

The Selva Fund

Part I: Project Information

GEF ID

10937

Project Type

FSP

Type of Trust Fund

GET

CBIT/NGI

CBIT No

NGI Yes

Project Title

The Selva Fund

Countries

Regional

Agency(ies)

CI

Other Executing Partner(s)

Bamboo Capital Partners

Executing Partner Type

Private Sector

GEF Focal Area

Multi Focal Area

Taxonomy

Focal Areas, Land Degradation, Food Security, Land Productivity, Land Degradation Neutrality, Land Cover and Land cover change, Sustainable Land Management, Income Generating Activities, Sustainable Pasture Management, Improved Soil and Water Management Techniques, Sustainable Livelihoods, Sustainable Agriculture, Sustainable Forest, Restoration and Rehabilitation of Degraded Lands, Forest, Forest and Landscape Restoration, Amazon, Biodiversity, Mainstreaming, Certification - International Standards, Agriculture and agrobiodiversity, Certification -National Standards, Forestry - Including HCVF and REDD+, Biomes, Tropical Rain Forests, Wetlands, Grasslands, Protected Areas and Landscapes, Terrestrial Protected Areas, Community Based Natural Resource Mngt, Productive Landscapes, Climate Change, Enabling Activities, United Nations Framework Convention on Climate Change, Climate Change Mitigation, Agriculture, Forestry, and Other Land Use, Climate Change Adaptation, Livelihoods, Climate resilience, Stakeholders, Indigenous Peoples, Private Sector, Individuals/Entrepreneurs, Financial intermediaries and market facilitators, SMEs, Large corporations, Capital providers, Communications, Awareness Raising, Civil Society, Community Based Organization, Non-Governmental Organization, Local Communities, Type of Engagement, Information Dissemination, Consultation, Participation, Gender Equality, Gender Mainstreaming, Beneficiaries, Sex-disaggregated indicators, Gender-sensitive indicators, Gender results areas, Access to benefits and services, Capacity Development, Integrated Programs, Commodity Supply Chains, High Carbon Stocks Forests, Soybean Supply Chain, Deforestation-free Sourcing, Oil Palm Supply Chain, Financial Screening Tools, Adaptive Management, Sustainable Commodities Production, High Conservation Value Forests, Beef Supply Chain, Smallholder Farmers, Food Systems, Land Use and Restoration, Deforestation-free Sourcing, Landscape Restoration, Food Value Chains, Sustainable Commodity Production, Sustainable Food Systems, Integrated Landscapes, Capacity, Knowledge and Research, Knowledge Generation, Learning, Indicators to measure change, Adaptive management, Theory of change

Sector**Rio Markers****Climate Change Mitigation**

Climate Change Mitigation 1

Climate Change Adaptation

Climate Change Adaptation 1

Duration

180 In Months

Agency Fee(\$)

900,000.00

Submission Date

3/16/2022

A. Indicative Focal/Non-Focal Area Elements

Programming Directions	Trust Fund	GEF Amount(\$)	Co-Fin Amount(\$)
BD-1-1	GET	1,428,571.43	11,000,000.00
CCM-2-6	GET	1,428,571.43	11,000,000.00
CCM-2-7	GET	1,428,571.43	11,000,000.00
LD-1-1	GET	1,428,571.43	11,000,000.00
LD-1-2	GET	1,428,571.43	11,000,000.00
LD-1-3	GET	1,428,571.43	11,000,000.00
LD-1-4	GET	1,428,571.42	11,000,000.00
Total Project Cost (\$)		10,000,000.00	77,000,000.00

B. Indicative Project description summary

Project Objective

The Selva Fund is an open-ended fund that will provide finance and technical assistance to invest in bioeconomy activities, forest-based products and commodities value-chains for small and medium size enterprises. The bioeconomy activities are expected to contribute to the protection and restoration of the Amazon Forest whilst supporting sustainable livelihoods for local communities in the Amazon regions of Brazil, Colombia, Peru and Ecuador. The fund structure has been designed to be part of a broader SDG Bond Program with 6 other blended finance impact funds and will seek to mobilize additional private finance through capital markets.

Project Component	Financing Type	Project Outcomes	Project Outputs	Trust Fund	GEF Amount(\$)	Co-Fin Amount(\$)
Selva Fund investment	Investment	<p>Outcome 1: Increased private finance for investments into bioeconomy-based and sustainable commodities production and recipient and recipient SMEs</p> <p>• Outcome Indicator 1.1: USD value of additional finance raised, catalysed in <u>junior equity (non GEF)</u>, senior equity and senior debt (notes) tranches of Selva <u>investments and grants for technical assistance</u>, into target SMEs</p> <p><i>Target: At least USD 45 million</i></p> <p>Outcome 2:</p> <p>Increased area of Amazon landscape under sustainable management</p> <p>• Outcome Indicator 2.1: Area (ha) of Amazon land restored</p> <p><i>Target: 280,806 hectares</i></p>	<p>Output 1:</p> <p>Catalytic financing secured by the Selva Fund</p> <p>• Output Indicator 1.1: Amount of first-loss funding raised by Selva (USD)</p> <p><i>Target: USD 30 million (USD 10 million from GEF and USD 20 million additional investments in junior tranche).</i></p> <p>Output Indicator 1.2: Amount of senior equity raised by Selva (USD)</p> <p><u>Target: \$15M</u></p> <p>• Output Indicator 1.3: <u>Amount of senior debt (notes) raised by Selva (USD).</u></p>	GET	10,000,000.00	77,000,000.00

- Outcome Indicator 2.2: Area (ha) of Amazon landscape under improved practices

Target: 805,810 hectares

Target:[\$30 M]

- Output Indicator 1.4:
Amount of grant raised by Selva (USD)

Target:[\$12M.]

Outcome 3: Increased employment and income-generating opportunities for rural communities in Amazon Forest landscapes

- Outcome Indicator 3.1: Number of new jobs created (disaggregated by gender, local, permanent or temporary)

Target: 946, of which 340 female new jobs

- Outcome Indicator 3.2: Number of existing jobs sustained (disaggregated by gender, local, permanent, or temporary)

Target: 982, of which 353 female jobs

- Outcome Indicator 3.3: Number of new producers benefitting from access to income-generating opportunities in supply chains (disaggregated by gender)

Target: 166,086 producers, of which 30% is women

- Outcome Indicator 3.4: Number of existing producers maintained in activity (disaggregated by gender)

Output 2:

Funding deployed to SMEs implementing sustainable or regenerative land use practices, or providing enabling conditions

- Output Indicator 2.1:
Number of leads identified to become prospective investees for the Fund

Target: at least 136 SMEs

- Output Indicator 2.2:
Number of prospective investees screened for further due diligence

Target: at least 68 SMEs

- Output Indicator 2.3:
Number of SMEs receiving finance

Target: 57 SMEs

Target: 91,508 producers, of which 30% is women

- Outcome Indicator 3.5: Number of new beneficiaries of enabling solutions (disaggregated by gender)

Target: 14,937, of which 30% is women

- Output Indicator 2.4: Number of loans provided to SMEs

Target: 126 loans

- Output Indicator 2.5: Value of loans provided to SMEs

Target: USD 229 million

Output 3:

Employment, income-generating opportunities

and enabling solutions provided to local communities by invested SMEs

- Output Indicator 3.1: Number of individuals directly employed by invested entities (disaggregated by gender, local, permanent or temporary)

Target: 1,928, of which 694 female employees

- Output Indicator 3.2: Number of producers supplying to invested

SMEs (disaggregated by gender)

Target: 257,594, of which 77,278 are women

• Output Indicator 3.3:
Number of users of enabling solutions

Target: 65,332, of which 19,600 are women

Sub Total (\$)

10,000,000.00

77,000,000.00

Project Management Cost (PMC)

Sub Total(\$)

0.00

0.00

Total Project Cost(\$)

10,000,000.00

77,000,000.00

Please provide justification

PPG funds will be used to complete all requirements for CEO Endorsement including compliance with Social and Environmental Safeguards policies, hiring a consulting firm to support this process and pay for the legal due diligence process of the Fund.

C. Indicative sources of Co-financing for the Project by name and by type

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Investment Mobilized	Amount(\$)
Other	Development Financial Institution (pre due-diligence ongoing)	Equity	Investment mobilized	15,000,000.00
Other	International Financial Institution	Equity	Investment mobilized	5,000,000.00
Private Sector	Institutional Investors, Impact Funds, Family Offices (senior equity)	Equity	Investment mobilized	15,000,000.00
Other	Development Financial Institution (Notes)	Loans	Investment mobilized	20,000,000.00
Private Sector	Institutional Investors, Impact Funds, Family Offices (Notes)	Loans	Investment mobilized	10,000,000.00
Donor Agency	Development Financial Institution	Grant	Investment mobilized	5,000,000.00
Civil Society Organization	Private Foundations	Grant	Investment mobilized	7,000,000.00
Total Project Cost(\$)				77,000,000.00

Describe how any "Investment Mobilized" was identified

Investment mobilized means additional funding into the Selva Fund, which will be deployed as debt and technical assistance to projects in the Amazon region of Brazil, Colombia, Ecuador and Peru over GEF's investment period, and beyond. These additional investments, to support the Selva Fund's investment strategy, being catalyzed by GEF's US\$10 million investment into the junior equity tranche of the fund, include other junior (\$20M in pari passu with the GEF) and senior equity investors (US\$15M), as well investors in the notes (US\$30M) and grant providers that will deploy US\$12 million in the Selva TA sidecar. Thus, US\$77M is the co-financing of the US\$10M from the GEF investment. In addition, the Selva Fund will be one of a number of impact funds that will form part of the SDG Bond Program, that will mobilize private capital at scale and address the financial gap that exists in developing countries to deliver on the Sustainable Development Goals (SDGs). The investment platform is being created by the Joint SDG Fund, UN agencies and Bamboo Capital Partners, Palladium' asset management arm, with the target of raising up to US\$1 billion with an SDG bond program that connects private/commercial capital to SDG-aligned funds sponsored by the UN

system and managed by Bamboo Capital Partners. The issuance of the SDG Bond Program is risky and will depend on additional credit enhancements and dependent on market conditions.

D. Indicative Trust Fund Resources Requested by Agency(ies), Country(ies), Focal Area and the Programming of Funds

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount(\$)	Fee(\$)	Total(\$)
CI	GET	Regional	Multi Focal Area	NGI	10,000,000	900,000	10,900,000.00
Total GEF Resources(\$)					10,000,000.00	900,000.00	10,900,000.00

E. Project Preparation Grant (PPG)
PPG Required **true**

PPG Amount (\$)				PPG Agency Fee (\$)			
200,000				18,000			
Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount(\$)	Fee(\$)	Total(\$)
CI	GET	Regional	Multi Focal Area	NGI	200,000	18,000	218,000.00
Total Project Costs(\$)					200,000.00	18,000.00	218,000.00

Core Indicators

Indicator 3 Area of land restored

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)
280806.00	0.00	0.00	0.00

Indicator 3.1 Area of degraded agricultural land restored

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)
83,151.00			

Indicator 3.2 Area of Forest and Forest Land restored

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)
197,655.00			

Indicator 3.3 Area of natural grass and shrublands restored

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)

Indicator 3.4 Area of wetlands (incl. estuaries, mangroves) restored

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)

Indicator 4 Area of landscapes under improved practices (hectares; excluding protected areas)

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)
805810.00	0.00	0.00	0.00

Indicator 4.1 Area of landscapes under improved management to benefit biodiversity (hectares, qualitative assessment, non-certified)

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)
577,921.00			

Indicator 4.2 Area of landscapes that meets national or international third party certification that incorporates biodiversity considerations (hectares)

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)

Type/Name of Third Party Certification

Indicator 4.3 Area of landscapes under sustainable land management in production systems

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)
227,889.00			

Indicator 4.4 Area of High Conservation Value Forest (HCVF) loss avoided

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)

Documents (Please upload document(s) that justifies the HCVF)

Title	Submitted

Indicator 6 Greenhouse Gas Emissions Mitigated

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO ₂ e (direct)	50595570	0	0	0
Expected metric tons of CO ₂ e (indirect)	0	0	0	0

Indicator 6.1 Carbon Sequestered or Emissions Avoided in the AFOLU (Agriculture, Forestry and Other Land Use) sector

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO ₂ e (direct)	50,595,570			

Expected metric tons of CO₂e (indirect)

Anticipated start year of accounting2024

Duration of accounting20

Indicator 6.2 Emissions Avoided Outside AFOLU (Agriculture, Forestry and Other Land Use) Sector

Total Target Benefit (At PIF) (At CEO Endorsement) (Achieved at MTR) (Achieved at TE)

Expected metric tons of CO₂e (direct)

Expected metric tons of CO₂e (indirect)

Anticipated start year of accounting

Duration of accounting

Indicator 6.3 Energy Saved (Use this sub-indicator in addition to the sub-indicator 6.2 if applicable)

Total Target Benefit Energy (MJ) (At PIF) Energy (MJ) (At CEO Endorsement) Energy (MJ) (Achieved at MTR) Energy (MJ) (Achieved at TE)

Target Energy Saved
(MJ)

Indicator 6.4 Increase in Installed Renewable Energy Capacity per Technology (Use this sub-indicator in addition to the sub-indicator 6.2 if applicable)

Technology	Capacity (MW) (Expected at PIF)	Capacity (MW) (Expected at CEO Endorsement)	Capacity (MW) (Achieved at MTR)	Capacity (MW) (Achieved at TE)
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Indicator 11 Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment

	Number (Expected at PIF)	Number (Expected at CEO Endorsement)	Number (Achieved at MTR)	Number (Achieved at TE)
Female	97,572			
Male	227,281			
Total	324853	0	0	0

Provide additional explanation on targets, other methodologies used, and other focal area specifics (i.e., Aichi targets in BD) including justification where core indicator targets are not provided

Part II. Project Justification

1a. Project Description

1) the global environmental and / or adaptation problems, root causes and barriers that need to be addresses (systems description)

The Selva Fund aims to address the following three inter-related global environmental problems.

Climate Change:

The Amazon rainforest covers 550 million hectares and is shared by nine countries (Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname, Venezuela, and French Guiana). It is one of the world's largest carbon sinks, responsible for capturing 86 billion tons of carbon, and producing 20% of the planet's oxygen. It is one of our greatest bulwarks against climate change and one of the most biodiverse ecosystems on earth, home to 10% of all known species. However, the important role it plays in the fight against climate change is increasingly coming under threat.

Globally, temperatures have risen by one degree since pre-industrial times, with overall global temperature increases estimated to reach 1.5 degrees by 2052. Increasing global temperature rises have already affected the resilience of the Amazon Rainforest and, as a result, the Amazon's climate is subject to prolonged dry-seasons and increased frequency of droughts. In turn this causes increased risk of forest fire, and reduced carbon sequestration. Due to increasing temperatures resulting from climate change, and ongoing deforestation and wildfires, parts of the Amazon are now emitting more carbon than they absorb, thereby reducing the Amazon Rainforest's ability to act as a carbon sink.

Land Degradation and Deforestation:

Since 1978, 100 million hectares of Amazon Rainforest has been destroyed, driven primarily by the expansion of economic activities such as cattle ranching, illegal logging, mining, and large-scale commercial agriculture. The increase in these activities has been driven by growing demand for forest-based commodities in the globalized market, whilst impoverished rural communities have few or no alternatives to low scale subsistence agriculture. According to experts there is a high risk that the Amazon Rainforest will soon reach the tipping point which would cause the forest to turn into a dry savannah; when 20% of the Amazon Rainforest is deforested, with current deforestation estimated to be between 17-18%.

Land in the Amazon Rainforest is susceptible to drought which in turn causes degradation and reduces soil quality. Between 2007 – 2016 11,000,00 hectares of land was degraded in the Brazilian Amazon. Land degradation is exacerbated by prolonged droughts leading to the increased prominence of forest fires. Land degradation negatively impacts the ability of soil to sequester carbon, biodiversity, and local and global food production.

Biodiversity:

The Amazon Rainforest contains over 40,000 species of plants, 16,000 known tree species, 2,000 species of mammals and birds and 2,500 species of fish. However, according to the IUCN, approximately 137 living species are driven to extinction every day in Amazon. Large scale deforestation means that habitats are destroyed, and species can no longer subsist in the remaining areas of forest. Populations start to decline, and eventually become extinct. Biodiversity loss is particularly prevalent on land which has been converted for uses such as farming, logging or mining which is on the rise. New roads that are built to give access to loggers result in the fragmentation of the forest and destroy delicate microclimates that many species depend on. It is estimated that by 2050, 58% of Amazon tree species may be lost, due to climate change and land degradation. If biodiversity loss continues unchecked, the extinction of many endangered and endemic plant and animal species will occur. With large scale biodiversity loss, communities that are based in and around the forest are less able to benefit from the natural resources these ecosystems provide, which can lead to increased poverty, land conversion, and migration.

Root Causes:

1. Unsustainable land use practices

Under the current economic systems, land conversion delivers more immediate economic value to local communities in comparison to generating value from standing forests and drives the continuation of unsustainable land use practices within the Amazon Rainforest. International trade and the demand for agricultural produce continues to drive land conversion which is reinforced by the lack of suitable policy frameworks to support natural resource protection in many countries across the Amazon.

Cattle ranching is one of the key drivers of deforestation and land conversion and is also estimated to be responsible for releasing 340 million tons of carbon into the atmosphere annually, the equivalent to 3.4% of current global emissions. In Brazil, the number of cattle herds has been increasing since the 1990s, from an estimated 147 million herds in 1990 to over 200 million by 2007. An estimated 83% of this expansion is occurring within the boundaries of the Amazon Rainforest. Today, Brazil is the largest exporter of beef, with more than 230 million herd of cattle, and it is estimated that approximately 70% of the Amazon's cleared lands are now occupied by extensive cattle ranching

In Colombia, cattle ranching is one of the key driving forces for deforestation within the Amazon Region. In 2016, 37.5 million hectares of land was used for livestock production. It is estimated that without appropriate intervention, cattle ranching could be responsible for the loss of 50,000 ha of land, of which 8,000 ha would be in protected areas. In Ecuador too, cattle farming has been one of the key drivers of land use change.

Intensive agricultural practices also drive deforestation, land degradation and biodiversity loss. Subsidies for monoculture farming and the inherent financial attractiveness of soy and palm oil crops have led to the clearing of forest land for the establishment of industrial plantations. The expansion of palm oil in Brazil in the past decade has been attributed to an increase in demand for cleared land within the Amazon region. Soy production, although typically associated with the Cerrado, is also an important driver of deforestation in the Amazon. In 2017 – 2018, Brazil led the global production of soy, with 13% of the soy production coming from the Amazon.

In Peru, the expansion of the palm oil industry has been linked to the loss of 31,500 hectares of primary forest since 2000. Alongside the expanding palm oil sector, coffee plantations have also been linked to deforestation in the Amazon. In 2012, the Peruvian Agricultural Census found that a quarter of agricultural land within the Amazon was used for coffee farming. In Ecuador, palm oil has been identified as one of the key drivers of deforestation. Over 90% of palm oil is produced by small landowners who have been responsible for a significant amount of deforestation within the Amazon.

2. Illicit activities

The global threat to the environment is also driven by illicit activities including logging, gold mining and illicit crops. These activities are enhanced by weak land tenure, limited capacity of the countries to monitor and respond to the illegal activities, and low returns on sustainably sourced products. A report in 2021 estimated that up to 18 million hectares of land cleared in Brazil could be the result of illegal activities.

Illicit activities are underpinned by the lack of local demand for sustainably sourced materials, insecure land tenure and higher financial incentives to convert land rather than invest into sustainable land management. This is compounded by weak monitoring and law enforcement.

Illegal logging is a significant driver of deforestation within the Amazon. Predominantly, illegal logging targets high value trees to sell for timber. This drives deforestation and creates the conditions required for land degradation to occur.

Illicit mining is another driver of deforestation, land degradation and biodiversity loss. In Brazil, the Kayapó indigenous territory experienced 7,600 hectares of land damaged due to illegal mining in 2020. In Peru, the Department of Madre de Dios houses the “la Pamapa” a large and quickly expanding illegal gold mine, between 1999– 2012 gold mining in the region increased by 400%. Illegal mining in this region caused an increase in 240% of forest loss between 2009 and 2017, and between 1985 and 2017, over 95,000 hectares of land were lost, mostly due to illegal gold mining.

Illicit Crops and Agriculture drives deforestation, land degradation and biodiversity loss. In Colombia, and Peru, the growing of coca has been attributed as a driver of deforestation, alongside other drivers. In Colombia, the growing of coca plants in the Putumayo-Caqueta region in the Amazon basin devastated areas of forest. More recently there has been a surge of illegal soya crop growing in Brazil. Despite the 2006 International Soy Moratorium, there is ongoing evidence which demonstrates that Soya is still driving deforestation within the Amazon rainforest. Additionally in Colombia, land grabbing is a recurrent issue, with the land being used for cattle ranching.

3. Low Law Enforcement

The role of environmental law has been recognised as critical in efforts to mitigate against the global environmental problems discussed earlier. Laws relating to land tenure and land use are designed to combat against activities which are linked to the causes of increased global temperatures, deforestation, land degradation and biodiversity loss.

In Brazil, the increased rates of deforestation since 2013 have been attributed in part to changes in Brazil's legislation such as reforms to the Brazilian Forest Code in 2019. Alongside this, reduced oversight and enforcement from the Ministry of the Environment has been linked to increased deforestation. The effectiveness of law enforcement to reducing deforestation activities can be seen in how Brazil managed to successfully reduce deforestation from its historical peak in 2004, through the introduction of multiple laws and regulations, such as Environmental Crimes Federal Act No. 9.605/1998, further regulated by the Environmental Administrative [Infraction](#) Decree No. 6.514/2008.

In Colombia, the signature of the peace accord in 2016 between the Colombian government and the FARC has meant that areas of the Amazon Rainforest which were occupied by the FARC, were vulnerable to other actors who practise activities such as cattle ranching and illegal mining. Currently, there is little regulation and enforcement regarding deforestation in Colombia and this is noted to be driving deforestation within the Amazon.

In Peru, an impact of the Covid-19 pandemic is that police and military personnel who previously helped enforce laws relating to forest protection in the Amazon were moved to other operations relating to mitigating the impacts of Covid-19. The result of this is an increase in deforestation within the Peruvian Amazon, with over 200,000 ha lost in 2020, representing a 37% increase from 2019.

Barriers

The Fund has been designed to address key financial, institutional, and market barriers that are driving environmental degradation in the Amazon.

Barrier 1. Limited Access to appropriate capital for SMEs: SMEs struggle to access the appropriate capital needed to consolidate their capacities to move and/or maintain and/or promote sustainable practices and scale their activities. Existing finance options include commercial loans and donor funded grant facilities. Typically, the terms provided are not compatible with the time frame needed to repay such loans and their servicing costs are prohibitive to decent livelihoods and can leave SMEs in debt if unable to repay the loan. Traditional grant facilities can be effective but are often unable to deliver capital at the level required to achieve commercial scale. At the same time, many institutional investors are unwilling to invest into SMEs in unfamiliar geographies due to the high-perceived risk profile. The result is a lack of appropriate finance and limited opportunity for SMEs to secure much needed capital to scale operations.

The intervention: the Fund will provide SMEs that implement sustainable and forest-regenerative business models with medium to long term capital in the form of debt at the level required to help them to further build their capacities and scale sustainably. The Fund, designed as a blended finance vehicle, will combine catalytic capital (junior equity tranche) to improve the risk-return profile and attract other impact-driven investors, including commercial and private investors. The Fund will provide debt at the right ticket size for 3-8 years depending on the needs of the SMEs. Selva Fund has a team of regional experts that will provide ongoing technical support to SMEs on a range of topics, from better operational and financial management practices, to market access, and promoting more sustainable land-use practices to ensure that the loans are applied effectively.

The Outcome: increased private finance for investments into SMEs in bioeconomy-based and sustainable commodities value chains in the Amazon biome.

Barrier 2: Insecure livelihoods: For local communities (rural and forest based) there are limited employment options which are not linked to deforestation. Without a viable income or livelihood opportunities, communities across the Amazon will continue to pursue unsustainable and destructive practices.

The intervention: Selva Fund will identify SMEs in bioeconomy-based and sustainable commodity value chains that promote sustainable land-use practices as well as protect and restore nature. By supporting new revenue streams and forest-friendly commodities, these businesses will help to provide alternative livelihoods for rural communities who would otherwise rely on destructive or extractive jobs and industries.

The Outcome: as the SMEs increase in capacity and scale, they will need to hire new staff and bring in additional producers and suppliers, providing more jobs and livelihood opportunities for local communities.

Barrier 3: Lack of capacity of SMEs, and the value chains that they operate in, to provide and deliver sustainably produced products whilst protecting biodiversity/forests

The Intervention: The majority of SMEs operating in bioeconomy-based and sustainable commodities value chains in the Amazon do not currently have the structure or capacity to meet the growing demand for sustainable products. They are unable to comply with buyers' increased demand for bioeconomy-based products or corporate social responsibility commitments, which impedes their ability to further scale and access international markets. Moreover, the value chains in which these SMEs operate are also unreliable to meet demand. Basic activities that are needed and are part of these value chains, from additional production inputs to storage, logistics (inbound and outbound), marketing and sales, technology related support and infrastructure are poorly delivered to SMEs operating in these value chains.

The Outcome: SMEs financed by the Fund will have access to non-refundable grants from a Technical Assistance (TA) sidecar. This TA will specifically focus on improving SMEs operations and production practices, including SMEs that strengthen the reliability and better functioning of value chains of bioeconomy-based products and sustainable commodities, passing this TA also along to input providers to increase the quality of the products and services that they currently supply in alignment with market demand.

2) the baseline scenario and any associated baseline projects;

Recent assessments of progress indicate that many signatories to the New York Declaration on Forests (NYDF), are not on track to meet their commitments to eliminating deforestation from their supply chains. Latest data available shows that deforestation rates, particularly in the tropics have been continuously

ongoing. In 2020 the tropics have lost 12.2 million of hectares, 12% higher than the previous year. Of the 10 top countries that have lost primary forests in 2020, Brazil is ranked #1 with a loss of 1.7 million hectares (25% higher than 2019, with 1,29 million hectares of which 94.8% occurred in the country's Amazon region), which represents more than three times the amount of deforestation compared to the second country in the ranking. Also, Peru is ranked #5 losing almost 200 thousand hectares, closely followed by Colombia, ranked #6.

Over the years there are several interventions taking place within the Amazon biome to protect existing native and tropical forests, prevent further biodiversity loss and maintain/increase native vegetation and carbon stocks. The GEF has been playing a pivotal role in funding many of the most relevant initiatives in the region. The Amazon Sustainable Landscapes Phase I Program, (ASLI) a GEF 6 coordinated and “umbrella initiative” that encompasses the “Amazon Sustainable Landscape Project” in Brazil, “Securing the Future of Protected Areas in Peru” and the “Forest Conservation and Sustainability in the Heart of the Colombian Amazon” in Colombia, has created a concerted effort among donor agencies, philanthropies, national and subnational governments and NGOs to support the creation, consolidation and ongoing management of protected area systems in these countries that represent 75% of the Amazon Biome. Moreover, GEF has also funded a second phase of the Amazon Sustainable Landscape Program, through GEF 7, (ASL II), in the countries of Bolivia, Ecuador, Guyana and Suriname expanding forest protection in the Amazon with the creation, effective management of protected areas and connectivity corridors in these countries, and securing their financial sustainability with co-financing of the respective governments (now including the Bolivian, Ecuadorian, Guyana and Suriname's governments, donor agencies and the private sector).

Additional GEF funded projects complement these large, protected area systems programs and their financial sustainability efforts. GEF projects such as the “Connectivity and Biodiversity Conservation in the Colombian Amazon - Sustainable Amazon for Peace Colombia”, Peru's Sustainable Productive Landscapes in the Peruvian Amazon, the “Sustainable Development of the Ecuadorian Amazon: Integrated Management of Multiple Use Landscapes and High Value Conservation Forests” in Ecuador add significant additional efforts focused on strengthening local institutional capacity, adaptation to climate change and support to the implementation of national strategies for forests and climate change.

Several REDD+ projects and programs complement the efforts listed towards forest and biodiversity protection, climate change mitigation and resiliency in the Amazon, co-led by the GEF, national governments, donor agencies and development financial institutions. REDD+ projects emerged as an additional approach to channel resources for forest protection/conservation over the years, kicked off during the UN Framework Convention on Climate Change negotiations, making the strong link between climate and land-use/forests leveraging the possibility of bringing in climate finance into the mix of resources needed for forest conservation and sustainable land-use more broadly. GCF's REDD+ results-based payments program in Brazil (listed below) is one of such initiatives, strengthening Brazil's local policies towards climate mitigation with the engagement of smallholders to recover forests in their lands or increase forest cover beyond the law requirements through an incentives-based program. Moreover, REDD related projects also took place in Ecuador such as ProAmazonia (a GEF and GCF partnership program) that supports the government's efforts to reduce GHG emissions from land-use change and forestry in 20% by 2025, or Peru's REDD+ Cooperation agreement with Norway and Germany or the REDD Early Movers Program (REM) in Colombia, Ecuador and the state of Acre in Brazil.

Moreover, recognizing the crucial role that climate finance, and particularly the role that governments and national development banks can have in promoting and financing sustainable land-use through bioeconomy-based value chains, the Global Climate Fund (GCF) and the InterAmerican Development Bank (IDB) launched, in late 2021, the Amazon Bioeconomy Fund, a USD598 million fund co-funded by both, the GCF and IDB. The Amazon Bioeconomy Fund will provide financing and guarantees (USD435 million), grants (USD131 million), reimbursable grants (USD 20million) to governments and national development banks to support development and deployment of sustainable solutions that prioritize natural capital related approaches in the countries of Brazil, Colombia, Ecuador, Guyana, Suriname, and Peru. The direct beneficiaries, governments and national development banks will have the role to ultimately create enabling conditions to increase private investment flows into bioeconomy and sustainable businesses in the region. Of the USD598 million, only 1.75% of the total, or USD10.5million, will be directed towards direct equity investments into already pre-defined enterprises/local funds selected by IDB.

There is a considerable financing gap for investing in nature-based solutions overall. Globally, UNEP estimates that investments in Nature-based Solutions ought to at least triple globally by 2030 if the world is to meet its climate change, biodiversity, and land degradation targets. All the efforts described above are trying to decrease this gap. However, the great majority of them do not directly address what the Selva Fund aims to address, which is to directly finance SMEs in the Amazon that are operating in sustainable, forest-compatible value chains that generate sustainable, reliable livelihoods to local rural and forest-based communities, that are not linked to deforestation. To reduce deforestation, and at the pace needed, there is a need for rapid scaling of these SMEs' business models that protect or restore forests whilst providing local communities, smallholder farmers and local businesses with an alternative source of income that does not lead to deforestation.

The initiatives described above do not directly address a specific gap which is the one faced by small and medium enterprises (SMEs) that operate in bioeconomy[based and sustainable agriculture and livestock value chains in the Amazon. There is a need for increased finance and technical assistance for SMEs operating in bioeconomy-based and/or sustainable, agricultural and livestock production value chains in the Amazon region of Brazil, Colombia, Ecuador and Peru that if attended will strengthen these sustainable value chains by having more robust SMEs operating in them, creating alternative income and employment opportunities which leads to reduced deforestation pressure. Such gap is not currently being addressed.

In order for SMEs to consolidate and scale their sustainable practices and/or promote them across value chains, they need adequate financing across business cycles, as well as technical assistance to address operational gaps in order to adequately manage their businesses. If these types of businesses are able to access the right support, it will further decrease deforestation pressure outside protected areas and strengthen and grow the implementation of sustainable land-use practices in private lands, buffer zones and elsewhere.

SMEs experience difficulties in accessing adequate finance and technical support due to (1) a perceived greater risk related to operating in the Amazon, exacerbated by the perceived risk of emerging market countries on the part of local financial institutions as well as international investors, including a number

of concessional capital providers (2) a higher risk perception associated with land-use related activities as carrying greater repayment risks and, lastly, (3) misalignment of investment cycles and the investment needs of bioeconomy and sustainable commodities production SMEs; typical investment periods are not usually compatible with their business cycles, which generally need longer to generate a return due to the nature of sustainable land-use activities.

Without GEF investment into the Selva Fund, the business as usual scenario described above will continue. GEF investment in the Fund will help fulfil the existing finance and support gap and will complement ongoing initiatives and minimize the risks that previous efforts are offset by unsustainable land-use practices and deforestation surrounding protected areas, driven by the lack of alternative livelihoods to rural and forest-based communities besides those generated by value chains that are anchored on unsustainable and illegal practices.

In addition, the Selva Fund builds also on Palladium's experience working in the region through the implementation of the Partnerships for Forests Program, funded by the UK government. Through the management of Partnership for Forests (P4F) for the last 7 years, Palladium has demonstrated that inclusive business models that enhance or maintain biodiversity in a forest landscape exist and represent alternatives to a business-as-usual approach, which ultimately promotes deforestation, biodiversity loss and GHG emissions and perpetuates poverty. Since 2018, P4F has supported over 120 regenerative business models across the tropical forest belt globally, mobilizing £265m in private investment, and bringing 2.2M hectares under sustainable land use. 35 businesses and partnerships have been/are being implemented in Latin America, in Brazil, Colombia, Ecuador and Peru. Forest protection and sustainable land use is central to each model incubated under P4F – it is this mechanism that delivers positive impacts on biodiversity, whilst creating positive impacts on local jobs, productivity, income, and human health as well.

Palladium has sourced a broad pipeline of SMEs ranging from small up to medium sized enterprises operating in forest-based products and commodities value-chains. Of those, some are "value chain providers", which are upcoming new business models with the goal to better structure large off-takers' value chains and source sustainably produced commodities, including payment for ecosystem services such as carbon offsets for them. These are relatively new SMEs; some were born out of Palladium's work with some off-takers in the region. In order to thrive they will need access to long term finance and TA to put in place land-use arrangements with landowners, agroforestry systems, sustainable cattle ranching practices and other sustainable land-use models for better soil management practices and for forest restoration and production. In addition to implementing agroforestry systems of their own, these new SME models can also source sustainable, conversion free products to meet increased market demand from these off-takers. Palladium has helped to structure a number of these innovative business models through the programs it has been implementing in Brazil, Colombia and Ecuador.

It is also important to point out that some impact investment funds have emerged over the course of the last 6-8 years (see Table 9), to directly finance enterprises operating in the land-use, forest and bioeconomy space, which are aimed at supporting the transition to sustainable and deforestation-free land-use practices at the start of value chains.

A differentiator of Selva from other funds is that, through Palladium, Selva has greater access to opportunities such as those identified through publicly funded programs such as the Partnerships for Forests (P4F), which incubates and accelerates regenerative business model enterprises in the region. Similarly, opportunities will also be generated through Palladium's engagement with large private companies with interests in supporting forest protection and the shortening of value chains.

P4F's investments in Latin America started in 2019, is a key baseline project for the Selva Fund. P4F provides financial and technical support to initiatives at different levels of maturity, from projects that are in the stage of signing Memorandum of Understanding (MoU), to business plan development, pilot and scale-up stages. One of P4F's outputs is focused on delivering learning, collaboration and leadership to stakeholders working in the sustainable land use

sector, with the aim of sharing models that can accelerate replication and scale up – with efforts towards publishing and communicating knowledge products that capture the program’s learning.

Finally, opportunities will also be generated through Palladium’s engagement with large private companies with interests in supporting forest protection and the shortening of value chains.

Although scattered and still increasing in volumes of investments, these impact funds have begun to fill an important gap in the Amazon region, through directly providing early-stage risk-capital – usually in the form of equity, as opposed to long-term debt that Selva will provide - to local businesses in the region with the potential to grow and drive fundamental change in how these value chains are structured, provide returns to investors and generating the social and environmental impacts in the Amazon region. Some of the relevant impact investment funds in the Amazon region are listed in Table 9.

With the programs being implemented by the actors discussed, and the additional support offered by Selva, that will foster bioeconomy and sustainable commodities-based business models, local stakeholders in the region can move away from traditional modes of operating, which leads to deforestation, legal and illegal, and ultimately be part of economic activities that prevent deforestation, promote forest conservation and restoration. As such, complementing government, multilateral and bilateral led efforts towards the protection and maintenance of livelihoods in the Amazon.

While commercial loans and donor-funded grant facilities are already available, impact finance will help address existing barriers related to the funding gap facing target SMEs in the Amazon region. While traditional grant facilities provide support for businesses especially in early stages, they don’t represent a sustainable source of financing and the amounts are often unable to deliver capital at the scale that is required to achieve commercial scale. On the other hand, the tenure of commercial loans is often incompatible with the time frame needed by target investees, and their servicing costs are prohibitive. Selva Fund’s debt financing will provide medium to long term capital (3-8 years) in the form of debt, with ticket sizes adapted to the needs, to enable businesses to build their capacities and scale sustainably. Operationally, Selva Fund’s efforts towards achieving its impact goals will be optimized through tailor-made Technical Assistance (where Palladium has extensive experience in doing so in the region) provided to the SMEs that will be in Selva Fund’s portfolio. The TA can cover a range of topics: from better operational and financial management practices, market access, impact measurement and monitoring, promotion of more sustainable land-use practices ensuring that the loans are applied effectively. The combination of both debt financing and technical assistance, provided jointly and in full alignment with the Fund’s objectives, will further enhance the impact of Selva Fund on the companies supported.

A summary of projects operating within the Amazon biome is presented below. They can be seen as a set of several efforts to foster and strengthen forest ecosystems in the Amazon region. Such efforts and resources provide a baseline for what is already happening in terms of investments in the region with the goal of preserving existing forests, restoring forest ecosystems and reduce overall deforestation pressure. Table 1 considers REDD+, GCF and GEF’s Projects and table 2 describes GEF’s activities in the region:

Table1 REDD+, GCF and GEF’ Funded Projects

Project Name	Country(ies)	Years (Start - End)	Budget (USD)	Donor(s)	Objectives/Brief description of how it is linked to this GEF project
REDD+ results-based payments for results achieved by Rr					Payments for results derived from reducing emissions from deforestation in the Amazon region in 2014 and 2015. UNDP is project partner, and the proceeds are for (a)

Development of a pilot of an Environmental Services Incentives Program for Conservation and Recovery of Native Vegetation (Floresta+); and (b) for Strengthening implementation of Brazil's REDD+ strategy.	Brazil	2018-2026	96.5m	GCF (100%)	
Ecuador REDD+ RBP for results period 2014 (FP110)	Ecuador	2019-2026	18.6m	GCF (100%)	Acknowledging Ecuador's REDD+ 2014 results for GCF results-based payments (RBP). Ecuador will use the results-based payments to invest in additional activities that support the implementation of their national REDD+ action plan. This includes developing policies and institutional management for REDD+; transitioning to sustainable agricultural production systems; sustainable forest management, conservation and restoration; and managing a national REDD+ action plan.
Amazon Bioeconomy Fund (FP173)	Brazil, Ecuador, Peru, Colombia, Guyana, and Suriname	Date Approved: Oct-2021	598.1m	GCF Grant (USD 137.5m) / GCF Loan & Equity (USD 141.5m) / Co-Financing (USD 319.1m)	GCF's Amazon Bioeconomy Fund in six Amazon countries aims to deliver sustainable solutions to reduce the impacts of climate change in the Amazon biome by prioritizing natural capital. It will be implemented by IDB and encourage private investment in six key areas of the bioeconomy: sustainable agroforestry, native palm cultivation, non-timber natural forest products, growing native species timber, aquaculture, and community-led nature tourism.
Fundo Amazônia	Brazil	Start Date: 2008	1.04b	Norway's Government (USD 1b), German's Government (EUR 28.3m) and Petrobras (USD 6.8m)	REDD+ financing managed by BNDES (Brazilian Development Bank). Norwegians and Germans commitments were valid until the year 2020 - and were not renewed (in fact they phased out before 2020 due increase in deforestation).
Amazon Sustainable Landscape I (ASL-1)	Brazil, Colombia and Peru	Start Date: 2015	795m	GEF (USD 113m) + Co-financing	The ASL-1 Program comprises four national projects – one each in Brazil and Colombia and two in Peru – and a national coordinating project. The ASL Program aims to protect globally significant biodiversity and implement policies to foster sustainable land use and restoration of native vegetation cover.
					ASL-2 aims to: (a) strengthen and expand

Amazon Sustainable Landscape II (ASL-2)	Brazil, Colombia, Peru, Bolivia, Ecuador, Guyana, and Suriname	Date Approved: May-2019	597,8m	GEF (USD 88,3m) + Co-financing	the initiatives launched under ASL-1 in the original three countries and launch them in Bolivia, Ecuador, Guyana and Suriname; (b) expand the range of thematic issues tackled from a predominantly terrestrial perspective to include the management of freshwater ecosystems and aquatic resources including strategic watersheds; and (c) advance the regional dimensions of the program, enhancing the ongoing multi-country collaboration around knowledge exchange and learning and complementing it with concrete efforts to identify and jointly manage issues of shared concern on the ground.
Forest Carbon Partnership Facility (FCPF)	47 developing countries - Peru and Colombia among them	Launched in 2008	1.3 b	World Bank multi-donor fund of governments and non-governmental entities, including private companies (17 donors)	The FCPF works with 47 developing countries across Africa, Asia, and Latin America and the Caribbean. Global partnership of governments, businesses, civil society, and Indigenous Peoples focused on reducing emissions from deforestation and forest degradation, forest carbon stock conservation, the sustainable management of forests, and the enhancement of forest carbon stocks in developing countries, activities commonly referred to as REDD+.
REDD Early Movers (REM) Ecuador	Ecuador	2015-2019	61mm	German Government - BMZ (EUR 11m) / Norwegian Government - KL D (EUR USD 50m)	The REM Programme rewards emission reductions (ER) from reduced gross deforestation in Ecuador. Each ton of carbon dioxide equivalent (tCO2e) is rewarded at a value of five USD. Results-based payments are based on ER from reduced deforestation achieved in the period between 2015 and 2019.
REDD Early Movers (REM) Colombia	Colombia	2013-2017	100m	Norwegian, German and UK Government	Support the reduction of emissions from deforestation in the Colombian Amazon in alignment with the provisions agreed under the UNFCCC. By rewarding results, REDD+ funding will incentivize policies for reducing deforestation, support the Colombian Government in reaching its goal of zero-net deforestation by 2020 and contribute to the well-being of local communities in Amazonia. Each tCO2e is rewarded at a value of five USD. Funds will be invested to fu

					rather contribute to low deforestation development in the Amazon.
REDD Early Movers (REM) Acre	Brazil	2011-2015	27,3mm	German Government	The objective of REM in Acre is to support the reduction of emissions from deforestation in the Brazilian State of Acre. Each tCO ₂ e is rewarded at a value of five USD. Funds are used to strengthen the Incentive System for Environmental Services (SISA) and to provide tangible benefits to local actors protecting forests and incentives to further reduce deforestation.
Bilateral REDD + agreement (Peru / Norway)	Peru	2014-2020	300mm	Norwegian and German Government	Cooperation on reducing greenhouse gas emissions from deforestation and forest degradation (REDD+) and promote sustainable development in Peru.
Orinoquía Sustainable Integrated Landscape Program (OSILP)	Colombia	2018-2022	34.9m	ISFL (USD 28.3m) GEF (USD 5.9m)	The Orinoquía Sustainable Integrated Landscape Program (OSILP) aims to help farmers and agribusiness in Colombia's Orinoquía region sustainably manage their land, increase agricultural production, and realize the region's potential to become a food basket for the country and the world. Key commodities are palm oil, rubber, maize, soybean, forage grasses, cocoa, rice and livestock.
PROAmazonía	Ecuador	2016-2023	53.3m	GCF (USD 41.2m) GEF (USD 12.2m)	PROAmazonía is the Amazonian Integral Forest Conservation and Sustainable Production Program in Ecuador. It is an initiative led by the Ministry of Environment and Water and the Ministry of Agriculture and Livestock with support from the UNDP. This national government programme links national efforts to reduce deforestation with the priority agendas and policies of the country's economic sectors.
Sustainable Development of the Ecuadorian Amazon landscapes and high value conservation forests	Ecuador	Date Approved: Feb-2017	61.7m	GEF (USD 12.4m) / Co-Financing (USD 49.3m)	Catalyse the transformation of land use planning and management in the Ecuadorian Amazon (CTEA) by building a governance and sustainable production framework based on a landscape approach and optimizing ecosystem services and livelihoods.

Selva Fund is the only impact investment fund focused on medium to long term debt financing to Small-Medium companies, specifically in the Amazon Region (covering four countries), and with a flexible Technical Assistance Facility, that provides tailor-made support to this business, which is a crucial de-risking component for the Selva Fund investment vehicle. Comparable funds either provide different financial instruments (for SMEs in different stages and that therefore need a different kind of financial instrument), target different recipients or operate in broader areas – including tropical regions of Asia and Africa (Table 2). Selva will seek to scale up some of the initiatives in the Amazon by growing the impact of SMEs in that specific region only. A detailed explanation of this mechanism will be given in the PPG phase, in consultations with stakeholders from the below mentioned projects. The Selva Fund team will also ensure that any initiatives targeted for scaling up will not be currently funded GEF projects to avoid double counting of the global environmental benefits.

Table 2 Relevant Impact Investment Funds / Projects focused on Rainforests

Fund and/or Initiative name	Goal	Region/Country	Total USD amount	Investment type	Direct Recipient	Years (start – end)	Technical Assistance
Partnership for the Amazon Platform	Incubator Platform designed to leverage investments, share experiences, and best practices, foster partnerships, and support other private sector partners in developing innovative solutions. Thematic priorities: 1) accelerating and investing in sustainable start-ups and conservation businesses. 2) supporting Amazonas' state's bioeconomy through R	Brazilian Amazon	BRL46M co-invested (investor partners invested in match funding with PPA /USAID)	Incubator Platform to help start-ups develop and identify investors and innovative solutions.	Amazon-based sustainable businesses	Launched in 2017. Agreement finishes in 2024.	Not Applicable

	<p>research and Development investments.</p> <p>3) strengthening sustainable value chains and increasing local purchasing.</p> <p>4) facilitating integrated, multi-stakeholder territorial governance models.</p>						
Althelia Biodiversity Fund	<p>A Brazil focused impact fund, offering long-term financing to businesses that generate a positive impact on biodiversity through their business models. Co-designed by USAID and Mirova, a B Corp certified asset management company, they created an equity participation's fund (Fundo de Investimentos em Participações - FIP) managed by Mirova and Administered by Vox Capital.</p>	Brazil and within the country, biodiversity rich regions	<p>International Center for Tropical Agriculture (CIAT): USD15M</p> <p>USAID - Credit guarantee</p> <p>Aim to raise ~USD100M (undergoing fundraising)</p>	Equity and Quasi-Equity	Enterprises	First close in 2020. 11-year closed-ended fund.	TA to support business plan development and ESG impact
Moringa Fund	A fund that targets profitable large scale agroforestry projects with high en	Latin America and Sub-Saharan Africa	EUR84M (GEF and Group de la Banque	Equity and Quasi-Equity	Large scale agroforestry projects	Founded in 2011	Agro-forestry Technical Assistance Facility (A

	jects with high environmental and social impacts.	an Africa	a Banque Africaine de Development) +EUR2M A TAF				Facility (A TAF) to provide technical assistance in relation to investments of the Fund (grant-based mechanism parallel to the investment of the Fund)
CI Ventures	Designed to leverage scarce public and philanthropic resources, CI Ventures' investments emphasize projects that have the potential for greatest impact in critical landscapes and seascapes. CI Ventures uses proprietary impact screening and monitoring and evaluation tools that assess impact throughout the investment lifecycle.	Colombia, Peru and Ecuador (there are other countries, but outside of Latin America)	USD25.5M invested coming from: • CI: USD5.2M • Partners co-financing: USD15.3M	Debt Financing (USD200-500k / up to 5y)	Small- and medium-sized enterprises that operate in the forests, oceans, and grasslands.	Founded in 2018	No
&Green Fund	The objective of the Fund is to prove that financing inclusive, sustainable and deforestation-free	Tropical regions of Latin America, Africa, and S	USD 144M in capital committed through grants, red	Debt Financing	Large agribusiness operations (palm oil, rubber, and	Launched in 2017	USD 1M TA to pre-investment studies of pipeline investment

	ee commodity production can be commercially viable and replicable, thus strengthening the case for a new rural development paradigm that protects valuable forests and peatlands and promotes high-productivity agriculture.	outneast Asia.	reemable grants and loans from its contributors – including GEF (USD2M - Redeemable Grant), NICFI (Grant), Unilever (Redeemable Grant), FMO (LT Funding), DBEIS (Investment).		livestock) that will implement more sustainable production.		ents to help them meet specific conditions
AGRI3	Develop investments in agriculture that demonstrate the financial viability of business models that guarantee forest protection and sustainable agricultural production. These investments will serve as proof of concept to the wider community of banks, other financial institutions, and value chain partners, with the aim to ultimately mainstream such sustainable practices	Global scope, but with a focus on middle and lower income countries. The Fund will initially focus on Brazil, Indonesia and India.	Dutch Government (USD35M First Loss Investment + USD5M Grant) GEF (Senior Investor USD 13M) Rabobank (USD 50M Loan)	Guarantees - The typical guarantee exposure will range from USD 3 -15M per project with most projects having a total loan exposure of USD5 -50M.	Farmers - Initial sustainable agricultural investments are likely to cover sugarcane, dairy, rice, soy, and cotton. Over time, the Fund will look to invest in palm oil, cocoa and vanilla.	Foreseen lifetime of 20 years.	Yes - TA Facility aim to address these needs through four main functions which are described below: (i) Pre-investment support and (ii) post-investment support; (iii) Learning, knowledge sharing and (iv) impact monitoring

	across the agricultural and financial value chains.						
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3)The proposed alternative scenario with a brief description of expected outcomes and components of the project

To meet the financial gap experienced by these SMEs, the Selva Fund requests from the GEF a USD10 million investment in the fund's junior equity tranche (catalytic capital) that will leverage an additional USD77 million through the GEF's investment, providing the medium-and long-term finance needed by these players, in accordance with Selva Fund's four target business model archetypes described below. Selva will play a key role in bridging the market demand for forest-compatible and sustainably produced agricultural and livestock products to the implementation of sustainable production practices and forest-compatible products and services.

The GEF's initial USD10 million investment into the Selva Fund, in the junior equity tranche of the fund (the catalytic tranche) will be fundamental to trigger additional investments from DFIs and private foundations, in the junior equity tranche but also through the notes' tranche and senior equity coming from commercial investors, that otherwise would not invest in businesses that source from and operate in the Amazon region due to the difficulties that SMEs face described in section two above.

In addition to the Fund, there will be a Technical Assistance (TA) Sidecar that will deploy technical assistance tailored to the needs of the investees, ranging from operational and financial management support to the implementation of better land-use management practices, logistics and market access and impact reporting. TA will be designed so it addresses the investees' greatest operational needs and strengthens their business. TA needs will be assessed during the due diligence phase and it will be defined which operational areas of the SME need greatest support (financial and accounting management, business model and planning, market development and commercialization, production related support to input providers, human resources management and Impact measurement and monitoring). Tailor-made TA support will be designed and implemented by Palladium or its partners.

GEF's investment will de-risk the overall fund, which will in turn leverage additional investors to join through lowering the risk profile of the Fund. As such, the Selva Fund will be able to (1) increase access to adequate finance into SMEs that are operating in bioeconomy-based and sustainable agriculture commodities' production value chains; (2) increase the area of the Amazon landscape that is under conservation or some form of sustainable management practice and (3) increase income generating opportunities and sustainable livelihoods for communities in the Amazon of Brazil, Colombia, Ecuador and Peru.

Moreover, the Selva Fund will deploy an ESG standard (to be reviewed by CI-GEF during the PPG phase) and will require borrowers to report on social and environmental impact indicators, as set out in section B and explained, below. The Selva Fund contributes towards achievement of several SDGs, in particular SDGs 12 (Responsible Production and Consumption), 13 (Climate Action) and 15 (Life on Land).

The SDG Bond Program is an innovative investment product with the potential to mobilise private capital at the scale needed, addressing the significant financial gap for achieving the SDGs, most notably in developing countries.

Led by Bamboo Capital Partners (BCP), Palladium's asset management arm, in partnership with UN agencies and the Joint SDG Fund, the SDG Bond Program will connect private commercial capital with SDG-aligned and UN-sponsored impact funds managed by BCP, with the goal of raising up to \$1 billion that would then be funnelled to small and medium enterprises that are addressing the SDGs within their business models.

The SDG Bond Program aims to deliver positive socio-environmental impact, aligned with each of the platforms' impact funds' investment strategy, as well as risk-adjusted returns to institutional investors, facilitating much-needed capital into developing countries, while responding to and meeting institutional investors' strategies and expectations, and diversifying risk.

The Program will aggregate six impact funds under an Umbrella Investment Vehicle (UIV) that will issue the SDG bonds, guaranteed by a strong investment-grade guarantor (AA rating or above), and as such be able to tap into a much greater pool of private institutional capital.

Each of these impact funds under the SDG Bond Program, which includes the Selva Fund sponsored by the GEF, will be managed independently by the BCP team that has deep expertise in managing impact funds focused on addressing the "missing middle" debt finance gap for small and medium enterprises (SMEs operating in developing countries that often require loans ranging from \$250,000 to \$7 million), as well as expertise to put these blended finance funds' capital structures in place.

The impact funds, including the Selva Fund, will be structured as a standard blended finance investment vehicle, with the same capital structure, in which concessional capital is invested in the junior equity tranche (catalytic tranche), within a waterfall structure de-risking the additional tranches of the fund. The notes are often subscribed by DFIs and are an important tool to reach profitability, usually with interest rates at the lower end of market rates, which allows the impact funds to reach operational sustainability, thus attracting commercial investors to the senior equity tranche of the fund.

However, due to the underlying risky nature of the assets carried by each of the impact funds, including Selva, it is difficult to structure these impact funds so that the notes could be rated, therefore restricting a wider range of commercial investors from investing in these individual impact funds.

The concept of the bond structure was then created, in which these funds are pooled together, underlying the bond issuance that will also require a guarantee (AA rate or higher) issued by an investment grade guarantor, providing a "full wrap" guarantee on the entire amount of the bond to mainstream it to capital markets, where larger ticket sizes are needed. The guarantor will benefit from significant risk mitigation created by the junior tranche in each of the funds, targeted to be a minimum of 25% of the total size of each fund. The SDG bond issuance can happen in tranches and can also be flexible in the terms that would be offered. More details of the program are still under construction.

Even though Selva Fund will be one of the six funds that will benefit from the SDG Bond Program, as with the other impact funds, the Selva Fund will be a stand-alone fund working towards the objective described in the project, regardless of SDG Bond issuance process.

How GEF will Make a Difference to the Selva Fund and support the SDG Bond Program

GEF's \$10 million investment into the Selva Fund's junior equity tranche will act as the critical catalytic capital needed to cushion and trigger the additional investments to fully fund and launch Selva. And in doing so, provide critical debt and technical assistance to SMEs in the Amazon regions of Brazil, Colombia, Ecuador, and Peru working towards achieving a number of the SDGs (life on land, climate action, responsible production and consumption, no poverty).

Moreover, the GEF investment will also be a fundamental piece of the platform as it completes the creation of six blended finance impact funds that will back the SDG Bond, further helping to diversify the underlying risk of the SDG Bond for investors, while addressing critical SDGs, and complementing the investment strategy and impact of the other five UN-sponsored impact funds that are part of the program (UNICEF, IFAD, UNCDF, UNDP, and CARE).

This is just the beginning. With the right funding, the six funds have an opportunity to grow further and be complemented by additional UN-Sponsored funds with the same capital structure as the Selva Fund sponsored by the GEF, adding to the size and the diversity of the assets backing the bonds, creating a virtuous cycle of growth, impact and diversification. The GEF investment in Selva will support one of the six funds that will be part of the SDG Bond Program, therefore helping to advance the development of the SDG Bond Program.

Palladium and BCP's goal by structuring the SDG Bond Program is to build an efficient, scalable structure to issue SDG bonds for the UN impact investing system, giving investors a place to invest in a platform that is poised for growth and successful engagement with the institutional private sector to address the SDGs.

With the structuring and implementation of the Selva Fund and GEF's investment in it, it will be able to provide the medium to long term capital need and technical assistance that SMEs in the region require to be able to attend to a privately driven demand for sustainably produced and sourced forest-based products and commodities from the Amazon. Such capital and technical assistance will strengthen, consolidate and better structure these businesses and the value chains in which they operate, providing reliable and sustainable livelihoods to local communities and that ultimately act to prevent deforestation, restore natural forests, implement regenerative agriculture and livestock practices, and act to promote overall sustainable land-use practices. Moreover, GEF's investment will be fundamental in leveraging additional investors to co-finance alongside their investment. Many investors are willing to invest in the region and be part of efforts to strengthen and consolidate sustainable value chains in the Amazon region and join forces with the GEF increases their appetite to invest in the region through the Selva Fund. With the leverage that GEF brings, SMEs will benefit with more availability of long-term finance and TA to attend to a growing market of sustainably produced and sources bioeconomy-based products. Moreover the TA Facility will be incremental by offering tailor-made support to these businesses, which is a key de-risking factor for the Selva Fund. This support will be designed and implemented by Palladium or its partners in diverse areas such as financial and accounting management, business model and planning, market development and commercialization, production related support to input providers, human resources management and impact measurement and monitoring.

Selva Fund will be the only debt fund with a tailor-made technical assistance facility focused on SMEs operating in the bioeconomy-based value chain and sustainable commodities produced in the region. In this way, Selva can complement with resources and lessons learned other existing funds and projects in the region. That also includes pipeline since they operate with different financial instruments, for instance Selva can coordinate with other funds, especially with those that provide equity / quasi-equity, and as such, provide complementary resources for these SMEs to scale.

SELVA FUND PROPOSAL

Fund Objective

The Selva Fund is a revolving open-ended fund, will provide finance and technical assistance to invest in bioeconomy activities, forest-based products and commodities value-chains for small and medium size enterprises. The bioeconomy activities are expected to contribute to the protection and restoration of the Amazon forest whilst supporting sustainable livelihoods for local communities in the Amazon regions of Brazil, Colombia, Peru and Ecuador. The fund structure has been designed to be part of a broader SDG Bond Program with 6 other blended finance impact funds, and will seek to mobilize additional private finance through capital markets.

Component 1: Selva Fund Investment

Fund defining characteristics

The Fund will support SMEs that enhance the protection and restoration of the Amazon Forest, whilst supporting equitable and high-quality livelihoods for local communities in the Amazon regions of Brazil, Colombia, Peru and Ecuador. Catalytic financing will be deployed through an impact debt fund with the following design features:

- A blended finance fund composed of 40% Junior Equity, coming from catalytic Capital providers of which USD10Million will come from the GEF, 40% from notes (Loans to the fund) and 20% from Senior Equity tranche coming from commercial capital providers.
- It will be an open-ended fund but modelled with a lifespan of 15 years to align with sector needs (based on due diligence and financial stress testing)
- A Technical Assistance sidecar separately funded to provide business related support, deepen E&S impact and mitigate default risk (USD 12M).
- The fund will allocate up to 10% of its total size in a single deal and will not allocate more than 60% in a single country.

The fund will kick-off with a USD10M to USD20M size investment into junior equity. Disbursements may be tranching, to consider GEF's requirement to not have the fund's majority of shares. Selva will ramp up to USD75M for all assets combined, in line with market demand.

Investments will be made in a target portfolio of up to 57 SMEs in Amazon based bioeconomy and sustainable production value chains that protect & restore forest & boost livelihoods. Figure 1 summarizes Selva Fund mechanism.

More than 30 SMEs have already been identified to enter Selva Fund's pipeline. Selva Fund is uniquely positioned to draw on Palladium's deep regional networks, in-country presence and experience from delivering high-impact programs that promote sustainable and regenerative business models in the Amazon, including Partnerships for Forests, CATALYZE, and the Peru Cocoa Alliance.

Figure 1 - Selva Fund Mechanism

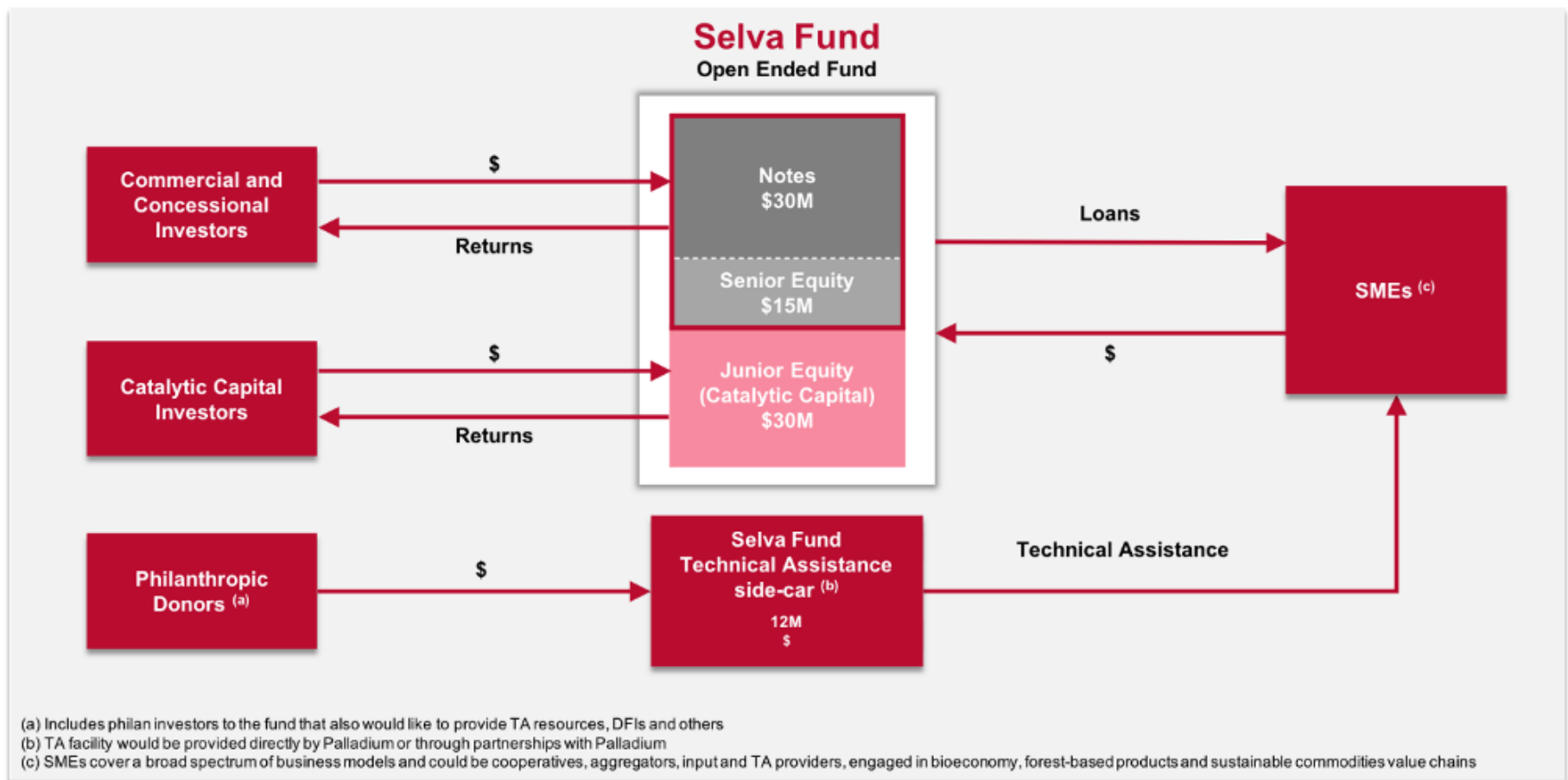


Figure 1 summarizes Selva Fund mechanism:

The Selva Fund will engage with catalytic and commercial investors for investments in one or more of the fund's three investment tranches:

- The junior equity tranche is targeted at catalytic impact investors such as the GEF;
- The senior equity tranche is targeted predominantly at commercial investors, and with a 5% annual dividends payment
- A notes tranche (or loans to the fund) is targeted mostly towards commercial investors and with interest payments of 3% annually

The Fund will provide on average 5-8 years loans to SMEs, and occasionally to larger aggregators (local credit cooperatives, banks, larger input providers). These SMEs will be engaged in bioeconomy-based and sustainable and restorative agricultural and livestock.

SMEs financed by Selva will also have access to non-refundable grants from a Technical Assistance side car, focused on improving areas within the SMEs that need greater support to enhance their operations and minimize risks associated with their business.

Fund Investment Strategy

The Selva Fund will provide financing solutions to SMEs for bioeconomy activities which integrate Nature-based Solutions across three regenerative business archetypes, identified through the delivery of Partnerships for Forests, and a fourth archetype that provides enabling services to the former:

- **Archetype 1 - Models which create value from standing forest:** Businesses that enhance the value of standing forest with product lines (forest-compatible products) and services that create alternative and enhanced livelihood opportunities for local communities. This includes private businesses, cooperatives and/or farmer organizations, that aim to keep the Amazon's forests as functional ecological units while providing livelihoods to local communities, through harvesting/sourcing from native crops like coffee, açai, Brazil nuts or cocoa or payment for ecosystem services. Also, those SMEs in which their business model depends on standing forests are part of this archetype. Examples of business under archetype 1: companies investing in projects that deliver payments for ecosystem services, forest-compatible products, ecotourism, biodiversity banks and others.
- **Archetype 2 - Models that incorporate sustainable agriculture and livestock production with forest protection:** Businesses that promote sustainable land use, increase production efficiency on lands under agriculture or livestock production to prevent expansion, decrease deforestation pressure and, as such, create forest protection mechanisms. This includes businesses such as cooperatives and farmer organizations promoting the use of improved technologies and practices to generate higher yielding crops, improved land, and soil management practices, regenerative agricultural practices and harvesting methods, as well as reduced use of harmful agrochemical products. Other target investees could include sustainable cattle ranching businesses, through which intensification of cattle ranching on existing pastures initiatives will be implemented, also leading in decreased carbon footprint of such practices. Examples of business under archetype 2: companies promoting increased agricultural and livestock productivity using sustainable practices, shade planting for agricultural production, tree farming, promoting landscape-level governance while improving carbon sequestration and carbon footprint in the area.
- **Archetype 3 - Models that create value from re-growing degraded forest:** Business models under this archetype restore degraded land to a state that is as close as possible to natural forest. This can include a diverse mixture of regrowth vegetation that increases both above- and below-ground biodiversity and biomass and excludes monoculture plantations. These approaches essentially mimic natural ecosystems, working with plant and crop species that are suited to specific environmental conditions and can restore increased environmental and economic productivity at the same time. Business under this archetype bring value to forest regeneration, for example through agroforestry systems involving local communities in restoring already degraded lands in different land-use and partnership arrangements with producers. Sustainable timber production models, through which deforested areas are restored by planting a range of commercial native species, will also be financed. Examples of business under archetype 3: Businesses that are focused on and promote/depend on the regrowth of natural forests systems for sourcing inputs, and/or combined with carbon and other environmentally related services for compliance or voluntary purposes (payments for environmental services).
- **Archetype 4 - Businesses that provide enabling solutions to the above-mentioned models:** The Selva Fund will also invest in businesses that provide additional infrastructure and/or logistical support to strengthen supply chains, further enhancing scale and reach. Businesses that provide innovative financing solutions, such as the issuance of financing to producers whose practices contribute to the reduction of deforestation, will also be financed. Examples of business under archetype 4: tech companies offering tools to improve producers' productivity, traceability, and socio-environmental risk solutions as well as marketplaces that give markets access to SMEs bioeconomy based and sustainably produced commodities in the Amazon region. Archetype 4 companies provide enabling solutions to producers involved in the models classified as Archetype 1, 2, and 3. Although using these enabling conditions can be help restore lands or improve practices, a conservative approach was adopted where Archetype 4 companies do not contribute to Core Indicators 3 and 4. However, the producers who are users of these enabling solutions are counted within, and contribute to, Core Indicator 11 (the Fund will ensure that the risk of duplicate is properly addressed, and if an invested company classified as Archetype 4 provides its solution to the producers of another portfolio company classified as Archetype 1, 2, or 3, these users will not be counted twice in the number of beneficiaries that the Fund will report). How Archetype 4 contributes to the core indicators will be further examined during the PPG phase.

Selva Fund will invest in SMEs in the Amazon across these archetypes with capital needs, including Capex or working capital financing, that will increase quality and/or production capacity to satisfy local & international demand for bioeconomy-based and sustainably produced agricultural and livestock related products, or the provision of services to support these SMEs such as logistics, communications, traceability and other enabling conditions (archetype 4) that will strengthen the ability of forest-reliant businesses to succeed and scale. It will specifically target SMEs that would benefit from:

- Longer-term debt (3 ~ 8 years) and a grace period (0 ~ 3 years)
- With annual revenues ranging from USD 500k to USD 10M, according to their businesses and cash-flow needs to consolidate, scale, and potentially replicate, strengthening the supply sustainably
- Loan tickets will range from USD250k to USD 7M – with a greater focus in the USD1.5M – USD 7M range.

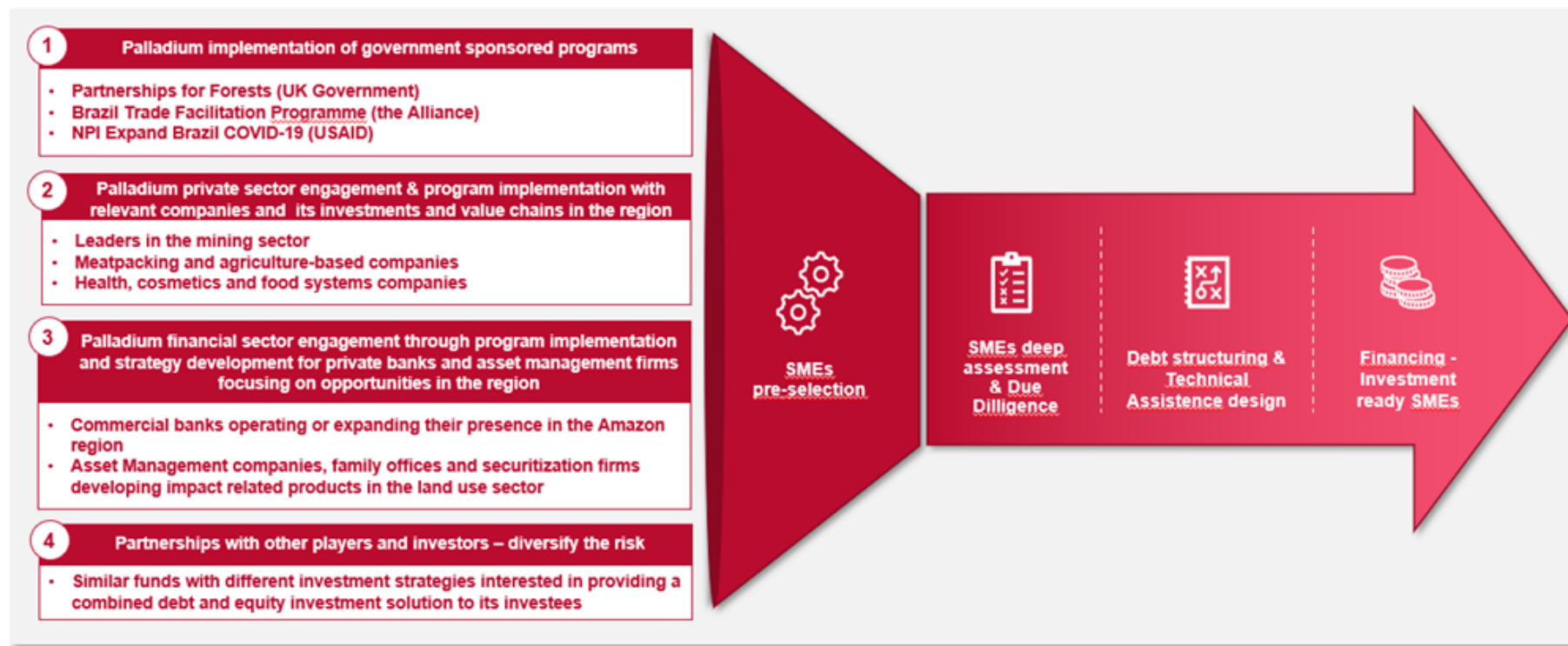
The Fund will target SMEs operating in a wide range of sectors such as health and cosmetics, food, direct implementation of sustainable agriculture/livestock practices, technical assistance provision, and other sectors that enable SMEs' to meet increasing demand coming from off-takers/aggregators, as well as greater demand for niche products from sustainable Amazon-based value chains.

Interest rates will be evaluated according to business and country risk profile, with an average interest rate of, 14% p.a (Subject to change. Considering UST + spread based in Apr 2022.). Interest rates provided will be compelling to the SMEs that the Selva Fund will target, considering their risk profile and the terms that Selva would be able to offer. Moreover, it is important to point out that interest rates for the countries in which these SMEs are located are historically high, and they have limited access to credit markets - some are able to access shorter term loans, but only if they are able to provide excess guarantees. In addition, guarantees (such as receivables from off-takers, land / real estate, machinery and other assets) might not be always available.

Pipeline Identification and Assessment

Palladium brings a strong track record in identifying and developing investable business models that generate income from protecting or restoring high value natural ecosystemsthrough the implementation of large government and private sector sponsored programmes in the Amazon region of Brazil, Colombia, Ecuador and Peru. Palladium has worked across a spectrum over 220 forest commodities - from carbon to biodiversity credits to cocoa, coffee rubber, beef, timber, essential oils, rare foods, and seeds. Selva Fund will capitalise on this established network of off-takers and SMEs integrated in their supply chains and innovative business models anchored in sustainability principles supported by large multinational players. The process is outlined in the following Figure:

Figure 2 – Selva Fund – Pipeline Identification Process



As per the figure above, Palladium implements a number of government-sponsored programs and projects that will benefit the Selva Fund team in its pipeline development process. As per item 1 in the chart above, Palladium implements a UK sponsored program – Partnerships for Forests, (P4F) in which the Selva Team was able to assess over 35 business models in Brazil, Colombia and Peru that have been incubated and accelerated by Palladium in the Amazon region with the purposes of restoring degraded lands and forests, conserving existing forests and ultimately preventing deforestation.

Moreover, additional programs such as the Brazil Trade Facilitation Program, also sponsored by the UK government and the NPI Expand Brazil, will facilitate access to SMEs operating in value chains that take place in the Amazon as well. In addition, Palladium also implements the CATALYZE program in Peru, which will also allow the Selva Team to identify additional SMEs operating in the Amazon and within the Selva scope.

As per item 2 in the chart above, Palladium also implements private sector driven projects in the Amazon region. Such projects are focusing on the structuring of sustainable commodities value chains, productive forest restoration and sustainable agriculture and livestock practices, in countries such as Brazil, Colombia and Ecuador.

Finally, as per item 3 and 4 in the chart above, Palladium also works with the financial sector in these countries which have been focusing on the Amazon region as well – either to extend credit or to invest in start-ups in the region. The Selva team is collaborating with these players as well in sharing pipeline so that there is a complementarity of financial instruments needed by SMEs in the region, where Selva will be additional to these other players.













Investment Process

The investment process of the Selva Fund will be coordinated by Bamboo Capital Partners and Palladium, leveraging the deep-rooted and extensive networks and footprint across the target countries. The main steps are listed below, and summarized in Figure 3.

- Deal Sourcing and Screening:
 - o Pipeline developed by investment team with support from TA and in-country partners.
 - o Identification of potential leads and evaluation of the pipeline funnel.
 - o Screening opportunities against Selva's financial and non-financial criteria and impact objectives.
 - o Initial assessment of gaps and the possibility to bridge gaps with pre and/or post TA.
- Preliminary Due Diligence:
 - o Quality Check: Assessment and Evaluation of key aspects of the project proposals
 - o Risk Check: Assessing the project's risk profile and expected pricing with regards to risk profile of the Fund and return expectations
 - o Definition of potential areas of TA intervention
 - o Go/No-Go Decision with regards to a more detailed DD (by the Fund's internal Risk Committee)
- Due Diligence:
 - o Validate the investment and impact thesis
 - o Validate operational needs to be addressed with TA.
 - o Identify all risks and mitigating factors, including ESG risks.
 - o If the DD confirms the investment and impact thesis, then negotiate and draft term sheet with investee.
 - o Submit investment memo including possible TA request to RC/IC for Go/No-Go Decision.
- Deal Execution:
 - o Coordination with Fund Administrator Confirmatory due diligence (legal, tax, accounting)
 - o Finalising negotiations and investment, signing and disbursement.
- TA Package Design and Deployment:
 - o TA provided on an as-needed basis to address gaps and strengthen investees as per approved TA programme
- Support and Monitoring

- o On-going risk evaluation and management of transactions in line with best practice guidelines Interventions on as-needed basis
 - o On-going support for investee
 - o TA provided on an as-needed basis to address gaps and strengthen investees as per approved TA programme
 - o Regular performance evaluation and monitoring of social impact portfolio management and delinquency management
- Reporting
 - o Financial and Risk Reporting about the Investees in the portfolio, including updated valuations
- Exit / Follow-up
 - o Subject to the nature of the investment, follow-ons, self-liquidating and etc

Figure 3 – Selva Fund – Investment Process

Step	Activities	Responsible	Support
1. Deal Sourcing and Screening	<ul style="list-style-type: none"> Pipeline developed by investment team with support from TA and in-country partners. Identification of potential leads and evaluation of the pipeline funnel. Screening opportunities against Selva's financial and non-financial criteria and impact objectives. Initial assessment of gaps and the possibility to bridge gaps with pre and/or post TA 		
2. Preliminary Due Diligence	<ul style="list-style-type: none"> Quality Check: Assessment and Evaluation of key aspects of the project proposals Risk Check: Assessing the project's risk profile and expected pricing with regards to risk profile of the Fund and return expectations Definition of potential areas of TA intervention Go/No-Go Decision with regards to a more detailed DD (by the Fund's internal Risk Committee) 		
3. Due Diligence	<ul style="list-style-type: none"> Validate the investment and impact thesis Validate operational needs to be addressed with TA. Identify all risks and mitigating factors, including ESG risks. If the DD confirms the investment and impact thesis, then negotiate and draft term sheet with investee. Submit investment memo including possible TA request to RC/IC for Go/No-Go Decision. 		
4. Deal Execution	<ul style="list-style-type: none"> Coordination with Fund Administrator Confirmatory due diligence (legal, tax, accounting) Finalising negotiations and investment, signing and disbursement. 		
5. TA Package Design & Deployment	<ul style="list-style-type: none"> TA designed on an as-needed basis to address gaps and strengthen investees as per approved TA programme 		
6. Support and Monitoring	<ul style="list-style-type: none"> On-going risk evaluation and management of transactions in line with best practice guidelines Interventions on as-needed basis On-going support for investee Regular performance evaluation and monitoring of social and environmental impact 		
7. Reporting	<ul style="list-style-type: none"> Financial and Risk Reporting about the Investees in the portfolio, including updated valuations. 		
8. Loan Repayment/ Follow-up	<ul style="list-style-type: none"> Subject to the nature of the investment, follow-ons, self liquidating and etc. 		



Palladium



Bamboo Capital Partners

Fund's Terms & Conditions

Selva Fund will be a blended finance structure with three different share classes: i- Junior Equity (Catalytic Capital), ii- Notes and iii- Senior Equity. The GEF would participate in the Junior Equity Tranche among with other investors. GEF's Investment in Selva Fund is in the junior share (catalytic capital) so subordinated to investors in the senior shares as well as notes investors. GEF's exit strategy is redemption of its shares in 15 years (with or without the issuance of the SDG Bonds).

Table 3 – Selva Fund's Terms & Conditions

Project/Program Title	The Selva Fund
Sector	Small and Medium sized businesses that enhance the value of standing forest, promote

Sector	Small and medium sized businesses that enhance the value of standing forest, promote sustainable land use, forest regeneration and that provide enabling conditions for the former to operate. The activities that are financeable are described in the 4 archetypes described in Outcome 2.
Country [ies]	Brazil, Colombia, Peru, and Ecuador
Currency of the Financing	USD, but financing of the borrowers can be done in local currency.
Currency risk	Selva is a USD fund that may transact in local currencies (BRL, COP and PEN). The Fund will hedge FX exposure for loans taken in currencies other than USD. Hedging can be arranged for a specific loan or it can take a portfolio approach. Such risk management decision process will consider cost, margins, counterparty and currency risks.
Fund Size	The fund will kick-off with a USD10M to USD20M size investment into junior equity, ramping up to USD 75M in 3 years
Deal Size	USD 250k – USD 7M
Technical Assistance sidecar	USD 12M
Financing instruments	<p>Selva Fund will be a blended finance structure with three different share classes: i- Junior Equity (Catalytic Capital), ii- Notes, and iii- Senior Equity. The GEF would participate in the Junior Equity Tranche among other investors. GEF's Investment in the Selva Fund is in the junior shares (catalytic capital), subordinated to investors in the senior shares as well as notes investors. GEF participation in the Junior Equity will be pari passu with other Junior Equity participants and will have the same maturity – 15 years.</p> <p>See section on Waterfall of Payments.</p>
Terms and conditions for the financing instruments	<p>a) <u>Fund strategy</u>: The loans will provide medium to long-term capital, including Cap ex or working capital financing, that will increase SME's products quality, production, and reliability capacity to satisfy local & international demand for bioeconomy-based products and sustainably produced commodities value chains). It will also finance SMEs that provide enabling conditions for the well-functioning of these SMEs within their value chains. The fund will provide loans to SMEs with the following characteristics:</p> <ul style="list-style-type: none"> · Longer-term loans (3 ~ 8 years) · Longer grace periods (up to 3 years). · Attractive terms and interest rates to the SMEs, considering their risk profile. Interest rates for borrowers operating in the target countries are historically high. Access to financing is only possible through short-term loans at very restrictive conditions, including significant ov

	<p>short-term loans at very restrictive conditions, including significant over-collateralization and guarantees. Guarantees, such as receivables from off-takers, land/real estate, machinery, and other assets might not be always available. conditions, including significant over-collateralization and guarantees. Guarantees, such as receivables from off-takers, land/real estate, machinery, and other assets might not be always available.</p> <p>b) <u>Fund structure:</u> The fund is a revolving and open-ended fund. It is expected to continue operating further until the Fund's Board decides to liquidate. Please see additional detail in the Fund Governance section.</p> <p>The Selva Fund is a blended finance fund composed of 40% Junior Equity, coming from catalytic capital providers of which USD 10M will come from the GEF, 40% from notes (Loans to the fund), and 20% from Senior Equity tranche coming from commercial capital providers. Moreover, the investment of the GEF will also help to mobilize grant funding for the Selva Fund's Technical Assistance sidecar that will provide business-related support, deepen E&S impact, knowledge management and ultimately mitigate default risk (USD 12M).</p> <p>The notes (loans to the Selva Fund, comprising 40% of the Selva Fund's total investment) are an important tool to scale up the fund to reach profitability. Notes are riskier for the fund due to their periodic payment obligation. Interest rates paid are at the lower end of market rates due to their seniority and loss protection, allowing the fund to reach operational sustainability. Operating sustainably is key to attracting senior share investors – commercial/private investors.</p> <p>The fund will be domiciled in Luxemburg and be launched with a USD [25-40 M] of [which USD25M] size investment into junior equity. Disbursements may be tranching, to consider GEF's requirement to not hold the fund's majority of shares at any point in time. Selva will ramp up to USD75M for all assets combined, in line with market demand.</p> <p>At PIF stage, the first close proposal is \$25M. However, during the PPG phase, CI will conduct detailed financial and legal due diligence and this number may increase to up to \$40M, based on CI and GEF considerations of the DD.</p> <p>c) <u>Fund governance:</u> The roles of Palladium and BCP will be described in the governance structure, statutes, and contracts. See Coordination section for more information. CI will represent the GEF in the Selva Fund advisory committee and will be sitting alongside other potential investors and experts TBD.</p>
Waterfall of payment	<p>1. Business as usual scenario</p> <ol style="list-style-type: none"> 1. Payment of interests to Note's investors (interest is paid annually). 2. Payment of target dividend to Senior Equity tranche investors (annual payment). Senior equity tranche dividends are paid only if Selva's net income is enough to cover it and cash is available. Otherwise, it is partially paid with no accumulation of unpaid amounts for future years. 3. At maturity of the Notes, (10 years - bullet) principal repayment to the Notes investor

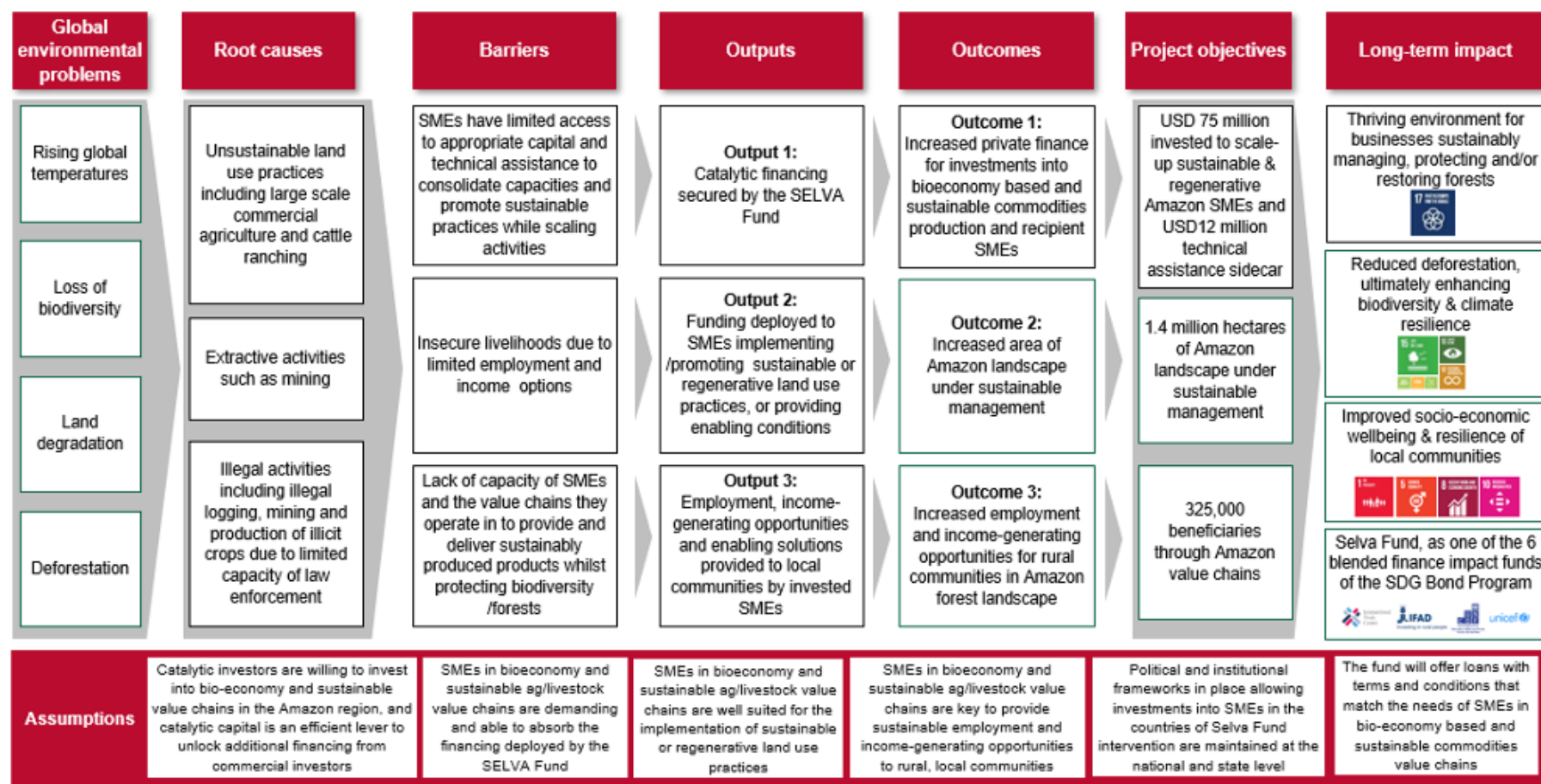
	<p>s, unless extended.</p> <p>4. At maturity of the Senior Equity (10 years - bullet) the fund returns principal amount to Senior Equity Tranche Investors, unless extended.</p> <p>5. At Maturity of the Junior Equity (15 years), the fund returns the principal amount of the Junior Equity</p> <p>Assumptions: 90% of senior equity and notes investors will renew their investments in the fund. This could happen under the same terms as initial investments were made.</p> <p>2. Liquidation scenario As the fund operates and manages the investments, special situations can arise in which for example an investee defaults on payment obligations. While the fund manager will ensure the best possible outcome of any restructuring negotiations for the fund, there are no special valuation procedures as a result of such a default.</p> <p>The valuation and the calculation of the NAV is conducted on a regular basis (annually audited with quarterly updates). Each asset is assessed for its value, considering the development in credit quality and the expected cash flow payments. In case an asset defaulted or goes through restructurings, this valuation is adjusted. Once the total NAV is calculated, it is translated into a valuation of each investor's shares. The detailed calculation of the NAV will be provided ahead of CEO Endorsement.</p> <p>The total NAV is used to satisfy the claims of the most senior investors (notes), followed by the senior equity investors. Any residual value is allocated to the junior equity tranche investors. In case of positive performance development, this can result in a valuation of the remaining junior equity tranche above the par value. In case of negative development, this valuation can result in a value below the initial invested amount.</p>
Events of Liquidation	<p>Could include but are not limited to:</p> <ul style="list-style-type: none"> - At year 10, if renewal of investment of Senior Equity and Noteholders does not jointly achieve [X]%. This percentage will be determined during the PPG phase as part of the due diligence, financial structure and scenario analysis. - At any time, if the CI/GEF represents majority of the shares - Other as customary of the Fund Manager <p>The Board of the Fund has the authority over the fund's continued operations, including the decision to terminate the activities and liquidate the fund's portfolio. Please see additional detail in Coordination Section.</p>

(a) UST + spread based in Apr 2022 - subject to change

Theory of Change

Through its activities, the Selva Fund will support SMEs that enhance the protection and restoration of the Amazon Forest whilst supporting the livelihoods of local communities in Amazon value chains. By doing so, the Fund aims to address key barriers to the development and scale-up of sustainable economic models in the Amazon region. The financing and technical assistance deployed by the Selva fund will aim to generate the outcomes detailed thereafter and contribute to the project's objectives. Ultimately, the Fund's intervention will aim to contribute to long-term positive impact in the region, supporting a thriving environment for sustainable economic models, reducing deforestation and improving socio-economic wellbeing and resilience of local communities.

Figure 4: Selva Fund - Theory of Change



PROJECT PROPOSAL

Progress towards the Fund's objective will be measured through the following indicators:

- Total area of Amazon landscape under sustainable management (hectares)

Target: 1,086,616 hectares

- Total number of direct beneficiaries through Amazon value chains

Target: 324,853 direct beneficiaries, including 97,572 women

- Amount (USD) invested to scale-up sustainable & regenerative Amazon SMEs

Target: USD 75 million invested

Project Outcomes and Outputs

Through its activities, the Selva Fund will contribute to the achievement of the following outcomes:

Outcome 1: Increased private finance for investments into bioeconomy-based and sustainable commodities production and recipient SMEs

- Outcome Indicator 1.1: USD value of additional finance raised, catalysed in junior equity (non GEF), senior equity and senior debt (notes) tranches of Selva investments and grants for technical assistance, into target SMEs

Target: At least USD 77 million

This outcome focuses on the fundraising efforts of the fund catalysed by GEF investment. The Selva Fund aims to increase finance for investments into bioeconomy-based SMEs. To achieve this, the Selva Fund will raise finance from commercial investors to be invested, in the form of debt, into SMEs that contribute to the sustainable management, protection and restoration of Amazon Forest landscapes. To be able to achieve this and unlock capital from commercial investors, the Fund will use its blended finance structure, where the first tranche of financing provides a catalytic protection to the more senior tranches. Catalytic investments into the junior equity tranche of the Fund will help unlock additional commercial capital, to be invested in SMEs which otherwise would not have access to this commercial financing. Selva will identify businesses that require capital to scale-up or replicate activities and achieve increased profitability alongside delivering positive environmental and social impacts. The Selva Fund is designed as a blended finance fund, composed of 40% junior equity, sourced from catalytic capital providers, which will help unlock further capital from commercial investors.

GEF will not be the only junior equity provider, as US\$30M in jr. equity will be raised and GEF will provide US\$10M. The investors of the additional US\$20M of junior equity investments will have same investment terms and conditions as the GEF.

This will be achieved by securing catalytic financing in the first-loss tranche of the Fund (Output 1).

Output 1: Catalytic financing secured by the Selva Fund

- Output Indicator 1.1: Amount of first-loss funding raised by the Selva Fund (USD)

Target: USD 30 million (USD 10 million from GEF and USD 20 million additional investments in junior tranche).

- Output Indicator 1.2: Amount of senior equity raised by Selva (USD)

Target: \$15M

- Output Indicator 1.3: Amount of senior debt (notes) raised by Selva (USD)

Target: [\$30 M]

- *Output Indicator 1.4: Amount of grant raised by Selva (USD)*

Target:[\$12M]

Output 1 reflects the amount of catalytic capital raised in the first-loss tranche by the Fund, which will enable the Fund to unlock additional finance in the form of notes (40%) and senior equity tranche (20%) coming from commercial capital providers, who otherwise may not have invested in the Fund. Outcome 1 reflects the amount of capital that has been unlocked, thanks to the catalytic capital mobilised. By taking the blended finance approach, catalytic first loss capital improves the risk-return profile to unlock additional investment from other impact-driven commercial investors, ensuring that more finance can be deployed by the Fund into target SMEs to help scale and replicate sustainable business models that protect and restore the Amazon. By doing so, the Selva Fund will contribute towards addressing the current lack of access to appropriate capital for bioeconomy-based SMEs in the Amazon. Output 1 will reflect the Fund's ability to address the barriers related to lack of financing available for sustainable models.

Outcome 2: Increased area of Amazon landscape under sustainable management:

- Outcome Indicator 2.1: Area (ha) of Amazon land restored

Target: 280,806 hectares

- Outcome Indicator 2.2: Area (ha) of Amazon landscape under improved practices

Target: 805,810 hectares

The Selva Fund aims to increase the area of Amazon landscape under sustainable management for production, protection, and restoration. To achieve this, the Fund will identify bioeconomy-based SMEs across the following four archetypes, further detailed in section 1.3:

- Archetype 1 - SMEs that enhance the value of standing forest with product lines (forest-compatible products) and services that create alternative and enhanced livelihood opportunities for local communities
- Archetype 2 - SMEs that promote sustainable land use, increase production efficiency on lands under production to prevent expansion and as such create forest protection mechanisms
- Archetype 3 - SMEs that bring value to forest regeneration to as close as possible to its natural state, including through agroforestry involving local communities in restoring degraded lands.
- Archetype 4 - SMEs that provide enabling conditions, including additional infrastructure and/or logistical support to strengthen supply chains, further enhancing scale.

By providing financing to these SMEs, Selva aims to enable them to scale-up, replicate their activities or expand their supplier networks, to increase the total area of Amazon landscape under sustainable management and contribute to land restoration in the Amazon. Ultimately, this will contribute to reduce deforestation and help enhance biodiversity and climate resilience.

Progress towards Outcome 2 will be achieved by identifying, screening and financing SMEs aligned with the Fund's objectives, across the four archetypes described above (Output 2).

Output 2: Funding deployed to SMEs implementing sustainable or regenerative land use practices, or providing enabling conditions The fund is a revolving fund, which means it can lend resources to borrowers more than once.

- Output Indicator 2.1: Number of leads identified to become prospective investees for the Fund

Target: at least 136 SMEs

- Output Indicator 2.2: Number of prospective investees screened for further due diligence

Target: at least 68 SMEs

- Output Indicator 2.3: Number of SMEs receiving finance

Target: 57 SMEs

- Output Indicator 2.4: Number of loans provided to SMEs

Target: 126 loans

- Output Indicator 2.5: Value of loans provided to SMEs

Target: USD 229 million

Output 2 reflects the funding deployed by the Selva Fund to SMEs implementing sustainable or regenerative land use practices, or providing enabling solutions, both in terms of the total value and number of loans provided, and the number of investee SMEs. Enterprises that deliver “Enabling conditions” are SMEs that provide infrastructure and technological solutions that support the range of SMEs operating in the forest protection, sustainable commodities’ production and restoration businesses. These businesses can provide traceability and more reliable communication services, marketplace, logistics, consistent/reliable energy and so on. Firstly, the Fund will aim to identify potential SMEs whose business model fits the four archetypes described above and who could potentially be invested in. Following an initial screening, a share of these companies will be selected by the Fund for further due diligence, after which the best suited models that have the highest potential to achieve increased profitability, to offer financial returns to investors and to have both positive social and environmental impact in the Amazon region will receive financing from the Fund. The Selva Fund aims to provide financing to at least 57 bioeconomy-based SMEs and will aim to provide 126 loans over its lifetime to these SMEs, for a total value of US\$ 229 million. By doing so, the Selva Fund will provide financial incentives to SMEs to sustainably produce products that contribute to sustainable land use practices in the Amazon. Therefore, output 2 will reflect the Fund’s ability to address the barriers related to the lack of financial incentives for sustainably produced products, the limited capacity to access markets for bioeconomy products, and the lack of capacity of SMEs to provide sustainably sourced products while protecting biodiversity and forests.

Outcome 3: Increased employment and income-generating opportunities for rural communities in Amazon Forest landscapes

- Outcome Indicator 3.1: Number of new jobs created (disaggregated by gender, local, permanent or temporary)

Target: 946, of which 340 female new jobs

- Outcome Indicator 3.2: Number of existing jobs sustained (disaggregated by gender, local, permanent, or temporary)

Target: 982, of which 353 female jobs

- Outcome Indicator 3.3: Number of new producers benefitting from access to income-generating opportunities in supply chains (disaggregated by gender)

Target: 166,086 producers, of which 30% is women

- Outcome Indicator 3.4: Number of existing producers maintained in activity (disaggregated by gender)

Target: 91,508 producers, of which 30% is women

- Outcome Indicator 3.5: Number of new beneficiaries of enabling solutions (disaggregated by gender)

Target: 14,937, of which 30% is women

The Selva Fund will contribute to increase employment and income-generating opportunities for rural communities in the Amazon region. Targeted SMEs are those who provide employment and economic opportunities to local communities. By investing in SMEs providing employment and income generation opportunities and enabling solutions to local communities, the Selva Fund will aim to address the lack of economic alternatives for local communities which traditionally have been highly dependent on unsustainable agriculture and livestock production for their livelihoods. As the SMEs in which the Selva Fund has invested increase in capacity and scale, grow their business and expand their operations, they may need to hire new staff and involve additional producers and suppliers within their supply chain depending on the context and their specific business model. As a result, new employment and income-generating opportunities for rural communities will further be created in the Amazon, contributing to their improved socio-economic well-being and resilience.

Outcome 3 indicators will assess the positive or negative evolution in time, through both jobs sustained and new jobs created, as well as producers maintained in activity and new producers benefiting from income-generating opportunities through invested SMEs, and finally the number of additional users provided with enabling solutions. Outcome indicators 3.1 and 3.2 will track the number of new jobs in addition to existing jobs that have been sustained from the baseline prior to investment, or from the previous reporting period. For the purposes of these two outcome indicators, 'jobs' refers to direct employment opportunities within the invested SME. Further disaggregation will be applied to identify if the job is permanent or temporary. In addition, results will be disaggregated by gender and by whether the holder of the job is from a community local to the SME (context specific). The Selva Fund defines 'sustained' as any job that was counted during the previous year and has been maintained through to the current annual reporting period. Outcome indicators 3.3 and 3.4 will measure the number of producers who maintained their activities and new producers who gain access to economic opportunities within the value chains of invested SMEs. Outcome indicator 3.5 will measure the evolution in number of users of enabling solutions, counting the new users from baseline.

Progress towards Outcome 3 will be achieved by investing in SMEs that, at the time of investment, already provide or have a strong potential to provide employment and income-generating opportunities to local communities.

Output 3: Employment, income-generating opportunities and enabling solutions provided to local communities by invested SMEs

- Output Indicator 3.1: Number of individuals directly employed by invested entities (disaggregated by gender, local, permanent or temporary)

Target: 1,928, of which 694 female employees

- Output Indicator 3.2: Number of producers supplying to invested SMEs

Target: 257,594, of which 77,278 are women

- Output Indicator 3.3: Number of users of enabling solutions

Target: 65,332, of which 19,600 are women

Whereas the Selva Fund will measure the evolution in the number of new jobs created, new producers supplying to invested SME and new beneficiaries of enabling solutions at the outcome level, the numbers used to track this evolution will be measured at the output level, through Output Indicators 3.1, 3.2 and 3.3. Output 3 indicators will reflect the Fund's ability to address the barrier related to the lack of economic alternatives that do not lead to deforestation for local communities' which are highly dependent on unsustainable agriculture and extensive livestock production.

4) Alignment with GEF focal area and/or Impact Program strategies;

The objectives of the Selva Fund and the Outcomes set out in the RF are aligned with multiple GEF Focal Areas and Impact Programs. The Selva Fund will deploy investment into SMEs that implement and/or source from the implementation of sustainable, forest-compatible business models, promote sustainable land use and climate change mitigation strategies, whilst simultaneously providing societal and biodiversity benefits. As such they can be considered as nature-based solutions to the current climate and biodiversity crises.

Biodiversity Focal Area

The Selva Fund will support the consolidation, scaling-up and replication of regenerative business models in the Amazon, one of the world's major biodiversity hotspots and a priority key transboundary biome, as defined by the GEF.

Selva Fund's target investees implement sustainable practices that will help address the challenge related to biodiversity loss in the Amazon region, especially by contributing to reducing habitat loss driven by the expansion of agriculture. By increasing the area of Amazon landscape under sustainable and regenerative land-use practices, Selva investees will also increase the area of forest ecosystem that is protected or under restoration, an outcome that will also help to conserve and enhance biodiversity. Within the different archetypes of business models targetted by Selva, the Fund will select companies that either depend on the Amazon ecosystem and sustainably produce product lines that enhance the value of standing forest (archetype 1), or sustainably produce in forest-adjacent areas and increase productivity in order to prevent further land expansion (archetype 2), or restore already degraded lands by implementing regenerative practices to restore forest back towards its natural state (archetype 3), or provide enabling solutions to these models (archetype 4). These archetypes all bring a contribution to the protection of biodiversity in the Amazon region. Selva Fund's ESG standard also operates in alignment with IFC Performance Standard 6, ensuring that biodiversity is recognised and conserved across all investments. Therefore, the Fund will support achievement of Objective 1 of the GEF's Biodiversity Focal Area (*Objective 1. Mainstream biodiversity across sectors as well as landscapes and seascapes*). By targeting SMEs in bioeconomy-linked supply chains, Selva Fund will contribute to biodiversity mainstreaming in priority sectors, and sustainable use of plant and animal genetic resources. Lastly, by investing in SMEs that implement SLM whilst creating sustainable livelihoods for rural communities, Selva Fund will mitigate drivers of deforestation, in some cases within landscapes that border or overlap with protected areas, therefore contributing to protection of habitats and species.

Land Degradation Focal Area

The Selva Fund will directly contribute to the objective 1 of the GEF's Land Degradation Focal Area (Objective 1. Support on the ground implementation of SLM to achieve LDN), by providing finance to support SMEs to increase the area of Amazon Forest landscape under SLM. Target SMEs that are active in food supply chains and that integrate agro-forestry or other regenerative practices will contribute towards maintaining or improving flow of agro-ecosystem services through Sustainable Land Management (SLM). The Selva Fund will prioritise investment into SMEs that implement SLM in forested areas whilst providing sustainable income-generating opportunities and jobs in rural communities, including indigenous and forest-dependent communities, therefore sustaining the livelihoods of forest-dependent people. Invested SMEs that fit the archetype of regenerative business models (archetype 3) and those that incorporate forest protection into agricultural production (archetype 2) will contribute to reduce pressures on natural resources from competing land uses and increase resilience in the wider landscape. Lastly, by providing debt finance to target SMEs, along with TA, and by also directing investment into business that provide enabling solutions, including tech, logistics, traceability and financial products and services, the Selva Fund will also contribute to create enabling environments to support the scaling up and mainstreaming of SLM and to drive progress towards Land Degradation Neutrality (LDN).

Climate Change Focal Area

As explained above, Selva Fund investments will mitigate drivers of deforestation and increase the area of Amazon Forest landscape that is under sustainable or land use management practices, increasing the area of forest that is protected or under regrowth and restoration. This will include sustainable intensification and climate smart and regenerative agriculture. As a result, the investments of the Selva Fund will have a demonstration effect on the viability

of sustainable business models that contribute to reduce deforestation, and their potential for scale-up, therefore contributing towards Objective 3 of the GEF's Climate Change Focal Area (Objective 3. Fostering Enabling Conditions for Mainstreaming Mitigation Concerns into Sustainable Development Strategies). Further to this, the Selva Fund will contribute towards demonstrating mitigation options with systemic impacts through its investments, in line with the Objective 2 of the GEF's Climate Change Focal Area (Objective 2. Demonstrate mitigation options with systemic impacts). Indirect contribution to the Climate Change Focal Area will be monitored through Selva Outcome 2.1 and 2.2 indicators, with disaggregation by relevant SLM. The Selva fund will support the transition towards climate-smart economic models in the Amazon region. By targeting SMEs that provide economic opportunities to local communities, the Fund aims to make this transition just and inclusive. By supporting the growth of target SMEs, the Selva Fund will generate new and improved sustainable income-generating and employment opportunities, therefore contributing to reducing the vulnerability of people, livelihoods, physical assets and natural systems to the adverse effects of climate change. This contribution will be demonstrated, indirectly, through Selva Outcome Indicators 3.1 and 3.2 (number of new jobs created and number of jobs sustained), Outcome Indicators 3.3 and 3.4 (number of new and sustained producers benefitting from income-generating opportunities in supply chains).

Through its alignment to the GEF Focal Areas, highlighted above, the Selva Fund will also contribute to the following GEF Impact Programs:

Sustainable Forest Management Impact Program

Selva Fund's area of focus is the Amazon, one of the GEF's identified key transboundary biomes of global importance. As described in previous sections of this proposal, the SMEs that Selva Fund will invest in implement and/or promote business models that integrate Sustainable Land Use Management practices and forest preservation that will in turn preserve and enhance the ecological integrity of the Amazon Forest ecosystems, whilst at the same time providing livelihoods to rural communities. Moreover, the Selva Fund is also aligned with the implementation of the the Amazon Sustainable Landscapes Program (ASL I and ASL II) in which Selva will complement ASL I and II in the countries of Brazil, Colombia, Ecuador and Peru targeting SMEs that ultimately generate alternative livelihoods to forest and rural communities living in most cases outside of protected area systems, in buffer zones and elsewhere which contributes to decrease deforestation pressure inside and outside of protected area systems.

Food Systems, Land Use and Restoration Impact Program

A significant proportion of the SMEs that will be invested in by Selva Fund will be focussed on sustainable food production. As these SMEs will also implement or promote the implementation of regenerative business models and sustainable land use management practices, Selva Fund will be directing finance towards the 'entry points' identified by the GEF, namely: promoting sustainable food systems to tackle negative externalities in entire value chains, promoting deforestation-free agricultural commodity supply chains, and promoting large-scale restoration of degraded landscapes for sustainable production and ecosystem services. With Selva Fund's resources being deployed into SMEs in bioeconomy-based and sustainable commodities' production/sourcing that are part of food systems, it is expected that it will be aligned with, and complement the objectives of the FOLUR Impact Program, and its projects in the countries of Brazil and Peru that are part of the program, which promote integrated sustainable landscapes and efficient food value chains at scale.

5) Incremental / additional cost reasoning and expected contributions from the baseline, the GEFTF, LDCF, SCCF, and co-financing;

The baseline (section above) describes several ongoing efforts to protect large tracts of the forest through protected area systems, REDD projects being implemented by governments creating local institutional capacities, with payments for environmental services to landowners happening across the four countries in which Selva will target, and also large funds/programs being structured to deploy resources to governments and national development banks to create the enabling conditions for more private capital flow to businesses in the region. However, SMEs in the Amazon region still have limited access to adequate finance and technical assistance that prevents them from consolidating and scaling up their bioeconomy-based or connected to sustainable commodities' production. With the structuring and implementation of the Selva Fund and GEF's investment in it, it will be able to provide the medium to long term capital need and technical assistance that SMEs in the region require to be able to attend to a privately driven demand for sustainably produced and sourced forest-based products and commodities from the Amazon. Such capital and technical assistance will strengthen, consolidate and better structure

these businesses and the value chains in which they operate, providing reliable and sustainable livelihoods to local communities and that ultimately act to prevent deforestation, restore natural forests, implement regenerative agriculture and livestock practices, and act to promote overall sustainable land-use practices. Moreover, GEF's investment will be fundamental in leveraging additional investors to co-finance alongside their investment. Many investors are willing to invest in the region and be part of efforts to strengthen and consolidate sustainable value chains in the Amazon region and join forces with the GEF increases their appetite to invest in the region through the Selva Fund. With the leverage that GEF brings, SMEs will benefit with more availability of long-term finance and TA to attend to a growing market of sustainably produced and sources bioeconomy-based products. Moreover the TA Facility will be incremental by offering tailor-made support to these businesses, which is a key de-risking factor for the Selva Fund. This support will be designed and implemented by Palladium or its partners in diverse areas such as financial and accounting management, business model and planning, market development and commercialization, production related support to input providers, human resources management and impact measurement and monitoring.

The Selva Fund's blended finance approach structure described in the proposed alternative scenario section above (Part II, 1a. 3)) provides an alternative sustainable development pathway to the region by providing patient capital and technical assistance to these players in the region. It is able to do so with a catalytic junior equity capital that improves the risk-return profile for other impact-driven investors, and as such, "blends" resources from different risk/return profile investors, including commercial investors that allows for the provision of significant resources to the region. By demonstrating the viability of investing in businesses that protect and/or restore the Amazon Forest by raising and investing USD 75 million into SMEs, the Fund will aim to address the current financing gap that exists for nature-based solutions, and, by doing so, will contribute towards a thriving environment for businesses sustainably managing, protecting and/or restoring forests in the region. Similarly, the Fund will contribute towards mobilizing additional financial resources for the scaling of businesses that will enable the development of a sustainable economy in the Amazon, capable of supporting local communities at a higher income level and with a lower environmental impact. By doing so, the Fund will catalyze a long-lasting impact and contribution to the global environment benefits and adaptation benefits described above.

Selva Fund will be the only debt fund with a tailor-made technical assistance facility focused on SMEs operating in the bioeconomy-based value chain and sustainable commodities produced in the region. In this way, Selva can complement with resources and lessons learned other existing funds and projects in the region. That also includes pipeline since they operate with different financial instruments, for instance Selva can coordinate with other funds, especially with those that provide equity / quasi-equity, and as such, provide complementary resources for these SMEs to scale.

In this financial structure, the GEF will be the anchor investor that will trigger this effort, investing NGI resources in the junior equity tranche, which will be instrumental in leveraging the participation of other investors as laid out in section 3 (in any of the three available share classes). Moreover, the GEF funding will be critical to the Selva Fund in the additional following ways:

- It ensures the minimum fund size for its beginning, and as such accelerates the process of locking-in additional investors into the other tranches
- It creates stability to the structure, by providing long term capital
- Increases the visibility and uptake for nature-based solutions and investments in the land-use and bioeconomy space in the Amazon region by providing capital while applying a robust impact framework methodology to demonstrate E&S impact

Selva Fund is the only impact investment fund focused on medium to long term debt financing to Small-Medium companies, specifically in the Amazon Region (covering four countries), and with a flexible Technical Assistance Facility, that provides tailor-made support to this business, which is a crucial de-risking component for the Selva Fund investment vehicle.

6) Global environmental benefits (GEFTF) and/or adaptation benefits (LDCF/SCCF);

The Selva Fund will invest in businesses that contribute to the protection and restoration of Amazon Forest, increasing the area of forest frontier landscape under sustainable and regenerative land use practices, whilst supporting sustainable livelihoods for local communities. Through its investment strategy, and the outcomes and long-term impact it aims to achieve, the Selva Fund will contribute to the global environmental benefits associated with GEF's core

indicators 3, 4, 6 and 11.

Core indicator 3 - Area of land restored

The overall target of 280,806 Ha for core indicator 3 was obtained by adding the overall targets of the Fund for sub-indicator 3.1 and sub-indicator 3.2.

Sub indicator 3.1: target area of degraded agricultural land restored: 83 151 Ha

First of all, the overall share of new unique investee companies operating in the agribusiness sector for restoration was estimated on the basis of identified pipeline companies. Then, the number of unique investee companies operating in the agri-business sector for restoration was multiplied by the average area of agricultural land under management of such companies (again, estimated based on data obtained from pipeline companies).

For 2023, for example: 14 (estimated number of new unique investees for 2023) x 10% (estimated share of investee companies in the agribusiness sector for restoration) x 18,000 Ha (estimated average agricultural land under management for restoration) = 25,972 Ha

The same calculation was applied for every year over the Fund's lifetime, producing the total area of degraded agricultural land restored target of 83,151 Ha.

Sub indicator 3.2: target area of forest and forest land restored: 197,655 Ha

As above, the overall share of new unique investee companies operating in sustainable forest management for restoration was estimated on the basis of identified pipeline companies. Then, the number of unique investee companies operating in sustainable forest management for restoration was multiplied by the average area of forest under management of such companies (estimated based on data obtained from pipeline companies).

For 2023, for example: 14 (estimated number of new unique investees for 2023) x 38 % (estimated share of investee companies in sustainable forest management for restoration) x 11,260 Ha (estimated average area of forest under management for restoration) = 61,737 Ha.

The same calculation was applied for every year over the Fund's lifetime, producing the total area of forest and forest land restored of 197,655 hectares.

Core indicator 4 - Area of landscapes under improved practices

The overall target of 805,810 Ha for core indicator 4 was obtained by adding the overall targets for sub-indicator 4.1 and sub-indicator 4.3

Sub-indicator 4.1 - Target area of landscape under improved management to benefit biodiversity: 577,921 Ha.

The overall target of 577,921 Ha for sub-indicator 4.1 was obtained by adding the overall targets for the following two variables:

- Total area (ha) of forest under sustainable management to benefit biodiversity – 559,443 Ha

First of all, the overall share of new unique investee companies operating in sustainable forest management to benefit biodiversity was estimated on the basis of identified pipeline companies. Then, the number of unique investee companies operating in sustainable forest management to benefit biodiversity was multiplied by the average area of forest under management of such companies (again, estimated based on data obtained from pipeline companies).

For 2023, for example: 14 (estimated number of new unique investees for 2023) x 20% (estimated share of investee companies in sustainable forest management to benefit biodiversity) x 61,514 Ha (estimated average area of forest under management to benefit biodiversity) = 174,740 Ha

The same calculation was applied for every year of the Fund's lifetime, producing the total target area of forest under sustainable management to benefit biodiversity of 559,443 Ha.

- Total area (ha) of agricultural land under sustainable management to benefit biodiversity – 18,478 Ha

The overall share of new unique investee companies operating in agricultural land management to benefit biodiversity was estimated on the basis of identified pipeline companies. Then, the number of unique investee companies operating in agricultural land management to benefit biodiversity was multiplied by the average area of agricultural land under management of such companies (again, estimated on data obtained from pipeline companies).

For 2023, for example: 14 (estimated number of new unique investees for 2023) x 4% (estimated share of investee companies in agricultural management to benefit biodiversity) x 10,000 Ha (estimated average area of agricultural land under management to benefit biodiversity) = 5,772 Ha

The same calculation was applied for every year of the Fund's lifetime, producing the total target area of agricultural land under sustainable management to benefit biodiversity of 18,478 Ha.

Sub indicator 4.3 - Target area of landscape under sustainable land management in production systems – 227,889 Ha

The overall target of 227,889 Ha for sub-indicator 4.3 was obtained by adding the overall targets for the following two variables:

- Total area (ha) of forest under sustainable management for production: 186,313 Ha

The overall share of new unique investee companies operating in sustainable forest management for production was estimated on the basis of identified pipeline companies. Then, the number of unique investee companies operating in sustainable forest management for production was multiplied by the average area of forest under management of such companies (again, estimated based on data obtained from pipeline companies).

For 2023, for example: 14 (estimated number of new unique investees for 2023) x 19% (estimated share of investee companies in sustainable forest management for production) x 21,227 Ha (estimated average area of forest under management for production) = 58,194 Ha

The same calculation was then applied for every year of the Fund's lifetime, producing the total target area of 186,313 Ha.

- Total area of agricultural land under sustainable management for production: 41, 575 Ha

The overall share of new unique investee companies operating in agricultural land management for production was estimated on the basis of identified pipeline companies. Then, the number of unique investee companies operating in agricultural land management for production was multiplied by the average area of agricultural land under management of such companies (again, estimated based on data obtained from pipeline companies).

For 2023, for example: 14 (estimated number of new unique investees for 2023) x 9% (estimated share of investee companies in agricultural management for production) x 10,000 Ha (estimated average area of agricultural land under management for production) = 12,986 Ha

The same calculation was then applied for every year of the Fund's lifetime, producing the total target area of 41,575 Ha.

Core Indicator 6 - Greenhouse gas emission mitigated

Selva Fund directs investment into SMEs that implement sustainable and regenerative land use practices that will result in reduced emissions and increased sequestration as compared to other land use practices. The GHG emissions mitigated by the Selva Fund's investments is estimated at 50,595,570 tonnes of carbon dioxide (CO₂) equivalent over a 20-year period. The calculation was based on the carbon sequestered from land restored, from agroforestry or degraded land to tropical rainforest for Brazil, Colombia, Ecuador and Peru, and assumes that reforestation would not occur without the project. This number will be updated at PPG phase.

Core Indicator 11 – Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment

By investing in companies that not only contribute to the protection and restoration of the Amazon but that also provide local rural communities and forest-dependent people with increased and sustained employment and income-generating opportunities, the Fund will contribute towards improved socio-economic wellbeing and to the resilience of these communities, thus contributing to GEF's core indicator 11 (Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment). As presented, the Fund aims to reach 325,000 beneficiaries, including 97,572 women. By doing so, the Fund will also contribute to global adaptation benefits. The Fund will reduce the vulnerability of these communities to the effects of climate change through its technical assistance activities that will enable them to implement sustainable production methods, which will contribute for example to reduced soil erosion, thus reducing their vulnerability to floods, or to reduced use of water, thus reducing their vulnerability to droughts.

The targets related to this core indicator were calculated as follows:

The total number of jobs that will be supported by the fund was calculated based on an estimated number of investees that will create local employment or income-generating opportunities (estimated on the basis of current pipeline), the average number of employees directly hired by current pipeline companies and an assumption defining the number of jobs that will be created every year by investee companies. As a third step, the total number of smallholder producers/suppliers receiving income from associated supply chains was calculated, based on the same estimated number of investees that will create local employment or income-generating opportunities that was used for the calculation of jobs supported, on the average number of smallholder producers/suppliers currently receiving income from pipeline companies and an assumption on the number of new smallholder producers/suppliers that will receive income from investee companies every year. Finally, the total number of beneficiaries of enabling solutions was calculated based on an estimated number of investees that will provide enabling solutions (estimated on the basis of current pipeline), the average number of users of such enabling solutions in identified pipeline companies, and an estimated increase in the rate of users of such solutions. Total number of beneficiaries was estimated by adding the total number of jobs within investee companies, total smallholder producers/suppliers receiving income and total beneficiaries of enabling solutions over the lifetime of the Fund. For each category of beneficiaries, assumptions on the percentage of females were used to calculate the number of women beneficiaries. For the number of direct employees, it was estimated that 36% of employees would be female - Bamboo portfolio companies have on average 36% female jobs. For the number of smallholder farmers/producers and beneficiaries of enabling solutions, an assumption of 30% of females was used. These assumptions will be progressively refined on the basis of gender-disaggregated data that will be received from pipeline companies.

7) Innovation, sustainability and potential for scaling up

Innovation – The Selva Fund is an innovative financial mechanism that differentiates itself from previous efforts and other interventions in the region:

- It is the first impact fund based on the proven Partnerships for Forests model program that is specifically targeting the Amazon region of Brazil, Colombia, Ecuador and Peru. It focuses on directly providing medium to long term finance to small and medium enterprises (SMEs) participating in bioeconomy-based and sustainable innovative agriculture and livestock production models across these four countries.
- It combines Palladium's on-the-ground regional experience in the Amazon, its technical expertise to accelerate Amazon-based land-use related enterprises in relevant and scalable value chains in the region, and capacity to identify suitable pipeline for the Fund, with the expertise of Bamboo Capital Partners, an impact investment asset management firm whose operations are driven by and result in positive social and environmental impacts, in addition to positive returns to investors.
- It's three-tranche blended finance capital structure, alongside a Technical Assistance sidecar, can cater to different investor profiles, where investors into the junior equity catalytic tranche, with GEF as anchor investor, provide patient capital and leverage additional commercial investors to support with long-term finance for new innovative business models needed to better structure value chains in the region.

- Moreover, Selva Fund's blended finance structure was also designed as such to sit alongside other Bamboo's already tested impact funds, being therefore part of an innovative impact investment funds' platform that will be packaged into an SDG bond program that is expected to mobilize US\$1billion in private capital to SDG aligned impact funds sponsored by the UN System. The SDG bond is a risky exit strategy and there is the possibility that the SDG bond will not materialize.

- The Selva Fund structure, an investment vehicle will also have a technical assistance side car, that will deploy technical assistance tailored to the needs of the investees, ranging from operational and financial management support, to the implementation of better land-use management practices, logistics and market access, impact reporting so that it addresses the investees' greatest operational needs and strengthens their business.

Sustainability

- The Selva Fund Financial/Institutional Sustainability:

- o The Selva Fund manager and advisors will charge USD 400K for management costs until it reaches USD20million of capital invested in the fund and deployed, and will then maintain a 2.0% annual management fee, 0.50% lower than other funds managed by Bamboo. Moreover, the Selva Fund team is raising additional resources, in the form of grants to support its overall operational costs, especially in the first two years while the fund is below a USD30million net asset value.

- The Selva Fund Sustainability Approach from a pipeline/SMEs perspective:

- o The Selva Fund will have a head start when it comes to pipeline development and fund deployment in the region due to the presence of its partners implementing government-led and private sector programs in the region. The Fund aims to develop long-term partnerships, with its investees and, provided that the Fund's mission and overall investment and impact criteria remain aligned, will deploy subsequent investments into SMEs. This approach will reduce transaction related costs, impacting positively on the Fund's financial performance.

- o Palladium has developed deep expertise in sustainable commodities value chains by working in the region with large off-takers and supporting their efforts to structure reliable sources of sustainably produced commodities. The Selva Fund team will be able to draw on this expertise to identify and evaluate new innovative business models that are rising to fill this need which also require access to capital to structure and source such commodities working together in different land-use model arrangements with land-owners and producers in the region

- o The Fund will provide tailored technical assistance to investees, which will help to ensure the overall sustainability of the portfolio, as well as maximize efforts towards the financial sustainability of the Fund. All "tools" will be transferred to these investees so that these SMEs are able to maintain their businesses' sustainability after Selva Fund exits: (a) financial, by better managing their cash-flows, identifying the appropriate financial products; (b) environmental, by implementing better production practices and/or supporting those across their input providers; (c) operational, by better implementation of internal and external processes involving relationships with input providers, clients and internally; (d) commercial, by building capacity to maintain existing commercial relations and also access increase market access and scale.

- o SMEs that are no longer part of the portfolio will continue to be monitored, and if additional E&S support is needed post-investment, the Fund will connect the SME to its network of broader partners to provide additional support for E&S sustainability.

Finally, the goal of the Selva Fund is to foster an ecosystem of thriving businesses in the space that it will operate to the point where these businesses will achieve financial and operational maturity. They will have direct access to additional credit lines from banks and capital markets that will see these businesses as sustainable and invest/lend to them without the need of an impact investment fund/catalytic tranche.

Scalability

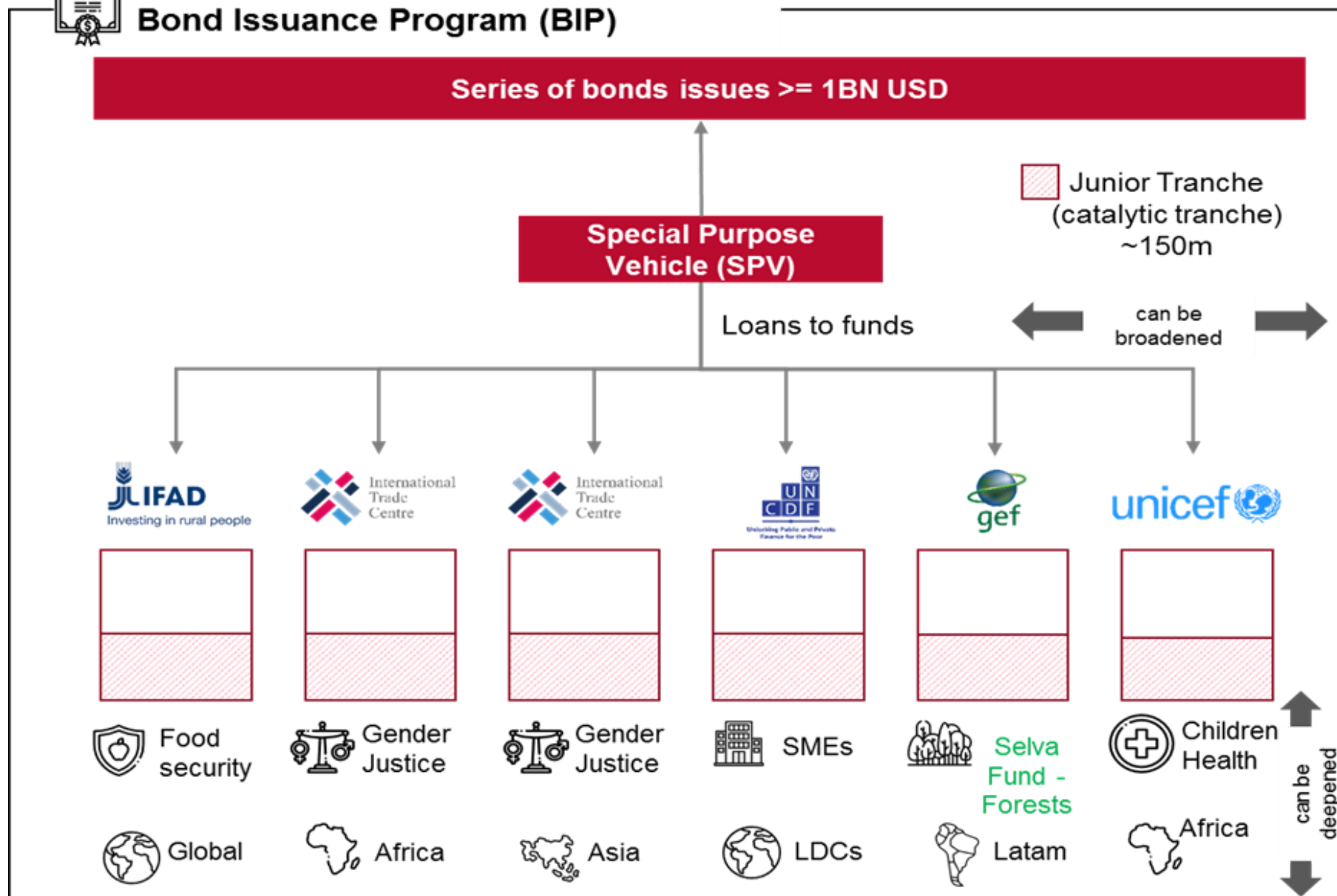
The Selva fund will be part of the Bond Issuance Program (BIP) project, a scalable platform that will launch multiple bond issues for 6 underlying funds, representing a highly diversified loan portfolio across thousands of SMEs, multiple geographies, and sectors.

The program aims to raise at least USD 1 billion from private investors to finance various streams of SDGs and UN agencies, regionally and globally, through 6 impact investment funds structured in partnership with UN agencies (IFAD, UNCDF, ITC, UNICEF, and now the GEF through Selva Fund) financing SMEs across emerging and frontier markets along several complementary investment strategies covering most of the SDGs in the missing middle.

Figure 5 – Bond Issuance Program



Bond Issuance Program (BIP)



The bond issuance program is flexible and could be tailored to each investor's specific needs in terms of duration, liquidity, coupons, etc. Each Fund adopts a blended finance structure with a junior or catalytic tranche, de-risking private sector investors who are offered over time a series of tailored bond issuances from a central SPV. Such bonds finance the six underlying portfolios at very attractive rates and leverage the junior tranches by a target ratio of at least three times. The relative short maturity of the bonds enables several cycles of issuances, increasing very significantly the 1st loss multiplier effect.

We estimate that over the next few years, a combined junior tranche of USD 150m for the six funds invested from the start would easily trigger over USD 1 billion worth of bonds purchased by the private sector and channelled to emerging market SMEs. The bond offerings will be sizeable, worth the due diligence costs for large institutional investors who need to deploy significant amounts of money per deal. Since the underlying funds are also open ended, their junior tranches can be increased at any point in time, with exponential effect on additional bond issuances. More investment funds could also be added to the platform which could easily reach multi-billion Assets under Management.

1b. Project Map and Coordinates

Please provide geo-referenced information and map where the project interventions will take place.

The Selva fund investment strategy fosters enterprises that help to sustain the Amazon Forest, focusing on four countries (Brazil, Colombia, Ecuador and Peru). Building on lessons learned through the Partnerships for Forests program and set out in a 2019 report of the Food and Land Use Coalition (https://www.foodandlandusecoalition.org/wp-content/uploads/2019/11/FOLU-Prosperous-Forests_v6.pdf), the Selva Fund will direct investment into SMEs that implement regenerative business models within an area of landscape described as the forest frontier. The forest frontier is a zone of land that occurs around deforestation hotspots, and which includes recently degraded land, land under active human cultivation and remaining standing primary forest. The figure below shows the area of forest frontier within Latin America, including around the Amazon biome.



Forest frontier in South America shows where human development is driving the loss of primary forests, predominantly around the amazon (Prosperous Forests, Food and Land Use Coalition, 2019).

Landscape within the forest frontier has high potential for impact. As it is already exposed and vulnerable through recent human activity, it's protection and restoration can play a key role in securing areas of primary forest that lie behind the frontier, including protected areas. There are three categories of land that occur in forest frontier areas and where alternative models should be urgently applied:

1. **The standing forest zone** – areas of undisturbed primary forest but which may have exposure to low-level and low-impact human use, e.g. by native communities for collection of non-timber forest products (NTFP)
2. **The agricultural zone** – active agricultural land where forest has been converted into production land for both subsistence and commercial agriculture, e.g. for beef, soy, coffee and cocoa.
3. **The degraded zone** – area of currently degraded land where unsustainable use and extraction is occurring or has occurred. Land in this zone is either in transition (e.g. there has been a recent harvest or forest clearance), is under shifting small-scale agriculture or, degraded to such an extent that the land has been left abandoned.

All three land categories underperform across economic, social and environmental dimensions. Degraded land has spread widely, reducing the social and economic value of land and driving human re-settlement to new areas, further pushing back the boundary of the forest frontier. Current agricultural practice causes soil degradation and generates pollution, whilst low productivity leads to ongoing expansion into standing forest and the loss of vital ecosystem services, including pollination and water access. Lastly, these services are not valued or appropriately distributed, with benefits of clearing forest accrued privately by a few, leading to inevitable overexploitation, whilst wider benefits to society from standing forest are lost.

In the context described above, Selva will direct investment into regenerative business models that create value from the protection and restoration of tropical forest in frontier zones of Amazon. These regenerative business models provide incentives to maintain and restore standing forest and can be classified into three archetypes that correspond to each of the three zones, described above:

1. Models which create value from standing forest
2. Models that incorporate forest protection into agricultural production
3. Models which create value from re-growing degraded forest

In addition, Selva will invest in a fourth archetype that provides enabling solutions to these three archetypes, e.g. tech, financial, logistical and traceability services.

The Selva Fund investment strategy fosters enterprises that help to sustain the Amazon Forest whilst creating opportunities for rural communities. This intervention is focused on four countries (Brazil, Colombia, Ecuador and Peru) and four business archetypes: (i) Enhancing the value of standing forest, (ii) Produce-Protect, (iii) Restoration and (iv) Enablers (as defined in previous sections). The enterprises within these archetypes have their operations in the Amazon region. The maps below show tree cover loss and deforestation hot spots. The regions with more hot spots and higher rates of tree cover loss set the deforestation boundary, known as the forest frontier. This is the zone where Selva's target SMEs will predominantly operate. Landscape within the forest frontier has high potential for impact. As it is already exposed and vulnerable through recent human activity, its protection and restoration can play a key role in securing areas of primary forest that lie behind the frontier, including protected areas.

Figure 6 – Amazon Region / Tree Cover Loss / Emerging Hot Spots



Amazon Region



Tree cover loss
(2001-2020)

Tree cover loss
Amazon Region



Emerging Hot Spots
(2002-2022)

Diminishing Hot Spot
Sporadic Hot Spot
Intensifying Hot Spot
New Hot Spot
Persistent Hot Spot
Amazon Region

2. Stakeholders

Select the stakeholders that have participated in consultations during the project identification phase:

Indigenous Peoples and Local Communities Yes

Civil Society Organizations

Private Sector Entities Yes

If none of the above, please explain why:

Stakeholder engagement to date: The Selva Fund has engaged with over 30 SMEs which would be potential candidates for its financing. The pipeline of prospective investees builds on the business models identified through the P4F program managed by Palladium. Indigenous people and local communities have not been consulted in the design phase of the Selva Fund.

P4F and Catalyze (USAID program) were the entry points for identification of SMEs that fit the Selva Fund profile. The project teams held meetings with potential SMEs to introduce the concept and explain the development phase, understand their needs from financing and their needs in terms of technical assistance, the project teams also built understanding of SME plans with regards to scaling and moving to sustainable business practices, environmental and social impacts, land-use, working with communities. These inputs have been used to build out a potential pipeline.

In addition, provide indicative information on how stakeholders, including civil society and indigenous peoples, will be engaged in the project preparation, and their respective roles and means of engagement

A Stakeholder Engagement Plan (SEP) will be developed during the PPG phase. The SEP will identify all stakeholders of the project and outline a plan to meaningfully engage with them during the implementation phase of the project.

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Among potential stakeholders and possible methods of engagement include:

- i. private sector / SMEs (pipeline development and negotiations with potential borrowers),
- ii. local and international organizations and civil society (impact reporting and pipeline identification),
- iii. financial investors (impact and commercial, related to reporting and fundraising activities and also to collaborate in cases where multiple funding options are needed)
- iv. national and other local government agencies (when and where appropriate, to improve understanding of local policies and alignment with Selva's mission, knowledge sharing with local and federal government, development and issuance of new regulations that can trigger new investment opportunities for Selva),

v. Complementary initiatives (through consultation with stakeholders from the initiatives in the Amazon region, Selva will seek possibilities to scale up impact to SMEs)

vi. technical assistance providers (when appropriate, if needed for TA) and vi- local communities (as local stakeholders, their inputs are going to be incorporated in fund design).

Selva will be engaging with local stakeholders on efforts to prevent further deforestation

Once the Fund starts to operate investees will be required to operate in accordance with the IFC Performance Standards in terms of stakeholder engagement as part of its ESG management process. The Fund is committed to operate according to the International Finance Corporation (IFC) Performance Standards and Interpretation Note on Financial Intermediaries.

3. Gender Equality and Women's Empowerment

Briefly include below any gender dimensions relevant to the project, and any plans to address gender in project design (e.g. gender analysis).

In the agricultural sector globally, women make up 40% of the workforce but are often underrepresented in decision making bodies, statistical figures, or market due to institutional and attitudinal barriers. These barriers can include land tenure laws that only ask for men's names; domestic and caring responsibilities that leave women with less time available for education and training; and uneven literacy and financial literacy rates, which mean some women are less confident about selling/negotiating (P4F Catalysing investments in forests and sustainable land use, 2022). Even though SMEs make up the bulk of the economy, accounting for approximately 50% of GDP and 60-70% of total employment worldwide, studies have found that only 29% of employers or owners of enterprises were women across 40 European economies. While the evidence from lower-middle-income countries is less representative for various reasons, the disparities are similar. A case study Pilot Project to Conserve Tropical Forests in Brazil found a "great lack of data" disaggregated by gender to show patterns of participation and empowerment. This could be attributed to a significant gap in women's technical training, especially in production and resource management.

Based on the experience of P4F in the Amazon, investments in SMEs will need to ensure greater gender balance in the business and will need to ensure that data on gender or other demographics is used develop a business models to ensure that wider socio-environmental benefits are shared and incorporated in the value approach of these SMEs.

The Selva Fund is critical because sources suggest that women-led firms have had less extensive and valuable capital relating to both the supplier and customer networks. The growing mobilization of women has not been matched by adequate attention to gender within major forest-oriented programs in the Amazon. For example, one study of 1515 men and women in Pará state of the Brazilian Amazon found that women listed twice the number of non-timber forest products compared to men. Men in Brazilian Amazonia were more likely to cite timber products among important forest products, whereas women included a variety of species used for food, nutrition, medicines and other cultural uses. When new initiatives supporting women's groups to form collective enterprises arise, like the Amazon Rural Women's Microenterprise Network, common issues include, deforestation, lack of value towards women's activities, lack of financial resources, low prices of products, and insufficient technical production capacity as critical factors that affect the progress of their enterprises.

One of the key objectives of the Selva Fund is to support sustainable livelihoods for local communities, for both men and women, in the Amazon regions of Brazil, Colombia, Peru and Ecuador. Across its activities, the Fund will finance SMEs that increase employment and income-generating opportunities for rural communities, either within the company or through its supply chain. The Selva Fund has the objective to reach 30% women across its direct beneficiaries.

The Fund aims to sustain 353 existing jobs to be filled by women, and to create 340 new jobs. Among the total number of producers who will have access to income-generating opportunities within the supply chains of invested SMEs, and those who will benefit from enabling solutions to sustainably manage, protect and restore forests, the Fund aims to reach 30% women.

The Selva Fund will integrate a gender lens at each step of the investment process and within the decision-making process. Before any investment, the potential impact on women's employment within invested SMEs, as well as the economic opportunities generated for women producers in the value chain, will be assessed and specified in the investment memorandum of each project proposal. The Fund will also pay specific attention to SMEs that are women-owned

or women-led. Once the investment is disbursed, for all projects, the Selva Fund monitoring process will include the reporting of metrics disaggregated by gender.

A gender lens will also apply in Technical Assistance activities; the Fund will actively target companies that have reached the target proportion of women within their employees, value chain producers or users of their solutions. For those who have not achieved these levels, the Fund will engage with the company to develop a plan to improve women's empowerment across their business operations.

The Selva Fund has taken a conservative approach on gender targets related to employment and income-generating activities. Regarding the number of employees, the proportion of women has been projected based on the track record of Bamboo's investments in businesses in emerging and frontier markets (36% women employees on average). Regarding income-generating activities, the Fund has considered the proportion of women within the producers of crops supplying to invested SMEs. Our experience of impact measurement in the agricultural sector has revealed that women tend to be under-represented in the reporting of smallholder farmers supplying their production to our investees.

When a family farm is involved in the production of crops sold to a cooperative, husbands tend to be the registered member of the cooperative. This reporting bias can be corrected to some extent, through engagement with the investee cooperative or SME, however we anticipate that the proportion of women reported may be low at the beginning. For this reason, we have adopted a conservative approach on gender % for income-generating activities. To the extent possible, the Fund will try to identify any gender bias leading to a misrepresentation of women and consider the actual impact of a company on women (taking into account other elements than the number of women beneficiaries, depending on the context) to inform investment decisions. Deep-dive impact studies conducted on the final beneficiaries of an investment may also help correct any bias and better measure the gender impact of investments.

Does the project expect to include any gender-responsive measures to address gender gaps or promote gender equality and women empowerment? Yes

closing gender gaps in access to and control over natural resources;

improving women's participation and decision-making; and/or

generating socio-economic benefits or services for women. Yes

Will the project's results framework or logical framework include gender-sensitive indicators?

Yes

4. Private sector engagement

Will there be private sector engagement in the project?

Yes

Please briefly explain the rationale behind your answer.

The Selva Fund will engage with the private sector in two specific aspects:

- I. Investors - There will be a coordinated fundraising effort between Palladium and BCP to map and subsequently mobilize private investors into the different commercially focused tranches of the fund: senior shares and notes. This coordinated effort will target impact investors, family offices, institutional investors. The SDG bond program that will be structured will give the Selva Fund the ability to tap into a much larger pool of private institutional investors.
- II. Borrowers – The Selva Fund is a debt fund that targets private sector entities: Small and Medium sized Enterprises in supply chains that operate in the Amazon region. It will engage with these mostly privately run businesses, but also farmers, private actors/companies engaged in the value chains that the Selva Fund will target. It will also engage with other private financial sector actors, asset management companies to share pipeline, exchange business opportunities that benefits SMEs
- III. Execution – Palladium and Bamboo Capital Partners, private sector companies, will execute the project.

5. Risks to Achieving Project Objectives

Indicate risks, including climate change, potential social and environmental risks that might prevent the Project objectives from being achieved, and, if possible, propose measures that address these risks to be further developed during the Project design (table format acceptable)

Risk	Description	Risk Rating (High, Substantial, Modest, Low)	Mitigation Measures
Dealing	Selva Fund is unable to source adequate deals	L	<ul style="list-style-type: none"> Use Palladium's Amazon based local networks acquired through the implementation of large government sponsored programs in the Amazon region of Brazil, Colombia, Ecuador and Peru Palladium experience via the management of Partnership for Forests (P4F) Also make use of Palladium's engagement with large corporates that source products from or operate in the Amazon region, and that have SMEs integrated in their supply chains or support innovative business models anchored in sustainability principles supported by these large corporates and that could also be financed by Selva <p>Engage with local financial institutions and fund managers operating in the region to share pipeline and partner in the different stages of these SMEs' financial needs</p>
Political	<ul style="list-style-type: none"> Risk that a country's government will suddenly change its policies (e.g. capital controls) due to political instability Political disruptions (regulatory change, corruption, etc.) that may adversely affect the activities of investee companies and its ability to repay the loans; <p>Law enforcement can be insufficient and cause additional forest clearance</p>	M	<ul style="list-style-type: none"> Ongoing Research and political risk analysis, regular monitoring of local situation and diversification among four different countries. Engagement with key stakeholders, such as government agencies, whom which the Selva team will engage in (see stakeholders' engagement section) in each country to identify opportunities for Selva in synergy with policy agendas, but also closely monitor politically related movements and identify possible way to mitigate risks Possibility of hiring political risk consultancies to provide advisory in case of worsening of political scenarios that can negatively affect Selva Fund's portfolio

S k	ational forest clearance		<p>ning of political scenarios that can negatively affect Selva Fund's portfolio</p> <p>In addition to monitoring its loans with regards to no deforestation in Selva Fund's are as of influence, and engaging with local stakeholders on efforts to prevent further deforestation, the Selva team will engage with key players in regions where deforestation could be happening to share data and lessons learned from its experience, and possibly intensifying technical assistance efforts to stakeholders in regions where deforestation could be occurring, particularly in areas near those where Selva loans are being allocated to</p>
I n t e r e s t r a t e	Significant fluctuations in interest rates and interest rates differentials among countries may impact the fund (e.g. capacity to raise commercial resources at competitive rates for SMEs in a scenario with increasing global interest rates or decreasing interest rates in local markets and the fund not being able to allocate its capital	S	<ul style="list-style-type: none"> • The Fund intends to raise long term funding at fixed rates to isolate itself from short term fluctuation in interest rates. • The use of a blended finance concept mitigates the risk as it buffers temporary market trends. • In addition, asset liability management will be built into the fund strategy to mitigate this risk • Loans will be undertaken over time and portfolio allocation will be adjusted continuously according to current macroeconomic scenarios, globally and across the 4 countries, and • The fund team will act diligently considering the continuousness of the fund
C u r r e n c y	Selva is a USD fund that may transaction in local currencies (BRL, COP and PEN).	M	The Fund will hedge FX exposure for loans taken in currencies other than USD. Hedging can be made for a specific loan or it can take a portfolio approach. Such risk management decision process will consider costs, margins, counterparty and currency risks.
P r i c e V o l a t i l i	Price drops of bioeconomy-based and sustainable commodities in local or international markets may affect SMEs credit risk	L	<ul style="list-style-type: none"> • Invest in a diversified range of SMEs, working with different products – mitigating price volatility risk. • Tie payments to off-takers agreements when possible. • Hedge commodity price risk if we deem necessary

t y			
C r e d i t / D e f a u l t	Default rates can be higher than initially anticipated.	M	<ul style="list-style-type: none"> · Offer a TA Facility, to provide business support deepening the fund's impact and mitigating default risks. TA will be tailor-made and can cover a range of topics: from better operational and financial management practices, market access, impact measurement and monitoring, promotion of more sustainable land-use practices ensuring that the loans are applied effectively. In this way it will work as an important de-risk component. · Request collateral whenever needed (off-takers receivables, land, real estate, equipment and others analysed case-by-case). • BCP team has long term experience dealing with SMEs and processes in place to deal with default (see chart on coordination section)
C o n t i n u i n g D e f o r e s t a t i o n	Overall deforestation in the region, or individually in the 4 targeted countries continues to occur, which more than offsets the overall deforestation prevention efforts and initiatives, including Selva	M	<ul style="list-style-type: none"> · Invest in income-generating business that fosters the protection of standing forest improving protection and/or result in increased forest regrowth and restoration • Coordinate efforts with other key stakeholders, initiatives, and efforts in the region to continuously mobilize resources towards decrease deforestation
C o	The Corona Virus Pandemic may cause delays in project implementation due to restrictions in travel, stakeholder	L	While most restrictions have been already lifted by the time this document is being written, due to increase in the vaccinated population, the fund will use Palladium's lesson

vi d - 1 9	<p>eholder consultation, and recruiting.</p> <p>Forest-based product businesses may be impacted by the economic consequences of the pandemic restriction</p>		<p>s learned in project execution during the most restrictive phases of the pandemics to operate if restrictions are back again.</p>
Cli m a t e C h a n g e	<p>Climate change related consequences, leading to extreme weather events in the Amazon also negatively affects SMEs being supported by Selva</p>	M	<p>The fund will select investees in associated supply chains implementing sustainable, climate resilient practices, as well as support through technical assistance the implementation of climate change mitigation measures in these SMEs' operations to minimize climate related impacts</p>

Climate Change Risk Analysis:

Over time, global climate change and more deforestation will likely lead to increased temperatures and changing rain patterns in the Amazon.

Climate change scenarios for the Amazon, projected by climate models presented by the IPCC point to an increase in the average air temperature to be well above 4°C. At the same time, a decrease in rainfall during dry months will lead to widespread drying.

According to IPCC reports AR5 and the Painel Brasileiro de Mudanças Climáticas (Brazilian Panel on Climate Change), the temperature in the Amazon should progressively increase from 1°C to 1.5°C by 2040 – with a 25% to 30% decrease in rainfall volume – between 3°C and 3.5°C, from 2041 to 2070 – with a reduction of 40% to 45% rain occurrence – and between 5°C and 6°C between 2071 and 2100, for higher greenhouse gas emissions scenarios. Scenarios that generate these changes include changes in greenhouse gas concentration, but do not include land use change due to deforestation or urbanization.

Projected increases in temperatures and decreased rainfall during dry months could result in longer and perhaps more severe droughts, along with substantial changes in seasonality.

Although droughts and floods are part of the Amazon's natural climate variability, the extreme drought and flood events that took place in the past decade (2005, 2010, and 2015 droughts; 2009 and 2012 floods) have been unusual and may have long-term implications. Global warming is projected to increase the frequency and even the intensity of extreme events. Extreme drought events have the potential to increase the mortality of forests, and the synergistic association between severe droughts, deforestation, and fire can be highly damaging to the Amazon Forest.

Research carried out under the auspices of INPE – Brazil's National Space Research Institute – shows that a warmer and drier environment for the region could convert from 30% up to 60% of the Amazon rainforest into a type of dry savanna.

Coupled with land-use changes, we can expect the degradation of freshwater systems, loss of ecologically and agriculturally valuable soils, increased erosion, decreased agricultural yields, increased insect infestation, and spread of infectious diseases.

Having said that, the expected returns from the project will be heavily impacted. The main pipeline is anchored in productive systems that deeply rely on the standing forest and its regular cycles (rain, drought, etc.), if it is disrupted, the production cycle will be disrupted as well, leading to a plunge in the yields. The Amazon region has been underdeveloped throughout the years, when comparing with other areas in Brazil, Colombia, Ecuador and Peru (countries in which the program will be focused on). This leads to a low level of social capital, limited presence of institutions and poor infrastructure network in the region, which then perpetuates the low development levels that the region experiences.

These factors contribute directly to the maturity level of the enterprises or SMEs that the fund will target and, in their capabilities, to consolidate and scale their businesses. The Selva Fund has been thought out and structured factoring in the business environment that it will operate. The Selva Fund will put in place a well-established Due Diligence process to assess the businesses it intends to finance and will be providing the necessary support, being through the technical assistance side car, partnerships and a portfolio mix that minimize these exposures.

Identifying and mitigating risks to investments from climate change will be built into Selva's ESG risk management system. Climate risk will be identified through discussion with the investee and assessment will cover operational and market risks, considering historic data and future projections, where possible. Potential impacts, severity and likelihood will be assessed, and mitigation and monitoring strategies may be developed with the investee.

COVID-19 Lessons Learned: Through P4F experience during the Corona Virus Pandemic, we have seen how forest product businesses in the Amazon were impacted by the economic consequences of the pandemic[1]. The key challenge observed relates to the fact that they are located in remote regions which entails in communication, commercialization/market access and logistical challenges.

The engagements (like field visits) with producers that were able to take place prior to the pandemic, reduced communication issues, because remote communications were established based on these previous contacts. In fact, COVID-19 accelerated a virtual communication process between stakeholders that would have eventually occurred in the long run, as the high costs of technical assistance provision on site are a known issue for numerous value chains' stakeholders in the region. The pandemic demanded resilience and flexibility from all stakeholders, and replanning involved revisiting the scope of projects, adjusting schedules, renegotiating payments, and finally, revisiting expectations regarding end results.

Therefore, the Selva Fund team will apply many of the lessons learned during the COVID-19 pandemic, from the P4F project as well as other Palladium implemented programs that had to deal with the restrictions that the pandemic imposed, to the work that the Selva Fund will have ahead, including incorporating those in the technical assistance that it will provide to its investees.

6. Coordination

Outline the institutional structure of the project including monitoring and evaluation coordination at the project level. Describe possible coordination with other relevant GEF-financed projects and other initiatives.

Conservation International is the implementing agency for this project. The role of CI-GEF is to provide technical and financial oversight to the project following GEF and CI policies. The executing agency of the proposed project is Bamboo Capital Partners. Although Palladium and Bamboo Capital Partners are partnering in the design, structuring and implementation of the Selva Fund in the Amazon region, the responsible executing party for GEF purposes is Bamboo Capital Partners.

As Palladium’s impact driven asset management company, BCP and Palladium jointly combine all the capabilities required to successfully run the Selva Fund and deliver the expected outcomes that will strengthen, consolidate and scale bioeconomy based and sustainably sources and produced commodities’ value chains in the Amazon region, and deliver the long-term impacts for the region.

The roles of Palladium and BCP will be described in the governance structure, statutes, and contracts, and will reflect the following:

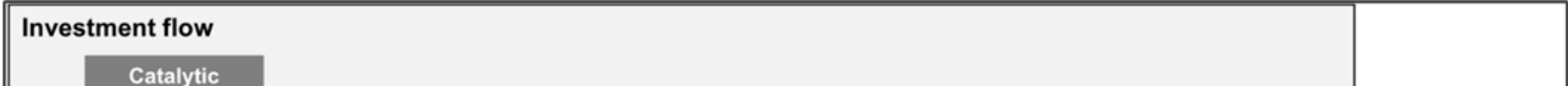
Under BCP, the Selva Fund will have (a) a Fund Management Team composed by the Fund Manager, financial analysts and Bamboo’s Latin America Regional Director; the Fund Manager will also be responsible for convening the (b) Investment Committee, composed by the Fund Manager, BCP’s Managing Partner, BCP’s Chief Investment Officer (CIO) and BCP’s Brazil Chairman. Moreover, the Investment committee will have two assigned Palladium directors, that carry in-depth regional expertise in the region where the Selva Fund will operate.

In addition, the Selva Fund will also have (c) an internal BCP Risk Committee, also organized by the Fund Manager, and chaired by BCP’s Head of Risk and Compliance with participation also of BCP’s Regional Latin America Director and BCP’s CIO. The role of the Risk Committee is to assess the risks related to the potential investment and approve or not the project moving forward in the investment process. The Risk Committee reviews and assesses all types of risks, including ESG related risks. During the Committee, mitigation strategies are evaluated. Potential risk-related elements, that need further scrutiny before the investment is submitted to the Investment Committee, are also identified during the Risk Committee.

The Selva Fund will also have (d) an Advisory Board/Committee that is responsible for review and guidance, on a periodic basis (semi-annually, ad-hoc when necessary) about material ESG and impact consideration factors into the fund’s overall investment strategy and implementation. It will be composed by 1 member representing Palladium, 1 member representing BCP. CI, representing the interests of the GEF, as well as other investors to Selva (LPs), will be members, with a minimum of US\$5 million investment, and will have the role of providing overall strategic, impact related guidance to the Selva Fund, complementing and assuring that the fund is aligned with its overall mission and with its LPs mandates.

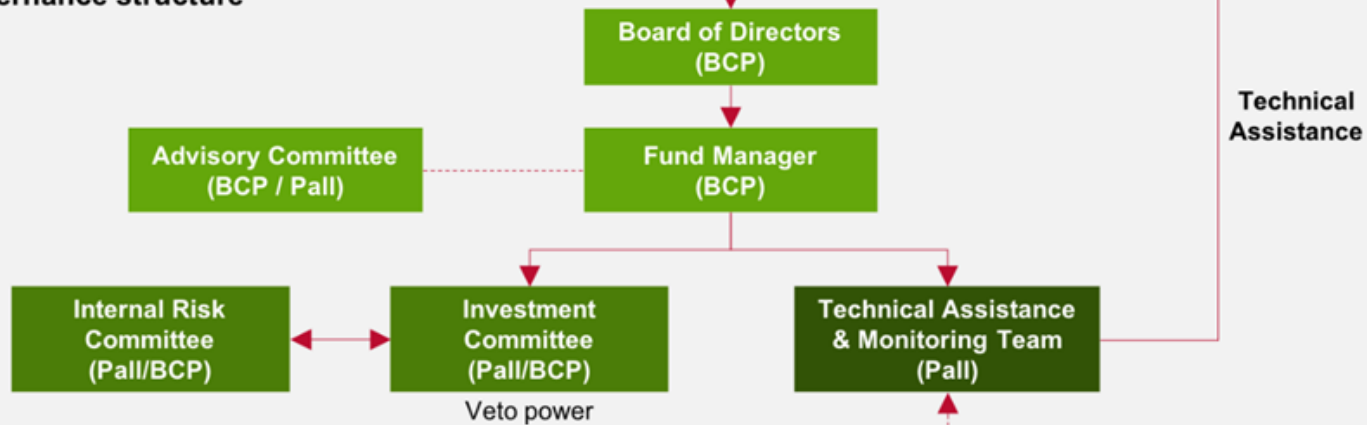
The Selva Fund will be incorporated in Luxemburg under the legal form of a SICAV – RAIF (Reserved Alternative Investment Fund) as a limited liability company.

Figure 7: Organization Chart





Governance structure



Grant for Technical Assistance



Management Team
(Pall/BCP)

Advisory Committee
(Pall/BCP)

Fundraising
Committee
(Pall)

An explanation of the overall investment process, and the responsible party for each phase is described below:

Responsible	Phase	Activities	Results
Palladium	• Deal Sourcing and Screening	<ul style="list-style-type: none"> • Pipeline development with support from TA programs and in-country teams and partners. • Identification of potential leads and evaluation of the pipeline funnel. • Screening opportunities against Selva's financial and non-financial criteria and impact objectives. • Initial assessment of gaps and the possibility to bridge gaps with pre and/or post TA. 	Ongoing pipeline sourcing for preliminary due diligence
Palladium and Bamboo Capital Partners	• Preliminary Due Diligence	<ul style="list-style-type: none"> • Quality Check: Assessment and Evaluation of key aspects of the project proposals (<u>Palladium</u>) • Definition of potential areas of TA intervention (<u>Palladium</u>) • Risk Check: Assessing the project's risk profile and expected pricing with regards to risk profile of the Fund and return expectations (<u>Bamboo</u>) 	Go No-Go decision with regards to a more detailed due diligence (defined by the Fund's Internal Risk Committee)
Bamboo Capital Partners	• Due Diligence	<ul style="list-style-type: none"> • Validate the investment and impact thesis • Validate operational needs to be addressed with TA. • Identify all risks and mitigating factors, including ESG risks. • If the DD confirms the investment and impact thesis, then negotiate and draft term sheet with investee. 	Submit investment memo including possible TA request to Risk and Investment Committee for final Go/No-Go Decision

Bamboo Capital Partners	<ul style="list-style-type: none"> Deal Execution 	<ul style="list-style-type: none"> Coordination with Fund Administrator Confirmatory due diligence (legal, tax, accounting) [Fund administrator will be a Financial Institution – To be Defined] Finalising negotiations and investment, signing and disbursement. 	Deal becomes part of the Selva Fund portfolio
Palladium	<ul style="list-style-type: none"> Technical Support and Monitoring 	<ul style="list-style-type: none"> On-going risk evaluation and management of transactions in line with best practice guidelines of the TA on as-needed basis On-going support for investee TA provided on an as-needed basis is to address gaps and strengthen investees (SMEs) as per approved TA programme 	Regular performance evaluation and monitoring of social and environmental impact
Bamboo Capital Partners and Palladium	<ul style="list-style-type: none"> Reporting to Investors 	<ul style="list-style-type: none"> Financial and risk reporting about the Investees (SMEs) in the portfolio, including updated valuations. (<u>Bamboo</u>) Social and Environmental Impact reporting (<u>Palladium</u>) 	Reporting to investors on financial and impact related performance /evaluation

• **Selva Fund Boards and Committees:**

- The Advisory Board is responsible for review and guidance, on a periodic basis, every six months to discuss about material ESG and impact consideration factors into the fund's overall investment strategy and implementation.
- The Investment Committee is responsible for the approval of the fund's investments in SMEs. It will evaluate the contemplated investments in the SMEs and oversee the portfolio companies in the fund's portfolio on behalf of the Board, reporting the results of the fund's activities to the Board.
- The Board of Directors, of the Fund's Board, is the highest governing body of the Fund. Its role is to ensure that the fund is operated not only in accordance with law, but also in the best interests of the fund and its investors. The Board of the Fund has the authority over the fund's continued operations, including the decision to terminate the activities and liquidate the fund's portfolio. The Board can make a decision for various reasons, including:
- Impact related e.g. completion of the fund's mission,

- Economic reasons, e.g. the inability to attract investors or find attractive investments or
- Legal reasons

It is possible for GEF to negotiate with the fund certain terms and conditions in order to ensure that the fund complies with the rules set by GEF for its own investments. Such conditions can be agreed upon prior to CEO endorsement.

A specific example of such terms and conditions can be the requirement that GEF's drawn commitment shall not account for more than 50% of all drawn commitments of the fund. IN case such a condition is breached, the fund is required to act. This can include the onboarding of additional investors, a partial liquidation to redeem parts of GEF's investment to achieve compliance, or full liquidation of the fund.

Impact and ESG monitoring:

The Selva Fund has developed an Impact & ESG Framework which guides its approach and processes in terms of impact management and Environmental, Social and Governance (ESG) risk monitoring. This document aims to guide the Fund's investment decision and efforts towards achieving high impact while managing ESG risks. The Framework will apply to all investments of the Selva Fund. The Impact & ESG Framework provides guidance on how the Fund will measure and monitor its development impact using specific indicators reflecting its goals and mandate. It also defines the ESG policy of the Fund and guidelines for a careful ESG assessment, which will be critical to ensure that the potential ESG risks are adequately assessed and mitigated. It establishes processes and responsibilities to enhance impact creation and monitor ESG risks throughout the life cycle of the investments.

Prior to any investment, the Selva Fund will assess the ESG risks of the potential investee through a specific ESG Risk assessment led during the due diligence phase. During the investment timeframe, investee companies will be requested to submit an annual ESG progress report. The Selva Fund will not invest in "high risk" projects. In case some particular ESG risks are identified leading to a "moderate risk" level, the Selva Fund will require the investee to provide an ESG risk mitigation strategy and agree on an ESG Action Plan.

Selva Fund's impact & ESG management and monitoring process is deployed at each step of the investment lifecycle. Selva Fund's ESG management and monitoring matrix is as follows:

Phase	Process	Responsibility
Pre-Investment: Screening	During the pre-investment phase, the Fund investment team checks potential investments against the Fund's impact goals and its Exclusion List.	Fund Manager and investment team, with support from the Impact Manager
Pre-Investment: Due diligence	During the due diligence phase, the Selva Fund Investment team conducts an ESG risk assessment, leading to an ESG risk score and a specific climate risk score. The risks related to the company, including ESG risks, are reviewed by the Fund's Risk Committee (RC).	- <i>ESG risk assessment and impact analyses:</i> Fund Manager and investment team, with support from the Impact Manager and external expert when necessary

	In addition, further analyses are provided on the expected impact of the company towards the SDGs targeted by the Selva Fund and in terms of climate change mitigation or adaptation.	- <i>Risk Committee</i> : organized by the Fund Manager, chaired by the Head of Risk & Compliance and including all assigned members
Pre-investment: Investment Committee	An investment memo is prepared and submitted to the Fund's Investment Committee (IC), containing a description of the alignment of the company with the impact goals of the Fund, as well as an assessment of the ESG risk and the related ESG score of the prospective investee. These analyses inform the investment decision taken by the Investment Committee (IC).	<p>- <i>Preparation of the investment memo</i>: Fund Manager and investment team, with support from the Impact Manager</p> <p>- <i>Investment Committee</i>: organized by the Fund Manager, including all assigned members</p>
Investment negotiation	<p>During the negotiation of terms for investment, the Selva Fund Team and the investee agree on selected impact indicators which the investee will report to the Fund team on an annual basis. The list of impact metrics to be reported is based on the fund's core impact metrics and tailored to the business model of the investee company. Definitions are provided and assumptions used to calculate some indicators will be defined if needed.</p> <p>Based on the ESG risk assessment, the Selva Fund may include conditions in the investment agreement related to the monitoring of specific ESG risks and dedicated Action Plan.</p>	Fund Manager or investment team under guidance of the Impact Manager, and with contact person assigned at investee company
Holding period: Ongoing impact monitoring	<p>The Selva Fund investee companies report the impact indicators defined and agreed at the time of investment, on an annual basis.</p> <p>The Selva Fund team monitors the data collected and review assumptions based on new evidence and engages with investee companies for more detailed information</p>	Impact Manager and investment team, with liaison at investee company

	<p>ation and updates on impact-related matters.</p> <p>If the financing agreement included conditions for the company to report how some ESG risks are monitored, this information is also collected at an agreed frequency and monitored by the Fund team.</p> <p>The Selva Fund team consolidates impact data reported across investee companies and provides annual impact reporting to the Fund's investors.</p>	
CI participation	<p>CI will represent the GEF in the Selva Fund advisory committee and will be sitting alongside other potential investors and experts TBD.</p>	<p>The advisory committee as stated above, is responsible for review and guidance, on a periodic basis, every six months to discuss about material ESG and impact consideration factors into the fund's overall investment strategy and implementation.</p>

Coordination with other GEF Financed Projects and Other Initiatives

The Selva Fund has been created out of the partnership of Palladium Group, an impact consulting company and Bamboo Capital Partners, an impact asset management company. Uniquely in the sector, Palladium and Bamboo Capital Partners combine all the capabilities required to design, manage, support, and raise and deploy impact focused capital globally.

With Palladium as the main implementer of the sponsored UK Government program P4F in the Amazon Region since 2018 and Bamboo Capital Partners implementing several UN agencies' sponsored impact programs globally, it is a natural step to design a financial mechanism that would deploy resources to one of the most critical and endangered biomes in the world, the Amazon.

The Selva Fund is not only a natural next step for the consolidation and scaling up of many privately led small and medium enterprises in the Amazon region, engaged in bioeconomy-based and sustainable commodities value chains that were accelerated by the P4F program and beyond, but also an additional necessary and complementary piece to a number of critical programs, initiatives and investments taking place in the Amazon Region.

Therefore, the Selva Fund will coordinate its efforts with GEF sponsored programs in the region such as:

GEF Sponsored Project Name	Coordination
AGL - Amazon Sustainable Landscapes	Knowledge sharing ranging from data, experiences, opportunities and c

ASL - Amazon Sustainable Landscapes Program- Regional Coordination Project AND respective ASL country programs in Brazil, Colombia and Peru	challenges in the region's landscape, building upon the accumulated knowledge gained and natural infrastructure placed by the GEF/ASL as a whole, so that there is a greater coordination and collaboration towards supporting forest protection, restoration and sustainable land use business opportunities
Connectivity and Biodiversity Conservation in the Colombian Amazon - Sustainable Amazon for Peace Colombia	Knowledge Sharing - better understanding of the region's landscape, threats and opportunities for local improvements including identification of potential opportunities for the Selva Fund in the realm of investment, technical assistance support and provision, complementing the GEF interventions that have been done so far
GCF Bioeconomy Fund – a GCF and IDB (GCF's implementing agency) collaboration	Coordination of efforts with the GCF Bioeconomy Fund that will be operating mostly with National Development Banks and governments, but also with IDB Lab, where Selva Fund sees a collaboration with in working directly with SMEs in the bioeconomy and sustainable commodities value chains originated in the Amazon
Sustainable Productive Landscapes in the Peruvian Amazon	Experiences and knowledge sharing, in which the Selva Fund will be contributing to successful cases that contribute to the implementation of Peru's National Strategy for Forests and Climate Change,
Moringa Fund - Founded in 2011	Knowledge sharing in the investment and blended finance landscape, mutual possibility of sharing investment opportunities, where Selva has as its target the Amazon region whereas Moringa is broader in terms of the region's where it invests
Food Securities Fund (FSF)	Knowledge sharing in the investment and blended finance landscape, and mutual possibility of sharing investment opportunities, where the FSF offers different financial products and has a broader scope in terms of region, whereas Selva Fund targets the Amazon
AGRI-3	Knowledge sharing in the investment and blended finance landscape, mutual possibility of sharing investment opportunities, where Selva has as its target the Amazon region whereas Agri-3 is broader in terms of region's (global scope, with initial focus in Indonesia, India and Brazil – and in this case not Amazonia region exclusive).
	Knowledge sharing ranging from data, experience, better understanding

PROAmazonia	Knowledge sharing ranging from data, experience, better understanding of the region's landscape, threats and opportunities for local improvements including identification of potential opportunities for the Selva Fund to invest.
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Moreover, the project will also engage and coordinate efforts with a number of additional initiatives, at a country level – which is facilitated by the team's on-the-ground presence in the region – that will provide greater visibility to the initiative and its goals but will also enable the Selva Fund to exchange knowledge, gain greater insights on barriers and opportunities to generate greater impact.

Some of these additional initiatives are:

Initiative	Coordination Effort
<u>Conservation Finance Alliance</u>	The Selva Fund will engage with the CFA to share knowledge derived from the investment and technical assistance experiences that it will have as well as learn from CFA members and identify opportunities for collaboration with its members
<u>Consumer's Good Forum (CGF)</u>	Engagement with the CGF to identify collaboration opportunities ranging from data sharing, lessons learned from on-the-ground TA experiences to engagement with off-takers, additional market access to Selva's investees, and others
<u>Observatório do Código Florestal & Observatório do Clima - Brazil</u>	Knowledge Sharing and Lessons learned from the Selva Fund's investment and TA in the region to alignment and support to the implementation of the country's Forest Code and NDCs
<u>Tropical Forest Alliance</u>	Engagement with TFA for knowledge sharing, identify additional opportunities for collaborating in discussions related to blended finance funds applied to the land-use space, identification of new partnerships ranging from additional investment opportunities into Selva to collaboration with off-takers in key value chains originated in the Amazon

7. Consistency with National Priorities

Is the Project consistent with the National Strategies and plans or reports and assessments under relevant conventions?

Yes

If yes, which ones and how: NAPAs, NAPs, ASGM NAPs, MIAs, NBSAPs, NCs, TNAs, NCSAs, NIPs, PRSPs, NPFE, BURs, INDCs, etc

The impact objectives of the Selva Fund, and its commitment to ESG best practice, are aligned with and contribute towards the achievement of multiple national and international frameworks, strategies, and targets, including:

- The Sustainable Development Goals of the United Nations (SDGs), in particular: 8 (Decent work and economic growth); 12 (Responsible consumption and production), 13 (Climate action), 15 (Life on Land), but also 1 (No poverty), 5 (Gender equality), 9 (Industry, innovation and infrastructure), 10 (Reduced inequalities) and 17 (Partnerships);
- The UN Decade on Nature Restoration, by contributing towards halting degradation of Amazon Forest ecosystems, whilst supporting their restoration;
- The New York Declaration on Forests by contributing towards stopping agricultural, infrastructure and extractive industry driven forest loss (Goals 2, 3), promoting sustainable livelihood options (Goal 4), promoting restoration (Goal 5), anchoring forests in the SDGs (Goal 6), reducing greenhouse gas emissions (Goal 7), and by providing finance to forest protection and restoration (Goal 8);
- The Bonn Challenge goal of bringing 150 million hectares of the world's deforested and degraded land into restoration, as implemented through national and regional commitments;
- The Consumer Goods Forum's (CGF) Forest Positive Future mission which aims to remove deforestation from their respective business members' supply chains.

The table below summarizes Selva alignment with national strategies relevant to the three United Nations Rio conventions; the Convention on Biological Diversity (CBD), the UN Convention to Combat Desertification (UNCCD), and the UN Framework Convention on Climate Change (UNFCCC):

The table below summarizes which National Strategies and plans, or reports and assessments are relevant to the Selva Fund Investment and Impact Selection Process:

Relevant National Priorities	Selva Fund focused countries of: Brazil, Colombia, Ecuador, and Peru
<p>UNFCCC:</p> <ul style="list-style-type: none"> · National Determined Contribution (NDCs) · Technology Needs Assessment (TNA) 	<p>Selva supports business that implement sustainable and regenerative land use practices which protect and restore forests, and thus will result in the mitigation of greenhouse gas emissions, in alignment with the objectives of the UNFCCC and the NDCs of each target country.</p> <p>We will monitor the outputs of each country's TNA and, as relevant, the solutions and interventions of pipeline investees will be assessed to explore alignment with identified priorities.</p>
<p>CBD:</p> <ul style="list-style-type: none"> · National Bio Strategy Action Plan (NBSAP) · Nagoya Protocol National Report · Cartagena Protocol National Report 	<p>Selva is aligned with several goals and targets of the draft CBD Post-2020 Framework. We will monitor announcement of the final iteration of the Framework and ensure that Selva's contribution towards the achievement of its objectives is captured and reported appropriately. In addition, we will monitor each of the four target countries' policies and actions related to updated NBSAPs to assess Selva contribution towards stated objectives and priorities.</p> <p>Through its investments, Selva seeks to promote the maintenance and equitable sharing of the socio-economic and environmental benefits of Amazon Forest ecosystems to rural communities, this can include access to genetic resources, consistent with the Nagoya protocol, and this can be assessed at deal level through Selva's ESG standard (note that Colombia is not a signatory). Similarly, biosafety considerations will also be assessed, as relevant and in alignment with the Cartagena Protocol.</p>
<ul style="list-style-type: none"> · UNCCD Voluntary targets to achieve LDN 	<p>The Selva Fund Team will monitor the target countries' actions and commitments related to LDN (Peru and Colombia are among the countries that have committed to the voluntary targets) and, as relevant, may report on the contribution of Selva investments towards stated targets.</p>

· Sustainable Development Goals of the United Nations (SDGs): 12 (Responsible Consumption) 13 (Climate Change), 15 (Life on Land); Moreover, the Selva Fund will operate in consistency with these additional agreements and frameworks:

· The New York Declaration on Forests agreed during the United Nations Secretary General Climate Summit in 2014. This is a non-legally binding political declaration which commits to halving natural forest loss by 2020 and eradicate it by 2030. The Associated Action Agenda acts as a roadmap for businesses, governments and organisations to achieve these goals.

· Bonn Challenge: Goal to bring 150 million hectares of the world's deforested and degraded land into restoration, as implemented through national and regional commitments.

· The Consumer Goods Forum's (CGF) Forest Positive Future mission which aims to remove deforestation from their respective business members' supply chains.

8. Knowledge Management

Outline the knowledge management approach for the Project, including, if any, plans for the Project to learn from other relevant Projects and initiatives, to assess and document in a user-friendly form, and share these experiences and expertise with relevant stakeholders.

Palladium has been at the forefront of efforts to demonstrate commercial viability and scalable investments in the forests and land use sector since 2015: delivering technical assistance, testing and developing blueprints for investment, documenting and sharing learning, and convening and mobilising investors, project developers and policy makers. We have a deep understanding of the investment context in the sector and have established relationships with investors, project developers, NGOs, DFIs, and others. In March 2022, Palladium was selected by the Dutch Entrepreneurial Development Bank (FMO) and the UK Government Department for Business, Energy & Industrial Strategy (BEIS) to manage and deliver the Technical Assistance Facility for the Mobilising Finance for Forests blended finance investment program (MFF) focused on Learning, Convening & Influencing. Best practice and lessons learned through the delivery of this TAF may also be incorporated into the Selva Fund's approach to knowledge management.

The Selva Fund will extensively build upon lessons learnt by Palladium through the Partnerships for Forests program (P4F) (see baseline section for more information on P4F). Some key lessons from the experience of P4F include:

- Mature initiatives, in pilot or scale-up stages, are closer to generating impact within a shorter timeframe, the Selva Fund portfolio will include more mature initiatives
- Few proposals leverage data of gender or other demographics to develop a business model that provides wider socio-environmental benefits in shared value approach.
- The lack of working capital is a major bottleneck for these initiatives. Most are intermediary businesses in the supply chain, who process raw non timber forest products (NTFPs) and sell them to final buyers. There is a mismatch between the timing of their outgoing cashflow to collectors and their incoming payments from buyers of the final product, which leads to working capital shortages.
- For both investors and entrepreneurs: build alliances with federal authorities to help create the necessary enabling conditions for native forest management.
- For entrepreneurs: Look for the shared incentives among the supply chain in order to generate partnership arrangements that can lower the risks for investors. Alliances are needed to align efforts and share implementation costs.

The project will develop a clear learning strategy, workplan, and objectives, tied to the Selva Fund and GEF priorities. Driven by the ToC and results framework, the knowledge management component will be led by Palladium with resources from grants to the Technical Assistance facility. As such it will deliver an effective learning agenda that will guide research, the production of knowledge products and drive learning across Selva Fund investees, and the wider forests and sustainable land use sector.

Proposed tools and methods for knowledge exchange include: workshops, publications and presentations that focus on financial transaction structures, impact generation, ESG. Similar to P4F's report, *A year in Latin America: what have we learned to date*, the Selva fund may also have additional publications/studies on the progress and successes of the fund.

Proposed knowledge and learning outputs/deliverable to be produced and shared with stakeholders include: An annual impact report, highlighting main progress made by the fund and the impact generated through its investments. The impact report will be publicly available and will be shared with key stakeholders. Fund reporting will be aligned with GEF requirements – Palladium has an excellent understanding and track record of delivering to the requirements and needs of DFI and private sector investors and partners.

Plans for strategic communications (to be revised during PPG phase) include: Website to share public information on the Selva Fund (including required disclosures from CI-GEF), participation at international events to present the fund, publication of any Call for Proposals, participation at CI and GEF events to share lessons learned/experiences etc.

A Technical Assistance (TA) facility will also be established, which, upon availability of resources, will contribute towards studies and reports related to the knowledge acquired and lessons learnt. In-depth impact analyses may be carried out upon availability of resources, to capture some impact metrics that are not available at investee level but require additional collection mechanisms (eg: information collected from end-beneficiaries through perception surveys, biodiversity or carbon impact assessments, etc.). The results from these impact studies will be shared with the Fund's key stakeholders.

A sound knowledge management strategy will ensure that lessons learned from the experience of BCP, Palladium and P4F are already reflected in the design of the fund. The fact that these lessons are already incorporated in the fund ensures that the Selva Fund does not exist in a vacuum but is built on the expertise of several partners, which ultimately contributes to the fund's sustainability. During the PPG phase, further analysis of the experience of the P4F work will be done to inform the Knowledge Management Approach.

9. Environmental and Social Safeguard (ESS) Risks

Provide information on the identified environmental and social risks and potential impacts associated with the project/program based on your organization's ESS systems and procedures

Overall Project/Program Risk Classification*

PIF

CEO Endorsement/Approval MTR

TE

Not available at this stage

Measures to address identified risks and impacts

Provide preliminary information on the types and levels of risk classifications/ratings of any identified environmental and social risks and potential impacts associated with the project (considering the GEF ESS Minimum Standards) and describe measures to address these risks during the project design.

Summary of Project Risk Categorization, ESS Standards Triggered and Mitigation Plans Required

Project Category:	Category A	Category B	Category C
			X
<i>The proposed project activities are likely to have minimal or no adverse environmental and social impacts.</i>			

Supporting Documents

Upload available ESS supporting documents.

Title

Submitted

Safeguard Screening

Part III: Approval/Endorsement By GEF Operational Focal Point(S) And GEF Agency(ies)

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S): (Please attach the Operational Focal Point endorsement letter with this template).

Name

Position

Ministry

Date

ANNEX A:

Instructions. Please submit an indicative termsheet in this section. The NGI Program Call for Proposals provided a template in Annex A that can be used by the Agency. Agencies can use their own termsheets but must add sections on Currency Risk, Co-financing Ratio and Financial Additionality as defined in the template provided in Annex A. Termsheets submitted should include sufficient details to allow a financial expert to understand and judge the financial viability of the proposed investments. Indicative terms and conditions should be used when specific details are not yet available. Please ensure that by copying the termsheet in the section of the PIF/PFD, the format allows reviewers to read the content.

Note: The TermSheet below is a public version. A confidential version was shared with and reviewed by the GEF Secretariat.

Project/Program Title	The Selva Fund																																						
Project/Program Number	GEFID: 10937																																						
Project/Program Objective	The Selva Fund is an open-ended revolving fund that will provide finance and technical assistance to invest in bioeconomy activities, forest-based products and commodities value-chains for small and medium size enterprises. The bioeconomy activities are expected to contribute to the protection and restoration of the Amazon Forest whilst supporting sustainable livelihoods for local communities in the Amazon regions of Brazil, Colombia, Peru and Ecuador. The fund structure has been designed to be part of a broader SDG Bond Program with 6 other blended finance impact funds and will seek to mobilize additional private finance through capital markets.																																						
Country [ies]	Brazil, Colombia, Peru, and Ecuador																																						
Agency presenting the Project	Conservation International																																						
Project Financing	<p>A.</p> <table border="1"> <thead> <tr> <th>Sources of Co-financing</th><th>Name of Co-financier</th><th>Type of Co-financing</th><th>Investment Mobilized</th><th>Amount (\$)</th></tr> </thead> <tbody> <tr> <td>Other</td><td>Development Financial Institution (pre due-diligence ongoing)</td><td>Junior Equity</td><td>Investment mobilized</td><td>US\$15,000,000</td></tr> <tr> <td>Other</td><td>International Financial Institution</td><td>Junior Equity</td><td>Investment mobilized</td><td>US\$5,000,000</td></tr> <tr> <td>Private Sector</td><td>Institutional Investors, Impact Funds, Family Offices</td><td>Senior Equity</td><td>Investment mobilized</td><td>US\$15,000,000</td></tr> <tr> <td>Other</td><td>Development Financial Institution</td><td>Notes</td><td>Investment mobilized</td><td>US\$20,000,000</td></tr> <tr> <td>Private Sector</td><td>Institutional Investors, Impact Funds, Family Offices</td><td>Notes</td><td>Investment mobilized</td><td>US\$10,000,000</td></tr> <tr> <td>Donor Agency</td><td>Development Financial Institution</td><td>Grant (for the Technical</td><td>Investment mobilized</td><td>US\$5,000,000</td></tr> </tbody> </table>				Sources of Co-financing	Name of Co-financier	Type of Co-financing	Investment Mobilized	Amount (\$)	Other	Development Financial Institution (pre due-diligence ongoing)	Junior Equity	Investment mobilized	US\$15,000,000	Other	International Financial Institution	Junior Equity	Investment mobilized	US\$5,000,000	Private Sector	Institutional Investors, Impact Funds, Family Offices	Senior Equity	Investment mobilized	US\$15,000,000	Other	Development Financial Institution	Notes	Investment mobilized	US\$20,000,000	Private Sector	Institutional Investors, Impact Funds, Family Offices	Notes	Investment mobilized	US\$10,000,000	Donor Agency	Development Financial Institution	Grant (for the Technical	Investment mobilized	US\$5,000,000
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Donor Agency	Development Financial Institution	Grant (for the Technical	Investment mobilized	US\$5,000,000																																			

		Assistance sidecar)		
CSO	Private Foundations	Grant (for the Technical Assistance sidecar)	Investment mobilized	US\$7,000,000
Total Co-financing				US\$77,000,000

B. Indicative Trust Fund Resources Requested under the NGI Program

\$10,900,000 including the Project Preparation Grant (PPG) amount and other costs.
Total Project Financing: sum of A+B = \$ 87,900,000

The Selva Fund will be one of a number of impact funds that will form part of an innovative investment bond for Sustainable Development Goals (SDGs). The Bond will be created by the Joint SDG Fund, UN agencies and Bamboo Capital Partners, Palladium' asset management arm, with the target of raising up to US\$1 billion with an SDG bond program that connects private/commercial capital to SDG-aligned funds sponsored by the UN system and managed by Bamboo Capital Partners. The issuance of the SDG bond will depend on additional credit enhancements and dependent on market conditions.

Currency of the Financing	USD, but financing of the borrowers can be done in local currency.
Currency risk	Selva is a USD fund that may transact in local currencies (BRL, COP and PEN). The Fund will hedge FX exposure for loans taken in currencies other than USD. Hedging can be arranged for a specific loan or it can take a portfolio approach. Such risk management decision process will consider cost, margins, counterparty and currency risks.
Co-financing ratio	Every GEF 1USD mobilizes 7.1USD Every GEF 1USD mobilizes 2.3USD of private sector financing
Financial additionality of GEF resources	<p>The Selva Fund will fill the medium to long-term capital (3-8 years) needs of Small and Medium Enterprises (SMEs) attending to a privately driven demand for sustainably sourced products from the Amazon. It will be the financial vehicle to provide the finance and technical assistance needed that will strengthen, consolidate, and better structure these businesses and value chains that ultimately act to prevent deforestation, restore natural forests, implement regenerative agriculture and livestock practices, and promote overall sustainable land-use practices.</p> <p>GEF participation in the first loss capital (junior equity) improves the risk-return profile for other impact-driven investors (senior equity and notes). It therefore "blends" resources from different risk/return profile investors, including commercial private investors (impact investors, family offices, and institutional investors). This allows for the provision of significant resources to the region.</p> <p>In this financial structure, the GEF will be the anchor investor that will trigger this effort, investing NGI resources in the junior equity tranche, which will be instrumental in leveraging the participation of other investors as laid out in section 3 of the PIF (in any of the three available share classes). Moreover, the GEF funding will be critical to the Selva Fund in the additional following ways:</p> <ul style="list-style-type: none"> It ensures the minimum fund size for its beginning, and as such accelerates the pro

	<p>cess of locking-in additional investors into the other tranches</p> <ul style="list-style-type: none"> It creates stability to the structure, by providing long term capital Increases the visibility and uptake for nature-based solutions and investments in the land-use and bioeconomy space in region, providing capital while applying a robust impact framework methodology to demonstrate E&S impact
Use of proceeds	<p>Selva Fund will finance SMEs in bioeconomy-based and sustainably produced commodities value chains in the Amazon that protect and/or restore the forest, as well as SMEs that deliver enabling conditions to the former.</p> <p>Selva will invest in SMEs in the Amazon across four archetypes:</p> <ul style="list-style-type: none"> Archetype 1 - Models which create value from standing forest. Archetype 2 - Models that incorporate forest protection into agricultural production. Archetype 3 - Models that create value from re-growing degraded forest. Archetype 4 - Businesses that provide enabling solutions to the abovementioned models. <p>SMEs will be operating in a wide range of sectors such as health and cosmetics, food, direct implementation of sustainable agriculture/livestock practices, technical assistance provision, and other sectors that enable SMEs' to meet increasing demand coming from offtakers/aggregators. As well as greater demand for niche products from sustainable Amazon-based value chains. GEF financing will not be invested in projects that have previously (or are expected to) receive funds from other GEF financed projects in the region.</p> <p>SMEs targeted will have annual revenues ranging from USD 500k to USD 10M, according to their businesses and cash-flow needs to consolidate, scale, and potentially replicate, strengthening the supply sustainably produced.</p>
Financing instruments	<p>Selva Fund will be a blended finance structure with three different share classes: i- Junior Equity (Catalytic Capital), ii- Notes, and iii- Senior Equity. The GEF would participate in the Junior Equity Tranche among other investors. GEF's Investment in the Selva Fund is in the junior shares (catalytic capital), subordinated to investors in the senior shares as well as notes investors. GEF participation in the Junior Equity will be pari passu with other Junior Equity participants and will have the same maturity – 15 years.</p> <p>See section on Waterfall of Payments.</p>
Terms and conditions for the financing instruments	<p>a) <u>Fund strategy:</u> The loans will provide medium to long-term capital, including Capex or working capital financing, that will increase SME's products quality, production, and reliability capacity to satisfy local & international demand for bioeconomy</p>

ion, and reliability capacity to satisfy local & international demand for bioeconomy-based products and sustainably produced commodities value chains). It will also finance SMEs that provide enabling conditions for the well-functioning of these SMEs within their value chains. The fund will provide loans to SMEs with the following characteristics:

- Longer-term loans (3 ~ 8 years)
- Longer grace periods (up to 3 years).
- Attractive terms and interest rates to the SMEs, considering their risk profile. Interest rates for borrowers operating in the target countries are historically high. Access to financing is only possible through short-term loans at very restrictive conditions, including significant over-collateralization and guarantees. Guarantees, such as receivables from off-takers, land/real estate, machinery, and other assets might not be always available. conditions, including significant over-collateralization and guarantees. Guarantees, such as receivables from off-takers, land/real estate, machinery, and other assets might not be always available.

b) Fund structure: The fund is a revolving and open-ended fund. It is expected to continue operating further until the Fund's Board decides to liquidate. Please see additional detail in the Fund Governance section.

The Selva Fund is a blended finance fund composed of 40% Junior Equity, coming from catalytic capital providers of which USD 10M will come from the GEF, 40% from notes (Loans to the fund), and 20% from Senior Equity tranche coming from commercial capital providers. Moreover, the investment of the GEF will also help to mobilize grant funding for the Selva Fund's Technical Assistance sidecar that will provide business-related support, deepen E&S impact, knowledge management and ultimately mitigate default risk (USD 12M).

The notes (loans to the Selva Fund, comprising 40% of the Selva Fund's total investment) are an important tool to scale up the fund to reach profitability. Notes are riskier for the fund due to their periodic payment obligation. Interest rates paid are at the lower end of market rates due to their seniority and loss protection, allowing the fund to reach operational sustainability. Operating sustainably is key to attracting senior share investors – commercial/private investors.

The fund will be domiciled in Luxembourg and be launched with a USD [25-40 M] of [which USD25M] size investment into junior equity. Disbursements may be tranching, to consider GEF's requirement to not hold the fund's majority of shares at any point in time.

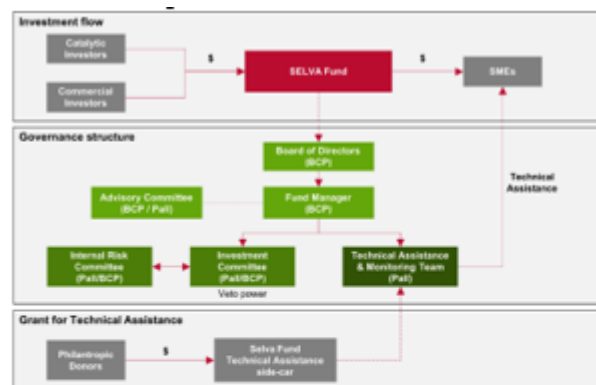
Selva will ramp up to USD75M for all assets combined, in line with market demand.

At PIF stage, the first close proposal is \$25M. However, during the PPG phase, CI will conduct detailed financial and legal due diligence and this number may increase to \$40M, based on CI and GEF considerations of the DD.

Terms and conditions for the financing instruments

c) Fund governance:

The roles of Palladium and BCP will be described in the governance structure, statutes, and contracts, and will reflect the following:



CI will represent the GEF in the Selva Fund advisory committee and will be sitting alongside other potential investors and experts TBD. The Selva Fund's main bodies and their main responsibilities are:

Advisory Committee: responsible for review and guidance, on a periodic basis, every six months to discuss about material ESG and impact consideration factors into the fund's overall investment strategy and implementation. Selva/Bamboo will have 1 seat in that Committee.

	<ul style="list-style-type: none"> Investment Committee: responsible for the approval of the fund's investments in SMEs. It will evaluate the contemplated investments in the SMEs and oversee the portfolio companies in the fund's portfolio on behalf of the Board, reporting the results of the fund's activities to the Board. Board of Directors, of the Fund's Board: it is the highest governing body of the Fund. Its role is to ensure that the fund is operated not only in accordance with law, but also in the best interests of the fund and its investors. The Board of the Fund has the authority over the fund's continued operations, including the decision to terminate the activities and liquidate the fund's portfolio. The Board can make a decision for various reasons, including: <ul style="list-style-type: none"> Impact related e.g. completion of the fund's mission, Economic reasons, e.g. the inability to attract investors or find attractive investments or Legal reasons It is possible for the GEF to negotiate with the fund certain terms and conditions in order to ensure that the fund complies with the rules set by GEF for its own investments. Such conditions can be agreed upon prior to CEO endorsement. <p>A specific example of such terms and conditions can be the requirement that GEF's drawn commitment shall not account for more than 50% of all drawn commitments of the fund. In case such a condition is breached, the fund is required to act. This can include the onboarding of additional investors, a partial liquidation to redeem parts of GEF's investment to achieve compliance, or full liquidation of the fund.</p> <p>Please see additional detail in Coordination section of the PIF.</p> <p>d) <u>Pipeline of projects</u>: (Annex)</p>
Waterfall of payment	<p>1 Business as usual scenario</p> <ol style="list-style-type: none"> Payment of interests to Note's investors (interest is paid annually). Payment of target dividend to Senior Equity tranche investors (annual payment). Senior equity tranche dividends are paid only if Selva's net income is enough to cover it and cash is available. Otherwise, it is partially paid with no accumulation of unpaid amounts for future years.

	<p>3. At maturity of the Notes, (10 years - bullet) principal repayment to the Notes investors, unless extended.</p> <p>4. At maturity of the Senior Equity (10 years - bullet) the fund returns principal amount to Senior Equity Tranche Investors, unless extended.</p> <p>5. At Maturity of the Junior Equity (15 years), the fund returns the principal amount of the Junior Equity</p> <p>Assumptions: 90% of senior equity and notes investors will renew their investments in the fund. This could happen under the same terms as initial investments were made.</p> <p>2. Liquidation scenarioAs the fund operates and manages the investments, special situations can arise in which for example an investee defaults on payment obligations. While the fund manager will ensure the best possible outcome of any restructuring negotiations for the fund, there are no special valuation procedures as a result of such a default.</p> <p>The valuation and the calculation of the NAV is conducted on a regular basis (annually audited with quarterly updates). Each asset is assessed for its value, considering the development in credit quality and the expected cash flow payments. In case an asset defaulted or goes through restructurings, this valuation is adjusted. Once the total NAV is calculated, it is translated into a valuation of each investor's shares. The detailed calculation of the NAV will be provided ahead of CEO Endorsement.</p> <p>The total NAV is used to satisfy the claims of the most senior investors (notes), followed by the senior equity investors. Any residual value is allocated to the junior equity tranche investors. In case of positive performance development, this can result in a valuation of the remaining junior equity tranche above the par value. In case of negative development, this valuation can result in a value below the initial invested amount.</p>
Events of Liquidation	<p>Could include but are not limited to:</p> <ul style="list-style-type: none"> - At year 10, if renewal of investment of Senior Equity and Noteholders does not jointly achieve [X]%. This percentage will be determined during the PPG phase as part of the due diligence, financial

	<p>structure and scenario analysis.</p> <ul style="list-style-type: none"> - At any time, if the CI/GEF represents majority of the shares - Other as customary of the Fund Manager <p>The Board of the Fund has the authority over the fund's continued operations, including the decision to terminate the activities and liquidate the fund's portfolio. Please see additional detail in Coordination Section.</p>
Exit Strategy	<p>GEF's exit strategy is redemption of its shares in up to 15 years or earlier if an event of liquidation occurs. This will happen with or without the issuance of the SDG Bond Program, since the Selva Fund is independent from the SDG bond issuance. The SDG Bond could renew and even potentially increase investments into the senior equity tranche and/or the funds notes' tranche (which also means potential diversification of investment base), so it is important that Junior Equity Investors remain for 15 years in the fund.</p> <p>In addition, as per section "Fund Governance", we list conditions in which the Fund's Board could decide upon fund liquidation, in which GEF's exit could happen earlier.</p>

ANNEX B:

Instructions. Please submit a reflows table as provided in Annex B of the NGI Program Call for Proposals. Any financial returns/gains/interests earned on non-grant instruments, will be transferred to the GEF Trust Fund as noted in the Guidelines on the Project and Program Cycle Policy. Partner Agencies will be required to comply with the reflows procedures established in their respective Financial Procedures Agreement with the GEF Trustee.

Item Data	Item Data
GEF Project Number	GEFID: 10937
Estimated Agency Board approval date	29/07/2022
Investment type description	Equity
Expected date for start of investment	31/03/2023
Amount of investment (USD GEF funds)	USD 10 million

Amount of investment (USD co-financing)	USD 77 million
Estimated interest rate/return	2.6% (IRR –15y)
Maturity	15 years. Other investors in Junior Equity Tranche will be pari-passu, and have the same maturity.
Estimated reflow schedule	Single repayment at final repayment date
Repayment method description	GEF's exit strategy is redemption of its shares in 15 years.
Frequency of reflow payments	One single repayment
First repayment date	In 15 years
First repayment amount	One Principal repayment plus IRR in 15 years (bullet)
Final repayment date	In 15 years
Final repayment amount	One Principal repayment plus IRR in 15 years (bullet)
Total principal amount to be paid- reflowed to the GEF Trust Fund	USD 10 million (100%)
Total interest/earnings amount to be paid-reflowed to the GEF Trust Fund	<p>IRR (Estimated in 2.6%)</p> <ul style="list-style-type: none"> – Base Case Scenario: IRR=2,9% – Best Case Scenario: IRR=4,7% (Improvement of 25% in loss ratios and hedging costs – compared to base case) – Worst Case Scenario: IRR=0% - GEF (and other junior equity investors) would receive only the principal back in 15 years. (50% increase in loss ratio and hedging costs – compared to base case) – Assumptions considered for three scenarios are

(a) loss ratios, (b) recoveries, (c) write-offs and (d) hedging costs. Loans' interest rates average 14% per year, with tenure ranging from 3 to 8 years and up to three years of grace period. [Indicative]
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ANNEX C:

The GEF Agency submitting the PIF or PFD is required to respond to the questions in Annex C of the NGI Program Call for proposals in order to demonstrate its capacity and eligibility to administer NGI resources as established in the Guidelines on the Project and Program Cycle Policy, GEF/C.52/Inf.06/Rev.01, June 9, 2017 (Annex 5).

Ability to accept financial returns and transfer from the GEF Agency to the GEF Trust Fund;

Conservation International (CI) has ability to receive financial returns and to transfer such returns to the GEF Trust Fund. CI is currently managing one GEF-6 Non-grant Instrument. We have established a segregated GEF bank account to receive funding from the GEF and from grantees and NGI beneficiaries. Further, our accounting system transparently tracks cash inflows by source, by type of inflow, and by GEF project.

Ability to monitor compliance with non-grant instrument repayment terms;

CI can monitor compliance of Non-grant Instruments through contractual terms in agreements with NGI beneficiaries, financial and technical site visits, full audit reports, structured reporting requirements built into quarterly financial and impact reports and analytic reviews thereof.

Capacity to track financial returns (semester billing and receiving) not only within its normal lending operations, but also for transactions across trust funds;

CI has the capacity to monitor financial returns of NGI recipients and implements this oversight in various ways depending on the nature of the NGI. In general, CI will evaluate the projected /anticipated cash flow from NGIs based on their business plan, develop a pro forma repayment schedule with the recipient, monitor actual results against projections and ensure timely collection of reflows via the monitoring procedures described above. In addition, CI's accounting system and procedures enable us to track and report on inflows and outflows across each project and by GEF Trust Funds.

Commitment to transfer reflows twice a year to the GEF Trust Fund;

During the PPG phase, CI will work with project proponents to define a suitable schedule of payments. However, CI can establish reflow repayment schedules with the NGI recipients, require semi-annual repayment of reflows to CI and remit amounts collected along with relevant support to the GEF Trust Fund on a semi-annual basis.

And, in case of NGI for private sector beneficiaries: Track-record of repaid principal and financial returns from private sector beneficiaries to the GEF Agency.

CI will employ the methods described above to track and record NGI principal and financial returns. CI's GEF Agency currently has one NGI (equity/investment fund) in its portfolio, which is still in its investment period and as such has not started to distribute fund proceeds to the investors. However, CI has implemented several NGI programs over its history. CI has engaged in over 100 deals, totaling \$30 million in responsibly invested eligible sustainable enterprises through Verde Ventures, and more recently through CI Ventures has continued to successfully implement NGIs, secure repayment of principal and interest.

And, in case of concessional finance for public sector recipients:

Track-record of lending or financing arrangements with public sector recipients; g) Established relationship with the beneficiary countries' Ministry of Finance or equivalent.

CI has supported public sector entities mainly through grants and have established strong relationships with governments through our country programs. The NGIs that CI is proposing would be established with private sector beneficiaries and do not involve concessional finance directly to governments.