left: 0", First line: 0", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt, Bulleted + Level: 1 + Aligned at: 0.25" + Indent at: 0.5"

Formatted: Not Highlight

Formatted: Indent: Left: 0", First line: 0", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

Formatted: English (United States)

Formatted: English (United States)

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[6] and incentive grants to PFIs and ~~end beneficiaries~~ sub-borrowers	1.1. Increased adaptation finance to the agriculture sector 1.2 Decreased barriers for ~~end beneficiaries~~sub-borrowers to accessing finance	1.1.1 Innovative financial products ~~developed~~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-~~project~~projects financed) 1.2.1 Increased number of agri ~~end-beneficiaries~~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 ~~end beneficiaries~~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 ~~end beneficiaries~~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 ~~and~~, 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 ~~end beneficiaries~~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

[6] EBRD will deploy financing to PFIs for up to the equivalent of USD 60 million for on-lending to ~~end beneficiaries~~sub-borrowers that shall complement the funding requested from the Adaptation Fund

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 building, ~~Agri-CROP~~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. ~~This wil contribute to systemic change within the financial sector, ultimately providing sustainable financing for adaptation that caters to the needs of farmers in the target countries.~~

10. **Component 1** aims to deploy financing instruments and incentives to support adaptation projects. Financing from EBRD to PFIs for on-lending to ~~end beneficiaries~~sub-borrowers and incentives to PFIs and ~~end beneficiaries~~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 ~~end beneficiaries~~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 ~~end beneficiaries~~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 ~~end beneficiaries~~sub-borrowers and developing investment opportunities via addressing affordability constraints and

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt, Indent: Left: 0", First line: 0", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

Formatted: Default Paragraph Font, Font: 11 pt

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt, Indent: Left: 0", First line: 0", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

Formatted: English (United States)

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt, Indent: Left: 0", First line: 0", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

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 ~~end beneficiaries~~sub-borrowers to respond to climate risks and opportunities in the agricultural sector. Knowledge sharing activities for ~~end beneficiaries~~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)[7], 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 ~~farmers.~~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

[7] https://www.ebrd.com/environmental-and-social-policy-esp-2024

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt, Indent: Left: 0", First line: 0", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

Formatted: English (United States)

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt, Indent: Left: 0", First line: 0", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt, Indent: Left: 0", First line: 0", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

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 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~~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. ~~The consultative process will ensure that gender considerations are taken into account when designing adaptation measures, and capacity building initiatives and tools.~~ 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

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt, Indent: Left: 0", First line: 0", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

Formatted: Font: Calibri, 11 pt, English (United States)

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt, Indent: Left: 0", First line: 0", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt, Indent: Left: 0", First line: 0", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt 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.

Formatted: List Paragraph,Table/Figure Heading,En tête 1,Bullet EY,Sàraðo pastraipa,S?ra?o pastraipa,List Paragraph (numbered (a)),List Paragraph1,Numbered List Paragraph,Main numbered paragraph,titre 3,List Paragraph Char Char Char,Use Case List Paragraph,Dot pt, Indent: Left: 0", First line: 0", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

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 government[8] *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*: September 12, 2024*
Ms. Aliona Rusnac State Secretary Ministry of Environment Moldova	Date*: June 25, 2024*
	Date*: (Month, day, year)*

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, 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.	
Alexis Franke, Associate Director, Green Partnerships, Donor Partnerships [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.

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

A. Record of endorsement on behalf of the government[6] *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*: September 12, 2024*
Ms. Aliona Rusnac State Secretary Ministry of Environment Moldova	Date*: June 25, 2024*
	Date*: (Month, day, year)*

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.	
Alexis Franke, Associate Director, Green Partnerships, Donor Partnerships	
Date: 28.11.2024	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

34, Marshal Gelovani ave
Tbilisi, 0156, Georgia
+995 32 237 80 13
+995 32 237 80 44
info@mepa.gov.ge

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

QUALIFIED ELECTRONIC SIGNATURE

MINISTERUL
MEDIULUI
AL REPUBLICII MOLDOVA

MINISTRY
OF ENVIRONMENT
OF THE REPUBLIC OF MOLDOVA

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