

# Livelihoods Carbon Fund 3 (LCF3)

Review CEO Endorsement and Make a recommendation

## Basic project information

**GEF ID**

10500

**Countries**

Global

**Project Name**

Livelihoods Carbon Fund 3 (LCF3)

**Agencies**

CI

**Date received by PM**

4/14/2023

**Review completed by PM**

5/23/2023

**Program Manager**

David Elrie Rodgers

**Focal Area**

Multi Focal Area

**Project Type**

FSP

## PIF □

### CEO Endorsement □

#### Part I ? Project Information

##### Focal area elements

**1. Does the project remain aligned with the relevant GEF focal area elements as presented in PIF (as indicated in table A)?**

Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Table A is aligned for LD and BD.

##### Agency Response

##### Project description summary

**2. Is the project structure/design appropriate to achieve the expected outcomes and outputs as in Table B and described in the project document?**

Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Please address theses comment on Table B.

1. This project, while not reporting funding against the GEF CCM focal area objective, still aims to further enhance CCM through carbon credits. One of the stated project objectives is to ?ultimately? reduce GHG emissions, yet the project per se does not articulate how that will happen if all CCM is claimed as offsets. Consider revising the project objective to more clearly focus on generating carbon offsets, or better explain how some portion of the CCM benefits will not be monetized.
2. The monitoring and evaluation cost (\$80,000) in table B shall be covered from either Executing entity or Implementing Agency and was not approved at PIF stage. We anticipate all M&E activities and costs to be delegated to the Executing Agency partner and included in the administrative costs of the investments. Any additional M&E costs should be covered by Implementing Agency co-financing.
3. The investment amount in the investment memo, Prodoc, CEO Endorsement, Annex E should be consistent at USD 13,461,468.

DER/TK: May 23, 2023.

1. Thank you. Comment cleared.
2. Thank you. Comment cleared.
3. Comment cleared.

## Agency Response

05/18/2023:

1. Since the CCM benefits are linked to carbon offsets we have updated the objective statement to reflect this. LCF3 projects will systematically generate 2 main types of returns from its investment: i) carbon offset corresponding to measured reduced GHG emissions which are distributed back to its investors as a return on investment and ii) a wide range of social, environmental, and economic co-benefits, which will not be monetized by the project, and will primarily benefit the farmers, communities and geographical locations where these projects are undertaken. For example, in agroforestry promoting shade trees in smallholder farmers? cash crop, these co-benefits may take the form of reducing pressure on nearby natural ecosystems by providing alternative on-farm solutions to fuelwood sourcing or enhancing households? cash crop yields through the adoption of good agricultural practices including integrated pest management practices.

2. M&E/ESG audit and KM costs removed from the GEF grant amount

3. Investment amount is now 13, 461,468 and is consistent through ProDoc, CEO ER, and Annexes.

**3. If this is a non-grant instrument, has a reflow calendar been presented in Annex D?**

## Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Please address the comments:

1. The termsheet is provided in Annex F. The total co-financing in Annex F does not fully align with Table C. or Annex G. Please clarify.
2. The reflow table is provided in Annex G. There seems to be inconsistency between the final repayment amount estimates in the third row from the bottom, and the total interest/earnings estimates in the bottom row. Please clarify.
3. Please use the CEO Endorsement reflow template and submit through the portal (same as reflow reporting).

DER/TK: May 23, 2023.

1. Thank you. Comment cleared.
2. Thank you. Comment cleared.
3. Thank you. Comment cleared.

Agency Response

05/18/2023:

1. Term sheet revised.
2. Reflows table updated
3. CEO endorsement reflow template used and uploaded.

**Co-financing**

**4. Are the confirmed expected amounts, sources and types of co-financing adequately documented, with supporting evidence and a description on how the breakdown of co-financing was identified and meets the definition of investment mobilized, and a description of any major changes from PIF, consistent with the requirements of the Co-Financing Policy and Guidelines?**

Secretariat Comment at CEO Endorsement Request

1. DER/TK 2023-05-08: The co-financing is well documented and represents valuable public and private investment partners. Please address the comments:
2. address some inconsistencies between Table C, description under the Table C and Annex F.
3. Please provide additional confirmation on the LCF3 fund status as of April 2023 ? how much of the co-financing is fully mobilized? If the USAID credit guarantee becomes effective, will additional funds be mobilized from ?private financial investors joining the fund.?? At PIF approval, we received a list of indicative co-financiers and co-financing amount as a confidential document. Please submit the updated table as a confidential document separately in the portal.

DER/TK: May 23, 2023.

1. Thank you. Comment cleared.
2. Thank you. Comment cleared.
3. Thank you. Comment cleared.

Agency Response

05/18/2023:

1. Table C and Annex F double checked
2. The following amounts have been committed to date:

- \$146,204,500, from private investors opting to receive in-kind offsets dividends (i.e., certified carbon offsets) in return from their equity commitments in the Fund.

- \$8,092,500, from Development finance institutions opting to receive either in-kind offsets dividends or cash returns in exchange to their equity commitment in the Fund.

Further, the U.S. International Development Finance Corporation (DFC) and LCF3 have formalized a partnership on a \$12,500,000 a pari passu partial credit guarantee to cover qualified project defaults for private financial investors. The partial credit default guarantee will become effective in the eventuality of a financial closing with private financial investors joining the Fund.

As of April and May, 2023, committed co-financing for LCF3, is \$166,797,000. Please see excel sheet attached.

#### **GEF Resource Availability**

**5. Is the financing presented in Table D adequate and does the project demonstrate a cost-effective approach to meet the project objectives?**

#### **Secretariat Comment at CEO Endorsement Request**

DER/TK 2023-05-08: Yes, however, please revise the investment amounts to exclude M&E and KM.

DER/TK: May 23, 2023. Thank you. Comment cleared.

#### **Agency Response**

05/18/2023:

Investment amount revised to exclude M&E and KM

#### **Project Preparation Grant**

**6. Is the status and utilization of the PPG reported in Annex C in the document?**

#### **Secretariat Comment at CEO Endorsement Request**

DER/TK 2023-05-08: The use of \$300,000 in PPG is documented with a significant balance remaining. However, details of activities should be reported in the eligible categories provided by GEF Guidelines as opposed to presenting outputs such as safeguards plan, etc. Please clarify.

DER/TK: May 23, 2023. Thank you. Comment cleared

## Agency Response

05/18/2023:

PPG status updated

### Core indicators

**7. Are there changes/adjustments made in the core indicator targets indicated in Table E? Do they remain realistic?**

### Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Please address the following comments:

The core indicators correctly note that no GHG emission benefits will be reported against core indicator 6. However, the project should include methodologies to monitor and report on all GHG emissions avoided, reduced or sequestered. The project should also track the percentage of the emission reductions generated which are subsequently certified and issued as carbon credits to be commercialized.

Reporting and tracking emissions in this way will avoid confusion. For example, please clarify in the following sentence if the estimated 20 million tCO<sub>2</sub>e will be in addition to carbon offsets: ?In addition, LCF3 will support the transition towards a low-emission, climate-resilient society by a net reduction of at least 20 million tCO<sub>2</sub>e emissions into the atmosphere through GHG avoidance mechanisms or increased carbon sequestration in biomass, soil, and sediments.? Perhaps the sentence could be revised to report on the estimate for million tCO<sub>2</sub>e offered as offsets, and the million tCO<sub>2</sub>e balance not offered as offsets.

DER/TK: May 23, 2023. Comment cleared.

## Agency Response

05/18/2023:

LCF3 aims to help mitigate at least 20 million tCO<sub>2</sub>e, through a mix of avoided GHG emissions and increased carbon sequestration in biomass, soil, and sediments.

As Class B investors, such as GEF, are repaid in cash after the carbon offsets are sold, they are not able to claim any climate change results against GEF7 corporate scorecard targets through Core Indicator 6. The volumes of emission savings to be generated by their share of investment in LCF3 is estimated at 2 million tCO<sub>2</sub>e balance not offered as offsets. These corresponding net reduction of GHG emissions into the atmosphere will be, however, offered as offsets to Class C investors, so that overall LCF3 is estimated to have generated 20 million tCO<sub>2</sub>e of carbon offsets.

Methodology (included under Core indicator table in the portal): Depending on the type of investment, LCF3 will select Verra or GoldStandard methodologies to measure, report and

verify various pools of GHG emissions across the project activities throughout the project term. For example the VERRA carbon standard includes 45 methodologies, defined as GHG accounting protocols, amongst which methodologies likely to be used in LCF3 are " New ARR Methodology for Afforestation, Reforestation, and Revegetation Projects" or "VM0033 Methodology for Tidal Wetland and Seagrass Restoration, v1.0"

## **Part II ? Project Justification**

**1. Is there a sufficient elaboration on how the global environmental/adaptation problems, including the root causes and barriers, are going to be addressed?**

Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Yes. The LCF3 is a follow-on and expansion of prior successful funds LCF1 and LCF2.

Agency Response

**2. Is there an elaboration on how the baseline scenario or any associated baseline projects were derived?**

Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Yes.

Agency Response

**3. Is the proposed alternative scenario as described in PIF/PFD sound and adequate? Is there sufficient clarity on the expected outcomes and components of the project and a description on the project is aiming to achieve them?**

Secretariat Comment at PIF/Work Program Inclusion

DER/TK 2023-05-08: Yes.

Agency Response

**4. Is there further elaboration on how the project is aligned with focal area/impact program strategies?**

Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Yes. Thank you for the helpful explanation of the principle of mutualization in the fund to ensure all investor partners are participating on par consistent with fund's requirements. Please ensure that any cookstove investment projects maintain alignment with GEF focal area requirements for LD and BD as noted in Table A.

DER/TK: May 23, 2023. Thank you. Comment cleared

Agency Response 05/18/2023: Cookstove investment projects will maintain GEF focal area requirements for LD and BD as noted in Table A.

**5. Is the incremental reasoning, contribution from the baseline, and co-financing clearly elaborated?**

Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Thank you for the helpful explanation of the new approaches in LCF3. Please note a paragraph fragment is repeated just above the Figure 5.

DER/TK: May 23, 2023. Comment cleared.

Agency Response

05/18/2023:

Para fragment removed

**6. Is there further and better elaboration on the project's expected contribution to global environmental benefits or adaptation benefits?**

Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Yes.

Agency Response

**7. Is there further and better elaboration to show that the project is innovative and sustainable including the potential for scaling up?**

Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Please address the following comments:

1. Similar to the comments at PIF stage, there seems to be a contradiction in the way Outcome 1.1 (as well as the project objective) is formulated, in that it is said that the fund is 'innovative' while this is the third iteration of the structure. Perhaps a better objective formulation, as also explained later in the document, would be that this new initiative aims at scaling up the innovative LCF1 and 2 experiences (rather than being innovative itself). In general, it would be good to highlight if there are further innovations compared to the previous fund iterations.
2. Outcome 1.1 includes Outputs and associated Targets that may have already been achieved with the launch of the LCF3 and investment mobilized. Please add clarity on which portion of the project objectives are baseline as noted in Annex A and which of the targets are end of project. Ensure that the text in Table B, and project objective section aligns with Annex A, Project results framework. The project



objective section after figure 5 and before the section ?alignment with GEF focal area and/or impact program strategies? could be summarized with references to Annex A. Table B could also be summarized by not listing all indicators.

3. Output 1.1.2 ? no need to repeat details on the LCF3 class structure and model which are documented very well in other sections of the document.
4. Consider whether the number/percentage of surviving trees over one (or more) years might be a better indicator than number of trees planted.
5. Is the health hazard indicator referring to cookstoves or agrochemical exposure? Please clarify.
6. Consider approaches that ensure and report on support/outreach to producer organizations and communities to facilitate strong uptake and replication of investable projects.

DER/TK: May 23, 2023.

1. Thank you. Comment cleared.
2. Thank you. Comment cleared.
3. Thank you. Comment cleared.
4. Thank you. We understand that the fund cannot add indicators; however, noting numerous studies have shown that many tree planting and mangrove restoration projects can have very high failure rates (some >90%), can CI confirm that each project investment uses additional indicators of success between simple outputs and the achievement of outcomes? It is understandable that this would be challenging to make a small set of ?roll-up-able? indicators, but it is important that there isn't an automatic leap between output and outcome for each investment. For example, seedling survival or change in NDVI in subsequent years would provide this information. Please clarify.
5. Thank you. Comment cleared.
6. Thank you. Comment cleared.

DER/TK: May 28, 2023. Thank you for the helpful clarification. Comment cleared.

## Agency Response

05/26/2023:

•We confirm that there are indicators included in the investment proposal of each project (e.g. Number of project budgeted tree audits and Number of carbon certification audits undertaken). For example, if an LCF3 project plants 1.5 million trees under agroforestry systems on private land of farmers over a period of 4 years project ramp-up, then LCF3 will be able to track potential failure over the remaining 16 years of the project term by 2 means: 1/ project budgeted tree audits (these are audits budgeted under the project but managed by the fund not the implementing NGO partner) to look into the tree mortality and 2/ the carbon certification audits undertaken at a pace of every 3-4 years will also enable the fund to see impact of high tree mortality on the volume of carbon offsets actually generated by the fund relative to initial projections at project approval by investors. In addition to that, LCF3 is

currently exploring opportunities to use satellite-based analysis to undertake audits on its projects.

05/18/2023:

1. Objective was revised to focus on carbon credits. LCF3 scales up on the innovation from LCF1 and LCF3. From the experience of these two funds, LCF3 seeks to be innovative in the following ways (text included in section g. Innovativeness, sustainability and potential for scaling up section of the portal):

1.LCF3 innovation relies on one-of-a-kind investment model where new investors (public and private financial institutions) have the possibility to opt for monetized return through a carbon offset offtaking mechanism secured by the long-term commitments from corporate investors.

2.LCF3 explores new clusters as new investment opportunities, relative to LCF1 & LCF2 portfolio of projects, combining high potential for carbon sequestration/reduction and social/environmental value creation. This includes new investment clusters such as Reduced Emissions from Deforestation and Forest Degradation (REDD+) projects, distribution of biodigesters coupled with a SALM component, blue carbon or methane avoidance in agriculture.

2. The fund has been launched. We have revised the end of project target to align with the amount from current investors. We will retain Output 1.1.1.

3. We have retained the description of the output to ensure consistency with the CI-GEF project portfolio.

4. While we appreciate the suggestion for a new indicator, we are unable to add a new indicator at this point. However, LCF3 takes into account, on a project-specific basis, i) a tree replantation budget which can reach up to 30% to take into account mortality and ii) mortality buffers in its carbon calculations.

5. The health hazard indicator refers to cookstoves. Health hazards from open, three-stone fires, or rudimentary stoves that burn wood and/or charcoal include chronic and acute illnesses such as early childhood acute lower-respiratory infections (including pneumonia) and obstructive pulmonary disease. For example, in Nepal, despite progress made, household air pollution is the third leading cause of early mortality. Progress towards achieving access to clean cooking fuels and technologies, a key component to achieving Sustainable Development Goal 7 (SDG 7), has been slow in Nepal. Around 70% of Nepal's population (3.8 million of 5.43 million households) cook on inefficient cookstoves, with 93% of households cooking indoors without ventilation (World Bank), using fuels like firewood, cattle dung and agro-waste. With a stove efficiency rate of 10% the air pollution emitted as a result causes health problems which disproportionately impact women and children, in addition to the drudgery associated with longer cooking time and fuelwood sourcing.

6. This can be tracked on a case by case basis depending on the project context.

**Project Map and Coordinates**

**Is there an accurate and confirmed geo-referenced information where the project intervention will take place?**

Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Yes.

Agency Response

**Child Project**

**If this is a child project, is there an adequate reflection of how it contributes to the overall program impact?**

Secretariat Comment at CEO Endorsement Request

NA

Agency Response

**Stakeholders**

**Does the project include detailed report on stakeholders engaged during the design phase? Is there an adequate stakeholder engagement plan or equivalent documentation for the implementation phase, with information on Stakeholders who will be engaged, the means of engagement, and dissemination of information?**

Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Yes.

Agency Response

**Gender Equality and Women's Empowerment**

**Has the gender analysis been completed? Did the gender analysis identify any gender differences, gaps or opportunities linked to project/program objectives and activities? If so, does the project/program include gender-responsive activities, gender-sensitive indicators and expected results?**

#### Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Yes.

#### Agency Response

##### **Private Sector Engagement**

**If there is a private sector engagement, is there an elaboration of its role as a financier and/or as a stakeholder?**

#### Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Yes.

Will be helpful to the reader to also list non-confidential private investors here in addition to the co-financing section.

DER/TK May 23, 2023. Thank you. Comment cleared.

#### Agency Response

05/18/2023:

The 14 current investors of LCF3 include:

13 private investors as follows: Bel, Chanel, Danone, Eurofins, Hermès, L'Occitane, Mars, McCain, Mauritius Commercial Bank, Orange, Schneider Electric, Voyageurs du Monde and SAP. Also, public financial institution DEG Invest is a current investor in LCF3.

The above statement was included in the private sector engagement section of the CEO ER/portal

##### **Risks to Achieving Project Objectives**

**Has the project elaborated on indicated risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved? Were there proposed measures that address these risks at the time of project implementation?**

#### Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Yes. Potential risks and mitigation measures are well documented.

#### Agency Response

##### **Coordination**

**Is the institutional arrangement for project implementation fully described? Is there an elaboration on possible coordination with relevant GEF-financed projects and other bilateral/multilateral initiatives in the project area?**

Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Consistent with comments from Council, please ensure strong coordination and building on lessons learned from LCF1 and LCF2

DER/TK May 23, 2023. Thank you. Comment cleared.

Agency Response

05/18/2023:

The following information was included in the CEO ER/portal (coordination section). Some of key lessons of LCF1 & LCF2 include:

- ? Investments should be designed taking the generation of social, economic and environmental benefits beyond carbon sequestration, through explicit pursuit of biodiversity, land restoration, and social impacts, as these will act as key drivers to the long-term sustainability of such investments;
- ? On a project-basis, in the event of greater-than-expected generation of carbon credits, Project Developers and communities should benefit from a clear and transparent upside sharing mechanism beyond the initial investment value;
- ? Investments should engage with local and national governments as a key partner in project design and planning, stakeholder engagement, and communications efforts;
- ? Project budgets should incorporate provisions to account for global inflationary pressure driving up investment costs; and
- ? On a project-basis, conservative projections of carbon offset generation should reflect possible materialization of investment risks.

The coordination between LCF1, LCF2 and LCF3 funds is undertaken at the level of their investment advisor, Livelihoods Venture. For example, it has contributed to investment scale-up efforts by building on relationships and other foundations developed under LCF1 and LCF2.

**Consistency with National Priorities**

**Has the project described the alignment of the project with identified national strategies and plans or reports and assessments under the relevant conventions?**

Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Yes.

Agency Response

**Knowledge Management**

**Is the proposed ?Knowledge Management Approach? for the project adequately elaborated with a timeline and a set of deliverables?**

Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Yes. However, in the text, a USD 60,000 budget for KM is proposed to be allocated from GEF's equity investment, which is inappropriate. In the same manner as M&E, the KM budget of this project should be covered by the EA or IA fee or co-financing.

DER/TK May 23, 2023. Thank you. Comment cleared.

Agency Response

05/18/2023:

Budget for KM and M&E removed and included in the investment amount.

**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 CEO Endorsement Request

DER/TK 2023-05-08: Yes.

Agency Response

**Monitoring and Evaluation**

**Does the project include a budgeted M&E Plan that monitors and measures results with indicators and targets?**

Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Yes. The proposed M&E budget is \$80,000.00 ? this was not approved at the PIF. The biennial ESG Audits (\$200,000) shall be also deducted from the fee or from investment earnings, not the GEF investment amount. This especially cannot be justified when there is over \$200,000 unspent balance from the PPG.

DER/TK May 23, 2023. Thank you. Comment cleared.

#### Agency Response

05/18/2023:

the amount for M&E and the ESG audit has been removed and included into the GEF investment amount.

#### **Benefits**

**Are the socioeconomic benefits at the national and local levels sufficiently described resulting from the project? Is there an elaboration on how these benefits translate in supporting the achievement of GEBs or adaptation benefits?**

#### Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Yes.

#### Agency Response

##### **Annexes**

**Are all the required annexes attached and adequately responded to?**

#### Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Yes.

#### Agency Response

##### **Project Results Framework**

Secretariat Comment at CEO Endorsement Request DER/TK 2023-05-08: Yes.

#### Agency Response

##### **GEF Secretariat comments**

Secretariat Comment at CEO Endorsement Request DER/TK 2023-05-08: GEFSEC comments are addressed.

Agency Response

**Council comments**

Secretariat Comment at CEO Endorsement Request DER/TK 2023-05-08: Council comments are addressed.

Agency Response

**STAP comments**

Secretariat Comment at CEO Endorsement Request DER/TK 2023-05-08: STAP comments are addressed.

Agency Response

**Convention Secretariat comments**

Secretariat Comment at CEO Endorsement Request NA

Agency Response

**Other Agencies comments**

Secretariat Comment at CEO Endorsement Request NA

Agency Response

**CSOs comments**

Secretariat Comment at CEO Endorsement Request NA

Agency Response

**Status of PPG utilization**

Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Fully described. However, details of activities should be reported in the eligible categories provided by GEF Guidelines as opposed to presenting outputs such as safeguards plan, etc. Please clarify.

DER/TK May 23, 2023. Thank you. Comment cleared.



Agency Response

05/18/2023:

Utilization of PPG updated.

**Project maps and coordinates**

Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: The maps of example projects presented highlights LCF1 and LCF2 projects. Please clarify if LCF3 funding will be only in those same countries and regions, or if the LCF3 will have a different regional priority. If new regions/eco-systems will be considered, please provide an indicative list.

DER/TK May 23, 2023. Thank you. Comment cleared.

Agency Response

05/18/2023:

Like its predecessor LCF1 & LCF2, LCF3 will concentrate its funding primarily in tropical regions in countries across Africa, Asia and Latin America. While the regions remain the same, there may be investments in new countries. To-date, some approved investments of LCF3 include new countries such as Nepal or Uganda.

**Does the termsheet in Annex F provide finalized financial terms and conditions? Does the termsheet and financial structure address concerns raised at PIF stage and that were pending to be resolved ahead of CEO endorsement? (For NGI Only)**

Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: Yes. Annex F provides the full term sheet. However, the termsheet was not updated from the PIF ? please check again and update relevant figures as needed (Concentration ratio, co-financing?) consistent with the most updated investment memo. In the Investment Memo, the text implies CI will participate as either a member or an observer. Please clarify when that decision will be made and explain the role of an observer?

DER/TK May 23, 2023. Thank you. Comment cleared. We encourage to participate as a member if possible to strongly advocate for alignment of investments with GEF focal area requirements.

Agency Response

05/26/2023:

We acknowledge this comment.

05/18/2023:

Term sheet updated. The decision for CI to participate as a member or an observer of the Investment Committee will be discussed after CEO endorsement. An observer sits in on the meetings and does not have any decision-making power.

**Do the Reflow Table Annex G and the Trustee Excel Sheet for reflows provide accurate reflow expectations of the project submitted? Assumptions for Reflows can be submitted to explain expected reflows. (For NGI Only)**

Secretariat Comment at CEO Endorsement Request

DER/TK 2023-05-08: No, please submit the trustee excel sheet which documents the reflows for the base scenario on annual basis along with best and worst case estimates.

DER/TK May 23, 2023. Thank you. Please make these minor corrections:

1. In the reflow excel sheet provided, please confirm the units for the base case, bull case, and bear case are all in whole dollars.
2. Please include the whole dollar reflow estimated amount in each column 2023-end date, using the same data as provided in the graph A of the PIF.
- 3.

DER/TK May 28, 2023. Thank you. Comments cleared.

Agency Response

05/26/2023:

1. Reflow excel sheet updated. Units for base, bull, and bear in whole dollars
2. Whole dollar reflow graph updated in the reflow section of the portal

05/18/2023:

Trustee excel sheet uploaded to portal

**Did the agency Annex H provided with information to assess the Agency Capacity to generate and manage reflows? (For NGI Only)**

Secretariat Comment at CEO Endorsement Request DER/TK 2023-05-08: Yes, the agency capacity is fully described.

Agency Response

**GEFSEC DECISION**

**RECOMMENDATION**

**Is CEO endorsement recommended? (applies only to projects and child projects)**

Secretariat Comment at CEO Endorsement Request  
DER/TK 2023-05-08: Not at this time. Please address the remaining comments.

DER/TK May 23, 2023. Please address two comments more fully in box related to Annex G on reflows and box 7 on indicators.

DER/TK May 28, 2023. All comments addressed. This project is recommended for technical clearance and CEO Endorsement.

**Review Dates**

	<b>Secretariat Comment at CEO Endorsement</b>	<b>Response to Secretariat comments</b>
<b>First Review</b>	<b>5/8/2023</b>	
<b>Additional Review (as necessary)</b>	<b>5/23/2023</b>	
<b>Additional Review (as necessary)</b>	<b>5/28/2023</b>	
<b>Additional Review (as necessary)</b>		
<b>Additional Review (as necessary)</b>		

**CEO Recommendation**

**Brief reasoning for CEO Recommendations**

Conservation International; Project Financing: US\$ 15,000,000; Co-financing US\$ 166,797,000. This project will build an innovative investment model that invests in community-based solutions to restore natural ecosystems using nature based solutions (NBS) and establishes agroforestry and regenerative agriculture systems in developing countries, with a view of generating high quality, cost-effective certified carbon offsets for climate-responsible corporates. The fund invests directly into carefully selected projects instead of buying carbon assets already issued by third parties on the secondary market. Carbon offsets will be verified by Gold Standard and Verra, the leading assurance services providers in the market, thus ensuring the environmental integrity of the scheme. The investment strategy places local communities at its center, as the key actors of the management and conservation of local natural ecosystems. LCF3 aims to showcase NBS as a new investable asset class and the GEF early stage equity share will play a decisive role to remove barriers for private financial investors and unlock capital at scale. The Fund investment model enables financial investors to monetize returns through a carbon offset mechanism offered to participating corporate investors. The project will result in at least 65,460 ha of degraded land being restored of which 16,500 will be wetlands. It will also result in 22,490 ha of land to be placed under improved management practices. The GHG emission reduced or avoided are expected to be equivalent to 20,000,000 tCO<sub>2</sub>eq. However, as the GEF a will be repaid in cash after the carbon credits are sold, these mitigation outcomes will not be reported as GEBs against the GEF-7 corporate targets to avoid double-counting.