



Accelerating Climate Adaptation: SMEs

U.S. International Development Finance Corporation (DFC)

DFC is the U.S. Government's development bank and partners with the private sector to support solutions to the most critical challenges facing the developing world. DFC investments adhere to high international standards for human rights, worker rights, and the environment.

The Need for Climate Adaptation SMEs

Climate change is expected to disproportionately affect populations already living in poverty and push as many as [132 million people into poverty by 2030](#). The [estimated adaptation costs](#) for developing economies are expected to be nearly \$300 billion annually by 2030 and \$500 billion by 2050.

DFC is seeking to unlock high-quality private investment for [Adaptation Small and Medium Enterprises \(SMEs\)](#) to equip vulnerable communities, with priority to [low and lower-middle income countries](#), with the tools and capabilities to adapt to and mitigate the impacts of climate change.

An Adaptation SME is defined by the [ASAP Taxonomy](#) as a small or medium-sized enterprise "providing technologies, products, or services that address systemic barriers to adaptation by strengthening users' ability to understand and respond to physical climate risks and impacts, and/or prevent or reduce physical climate risk or impacts on assets, economic activities, people, or nature."

To qualify as an Adaptation SME, the company's technology, product, or service must (1) enable a user to identify, evaluate, manage, or monitor physical risks and impacts, preventing and reducing contextual and location-specific climate risks or adverse impacts, and/or (2) be measurable and define contribution to adaptation outcomes, and (3) be currently offered or able to be offered in developing countries.

DFC Product Offering

DFC is looking to provide **debt, equity, and technical assistance** for (a) early-stage enterprises and (b) financial intermediaries (FIs), including funds, that have developed innovative solutions to address climate adaptation challenges.

Enterprises should have a minimum of \$1 million in annual recorded revenue or assets and be profitable or demonstrate a pathway to financial sustainability within 24 months of DFC's investment. FI portfolio company revenue/assets may be below \$1 million. Enterprises and FIs must demonstrate a successful fundraising track record, which may include a seed or Series A raise or soft funding commitments.

Debt

DFC can provide [direct loans, guaranties, and political risk insurance](#) up to \$1 billion. The [Portfolio for Impact and Innovation \(PI²\)](#) initiative offers enhanced flexibility to provide debt financing and loan guaranties, targeting \$3-10 million, to support enterprises and FIs that leverage an innovative technology, business model, or approach.

Equity

DFC will consider [direct equity investments](#) for Adaptation SMEs ranging \$10-30 million.

Technical Assistance (TA)

[Grants for TA and feasibility studies](#) (minimum \$100,000 grant and 50% cost-share requirement) may be considered if the TA or feasibility study will increase the bankability or development impact of the investment.

Climate Adaptation Focus Areas

DFC seeks to support innovative solutions that include, but are not limited to, the following focus areas:

Agriculture 	Water 	Built Environment 	Health 
<ul style="list-style-type: none"> • Sustainable agriculture/ land use practices • Drought-resistant seeds • Agri-processing • Storage (including cold chain storage) • Last-mile distribution • Crop insurance • Remote sensors and data analytics 	<ul style="list-style-type: none"> • Solar water pumps • Drip irrigation • Water purification • Water storage • Solar water harvesting • Water delivery • Watershed restoration • Waste management and processing • Smart water sensors and data analytics 	<ul style="list-style-type: none"> • Climate-resilient building materials and housing • Nature-based solutions including mangrove and coastal restoration, reforestation of flood or drought-prone areas • Early warning systems and remote monitoring • Emergency response systems • Parametric insurance 	<ul style="list-style-type: none"> • Rural clinics • Tropical disease treatments • Early detection and response systems • Emergency cooling shelters and efficient /low-cost HVAC • Cold-chain storage for vaccines and/or medicine • Healthcare systems strengthening

Application and Review Process

Prospective applicants may submit a concise business plan to adaptation@dfc.gov as a PDF slide deck, indicating the primary product (Debt, Equity, or TA) in the subject line. DFC can consider either debt or equity for an applicant; DFC also can consider either TA that would develop a potential project for DFC debt or equity or TA that would increase the impact of a DFC debt or equity transaction. Business plans should indicate the amount requested.

Business plans should not be longer than 15 slides/pages and include the following:

- **The challenge posed by climate change:** the identified climate exposure, hazard, risks, and impact for the affected community or system.
- **The proposed solution:** the incremental value-add to make this investment “resilient” or adaptive to current/projected climate impacts.
- **The business model and financing need:** the plan for achieving financial sustainability including monetizing the solution, projected cashflow streams and their predictability, and the sources and uses of funds. A summary table of the last three years’ financial results.
- **Innovation and scalability:** how the solution utilizes an innovative technology, business model, or approach that can be scalable within the host country or replicable in other similar contexts. Companies must be beyond “proof of concept.”
- **Partnerships:** the key partners for the funding, implementation, oversight, and stakeholder engagement.
- **Ownership and governance:** ownership structure including information on the shareholders and board of directors of the enterprise. Demonstrate strong management team and governance structures.
- **Monitoring and evaluation:** description of the theory of change behind the proposed solution and plans for measuring and demonstrating whether adaptation results are achieved, including proposed metrics.
- **Environment and social:** how the enterprise plans to avoid maladaptation, and how the approach considers gender dynamics and addresses the equity and inclusion of vulnerable groups, including a description of the impact of the intervention on vulnerable populations.

Each business plan will be screened based on the eligibility criteria outlined above. While there is no deadline to submit business plans, DFC will review them in order of submission.

Business plans that appear to satisfy all eligibility criteria will be reviewed on a rolling basis to determine which submissions will be selected for further consideration. Selected submissions will then be assigned to a DFC business line officer to discuss the business plan in more detail, provide guidance on submitting a formal application using DFC forms, describe the process for DFC’s further diligence of the project and project proponents, and describe the underwriting process and next steps.

Only successfully reviewed business plans will be contacted. DFC reserves the right to disqualify any business plan submitted at its sole discretion.