CABEI
Central American Bank for Economic Integration

April, 2023

Productive Investment Initiative for Adaptation to Climate Change

CAMBIO II Program



General Information

Beneficiary Countries


Guatemala


El Salvador


Honduras


Nicaragua


Costa Rica


Panamá


República Dominicana

Primary Objective

Increase resilience to climate change of MSMEs, by removing barriers to access financial and non-financial services for adopting and implementing climate change best adaptation measures

Disbursement Modalities: Rediscount Disbursement (September 16, 2019) and Advance Disbursement

Implementation Period: 5 years

Particular support to MSMEs led by women, in accordance with the Program's Gender Action Plan

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Funding

CAMBIO II

GREEN CLIMATE FUND

US$ 12.5 millions
Reimbursable

US$ 3 millions
Non-Reimbursable

+

Total
US$ 28 millions

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US$ 12.5 millions
Reimbursable

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Eligible Activities-Examples



Small-scale water catchment, drainage and efficient irrigation systems



Greenhouses and shade houses



Use of forest products



Certification for forest plantations and natural forests, among others



Ecotourism and sustainable tourism



Component 1

Innovative financial mechanisms for adaptation measures

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Component Description

Destination of Investments: Stimulate financing (working capital/fixed investments) through IFIs to MSMEs, to adopt ecosystem-based climate change adaptation measures and sustainable resource management

Destination	Deadline	Grace period	Rate
Working Capital	Up to 3 years	Up to 6 months	3.64%
Fixed Investments	Up to 10 years	Up to 24 months	

Resources may be allocated only once to MSMEs. There is no revolving scheme for the final sub-borrower

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Pre-Eligibility Criteria for IFIs

Current CABEI GCL

IFI expresses interest in CAMBIO II funds

Previous experience in financing priority sectors

- Financing sectors with potential for adaptation activities
- Working with MSMEs and smallholders in beneficiary countries



IFI must participate in Start-up Workshop, to access CAMBIO II Funds

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Pre-Eligibility Criteria for MSMEs

MSME	Small individual producers, producer associations or cooperatives, rural enterprises, from eligible countries
Climate vulnerability affecting MSMEs	Climate threats and negative impacts faced by MSMEs
Employees	✓ Microenterprise: Up to 5 employees ✓ Small enterprise: Up to 50 employees ✓ Medium enterprise: Up to 100 employees
Financing ranges	✓ Microenterprise: Up to US$100,000.00 ✓ Small enterprise: Up to US$400,000.00 ✓ Medium enterprise: Up to US$1.0 million

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Pre-Eligibility Criteria for MSMEs

Eligible productive sectors

- ✓ Agroforestry (coffee, cocoa or other)
- ✓ Organic Agriculture
- ✓ Silvo-pastoral systems
- ✓ Sustainable tourism
- ✓ Private/community protected areas
- ✓ Sustainable forest management
- ✓ Fisheries and sustainable aquaculture
- ✓ Other sustainable production sectors

Environmental and Social Impact Category

Category C: Low impact (category generated for CAMBIO II, based on national legislation). Only eligible category

MSMEs enabled to participate in Start-up Workshop, as a requirement to continue with the process

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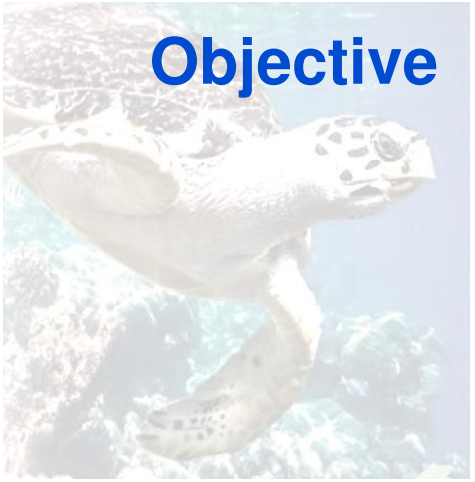


Component 2

Capacity Building for the Development of Production Models Resilient to Climate Change

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Objective



Provide **Technical Assistance (TA)** services to:

- ✓ **IFIs:** Prepare them for the Program management, improve their level of understanding of MSMEs adaptation needs, and develop capacities to promote and finance climate change adaptation investments

- ✓ **MSMEs:** Support them, by the promotion and appropriation of better methodologies and technologies to implement climate change adaptation measures in their productive activities

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Sub-components

2.1 Generation of local capacity on adaptation to climate change and project identification

e.g.

- ✓ Start-up Workshops for IFIs and MSMEs
- ✓ Capacity building Programs for IFIs and MSMEs

Remark: TA organized / sponsored by CAMBIO II Program

2.2. Technical Assistance for IFIs and MSMEs to support implementation of projects

e.g.

- ✓ Technical assistance for pre-investment for MSMEs
- ✓ TA for capacity building for IFIs and MSMEs, during Program execution

2.3. Capacity building for MSMEs during implementation

e.g.

- ✓ Promote visibility and learning throughout the Program

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Conditions for Technical Assistance

Sub-component 2.2: **Technical Assistance for IFIs and MSMEs to support implementation of projects**	**Technical assistance for pre-investment for MSMEs (Assistance to facilitate access to credit)** Up to US$ 10,000.00 accumulated throughout the Program MSMEs Counterpart : 10% **e.g. Business Plans, Environmental Impact Assessments, Others**
	Capacity building for MSMEs, during project execution Up to US$ 5,000.00 accumulated throughout the Program MSMEs Counterpart : 10% **e.g. Strengthening administrative, productive, market access or innovation capacities, others**
	Capacity building for IFIs, during program execution Up to US$ 28,000.00 accumulated throughout the Program IFIs Counterpart: 10% **e.g. EMS design, CC adaptation financial product design, strengthening of personnel in CC and adaptation topics**

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Component 3

Incentive scheme to promote adaptation measures (Adapt-Award)

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OBJECTIVE

Promote changes in attitudes towards the conservation and sustainable use of natural resources, through the establishment of an incentive scheme (Adaptation Award)

BENEFICIARIES

- MSMEs that have received credit and comply with the eligibility criteria for the Adaptation Award
- NBFI subject to MSMEs complying with the criteria of Adaptation Award eligibility

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ADAPT-AWARD*

Type of MSMEs	Maximum percentage of the Credit Amount granted by NBFI		
	MSME	NBFI	TOTAL
MSMEs led by women	15%	5%	20%
MSMEs led by men	8%	4%	12%
Tipo de MIPYME	**Maximum percentage of the Credit Amount granted by Banks**		
	MSME	**Bank**	**TOTAL**
MSMEs led by women	15%	0%	15%
MSMEs led by men	8%	0%	8%



* **Amount: Up to 20% of the amount of the credit, not to exceed US$10,000.00 and will be subject to the availability of funds**

ADAPT-AWARD DESTINATION



MSME

- ✓ To increase knowledge in adaptation measures

  e.g. exchange with other MSMEs in adaptation measures, assistance to courses or conferences on adaptation/climate change issues

- ✓ Environmental quality

  e.g. adoption of ecological practices that increase resilience

- ✓ Mitigation activities and similar activities that contribute to increasing resilience or mitigating climate change.

  e.g. renewable energy

NBFI

- ✓ Sustainable practices that further extend the reach of the Program

  e.g. strengthening of environmental and social safeguards management, gender, exchanges with other IFIs on adaptation issues among others

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EXECUTION

- ✓ Review and development of tools, support instruments, and guidelines for the Program operation
- ✓ Definition and execution of the Program promotion strategy and for the allocation of resources in the IFIs
- ✓ Design and development of the Start-up Workshops for IFIs, which address topics of interest for the identification and validation of eligibility of climate change adaptation projects
- ✓ Definition of the Program Communication and Visibility Strategy

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CHALLENGES

For the disbursement of credits

- ✓In case of high market demand, the resources available for credit (US$25 M in 5 years), are sufficient to cover it, and avoid IFIs and MSMEs demotivation, for this type of financial products.

- ✓Ensure IFIs interest in operating Program funds, even when some of them express concern about the difficulty of collecting the extensive information requested in relation to MSMEs receiving loans.

- ✓Identify subprojects with category C (low environmental and social risk), with the risk of discarding projects with potential for Ecosystem-based Adaptation (Protected Areas, buffer zones and multipurpose zones of Protected Areas).



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CHALLENGES

For the Adapt-Award allocation

- In response to the defined goals:
  - ✓ Considering that the Adapt-Award is subject to the amount of the credit, ensure that the available resources (US$734,500.00) are enough to grant the 1340 MSMEs that must be benefited with it.
  - ✓ Identifying the necessary number of subprojects with MSMEs led by women, allowing the distribution of the award to MSMEs with these characteristics (33% of credits)
- Adequately define the criteria for granting the Award, based on the guidelines of the Program

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CHALLENGES

For the verification of compliance with selected adaptation measures

- Ensure that the resources available for mobilization are enough to:

  - ✓ Achieve an effective mobilization of the PMU Specialists (present in Honduras and Guatemala), for the attention and supervision of the activities in the beneficiary countries, considering the potential of geographical dispersion of the subprojects.

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