

## Promotion of climate adaptation technology and business model innovations and entrepreneurship in Sierra Leone

### Basic Information

**GEF ID**

10680

**Countries**

Sierra Leone

**Project Title**

Promotion of climate adaptation technology and business model innovations and entrepreneurship in Sierra Leone

**GEF Agency(ies)**

UNIDO

**Agency ID**

UNIDO: 200260

**GEF Focal Area(s)**

Climate Change

**Program Manager**

Aloke Barnwal

# PIF

## Part I – Project Informatic

### Focal area elements

#### 1. Is the project/program aligned with the relevant GEF focal area elements in Table A, as defined by the GEF 7 Programming Directions?

##### Secretariat Comment at PIF/Work Program Inclusion

Yes, the project is aligned with LDCF programming objectives CCA 1 contributing to the specific outcome on "Innovation and Technology Transfer in Priority Sectors and Themes and Private Sector Engagement".

The project title is too long. Following is suggested for consideration:

Promotion of climate adaptation technology and business model innovations and entrepreneurship in Sierra Leone.

The focus on MSMEs could also be included in the title if possible. Else, MSME can be mentioned in the objective statement.

GEFSEC October 13, 2020

Thanks. Comments cleared.

##### Agency Response

The title has been changed to:

Promotion of climate adaptation technology and business model innovations and entrepreneurship in Sierra Leone

The objective has been changed to:

Reducing vulnerability and increasing resilience of vulnerable populations by supporting MSME-driven innovation, transfer and large-scale deployment of adaptation technologies, products and services in the water, agriculture and energy sectors in Sierra Leone.

## **Indicative project/program description summary**

### **2. Are the components in Table B and as described in the PIF sound, appropriate, and sufficiently clear to achieve the project/program objectives and the core indicators?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

The components are comprehensive and sound. It ranges from creating enabling policy and institutional environment for promotion of adaptation SMEs to providing technical and financial support to MSMEs offering adaptation solutions. In addition to SMEs, the project intends to work with Financial Service Providers also which will enhance access to finance for MSMEs.

There are comments on outputs and outcomes which is included in the relevant sections in part 2 of the review sheet.

The project document uses the terms Adaptation MSMEs and Adaptation Accelerators in a few places. Please define these and make an explicit link with project outcomes/outputs. For Adaptation MSMEs, please refer to the Adaptation SME Taxonomy developed by Lightsmith Group under the ASAP project for eligible technologies and services.

GEFSEC October 13, 2020:

Thanks. Comment cleared.

#### **Agency Response**

Adaptation MSMEs and Adaptation Accelerators have been defined as follows in accordance with the Lightsmith Taxonomy:

An "Adaptation SME" is a company providing technologies, products and/or services that 1) address systemic barriers to adaptation by strengthening users' ability to understand and respond to physical climate risks and related impacts and/or capture related opportunities, and 2) contribute to preventing or reducing material physical climate risk and/or the adverse associated impacts on assets, economic activities, people or nature.

The definition of an Adaptation Accelerator is a support mechanism that identifies, engages and empowers MSMEs to provide their adaptation solutions to users. Strategic business model, technical, operational, scaling up and financial support are provided. Accelerators also ensure that the MSMEs meet ESG and impact criteria.

The SL Accelerator will build off of ASAP's climate adaptation-specific curriculum and "toolkits" for existing regional incubators/accelerators. Both definitions have been elaborated upon at the end of the project justification section (below para 92).

## Co-financing

**3. Are the indicative expected amounts, sources and types of co-financing adequately documented and consistent with the requirements of the Co-Financing Policy and Guidelines, with a description on how the breakdown of co-financing was identified and meets the definition of investment mobilized?**

### Secretariat Comment at PIF/Work Program Inclusion

A long list of co-financing sources is provided.

- AECF (Africa Enterprise Challenge Fund) is categorized as donor. However, their description seems more like a private sector fund. Donors are typically bilateral country government agencies or climate finance sources.
- PFAN (REEEP) has a focus on clean energy and mitigation and doesn't seem to be a natural co-finance source for this project. Please elaborate how their co-finance will support adaptation solutions.
- Anonymous Financial Institutions are listed. Please provide specific sources. If not confirmed yet, it is recommended to remove them and include specific names at CEO Endorsement stage.

October 20, 2020

In the co-finance table ASAP and CRAFT has been listed as co-financing source. A few comments on this:

- If the proposed 4 million USD co-finance is the funding provided by GEF to these projects, they can't be listed as co-finance source (as they are not additional to GEF)
- If the amount of 4 million USD is not the GEF finance e.g. CRAFT's additionally mobilized fund to invest in adaptation solutions, it can be listed but as a private investment and under the category of investment mobilized (not recurrent expenditure, in-kind).
- As we understand ASAP doesn't have significant investment mobilized yet and most likely the co-finance proposed is the GEF financing. So, it is recommended to remove ASAP as a co-finance. CRAFT is encouraged to be included as it has become an independent fund and has raised significant additional funds from market. However, if the agency is not sure at this stage how much funding can be mobilized from this fund for the Sierra Leone project, this may be added later at endorsement stage once confirmed.

October 22, 2020

CRAFT is proposed and categorized as Grant. The Agency is requested to confirm if CRAFT can provide grant as it is more of an equity/debt investment fund.

### Agency Response

Response (October 22, 2020):



Indeed CRAFT has a grant in form of Technical Assistance Facility for developing countries to support uptake of solution in developing countries. In fact this TA facility supports market studies; preparation and implementation support activities; and knowledge and capacity building. Is it envisaged that as the companies supported under this facility grow, they will also access other form of funding especially concessional and commercial funding support. More details on this will be determined at PPG stage.

(<https://www.climatefinancelab.org/project/climate-resilience-adaptation-finance-transfer-facility-craft/>)

Response (October 21, 2020):

Thank you for the suggestions provided. Changes were made accordingly. ASAP has been removed as co-finance source. The entire 4mln USD are foreseen to be co-financed by CRAFT as investment mobilized. A brief explanation on CRAFT as co-finance source is provided below Table C.

Cofinancing: AECF has been recategorized as private sector. PFAN (REEEP) has an adaptation focus as well. This can be seen in their regular call for adaptation proposals (<https://pfan.net/pfan-adaptation-call/>). Thus, the project will provide a selected group of MSMEs to feed into the PFAN (REEEP) adaptation-focused workshops and mentoring programs. PFAN (REEEP) can provide business and investment support. The same information has been provided within the Investment mobilized section, below Table C.

The two anonymous co-financiers have been deleted and the total amount of co-financing has been adjusted. The total is now 21,880,000 USD

## GEF Resource Availability

**4. Is the proposed GEF financing in Table D (including the Agency fee) in line with GEF policies and guidelines? Are they within the resources available from (mark all that apply):**

Secretariat Comment at PIF/Work Program Inclusion Yes.

## Agency Response

**The STAR allocation?**

Secretariat Comment at PIF/Work Program Inclusion NA

Agency Response

**The focal area allocation?**

Secretariat Comment at PIF/Work Program Inclusion NA

Agency Response

**The LDCF under the principle of equitable access**

Secretariat Comment at PIF/Work Program Inclusion Yes.

Agency Response

**The SCCF (Adaptation or Technology Transfer)?**

Secretariat Comment at PIF/Work Program Inclusion NA

Agency Response

Focal area set-aside?

Secretariat Comment at PIF/Work Program Inclusion NA

Agency Response

Impact Program Incentive?

Secretariat Comment at PIF/Work Program Inclusion NA

Agency Response

Project Preparation Grant

5. Is PPG requested in Table E within the allowable cap? Has an exception (e.g. for regional projects) been sufficiently substantiated? (not applicable to PFD)

Secretariat Comment at PIF/Work Program Inclusion Yes, the PPG requested is within the allowable cap.

## **Agency Response**

### **Core indicators**

**6. Are the identified core indicators in Table F calculated using the methodology included in the correspondent Guidelines? (GEF/C.54/11/Rev.01)**

#### **Secretariat Comment at PIF/Work Program Inclusion**

LDCF core indicators are provided. Overall number of beneficiaries looks fine. The number of beneficiaries under both core indicator 1 and 4 are heavily skewed towards male beneficiaries. Please reconsider and revise the project to have a better parity of beneficiaries.

GEFSEC October 13, 2020

Thanks. Comment cleared.

## **Agency Response**

The number of women beneficiaries has been increased to 50% for Core Indicators 1 and 4. Recipients of the training on adaptation technologies, innovations and services will be 50% women. Please see the Core Indicators Tracking attached.

### **Project/Program taxonomy**

**7. Is the project/ program properly tagged with the appropriate keywords as requested in Table G?**

**Secretariat Comment at PIF/Work Program Inclusion** Yes. It looks fine overall. Rio markers are also tagged correctly.

## Agency Response

### art II – Project Justification

#### 1. Has the project/program described the global environmental / adaptation problems, including the root causes and barriers that need to be addressed?

##### Secretariat Comment at PIF/Work Program Inclusion

Climate risks and future projections in Sierra Leone is elaborated well. However, the section needs to address the following to strengthen the project rationale:

- The section states that MSME operations are vulnerable to climate change. However, the project components do not indicate any activity that will make MSME infrastructure or operations climate resilient. MSMEs are proposed as adaptation solution providers broadly in the project and not as a beneficiary to receive climate resilience support. Please clarify and revise accordingly.
- The project aims to focus in certain regions in the country. Please elaborate climate adaptation issues in those targeted geographies. Currently, it's quite generic for the country.
- Overall, the link of adaptation problems with the project's focus on MSMEs is described using food security, water security and energy security challenges. However, the three problems identified are not sufficiently linked with the climate risks and projections described in the section.

Overall, the section should provide a strong justification by considering the following:

Impacts of climate change in Sierra Leone, the targeted locations and vulnerable communities-- Key vulnerable sectors critical for economic growth, jobs and livelihoods of vulnerable communities and how these sectors are impacted by climate change--how SMEs are critical to support these sectors and resilience of communities--and the barriers that SMEs face in providing and scaling up adaptation solutions.

The barriers are elaborated well. Please also describe if there is any general barrier for private sector business operations in the targeted sectors in the country. Also, for adaptation solutions especially related to water and food security (fundamental vulnerability issues), please describe if there are challenges related to economic valuation and viability to sufficiently attract SMEs and financial institutions for investing in adaptation solutions. If yes, please factor these in the project activities.

GEFSEC October 13, 2020

Given that the focus of project is more on SMEs offering adaptation solutions, the PIF should elaborate more on the relevance of SMEs with respect to the four climate risk and security issues described. Overall, the section doesn't still provide a compelling case why the project

should focus on SMEs to tackle these risks. Just a statement " "In order to have more food, water and energy security as well as to be able

to more effectively respond to COVID within Sierra Leone, MSMEs are crucial conduits that can be used for the integration and deployment of innovative technologies, products and services that can build adaptive capacities, particularly in rural regions" is not sufficient enough. Please elaborate it more.

Regarding the formalization issue, please specify if this will be supported in any ways by the project under any specific activity or will it be facilitated through any of the co-finances. It is important to address systemic barriers for effectiveness of outcomes.

The response to last question is not clear. What we wanted to understand is if there is a lack of understanding, willingness among consumers to pay for services or awareness among SMEs and FIs about adaptation solutions and their business viability. If yes, then please describe it and then link them with project activities. Please note that it will be fine to be frank about the fact that SMEs or private sector may have significant entry barriers in this market. The PIF can argue that in collaboration with policy makers, FIs and global partners, this issue will be addressed by providing catalytic funding to SMEs and FIs and supporting government to provide policy incentives for adaptation solutions.

- Para 12 refers to Pakistan as an LDC which is not correct. Please revise. Also, a part of this para is repeated.

GEFSEC October 15, 2020

Thanks for the responses. They are fine.

## Agency Response

### Secretariat Comment at PIF/Work Program Inclusion

Climate risks and future projections in Sierra Leone is elaborated well. However, the section needs to address the following to strengthen the project rationale:

- The section states that MSME operations are vulnerable to climate change. However, the project components do not indicate any activity that will make MSME infrastructure or operations climate resilient. MSMEs are proposed as adaptation solution providers broadly in the project and not as a beneficiary to receive climate resilience support. Please clarify and revise accordingly.

### Response:

By definition adaptation MSMEs are focused on building climate resilience. Under Component 2, this project is capacitating the MSMEs strategically, operationally, and technically to ensure that their adaptation innovations can come to scale successfully (and are not left on a shelf). The Adaptation Accelerators will ensure that the MSMEs have true adaptation innovations (thereby being defined as a true adaptation MSME as defined by the Lightsmith SME Adaptation Taxonomy). The Accelerators will also ensure that they can effectively meet

ESG and impact criteria. Business growth services provided by the Accelerators and through UNIDO's unique connections with PFAN and AECF will ensure that there can be continued financing and capacity building for realizing business plans in the long-term. With regards to ensuring that the MSME operations / infrastructure are resilient, business plans will be mandated to reflect the realities that climate shocks can and will disrupt adaptation technology proliferation. Training to be supported to MSMEs will ensure that their business practices can be adaptive to adjust to the climate risks at hand. For instance, if a water conservation technology is employed but flooding becomes more problematic, the MSME will be guided to reflect these risks in their plans and to have mitigation measures such as robust technologies that can withstand flood events. By providing the tools for MSMEs to identify risks and mitigation measures, it will be more likely that their ideas will be used in the long-run throughout Sierra Leone.

This has been reflected in the 3) the proposed alternative scenario, Component 2 discussion.

**- The project aims to focus in certain regions in the country. Please elaborate climate adaptation issues in those targeted geographies. Currently, it's quite generic for the country.**

Response:

Within the past decades torrential rains have increased drastically in the regions of Bonthe and Port Loko. These rains have caused floods which have had damaging effects to infrastructure. Next to severe damages and losses, these floods have increased risks for epidemic outbreaks. Particularly in the district of Port Loko, such floods have had an impact on rice crops destroying planted fields and thereby decreasing food availability in the region.

Additionally while floods are destroying infrastructure and agriculture throughout the country, including these two regions, annual rainfall has decreased by 305mm in Port Loko and 155mm in Bonthe between 1981 and 2018. Such a decrease has taken a toll on the farming population especially in rural regions, as most of the crops are dependent on seasonal rainfall.

Therefore, this project will address such climate change adaptation issues in the target regions of Bonthe and Port Loko by striving to establish a market for adaptation technologies, innovations and services that enable resilience building to an increase in rainfall intensity and a decrease in overall rainfall.

This has been reflected in paragraph 46.

**Overall, the link of adaptation problems with the project's focus on MSMEs is described using food security, water security and energy security challenges. However, the three problems identified are not sufficiently linked with the climate risks and projections described in the section.**

Response:

The PIF has been adapted to say the following:

"Food, Water and Energy security: About 59.7 per cent of rural households in Sierra Leone are food insecure, compared with 25.1 per cent in urban areas. Sierra Leone is strongly dependent on imports of food staples such as rice, which according to latest UNCTAD figures amounted to 15% of total food imports, standing at USD 190 m in 2017. Agriculture, the largest sector in the economy, accounted for 59 per cent of GDP in 2016, 62 per cent of the labour force, and 22 per cent of export earnings. Agriculture is predominantly dependent on rainfall and will be increasingly water insecure unless interventions are made. Also, in the rural regions energy security is minimal; Electricity access reaches a mere 23% on average, with only 6% in rural areas and 56% in urban areas, having access mostly around the capital Freetown.

The number of those facing food, water and energy insecurity will increase due to the following projected climate impacts:

*Climate Risks for Food Security:* Temperature increase will cause an increased proliferation of vector-borne diseases, including those that

will impact livestock and crop yields. Crop yields are also likely to decrease during projected increase in heavy rain periods. Reduced agricultural potential will be seen for coastal areas due to increased coastal flooding and erosion events. Increased rainfall will cause nutrient leaching and fungal growth due to high humidity. Increased erosion will lead to damage to land and infrastructure on farms and in pastures.

Due to these climate risks, the 2018 published Third National Communication (3NC) of Sierra Leone to the UNFCCC calls for increased support towards adaptation measures in agriculture, such as the establishment of adequate weather data for farming purposes, innovative approaches towards irrigation and to provide appropriate agricultural infrastructure and mechanization.

*Climate Risks for Water security:* Current and projected periods of drought are decreasing the amount of water available. Sea level rise is causing saltwater intrusion and reduced freshwater groundwater reserves. Increased risks of flooding will lead to damaged water infrastructure and increased health risks such as in increased propagation of water-borne diseases. It is noted in the Third National Communication (3NC) as well as the NAPA, that a water resources adaptation strategy should foresee, inter alia, the use of solar pumps for well water extraction, an improved planning of the use of river basins as well as effective monitoring and management of watersheds, which are crucial in maintaining water availability during floods and droughts.

*Climate Risks for Energy security:* Energy security will be adversely affected by climate change when events such as torrential rains, flooding and storms lead to severe electricity outages. Limited access to energy can cause dire consequences such as at hospitals during this period of COVID-19 and can reduce economic opportunities and income that would otherwise strengthen the resilience of vulnerable groups. Moreover, Sierra Leone's energy sector is dependent on the availability of biomass, such as firewood. Erosion and destruction by floods of wood biomass will prevent electricity access during heavy rainfall events.

**Overall, the section should provide a strong justification by considering the following:**

**Impacts of climate change in Sierra Leone, the targeted locations and vulnerable communities– Key vulnerable sectors critical for economic growth, jobs and livelihoods of vulnerable communities and how these sectors are impacted by climate change–how SMEs are critical to support these sectors and resilience of communities–and the barriers that SMEs face in providing and scaling up adaptation solutions.**

Response:

The impacts of climate change on the targeted locations have been identified in 1b. Project Map and Coordinates section of the PIF. The climate risks associated with the water, agriculture and energy sectors have been previously described. MSMEs are described as the key for these sectors to build resilience in the following discussion:

“In order to have more food, water and energy security as well as to be able to more effectively respond to COVID within Sierra Leone, MSMEs are crucial conduits that can be used for the integration and deployment of innovative technologies, products and services that can build adaptive capacities, particularly in rural regions.” This has been added to paragraph 12.

The barriers that MSMEs face in providing and scaling up adaptation solutions are listed in Barriers 3 and 4. Specifically, according to interviews with SMEDA, the following are barriers for MSMEs to access finance for adaptation solution provision and scale-up as indicated in Barrier 4 (this has been reflected within section 3) the proposed alternative scenario, under component 2)

- Low Management & HR Capacity: MSMEs lack the requisite business management skills to making their business ideas attractive to investors and financial institutions.
- High Interest rates: the current market interest rates discourage MSMEs to access finance for their businesses. At a rate of 25% to 30%, loans become a burden rather than a solution for business growth. Several factors are responsible for the high interest rates including cost of funds on the part of the financial institutions, inflation, and the government's appetite to borrow from the private sector. High interest rates result in high default rates.
- Loan criteria: some loan criteria are too stringent with most MSMEs not being able to meet the requirements. The most significant of



Loan criteria: some loan criteria are too stringent with most MSMEs not being able to meet the requirements. The most significant of these requirements is collateral (most times real estate). The government is working on Collateral Registry including Movable Assets which will significantly impact on MSMEs ability to access loan financing.

- Private Sector Investments: there are limited number of private sector investors focused on adaptation. This also limits access by MSMEs.

**The barriers are elaborated well. Please also describe if there is any general barrier for private sector business operations in the targeted sectors in the country.**

Response:

The biggest barrier for private sector business operations is that MSMEs generally lack formalization. Business formalization through registration and certification has been a key limiting factor for MSMEs accessing finance. Not being formally registered excludes them in meeting some of the criteria for accessing financing facilities. The lack of formalization has been noted in Barrier 4 and it is addressed in Component 2 discussion under 3) the proposed alternative scenario.

**Also, for adaptation solutions especially related to water and food security (fundamental vulnerability issues), please describe if there are challenges related to economic valuation and viability to sufficiently attract SMEs and financial institutions for investing in adaptation solutions. If yes, please factor these in the project activities.**

Response:

MSMEs are currently not incentivized to provide adaptation solutions. The financial market does not currently offer much sector specific financing. Most loan products are generic and targets all MSMEs with the same criteria irrespective of nature of business. Currently, MSMEs in these sectors mainly receive financing through specialize grants projects such as the Agro-processing Competitiveness Project, Agricultural Value-Chain Development Project, and the Economic diversification project to name but a few.

The project will attract adaptation-focused MSMEs with their annual Adaptation Innovation Calls in Component 2. Also, it will attract financing for adaptation solutions by providing awareness and capacity building to FSPs on the cost-benefits and business opportunities that such solutions can provide. Training to FSPs will be provided in the following Outputs:

2.2.3 SMEDA, existing MFIs and borrowers trained on MSME microfinance schemes that have a focus on adaptation

3.1.2 Methodologies and guidebooks for assessing and quantifying adaptation and resilience benefits of projects developed and widely disseminated

3.1.3 Financial service providers (FSPs) trained to assess and capture resilience and adaptation benefits of projects in their portfolios and pipelines

COMMENT:

**Given that the focus of project is more on SMEs offering adaptation solutions, the PIF should elaborate more on the relevance of SMEs with respect to the four climate risk and security issues described. Overall, the section doesn't still provide a compelling case why the project should focus on SMEs to tackle these risks. Just a statement "In order to have more food, water and energy security as well as to be able**

to more effectively respond to COVID within Sierra Leone, MSMEs are crucial conduits that can be used for the integration and deployment of innovative technologies, products and services that can build adaptive capacities, particularly in rural regions" is not sufficient enough. Please elaborate it more.

RESPONSE:

This section has been updated to elaborate on the relevance on MSMEs tackle the food, water and agriculture risks (paragraph 14 and 43). The schematic has been included as figure 1.

As shown in Annex F, MSMEs are already providing services for value chains in Sierra Leone and within the region. They are used to outreach and currently provide support for the value chain, such as seed provision. The project will build the adaptation angle on top of these existing products and services and make them more sustainable on a local level. For example, seeds which will be promoted and recognized to be sold by adaptation MSMEs will be drought-resistant and can be linked with climate risk insurance. Also, MSMEs will be supported with seed funding to have good business plans and sell these products in the long-term. This has been added to paragraph 12.

COMMENT:

Regarding the formalization issue, please specify if this will supported in any ways by the project under any specific activity or will it be facilitated through any of the co-finances. It is important to address systemic barriers for effectiveness of outcomes.

RESPONSE:

Formalization of the MSMEs will be supported using services under Component 2. This Component will help them grow and expand their services so that they can access SMEDA services such as the SMEDA MSME fund. SMEDA's mandate will be to guide them to have registration that is recognized by SMEDA. Once they are officially recognized, the MSMEs can have access to SMEDA and other MSME funds. Please see this under the Discussion for Component 2 and 4, within paragraph 52 and 67.

COMMENT:

The response to last question is not clear. What we wanted to understand is if there is a lack of understanding, willingness among consumers to pay for services or awareness among SMEs and FIs about adaptation solutions and their business viability. If yes, then please describe it and then link them with project activities. Please note that it will be fine to be frank about the fact that SMEs or private sector may have significant entry barriers in this market. The PIF can argue that in collaboration with policy makers, FIs and global partners, this issue will be addressed by providing catalytic funding to SMEs and FIs and supporting government to provide policy incentives for adaptation solutions.

RESPONSE:

Reflecting this comment it is worth mentioning that access to finance for MSMEs in Sierra Leone is one of the main barriers to their existing operations and potential for scaling up. Equally if not higher, this barrier is witnessed for adaptation MSMEs with the reason that the profitability and long term impact is not fully appreciated by the target groups within in the country due to lack awareness. This is exactly the reason that the project will work hand in hand with SMEDA that is providing a MSME fund (revolving grant) to MSMEs so that they can tailor some funds to support adaptation innovation. Also, the Small and Medium Enterprises Development Agency (SMEDA) Policy (National SME Policy 2019) and MSME National Development Strategy will be updated to provide incentives to support MSMEs for adaptation solutions. This is now indicated in Component 1 – in respective paragraphs 18, 25, 44, 63.

COMMENT:

- Para 12 refers to Pakistan as an LDC which is not correct. Please revise. Also, a part of this para is repeated.

RESPONSE:

The reference to Pakistan has been removed.

**2. Is the baseline scenario or any associated baseline projects appropriately described?**

**Secretariat Comment at PIF/Work Program Inclusion**

Yes.

**Agency Response**

**3. Does the proposed alternative scenario describe the expected outcomes and components of the project/program?**

**Secretariat Comment at PIF/Work Program Inclusion**

The theory of change provides a good overview of the project. Please address the following comments:

- The PIF says that the project will support vulnerable populations to access financing for acquiring adaptation technologies, products and services from local financial services. The details indicate that the project will support MSMEs to access financing. Will there be support to communities or community groups to implement adaptation technologies and services, or will they be beneficiaries of the SMEs offering such products and services?

- Component 1:

To strengthen greater engagement of SMEs in adaptation solutions which has a number of market barriers and failures, policy incentives could be necessary to benefit MSMEs set up their business and make their business models economically viable. In addition, it is also important to

be necessary to benefit MSMEs set up their business and make their business models economically viable. In addition, it is also important to define adaptation SMEs for the country in line with the Adaptation MSME taxonomy released by ASAP project. These two considerations will

create enabling policy and regulatory environment for adaptation solutions and also enable better tracking and monitoring of adaptation benefits.

The partnership with academic and technical institutions will be useful from long term sustainability perspective. However, please elaborate how exactly they will be engaged in the project. Will they receive funds under the revolving fund through financial institutions or through other mechanisms. The PIF indicates setting up testing labs in the selected universities. Please elaborate more on these labs and also provide some examples for which the universities will carry out testing and technology showcasing.

- Component 2:

Please describe what is meant by Adaptation Innovation Calls and which agency will lead this. Please also provide more details on SMEDA microfinance low-interest financing product. In addition, the PIF should provide more information on how the accelerators will be selected under the project. Innovation Axis has been identified as one of the accelerators. It would be good for the project to diversify the accelerators base to minimize delivery risk.

Thanks for detailed Table 2, which provides examples of adaptation solutions which could be supported under the project. Two comments on this: 1) please describe if there is an existing market base of SMEs offering these solutions. 2) given that these solutions do not have defined revenue streams, how will the project support business proposition for SMEs offering these solutions 3) under Energy, please note that energy generation or energy storage technologies can't be classified as adaptation solutions, instead, products and services that make energy infrastructure resilient could be supported e.g. climate information services, climate resilient design and standards for infrastructure, climate risk insurance, etc.

Component 3:

Please refer to the earlier comment on how the project will enhance access to finance for communities directly. The focus on integrated solutions covering agri-water-energy sectors is welcome. Please expand the focus beyond solar irrigation to other solutions also e.g. cold storages. Also, the project may like to consider demonstrating innovative adaptation solutions in cities such as Freetown where the potential of a successful demonstration could be good e.g. water management solutions for addressing water scarcity or flooding problems.

The engagement of financial institutions in the project is welcome. However, please clarify whether the project will focus only on MFIs as Financial Support Providers (mentioned in Table B)? If yes, will the MFIs be able to manage revolving fund? And, finally, will they have capacity to appraise and provide financial support to SMEs? The project will benefit by engaging commercial lending institutions also.

Component 4: Supporting SMEDA to become a knowledge hub is welcome as it will ensure long term sustainability and uptake of knowledge. As part of the knowledge hub, the project may support SMEDA in developing an online market place platform listing eligible MSMEs offering adaptation solutions. This will enhance their visibility and also help them connect with potential consumers and investors.

Thanks for the details and revisions. Please see a few additional comments:

- Component 3 addresses support to community groups to access MF products that will enable them to acquire adaptation technologies. By working with FSPs in Component 3, they will be able to tailor products to have realistic conditions so that community groups can access the loans and not default on their payments. This is described in the Component 3 description of 3) the proposed alternative scenario.

On the above, please clarify the role of SMEs. What is meant by community groups? Will the MF products support SMEs also in scaling up their businesses? The above details indicate, that MF products will provide finance for people to buy the services and technologies. How will the SMEs be financed?

The paragraph of the PIF has been enhanced to state: The universities will receive capacity building support via GEF funds to be able to test innovations, develop tailor made learning programs on adaptation innovation and to train adaptation SMEs to improve the utility of their technologies, innovations or services. Amongst others, potential partners would be the University of Sierra Leone and the University of Njala, located in Freetown. The University of Sierra Leone's Fourah Bay College is the country's main tertiary education facility for Engineering and thus can offer a substantial input in running a testing lab on adaptation technologies, services and products. The Njala University has three research and teaching laboratories with well-trained staff and sophisticated equipment, which can be used to interpret, and analyze various ecological samples to support monitoring and evaluation of adaptation innovations. On the identification of technologies, input could be sought from staff of the Ernest Bai Koroma University of Science and Technology, which hosts the Faculty of Agriculture and Natural Resource Management. All partner universities as well as the exact locations of the testing labs will be defined during the PPG phase.

Regarding the above, the response does not answer the first part of the question whether the project will support government in policies, regulations and financial incentives for SMEs to offer adaptation solutions. This is critical for sustainability and impact beyond the project region. Please describe. Also, clarify the difference between Seed fund in para 58 and the "revolving fund" in para 64.

Thanks for providing the details of the engagement of universities in the project. The funding flow to the universities is still not clear. However, it is understood that this will be clearer during the PPG phase and therefore please provide details of this at the endorsement stage (if the PIF is cleared by Council).

Adaptation Innovation Calls are when publicity campaigns are run to attract adaptation MSMEs to submit their ideas and to be accepted as a cohort of companies in the Adaptation Accelerator programmes. SMEDA with the support of the EPA will lead this since it will be conducted under Component 2. They have been identified in the PIF.

Thanks, this is clear.

The MSME Microfinance scheme will seek to provide a low-interest (single digit 9%) rate financing to MSMEs in Sierra Leone. While the initial operations stage of the MSME Fund, which is a revolving fund, will not be sector specific, it is hoped that in the long term, said Fund will introduce sector-specific products. More details will follow during the PPG phase. This has been described in more detail under Barrier 5. The accelerators will be accepted by providing an initial awareness raising on the ASAP accelerator taxonomy. They will then have to submit an application showing how they can tailor their existing accelerator to have Adaptation-specific calls for MSMEs. SMEDA and the EPA will decide upon which accelerators will receive financing for Adaptation-focused programmes based upon criteria to be defined during PPG. At least 3 different accelerators will be chosen to ensure that there is a diversity in the Adaptation Accelerator Programmes offered. This will minimize

delivery risk. This has been included in the Component 2 description of 3) the proposed alternative scenario.

Thanks. We will look forward to the details at the endorsement stage. This is fundamental to project's success and therefore needs to be developed appropriately. One of the key aspects in this would be on how innovation will be supported through this and how can the project ensure that MSME scheme incentivize adaptation solutions. It would be good to provide some details now and more later at the endorsement stage. Also, typically interest rates by MFIs are higher than mainstream commercial banks. Will the MF scheme offer concessional lending below commercial loans?

Cold storage and others have been noted in Table 2 and now in Annex F. It is imagined that some demonstrations will take place in Freetown when the innovations are city-pertinent. This is now described under Component 3 in 3) the proposed alternative scenario.

Thanks. This is fine.

The project will support FSPs in general, such as Apex (a commercial lending institute) and BRAC International (a world-leading MFI). The existing institutions have various products and services including for rural populations. Apex bank has agri-business products and several branches so that they have an expansive reach throughout Sierra Leone. BRAC has already benefitted thousands of women and entrepreneurs with micro-loans for groups and small enterprise loans for individuals. Due to numerous years of experience and work with rural clients, these FSPs as well as others that will be targeted will have sufficient core capacity for training on adaptation, management of new credit lines (brought by the revolving fund) and provision of services targeted to rural-focused MSMEs and cooperatives.

The above is now stated in the descriptions of the 3) the proposed alternative scenario under Components 2 and 3.

Apex is not described in the baseline scenario. Please provide some more information about them.

Rightfully so, the generation and energy storage technologies have been deleted. Only the following products and services that make energy infrastructure resilient are now listed in Table 2:

- Overhead Line Monitoring Solutions (e.g., Line Vision)
- Climate risk insurance in case of power failure due to climate extremes
- Backup solar power supply for individual rescue/service centers and homes, also enabling transportation of basic supply and first aid when event of climate hazards

Thanks. This is fine. The project needs to ensure that investments in adaptation solutions target critical vulnerability challenges and has a diversified portfolio instead of supporting proven and well established solutions (e.g. solar power generation) only.

This is a great idea and has been made explicit as an activity in the discussion under Component 4 of the 3) the proposed alternative scenario, as a responsibility for SMEDA in the Stakeholder table and under 8) Knowledge Management. It will be included as an activity under Component 4 during the PPG phase.

Thank you!

GEFSEC October 15, 2020

Thanks. All comments cleared except the following related to component 3:

- It is clear now that component 2 is about supporting the supply side (SMEs) of the market and component 3 will liaise with FSPs and MFs to enable these technologies reach to the communities (marketing and financing). What is missing in this chain is how demand will be created within communities. The project may like to include a small yet strategic activity to work with communities in adaptation planning with a focus on generating demand for innovative adaptation technologies. This will ensure strong community engagement in the project too.

October 16, 2020

Thanks for the response and the added text in paragraph 63. This needs to be however more explicit in project outputs and outcome. Just supporting SMEs through roadshows and connections will help in supply side only and not much on creating demand. Therefore, the project should have a clear activity of working with community groups to support them in adaptation planning that generate demand for the adaptation solutions and services.

The response and additional text in para 63 provides the intent for doing this (even though its is not very explicit). Therefore, at the PIF stage this is fine and comment is cleared subjected to the requirement of putting a more stronger emphasis and better integration of this in the project design.

Comment is cleared at the PIF stage.

## Agency Response

### 3. Does the proposed alternative scenario describe the expected outcomes and components of the project/program?

Secretariat Comment at PIF/Work Program Inclusion

The theory of change provides a good overview of the project. Please address the following comments:

- The PIF says that the project will support vulnerable populations to access financing for acquiring adaptation technologies, products and services from local financial services. The details indicate that the project will support MSMEs to access financing. Will there be support to communities or community groups to implement adaptation technologies and services, or will they be beneficiaries of the SMEs offering such products and services?

Response:

Component 3 addresses support to community groups to access MF products that will enable them to acquire adaptation technologies. By working with FSPs in Component 3, they will be able to tailor products to have realistic conditions so that community groups can access the loans and not default on their payments. This is described in the Component 3 description of 3) the proposed alternative scenario.

- Component 1:

To strengthen greater engagement of SMEs in adaptation solutions which has a number of market barriers and failures, policy incentives could be necessary to benefit MSMEs set up their business and make their business models economically viable. In addition, it is also important to define adaptation SMEs for the country in line with the Adaptation MSME taxonomy released by ASAP project. These two

considerations will create enabling policy and regulatory environment for adaptation solutions and also enable better tracking and monitoring of adaptation benefits.

The partnership with academic and technical institutions will be useful from long term sustainability perspective. However, please elaborate how exactly they will be engaged in the project. Will they receive funds under the revolving fund through financial institutions or through other mechanisms. The PIF indicates setting up testing labs in the selected universities. Please elaborate more on these labs and also provide some examples for which the universities will carry out testing and technology showcasing.

Response:

The definition of the adaptation MSME was provided in para 15

The paragraph of the PIF has been enhanced to state: The universities will receive capacity building support via GEF funds to be able to test innovations, develop tailor made learning programs on adaptation innovation and to train adaptation SMEs to improve the utility of their technologies, innovations or services. Amongst others, potential partners would be the University of Sierra Leone and the University of Njala, located in Freetown. The University of Sierra Leone's Fourah Bay College is the country's main tertiary education facility for Engineering and thus can offer a substantial input in running a testing lab on adaptation technologies, services and products. The Njala University has three research and teaching laboratories with well-trained staff and sophisticated equipment, which can be used to interpret, and analyze various ecological samples to support monitoring and evaluation of adaptation innovations. On the identification of technologies, input could be sought from staff of the Ernest Bai Koroma University of Science and Technology, which hosts the Faculty of Agriculture and Natural Resource Management. All partner universities as well as the exact locations of the testing labs will be defined during the PPG phase.

**- Component 2:**

**Please describe what is meant by Adaptation Innovation Calls and which agency will lead this.**

Response:

Adaptation Innovation Calls are when publicity campaigns are run to attract adaptation MSMEs to submit their ideas and to be accepted as a cohort of companies in the Adaptation Accelerator programmes. SMEDA with the support of the EPA will lead this since it will be conducted under Component 2. They have been identified in the PIF.

Please also provide more details on SMEDA microfinance low-interest financing product. In addition, the PIF should provide more information on how the accelerators will be selected under the project. Innovation Axis has been identified as one of the accelerators. It would be good for the project to diversify the accelerators base to minimize delivery risk.

Response:

The MSME Microfinance scheme will seek to provide a low-interest (single digit 9%) rate financing to MSMEs in Sierra Leone. While the initial operations stage of the MSME Fund, which is a revolving fund, will not be sector specific, it is hoped that in the long term, said Fund will introduce sector-specific products. More details will follow during the PPG phase. This has been described in more detail under Barrier 5.

The accelerators will be accepted by providing an initial awareness raising on the ASAP accelerator taxonomy. They will then have to submit an application showing how they can tailor their existing accelerator to have Adaptation-specific calls for MSMEs. SMEDA and the EPA will decide upon which accelerators will receive financing for Adaptation-focused programmes based upon criteria to be defined during PPG. At



least 3 different accelerators will be chosen to ensure that there is a diversity in the Adaptation Accelerator Programmes offered. This will minimize delivery risk.

This has been included in the Component 2 description of 3) the proposed alternative scenario.

**Thanks for detailed Table 2, which provides examples of adaptation solutions which could be supported under the project. Two comments on this: 1) please describe if there is an existing market base of SMEs offering these solutions. 2) given that these solutions do not have defined revenue streams, how will the project support business proposition for SMEs offering these solutions**

Response:

Some examples of successful adaptation-focused MSMEs are provided in Annex F. The project will support similar companies with business plan, scaling up services and seed financing to enable the MSMEs to adapt to market demand and accrue revenue streams. This has proven successful for the companies listed in the Annex and it is expected that the successful companies will be invited to act as mentors to the cohorts of new Adaptation MSMEs.

**3) under Energy, please note that energy generation or energy storage technologies can't be classified as adaptation solutions, instead, products and services that make energy infrastructure resilient could be supported e.g. climate information services, climate resilient design and standards for infrastructure, climate risk insurance, etc.**

Response:

Rightfully so, the generation and energy storage technologies have been deleted. Only the following products and services that make energy infrastructure resilient are now listed in Table 2:

- Overhead Line Monitoring Solutions (e.g., Line Vision)
- Climate risk insurance in case of power failure due to climate extremes
- Backup solar power supply for individual rescue/service centers and homes, also enabling transportation of basic supply and first aid when event of climate hazards

**Component 3: Please refer to the earlier comment on how the project will enhance access to finance for communities directly. The focus on integrated solutions covering agri-water-energy sectors is welcome. Please expand the focus beyond solar irrigation to other solutions also e.g. cold storages. Also, the project may like to consider demonstrating innovative adaptation solutions in cities such as Freetown where the potential of a successful demonstration could be good e.g. water management solutions for addressing water scarcity or flooding problems.**

Response:

Cold storage and others have been noted in Table 2 and now in Annex F. It is imagined that some demonstrations will take place in Freetown when the innovations are city-pertinent. This is now described under Component 3 in 3) the proposed alternative scenario.

**The engagement of financial institutions in the project is welcome. However, please clarify whether the project will focus only on MFIs as Financial Support Providers (mentioned in Table B)? If yes, will the MFIs be able to manage revolving fund? And, finally, will they have capacity to appraise and provide financial support to SMEs? The project will benefit by engaging commercial lending institutions also.**

Response:

The project will support FSPs in general, such as [Apex](#) (a commercial lending institute) and [BRAC International](#) (a world-leading MFI). The existing institutions have various products and services including for rural populations. Apex bank has agri-business products and several

branches so that they have an expansive reach throughout Sierra Leone. BRAC has already benefitted thousands of women and entrepreneurs with micro-loans for groups and small enterprise loans for individuals. Due to numerous years of experience and work with rural clients, these FSPs as well as others that will be targeted will have sufficient core capacity for training on adaptation, management of new credit lines (brought by the revolving fund) and provision of services targeted to rural-focused MSMEs and cooperatives.

The above is now stated in the descriptions of the 3) the proposed alternative scenario under Components 2 and 3.

**Component 4: Supporting SMEDA to become a knowledge hub is welcome as it will ensure long term sustainability and uptake of knowledge. As part of the knowledge hub, the project may support SMEDA in developing an online marketplace platform listing eligible MSMEs offering adaptation solutions. This will enhance their visibility and also help them connect with potential consumers and investors.**

Response:

This is a great idea and has been made explicit as an activity in the discussion under Component 4 of the 3) the proposed alternative scenario, as a responsibility for SMEDA in the Stakeholder table and under 8) Knowledge Management. It will be included as an activity under Component 4 during the PPG phase.

COMMENT:

Thanks for the details and revisions. Please see a few additional comments:

- Component 3 addresses support to community groups to access MF products that will enable them to acquire adaptation technologies. By working with FSPs in Component 3, they will be able to tailor products to have realistic conditions so that community groups can access the loans and not default on their payments. This is described in the Component 3 description of 3) the proposed alternative scenario.

On the above, please clarify the role of SMEs. What is meant by community groups? Will the MF products support SMEs also in scaling up their businesses? The above details indicate, that MF products will provide finance for people to buy the services and technologies. How will the SMEs be financed?

RESPONSE:

Under component 2 – the GEF project will improve the lending conditions of the existing revolving fund in SMEDA so that adaptation MSMEs can borrow capital to grow and expand their business at affordable rates – lower interest rate of longer payback period or guarantees.

Component 3 is not dealing with MSMEs. Under component 3 the project will support FSPs and MFI to establish and operate revolving funds to enable the vulnerable communities to borrow and acquire the technologies. Given that the FSPs and MFIs already have infrastructure and other revolving funds – the project will come in to improve borrowing conditions for the poor of these funds so that the project can help the dissemination of adaptation technologies i.e. more poor people will be able to borrow money from these institutions at lower interest or longer payback periods to buy adaptation technologies.

Community groups in the Sierra Leonean context are defined as cooperatives. This includes cooperatives that are active poverty reduction activities, like market gardening, live stock development and other activities along to the energy, water and food value chains.

COMMENT:

The paragraph of the PIF has been enhanced to state: The universities will receive capacity building support via GEF funds to be able to test innovations, develop tailor made learning programs on adaptation innovation and to train adaptation SMEs to improve the utility of their technologies, innovations or services. Amongst others, potential partners would be the University of Sierra Leone and the University of Njala, located in Freetown. The University of Sierra Leone's Fourah Bay College is the country's main tertiary education facility for Engineering and thus can offer a substantial input in running a testing lab on adaptation technologies, services and products. The Njala University has three

thus can offer a substantial input in running a testing lab on adaptation technologies, services and products. The Njala University has three research and teaching laboratories with well-trained staff and sophisticated equipment, which can be used to interpret, and analyze various

ecological samples to support monitoring and evaluation of adaptation innovations. On the identification of technologies, input could be sought from staff of the Ernest Bai Koroma University of Science and Technology, which hosts the Faculty of Agriculture and Natural Resource Management. All partner universities as well as the exact locations of the testing labs will be defined during the PPG phase.

Regarding the above, the response does not answer the first part of the question whether the project will support government in policies, regulations and financial incentives for SMEs to offer adaptation solutions. This is critical for sustainability and impact beyond the project region. Please describe.

RESPONSE:

This has been addressed in paragraph 48, the project will help to develop policies in the water, energy and food sectors that create regulations and financial incentives for MSMEs to offer adaptation solutions.

COMMENT:

Also, clarify the difference between Seed fund in para 58 and the "revolving fund" in para 64.

RESPONSE:

Seed funding is for MSMEs under Component 2. The revolving fund refers to project support for the FSPs and MFIs to give loan products to the communities to purchase the adaptation technologies and solutions.

COMMENT:

Thanks for providing the details of the engagement of universities in the project. The funding flow to the universities is still not clear. However, it is understood that this will be clearer during the PPG phase and therefore please provide details of this at the endorsement stage (if the PIF is cleared by Council).

RESPONSE:

We are in total agreement on this and more details will be established during the PPG phase. However, we currently envisage that a contracting modality will be established where the university will be compensated for services provided. The compensation level will be gradually withdrawn as the market for the services picks up. Furthermore, at the very onset the universities will be encouraged to mainstream these services into their operations so that, in the long-term, they will provide such services as part of their mandate and contribute to sustainability.

COMMENT:

The MSME Microfinance scheme will seek to provide a low-interest (single digit 9%) rate financing to MSMEs in Sierra Leone. While the initial operations stage of the MSME Fund, which is a revolving fund, will not be sector specific, it is hoped that in the long term, said Fund will introduce sector-specific products. More details will follow during the PPG phase. This has been described in more detail under Barrier 5. The accelerators will be accepted by providing an initial awareness raising on the ASAP accelerator taxonomy. They will then have to submit an application showing how they can tailor their existing accelerator to have Adaptation-specific calls for MSMEs. SMEDA and the EPA will decide

upon which accelerators will receive financing for Adaptation-focused programmes based upon criteria to be defined during PPG. At least 3 different accelerators will be chosen to ensure that there is a diversity in the Adaptation Accelerator Programmes offered. This will minimize

delivery risk. This has been included in the Component 2 description of 3) the proposed alternative scenario.

Thanks. We will look forward to the details at the endorsement stage. This is fundamental to project's success and therefore needs to be developed appropriately. One of the key aspects in this would be on how innovation will be supported through this and how can the project ensure that MSME scheme incentivize adaptation solutions. It would be good to provide some details now and more later at the endorsement stage.

RESPONSE:

The project will adhere to the Lightsmith Group's taxonomy on defining and selecting an Adaptation MSME. The criteria for selection of adaptation solutions will also be applied. In such a manner, maladaptation will not be promoted. Also, the seed funding and support via updates to the policy enabling environment for MSMEs (MSME National Development Strategy) will provide continuous support for adaptation technology and service scale-up. By having targeted and annual Adaptation Innovation calls, this will also ensure that MSMEs are incentivized and guided to provide adaptation solutions.

COMMENT:

Also, typically interest rates by MFIs are higher than mainstream commercial banks. Will the MF scheme offer concessional lending below commercial loans?

RESPONSE:

Normally MFIs offer lending higher than commercial loans. For this reason the vulnerable communities are not able to borrow and to acquire adaptation technologies and services. The project would come in to lower the costs of lending of MFIs to vulnerable communities. This will be established during PPG phase in consultation with MFIs.

COMMENT:

Apex is not described in the baseline scenario. Please provide some more information about them.

RESPONSE:

A description on APEX has now been included in the baseline section (please refer to paragraph 34).

Comment:

- It is clear now that component 2 is about supporting the supply side (SMEs) of the market and component 3 will liaise with FSPs and MFs to enable these technologies reach to the communities (marketing and financing). What is missing in this chain is how demand will be created within communities. The project may like to include a small yet strategic activity to work with communities in adaptation planning with a focus on generating demand for innovative adaptation technologies. This will ensure strong community engagement in the project too.

Response:

Thanks, we fully agreed with this observation – there is need to create demand for these technologies, especially amongst communities.

Output 3.1.1 was specifically designed to do this i.e. *“Adaptation MSMEs participate in annual road shows and are connected to aggregator platforms and cooperatives to raise awareness of the resilience and adaptation benefits of their technologies, products and services amongst vulnerable groups and communities in rural areas”*. This is further explained in paragraph 63. Realizing the importance of this point, we have strengthened paragraph 63 to include supporting farmer extension services to integrate the engagement of communities in adaptation planning to generate the demand for the adaptation technologies, services and products. We have strengthened the awareness raising campaigns as a strategic activity to include the use of radio or TV emissions as well as mobile phone based platform such as social media and platforms that provide information to farmers. Brochures on the technologies can also be publicized by the FSP and MFIs

#### **4. Is the project/program aligned with focal area and/or Impact Program strategies?**

##### **Secretariat Comment at PIF/Work Program Inclusion**

Yes, the project is aligned with LDCF programming directions. Please consider revising the PIF based on the technical comments under various questions to strengthen the alignment.

##### **Agency Response**

#### **5. Is the incremental / additional cost reasoning properly described as per the Guidelines provided in GEF/C.31/12?**

##### **Secretariat Comment at PIF/Work Program Inclusion**

The paragraph 64 under this section in PIF doesn't seem to be directly linked with the project's objectives and seems quite broad. The first point talks about “global shift”. It is not clear how this project will lead to global shift. The second point refers to water allocation across different sectors. This is not referred anywhere in the proposal as potential intervention supported by the project. While SDG link is welcome, the incremental reasoning should provide a very clear narrative on how the project will advance adaptation action in SL which will not be possible in the business as usual scenario. Three additionality arguments can be considered- 1) promoting innovative adaptation technologies and solutions at local level cutting across key economic/climate vulnerable sectors in the country 2) supporting SMEs to enable them to develop and deploy adaptation solutions which will not only help grow their business but also create job opportunities (quite relevant for a green recovery) 3) enhance flow of finance to adaptation solutions and SMEs by unlocking their potential and designing innovative financial and business models. Please do add any other incremental reasoning.

GEFSEC October 13, 2020

Thanks. Comment cleared.

## Agency Response

The reviewer is correct and this paragraph has been deleted due to its confusing nature.

Response:

Recommendation 2) has been discussed in the following statement: "The project will address the main barriers toward achieving adaptation targets and simultaneously support green jobs creation with empowerment of women and youth while increasing social and economic development and income generation in order to ensure water, food and energy security."

Recommendation 3) has been discussed in the following statement: "The objective will be to identify potential partners that will provide additional early-stage capital as well as long-term financing for high-potential adaptation MSMEs for business expansion and scaling up; as well as adapted financial products and services for the target customers of climate adaptation products and services."

Recommendation 1) has been incorporated into the first paragraph in 5) incremental/additional cost reasoning where it is now stated:

*"The additional cost of this project will be to address climate change adaptation through transfer and large-scale deployment of adaptation-oriented technologies, products and services at the local level cutting across the economic and climate vulnerable sectors of water, agriculture and energy."*

## 6. Are the project's/program's indicative targeted contributions to global environmental benefits (measured through core indicators) reasonable and achievable? Or for adaptation benefits?

### Secretariat Comment at PIF/Work Program Inclusion

The targeted adaptation benefits seem reasonable. However, as noted earlier, the project should consider increasing women beneficiaries especially for core indicator 1. In terms of additional benefits as listed in the section towards the end, the PIF may also consider benefits through solutions across agriculture and water sector supply chain e.g. storage facilities, weather and climate services, data and digital technology services to improve productivity/efficiency, etc.

GEFSEC October 13, 2020

Thanks. Comment cleared.

## Agency Response

This has been addressed in the Response above on the beneficiaries in the core indicators and has been updated in the 6) global environmental benefits (GEFTF) and/or adaptation benefits section of the PIF, in the Core Indicator tracking worksheet and in Annex E.

These adaptation solutions are listed in Table 2.

## 7. Is there potential for innovation, sustainability and scaling up in this project?

### Secretariat Comment at PIF/Work Program Inclusion

The innovation and sustainability aspect of the project is strong. As mentioned earlier, for greater scale and sustainability, the project should consider working with relevant government agency in creating supportive policies and financial incentives to address market entry and scale barriers.

GEFSEC October 13, 2020

Thanks. Please highlight this policy support under the project outcomes and outputs. There needs to be a clear and distinct focus on creating enabling policy and investment climate as the baseline is not strong. Else, the project will end up with supporting a few pilot projects without any mainstreaming in national policies and financing.

GEFSEC October 15, 2020

Thanks. Comment cleared.

### Agency Response

As mentioned in the PIF, the Small and Medium Enterprises Development Agency (SMEDA) Policy (National SME Policy 2019) and MSME National Development Strategy do not actively promote mainstreaming climate resilience and adaptation technologies, services and products. With the support of Ministry of Trade & Industry, SMEDA and under the guidance of the EPA, the National MSME Development Strategy (2013) will be updated to integrate and promote the role of adaptation MSMEs in promoting resilience in the water, agriculture and energy sectors. The project will also work with the other key agencies of the Meteorological Agency, and the Ministries of Water, Agriculture and Energy to support MSMEs and reduce their barriers to entry when scaling up adaptation solutions. These aforementioned roles are now listed in the Stakeholder Table.

#### COMMENT:

**Please highlight this policy support under the project outcomes and outputs. There needs to be a clear and distinct focus on creating enabling policy and investment climate as the baseline is not strong. Else, the project will end up with supporting a few pilot projects without any mainstreaming in national policies and financing.**

#### RESPONSE:

-

As previously stated, The Small and Medium Enterprises Development Agency (SMEDA) Policy (National SME Policy 2019) and MSME National Development Strategy do not actively promote mainstreaming climate resilience and adaptation technologies, services and products. They will be updated in Component 1 to mainstream support for MSMEs that focuses on providing adaptation technologies and services. This is now described in Component 1.

## **Project/Program Map and Coordinates**

**Is there a preliminary geo-reference to the project's/program's intended location?**

**Secretariat Comment at PIF/Work Program Inclusion**

Yes.

**Agency Response**

## **Stakeholders**

**Does the PIF/PFD include indicative information on Stakeholders engagement to date? If not, is the justification provided appropriate? Does the PIF/PFD include information about the proposed means of future engagement?**

**Secretariat Comment at PIF/Work Program Inclusion**

Please confirm if Indigenous Peoples and local communities participated in the PIF development process. If not, please uncheck the box. In paragraph 85, the PIF needs to describe which stakeholders were engaged in this project identification. Currently, this section describes future engagement plan only.

GEFSEC October 13, 2020

Thanks. Comment cleared.

**Agency Response**

The Indigenous people box has been unchecked.



The following organizations were consulted during PIF development:

- Environment Protection Agency - Sierra Leone (Chairperson & Executive Director / GEF PPP, Director, Dep. Director Climate Change Secretariat/OFP)
- Ministry of Energy (Chief Technical Advisor)
- National Water Resources Management Agency (Director of Hydrological Services)
- Small and Medium Enterprises Development Agency Sierra Leone (CEO)
- Ministry of Agriculture and Forestry
- Sierra Leone Local Content Agency (Director General)
  
- Microfinancing institutions
- Financial service providers
- Selected adaptation MSMEs
- Potential beneficiaries

Due to the COVID pandemic, organizations in the rural regions could not easily be reached. Such consultations will be held during the PPG phase.

## **Gender Equality and Women's Empowerment**

**Is the articulation of gender context and indicative information on the importance and need to promote gender equality and the empowerment of women, adequate?**

### **Secretariat Comment at PIF/Work Program Inclusion**

Yes. However, as mentioned earlier, women beneficiaries are low. Please consider revising the estimate upwards.

GEFSEC October 13, 2020

Thanks. Comment cleared.

**Agency Response** Estimate was revised upwards.

## Private Sector Engagement

**Is the case made for private sector engagement consistent with the proposed approach?**

### Secretariat Comment at PIF/Work Program Inclusion

Yes. Private sector engagement is quite central to the project.

### Agency Response

## Risks to Achieving Project Objectives

**Does the project/program consider potential major risks, including the consequences of climate change, that might prevent the project objectives from being achieved or may be resulting from project/program implementation, and propose measures that address these risks to be further developed during the project design?**

### Secretariat Comment at PIF/Work Program Inclusion

Please elaborate on the climate risk more systematically in line with the guidance provided by GEF- STAP. The current risk description is more related to climate vulnerability in the region which the project will target. At the PIF stage, at a minimum, please describe how the project operations and investments can be affected by climate risks and projections e.g. on SMEs which will receive financial support, the technologies which will be scaled up, etc. Also, how the project will ensure that short term adaptation solutions are not maladaptation in long term.

In addition, please also include if there is any political risk associated with the project.

Thanks for providing the detailed COVID 19 risk analysis. It looks fine.

GEFSEC October 13, 2020

Thanks. The political risk described is more related to the pandemic instead of core political risks such as change in leadership, local vs national politics and any other related risks which may impact project delivery.

GEFSEC October 15, 2020

Thanks. Comment cleared.

## Agency Response

### Risks to Achieving Project Objectives

Does the project/program consider potential major risks, including the consequences of climate change, that might prevent the project objectives from being achieved or may be resulting from project/program implementation, and propose measures that address these risks to be further developed during the project design?

### Secretariat Comment at PIF/Work Program Inclusion

Please elaborate on the climate risk more systematically in line with the guidance provided by GEF- STAP. The current risk description is more related to climate vulnerability in the region which the project will target. At the PIF stage, at a minimum, please describe how the project operations and investments can be affected by climate risks and projections e.g. on SMEs which will receive financial support, the technologies which will be scaled up, etc.

### Response:

As previously indicated, MSMEs will be supported to develop business plans that will reflect the realities that climate shocks can and will disrupt adaptation technology proliferation. Training to be supported to MSMEs will ensure that their business practices can be adaptive to adjust to the climate risks at hand. For instance, if a water conservation technology is employed but flooding becomes more problematic, the MSME will be guided to reflect these risks in their plans and to have robust technologies that can withstand flood events. By having acceleration and mentoring services provide tools for MSMEs to identify risks and mitigation measures, it will be more likely that their ideas will be used in the long-run throughout Sierra Leone. This is now reflected in the Climate Risk Mitigation Measure of the Risk Table. Relative to financing products, the FSPS will be supported to tailor more flexible financing products for MSMEs and rural populations that account for climate risks. This has been made explicit in the discussions of Component 2 and 3 under the 3) proposed alternative scenario. Under Component 1, meteo and climate data will be collected to support the eventual establishment of climate risk insurance.

**Also, how the project will ensure that short term adaptation solutions are not maladaptation in long term.**

### Response:

The Climate Risk of the Risk Table and the PIF text describe how there will be criteria to selecting the adaptation MSMEs (using Table 2, Annex D and the Lightsmith SME Adaptation Taxonomy). This will prevent any solutions to be demonstrated and scaled-up that promote mal-adaptation. Also, MSME technologies will be streamlined to the real needs of the vulnerable populations by enabling a feedback loop to always improve the utility of the innovations so that they can truly build resilience for the vulnerable users. The feedback mechanism is described in the 3) proposed alternative scenario discussion for Component 3.

**In addition, please also include if there is any political risk associated with the project.**

### Response:

- Political Risk: Government priorities not placed on climate change adaptation when urgent resources are required for crises such as pandemics

Mitigation measures: Component 1 includes streamlining the importance of adaptation innovation into policies and coordinating the relevant actors across sectors. This includes reinforcing their capacities in understanding the cost-benefits of adaptation so that they will prioritize adaptation initiatives. Also, support for the private sector Adaptation MSMEs including with financial products will enable continued and sustained support for innovation that will be driven by business forces. The MSMEs and FSPs will be trained to identify outlying risks such as pandemics so that they can be prepared with appropriate mitigation measures.

COMMENT:

**The political risk described is more related to the pandemic instead of core political risks such as change in leadership, local vs national politics and any other related risks which may impact project delivery.**

RESPONSE:

The risks have been adapted. Civil servants will continue to be present and will continue support for adaptation. The project works across sectors so there is less risk that support for adaptation across all of these ministers will decrease. Also, the project focus is on adaptation but also green economic development which is a transversal goal for all industries. Supporting economic growth mitigates risk of misalignment of priorities on national and local level. Also, supporting policies to integrate adaptation solutions in Component 1 will also mitigate this political risk. And working with outreach 3.1.1. roadshows will bring along local support to create demand for the technologies.

## Coordination

**Is the institutional arrangement for project/program coordination including management, monitoring and evaluation outlined?  
Is there a description of possible coordination with relevant GEF-financed projects/programs and other bilateral/multilateral initiatives in the project/program area?**

### Secretariat Comment at PIF/Work Program Inclusion

Please revise the details related to CRAFT project of GEF. The project was implemented by Lightsmith and CI (not UNEP). Also, the project has ended, though the CRAFT fund has been established and could be a potential funding resource for the selected SMEs.

The PIF will benefit from a schematic diagram depicting the institutional coordination arrangement. This will help in understanding the arrangement and decision making structure better.

GEFSEC October 13, 2020

Thanks. Please see a couple of comments below:

- The Part 1 of PIF indicates SMEDA also as Executing Agency. However, the institutional diagram doesn't reflect that. SMEDA as executing

partner will be quite effective for the project given that the focus is on SMEs.

- PFAN (REEEP) is proposed as executing agency also. Given that it's a GEF Agency managed institution, this could potentially not comply with GEF's policy for agencies' execution function. Also, their role fits more aptly as a co-finance institution instead of an executing agency. They could fit better in the steering committee.

GEFSEC October 15, 2020

Thanks. Comment cleared.

GEFSEC October 20, 2020

In the Portal 'Project Information' there are some Executing partners that are not included in the LoE: African Enterprise Challenge Fund (AECF); Small Enterprise Development Authority (SMEDA); Lightsmith Group. The Agency is recommended to include them in the Endorsement Letter. If it delays the resubmission significantly, the Agency may like to remove them in the PIF entry with a possibility of adding them later at CEO Endorsement Stage. Please modify the institutional coordination structure also accordingly.

GEFSEC October 22, 2020

We noted that SMEDA and Lightsmith is not anymore added in the portal as Executing Agency. This is fine at PIF stage. However, as we indicated earlier, they seem to be relevant executing partners for the project and the Agency may add them at CEO Endorsement stage after consultations.

## **Agency Response**

Response (October 22, 2020):

We fully agree with the comment made. During the PPG phase and in consultation with the EPA-SL we will determine and assess the capacity of SMEDA and the Lightsmith Group as to their exact role and function within this project.

Response (October 21, 2020):

(Please kindly note that this response was originally included under Box 1: Is the project/program aligned with the relevant GEF focal area elements in Table A, as defined by the GEF7 Programming Directions? It has now been removed from there and reinstated below.)

This comment was addressed by removing AECF, SMEDA and the Lightsmith Group as the Executing Agency. This was reflected in the implementation arrangement figure (Figure 3) after paragraph 118. Also, all references to AECF, SMEDA or Lightsmith Group as executing entity were removed accordingly in the PIF within paragraph 114 and reference removed under footnote 18 as well as in the Stakeholder Table within Section 2.

The GEF project has been updated in the table. Also, the cofinancing table has been updated to say that the CRAFT fund that can be a potential provider of cofinancing for the project. Cofinancing amounts will be provided during the PPG phase.

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A schematic graph has been added to the PIF.

COMMENT:

- The Part 1 of PIF indicates SMEDA also as Executing Agency. However, the institutional diagram doesn't reflect that. SMEDA as executing partner will be quite effective for the project given that the focus is on SMEs.
- PFAN (REEEP) is proposed as executing agency also. Given that it's a GEF Agency managed institution, this could potentially not comply with GEF's policy for agencies' execution function. Also, their role fits more aptly as a co-finance institution instead of an executing agency. They could be better in the steering committee.

RESPONSE:

SMEDA and the EPA are the Executing Partners. This is now described in the institutional diagram. PFAN (REEEP) is no longer proposed as an executing agency. PFAN (REEEP) will continue to provide cofinancing as described in Section 5) *incremental/additional cost reasoning and expected contributions from the baseline*, and they are now listed in the steering committee in Section 6. Coordination.

## Consistency with National Priorities

**Has the project/program cited alignment with any of the recipient country's national strategies and plans or reports and assessments under relevant conventions?**

### Secretariat Comment at PIF/Work Program Inclusion

The alignment is described well. However, please note that LDCF project cannot support the following as mentioned in the paragraph 111: The project will contribute towards these goals by supporting the deployment of renewable energy technologies along the water and agriculture value chains. It is recommended that the PIF remains strictly focused on adaptation solutions given that globally lion's share of climate finance goes for mitigation solutions. For energy sector resilience, please consider options/solutions suggested in previous set of comments.

GEFSEC October 13, 2020

Thanks. Comment cleared.

## Agency Response

The explanation as below has been revised to state the following under paragraph 123:

*The project will contribute towards these goals by supporting the deployment of adaptation technologies that can provide resilience to the energy sector (e.g., climate information services, climate resilient designs and predictive technologies for power line health, etc).*

## Knowledge Management

Is the proposed “knowledge management (KM) approach” in line with GEF requirements to foster learning and sharing from relevant projects/programs, initiatives and evaluations; and contribute to the project’s/program’s overall impact and sustainability?

Secretariat Comment at PIF/Work Program Inclusion

Yes.

## Agency Response

## Environmental and Social Safeguard (ESS)

Are environmental and social risks, impacts and management measures adequately documented at this stage and consistent with requirements set out in SD/PL/03?

Secretariat Comment at PIF/Work Program Inclusion

Yes.

## Agency Response

### art III – Country Endorsements

Has the project/program been endorsed by the country's GEF Operational Focal Point and has the name and position been checked against the GEF data base?

#### Secretariat Comment at PIF/Work Program Inclusion

Yes. However, the financial numbers provided in the letter are not consistent with Section D and E in the PIF. Please revise and submit a new letter.

GEFSEC October 13, 2020

Thanks. Comment cleared.

**Agency Response** The letter has been revised accordingly.

### Termsheet, reflow table and agency capacity in NGI Projects

Does the project provide sufficient detail in Annex A (indicative termsheet) to take a decision on the following selection criteria: co-financing ratios, financial terms and conditions, and financial additionality? If not, please provide comments. Does the project provide a detailed reflow table in Annex B to assess the project capacity of generating reflows? If not, please provide comments. After reading the questionnaire in Annex C, is the Partner Agency eligible to administer concessional finance? If not, please provide comments.

#### Secretariat Comment at PIF/Work Program Inclusion

NA



## Agency Response

### EFSEC DECISION

### RECOMMENDATION

**Is the PIF/PFD recommended for technical clearance? Is the PPG (if requested) being recommended for clearance?**

#### Secretariat Comment at PIF/Work Program Inclusion

The Agency is requested to address the above comments and resubmit the PIF for consideration.

GEFSEC October 13, 2020

The Agency is requested to address the above comments and resubmit the PIF for consideration.

GEFSEC October 15, 2020

The Agency is requested to address one outstanding comment under question 3 of Part 2 of the review sheet and return the project for consideration.

GEFSEC October 16, 2020

The project is recommended for approval.

GEFSEC October 20, 2020

In the Portal 'Project Information' there are some Executing partners that are not included in the LoE: African Enterprise Challenge Fund (AECF); Small Enterprise Development Authority (SMEDA); Lightsmith Group. The Agency is recommended to include them in the Endorsement Letter. If it delays the resubmission significantly, the Agency may like to remove them in the PIF entry with a possibility of adding them later at CEO Endorsement Stage. Please modify the institutional coordination structure also accordingly.

Also, in the co-finance ASAP and CRAFT has been listed as co-financing source. A few comments on this:

- If the proposed 4 million USD co-finance is the funding provided by GEF to these projects, they can't be listed as co-finance source (as they are not additional to GEF)
- If the amount of 4 million USD is not the GEF finance e.g. CRAFT's additionally mobilized fund to invest in adaptation solutions, it can be listed but as a private investment and under the category of investment mobilized (not recurrent expenditure, in-kind).
- As we understand ASAP doesn't have significant investment mobilized yet and most likely the co-finance proposed is the GEF financing. So, it is recommended to remove ASAP as a co-finance. CRAFT is encouraged to be included as it has become an independent fund and has

raised significant additional funds from market. However, if the agency is not sure at this stage how much funding can be mobilized from this fund for the Sierra Leone project, this may be added later at endorsement stage once confirmed.

The Agency is requested to address the above two comments and resubmit the PIF.

October 22, 2020

The above two comments were not added in the relevant sections (co-finance) and (coordination) in the review sheet for the Agency to respond. The changes are noticed in the prodoc, however, a response to the comments is also required. The comments are now added in the co-finance and coordination sections and the Agency is requested to provide a response in the review sheet.

October 23, 2020

All comments have been addressed satisfactorily and the PIF is recommended for approval.

## **ADDITIONAL COMMENTS**

**Additional recommendations to be considered by Agency at the time of CEO endorsement/approval.**

### **Secretariat Comment at PIF/Work Program Inclusion**

- As noted above in one of the comments, the project needs to be strengthened on the demand side and local community engagement for scaling up innovative adaptation solutions. At the endorsement stage, adaptation planning with communities and community groups should be added as a distinct project activity.
- At the CEO endorsement stage, the project needs to outline criteria for selecting MSMEs which considers climate vulnerabilities of the region and gives strong emphasis on innovation.
- The project will benefit from wider international collaboration especially with various impact funds and other innovative funds for adaptation. There are a few initiatives being supported by GEF such as the Landscape Resilience Fund (WWF and South Pole) and a few others under the GEF's Adaptation Challenge Program in this regard. During the PPG phase, the agency is recommended to reach out to GEF Secretariat and partner agencies to make necessary links with this project. This may help the project mobilize additional co-finance.

## Review Dates

	PIF Review	Agency Response
First Review	10/6/2020	
Additional Review (as necessary)	10/13/2020	
Additional Review (as necessary)	10/15/2020	
Additional Review (as necessary)	10/20/2020	
Additional Review (as necessary)	10/22/2020	

## PIF Recommendation to CEO

### Brief reasoning for recommendations to CEO for PIF Approval

The LDCF project “Promotion of climate adaptation technology and business model innovations and entrepreneurship in Sierra Leone” is well aligned with GEF 7’s LDCF programming objective of scaling up innovative adaptation solutions and enhancing engagement of private sector. With an integrated approach across water-agriculture-energy sector, the project could transform the market for adaptation technologies, products and services by promoting MSMEs for technological and business model innovations that address the climate adaptation needs of vulnerable groups in Sierra Leone. The project will also support vulnerable populations to access financing from local financial institutions including micro-finance institutions for acquiring adaptation technologies, products and services. In this context, the project will engage closely with such financial service providers to develop innovative financial products.

Overall, the project aims to create an ecosystem for accelerating innovative adaptation solutions in Sierra Leone by addressing systemic market barriers for adaptation technologies such as lack of policy support, limited awareness of benefits and business case and limited access to finance for MSMEs and community groups to adopt adaptation solutions. The project will address these barriers by linking policy makers, adaptation MSMEs, financial institutions and community groups with effective technical, financial and capacity building support. It also aims to create an innovative online market-place which will enable MSMEs to promote their adaptation solutions and services. The project’s focus on MSMEs is driven by their strong role in delivering goods and services in water, energy and agriculture sector and their significant potential to support resilience across this value chain. The focus on MSMEs will also create new green jobs in the country

thereby directly contributing to green recovery post the pandemic.

The project builds on a good baseline which includes a strong policy focus in the country to support MSMEs and proactive national and local leadership to improve resilience of vulnerable communities under the aegis of National Adaptation Plan for Action and Medium term National Development Plan (MTNDP). The project also builds well on existing GEF's investment to enhance private sector engagement and investment in adaptation through projects such as CRAFT, ASAP, CTCN and other innovative projects under the Challenge Program for Adaptation Innovation.

It is estimated to benefits 256,000 people in Sierra Leone with specific focus in climate vulnerable Bonthe and Port Loko regions. With an emphasis on agriculture and water sector, the project is expected to improve climate resilient productivity of 26,000 hectares of land. It will support up to 200 MSMEs with nearly 30 MSMEs receiving direct finance support to scale up innovative solutions. The project will have at least 50% of women beneficiaries and will also aim to promote youth's engagement in entrepreneurial activities.

The project proposes a sound implementation plan with a good set of implementation partners Environmental Protection Agency, African Enterprise Challenge Fund (AECF) and Small Enterprise Development Authority (SMEDA), all of which bring proven and complementary expertise to the project.