



The Food Securities Fund: A fund to finance sustainable supply chains at scale in Emerging Markets

Part I: Project Information

GEF ID

10322

Project Type

FSP

Type of Trust Fund

GET

CBIT/NGI

CBIT **No**

NGI **Yes**

Project Title

The Food Securities Fund: A fund to finance sustainable supply chains at scale in Emerging Markets

Countries

Global

Agency(ies)

CI

Other Executing Partner(s)

Clarmondial AG

Executing Partner Type

Private Sector

GEF Focal Area

Multi Focal Area

Taxonomy

Focal Areas, Climate Change, Climate Change Mitigation, Agriculture, Forestry, and Other Land Use, Land Degradation, Restoration and Rehabilitation of Degraded Lands, Sustainable Land Management, Improved Soil and Water Management Techniques, Sustainable Agriculture, Land Degradation Neutrality, Carbon stocks above or below ground, Biodiversity, Mainstreaming, Agriculture and agrobiodiversity, Influencing models, Demonstrate innovative approach, Transform policy and regulatory environments, Stakeholders, Private Sector, Financial intermediaries and market facilitators, Capital providers, SMEs, Beneficiaries, Civil Society, Gender Equality, Gender results areas, Access to benefits and services, Gender Mainstreaming, Sex-disaggregated indicators, Gender-sensitive indicators, Capacity, Knowledge and Research, Knowledge Generation, Capacity Development

Rio Markers**Climate Change Mitigation**

Climate Change Mitigation 1

Climate Change Adaptation

Climate Change Adaptation 0

Submission Date

4/8/2021

Expected Implementation Start

10/1/2021

Expected Completion Date

10/1/2029

Duration

96In Months

Agency Fee(\$)

1,211,532.00

A. FOCAL/NON-FOCAL AREA ELEMENTS

Objectives/Programs	Focal Area Outcomes	Trust Fund	GEF Amount(\$)	Co-Fin Amount(\$)
BD-1-1	Mainstream biodiversity across sectors as well as landscapes and seascapes through biodiversity mainstreaming in priority sectors	GET	3,365,367.00	193,312,500.00
CCM-2-7	Demonstrate mitigation options with systemic impacts, including FOLUR	GET	3,365,367.00	193,312,500.00
LD-1-1	Maintain or improve flow of agro-ecosystem services to sustain food production and livelihoods through Sustainable Land Management (SLM)	GET	3,365,367.00	193,312,500.00
LD-2-5	Create enabling environments to support scaling up and mainstreaming of SLM and LDN	GET	3,365,367.00	193,312,500.00
Total Project Cost(\$)			13,461,468.00	773,250,000.00

B. Project description summary

Project Objective

The Food Securities Fund will improve rural livelihoods and achieve positive environmental outcomes by supporting sustainable agriculture production systems in emerging and developing markets with a complementary source of credit, provided in partnership with companies committed to sustainable development in their sourcing areas. Indicators: (a) Number of companies (Value Chain Partners - VCPs) collaborating with the Fund ? 10 companies (b) Number of landscapes-production systems that Fund-financed borrowers are sourcing from ? 20 landscapes (c) Number of local companies operating in emerging and developing markets receiving loans from the Food Securities Fund ? 60 companies (d) Total amount in USD lent to borrowers ? USD 750 million (e) Area of land under sustainable agricultural practices or agricultural lands restored linked to Food Securities Fund financing ? 2,039,500 hectares (f) Amount of carbon sequestered or emissions avoided in the AFOLU sector linked to Food Securities Fund financing ? 6,584,626 metric tons of CO₂e

Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing(\$)	Confirmed Co-Financing(\$)
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Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing(\$)	Confirmed Co-Financing(\$)
Component 1: The Food Securities Fund for sustainable supply chains.	Investment	<p>Outcome 1.1.: Agricultural supply chains in emerging and developing markets are strengthened through the Food Securities Fund.^[1]</p> <p>Outcome 1.2.: Increase in the area of land under improved environmental practices, area of land restored and GHGs mitigated linked to financial investments (loans) from the Food Securities Fund.</p> <p>Outcome 1.3.: Increased access to goods and services for men and women farmers to implement sustainable farming practices.</p> <p>Outcome 1.4.: Increased employment, and economic advancement opportunities for local communities, and especially for rural women.</p> <p>Outcome 1.5.: Improvement in relevant environmental impact of borrowers and their value chains as per impact metrics.</p> <p>—————</p> <p>^[1] An investment vehicle that finances responsible companies operating in emerging</p>	<p>Output 1.1.1.: At least 10 Value Chain Partner^[1] companies are committed to facilitating loans to their supply chains and trading partners in emerging and developing countries through the Food Securities Fund, as evidenced by policies, operational procedures, and guarantees.</p> <p>Output 1.2.1.: At least USD 750m deployed as loans to borrowers tied to sustainable production practices</p> <p>Output 1.2.2.: At least 12 commodities are included in the loan portfolio.</p> <p>Output 1.2.3.: At least 20 developing and emerging countries are targeted in the Food Securities Fund's loan portfolio.</p> <p>Output 1.3.1: At least 700,000 farmers, of which at least 50% are women and at least 50% are smallholder farmers, have improved access to market and increased pre-harvest support for sustainable production practices.</p>	GEF	12,820,446.00	772,500,000.00

Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing(\$)	Confirmed Co-Financing(\$)
Monitoring and Evaluation	Technical Assistance			GET	80,000.00	
Sub Total (\$)					12,900,446.00	772,500,000.00
Project Management Cost (PMC)						
GET		561,022.00		750,000.00		
Sub Total(\$)		561,022.00		750,000.00		
Total Project Cost(\$)		13,461,468.00		773,250,000.00		

C. 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	USAID + DFC	Guarantee	Investment mobilized	37,500,000.00
Other	Private and public sector investors	Other	Investment mobilized	735,750,000.00
Total Co-Financing(\$)				773,250,000.00

Describe how any "Investment Mobilized" was identified

Investment Mobilized refers to additional funding that will be deployed over GEF's 8-year investment period to support the Food Securities Fund investment strategy, catalyzed by GEF's investment. This includes equity mobilized from investors, as well as grant and non-grant funding provided to Clarmondial to support the delivery of the investment strategy. It is expected that, by the end of the GEF investment period in 2028, circa USD 750m will have been mobilized. In the initial year of the Food Securities Fund's operations (i.e. by December 2021), the Food Securities Fund is expected to have mobilized at least USD 87.5 million in additional funding (i.e. USD 50m in investments, and USD 37.5m in guarantees). The guarantees provided by Value Chain Partners, typically at 10 - 40% of the loan amount, estimated at USD 150m during the GEF investment period, were not considered as part of the investment mobilized, but as co-financing at project level.

D. 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(\$)
CI	GET	Global	Biodiversity	NGI	3,365,367	302,883
CI	GET	Global	Climate Change	NGI	3,365,367	302,883
CI	GET	Global	Land Degradation	NGI	6,730,734	605,766
Total Grant Resources(\$)					13,461,468.00	1,211,532.00

E. Non Grant Instrument

NON-GRANT INSTRUMENT at CEO Endorsement

Includes Non grant instruments? **Yes**

Includes reflow to GEF? **Yes**

F. Project Preparation Grant (PPG)
PPG Required **false**

PPG Amount (\$)
300,000

PPG Agency Fee (\$)
27,000

Agency	Trust Fund	Country	Focal Area	Programmin g of Funds	Amount(\$)	Fee(\$)
CI	GET	Global	Biodiversity	NGI	100,000	9,000
CI	GET	Global	Climate Change	NGI	100,000	9,000
CI	GET	Global	Land Degradation	NGI	100,000	9,000
Total Project Costs(\$)					300,000.00	27,000.00

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)
100000.00	100000.00	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)
100,000.00	100,000.00		

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)

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)
2000000.00	2000000.00	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)
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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)
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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)
2,000,000.00	2,000,000.00		

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

Title	Submitted
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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)	1000000	1000000	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)	1,000,000	1,000,000		
Expected metric tons of CO ₂ e (indirect)				

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Anticipated start year of accounting	2020	2021		
Duration of accounting	8	8		

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 CO ₂ e (direct)				
Expected metric tons of CO ₂ e (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)

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	350,000	350,000		
Male	350,000	350,000		
Total	700000	700000	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

Transactions will be selected based on both financial and non-financial aspects. Transactions that have the potential for greater contributions to GEBs will be prioritized - notably transactions that result in greater numbers of hectares of degraded lands restored (GEF core indicator 3.1), area of landscapes under sustainable land management in production systems (GEF core indicator 4.3), greenhouse gas mitigation i.e. carbon sequestered or emissions avoided in the AFOLU sector (GEF core indicator 6.1) and more beneficiaries, particularly women (GEF core indicator 11). GEF landscapes will be prioritized in the investment pipeline against similar deals (in relation to loans amount, risk/return profile, timing, and other criteria), however, the Food Securities Fund cannot commit to only investing in GEF landscapes. With the collaboration of Conservation International, and potentially other GEF partners (e.g. WWF US, which is also represented in the Fund's Impact Advisory Board), additional origination efforts can be directed to the GEF landscapes. Clarmondial understands that access to working capital is an issue to projects engaging private sector in GEF landscapes, therefore these should present additional investment opportunities for the Food Securities Fund. Note that GEF investment is part of the overall fund capital (i.e. there is no carve out for GEF landscapes) and a portfolio-wide restriction would be detrimental to the GEF goals by limiting the Fund's ability to scale.

Part II. Project Justification

1a. Project Description

This project document is largely an elaboration of information found in the PIF. Project elements have been expanded and concepts have been clarified in the ProDoc to reflect the Food Securities Fund evolution. Two elements have been updated:

1). Project barriers. There were four barriers identified as a part of the PIF (1) Agricultural value chain governance, 2) access to affordable, quality and timely goods and services, 3) access to appropriate financial resources, and 4) policies and a suitable enabling environment. Upon reflection, we recognize that the Fund only has the ability to address barriers 2 and 3, and the other 2 barriers have been removed from the ProDoc. See below the barriers as updated in ProDoc.

2). Organizational structure. Since the PIF submission, the Food Securities Fund has replaced its Central Administrator and Depositary. Swiss bank Pictet Group decided to no longer provide fund administration services to third party private debt funds, such as the Food Securities Fund. It was replaced with Citibank. The US Feeder was a requirement of Pictet, which was unable to cater for the needs of US investors. This is not the case with Citibank. As a result, the structure was streamlined, and the US Feeder dissolved. Under the current structure, all investors subscribe to shares in Luxembourg directly. This should have no impact in the Fund's ability to attract investors, especially those domiciled in the US. If an investor willing to commit a significant amount to the Fund requests a US Feeder, a suitable solution can be arranged in a timely manner.

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

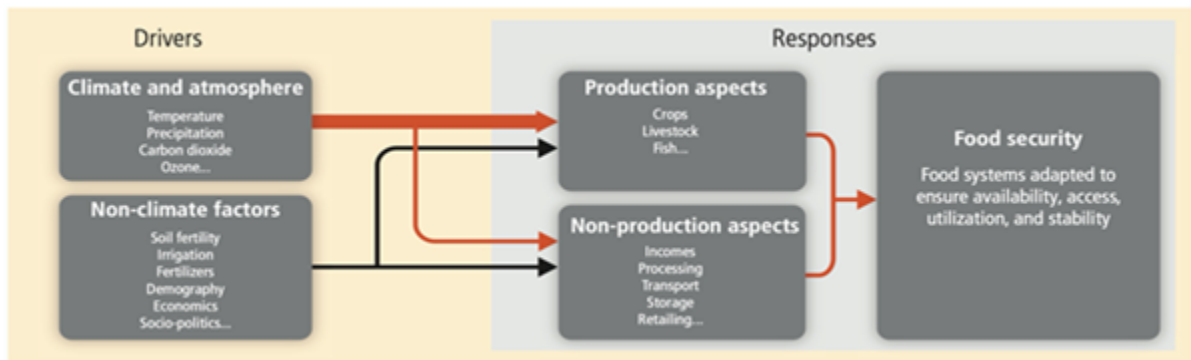
The world is experiencing rapid and catastrophic environmental changes. According to the recent Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) Global Assessment Report on Biodiversity and Ecosystem Services, approximately 1 million plant and animal species are threatened with extinction, and the average abundance of native species in most land-based habitats has fallen by at least 20%, mostly since 1900. Loss of intact ecosystems have occurred primarily in the tropics. Since 1970, the largest contributor to biodiversity loss has been land use change ? primarily due to agriculture. This rapid loss of biodiversity has grave consequences: biodiversity conservation is critical to providing adequate food, feed, energy, medicines, and genetic resources, for local and global communities.

Biodiversity loss is intricately linked with climate change, which is increasingly exacerbating the impact of other drivers leading to loss of GEBs. Anthropogenic greenhouse gas emissions (GHGs) are leading to increases in global temperatures, more erratic weather, and localized environmental impacts such as saltwater intrusion and pest and disease outbreaks. Agriculture is both a driver of, and impacted by, climate change. Agriculture, Forestry and Other Land Use (AFOLU) is responsible for approximately a quarter of anthropogenic GHGs, primarily from deforestation and agricultural

emissions from livestock, as well as soil and nutrient management. Reducing terrestrial GHG emissions and increasing sequestration in soils and biomass is critical to reducing global GHG emissions.

According to the Intergovernmental Panel on Climate Change (IPCC), negative effects of climate change on crop and terrestrial food production are already evident in several regions of the world. Better agronomic practices and improved crop varieties may help somewhat in addressing expected yield losses, particularly in the tropics, where food security is generally at risk. Figure 1 illustrates the influence of climate and non-climate factors on food security. The situation is particularly acute for communities in Sub Saharan Africa, which currently have the largest proportion of food insecure people. Climate change also has negative feedback loops to other environmental challenges. For example, as food insecurity increases, pressure on protected areas may increase. There is increasing recognition of the value of ecosystem-based, institutional and social measures for adaptation and climate resilience among the public and private sectors.

Figure 1: Climate and non-climate factors contributing to Food Security.



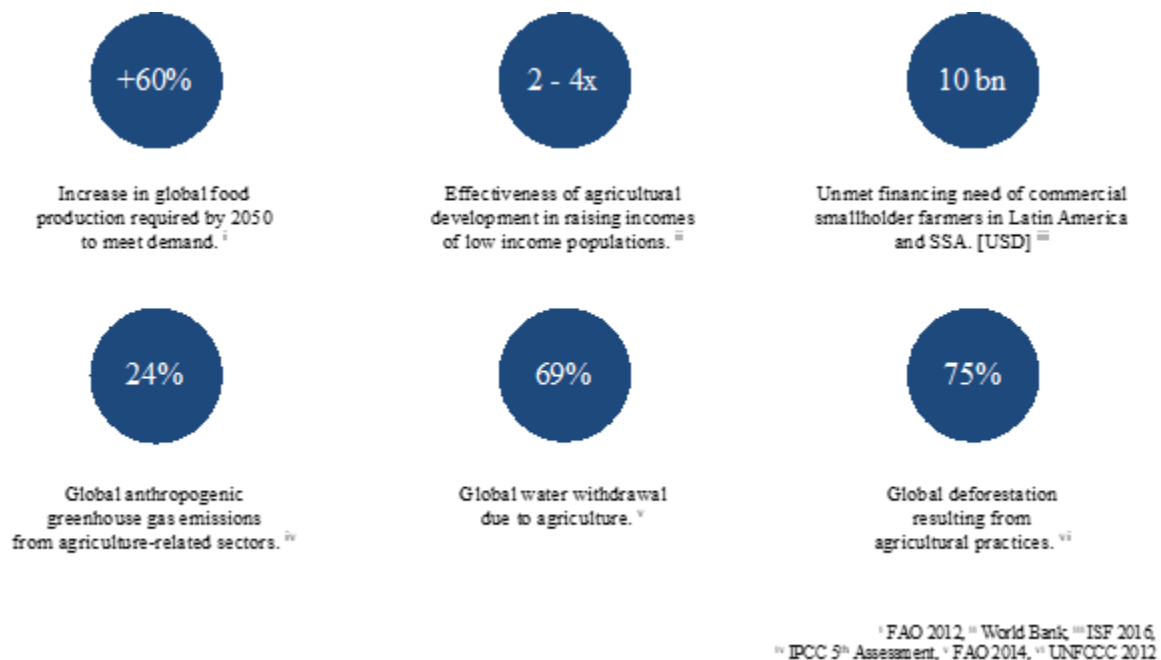
Land degradation also has a significant impact on global ecosystem functioning and has already led to a 5% reduction of net primary productivity in the past two centuries. Land degradation contributes both to global GHG emissions and significant loss of ecosystem services. The United Nations Convention to Combat Desertification (UNCCD) also reports an alarming decrease in soil organic carbon, an indicator of soil health. UNCCD has categorized soils in Sub Saharan Africa as particularly at risk. Poor soil management can exacerbate exposure to droughts and floods, the impact of pollutants, and freshwater availability.

Global freshwater resources are also under threat. Challenges include salinization and pollution of water courses and bodies, as well as degradation of water-related ecosystems. Agriculture uses 11% of the world's land surface for crop production and makes use of 70% of all water withdrawn from aquifers, streams and lakes. Globally, rainfed agriculture dominates and is the most vulnerable to the impacts of climate change and environmental degradation. While improvements in agricultural production have had some positive socio-economic benefits, in many areas they have resulted in serious environmental degradation, including biodiversity loss, surface and groundwater pollution from the improper use of agricultural inputs, which has compromised livelihoods in some areas of the world.

Root causes and barriers: Agriculture is a key driver of the environmental issues described above. Current estimates indicate that agriculture drives almost 70% of global freshwater

withdrawals contributes to 75% of global deforestation, and is responsible for approximately 24% of global anthropogenic greenhouse gas emissions. Unfortunately, if the current projections for global population increases and dietary shifts occur, agricultural production will have to increase ? thus increasing its contribution to environmental degradation. The FAO estimates that global food production will need to increase by more than 60% by 2050 in order to meet demand. Agriculture?s contribution to the erosion of GEBs is thus set to increase significantly in the coming years, in the absence of a shift to sustainable agricultural practices at scale.

Figure 2: Summary of key impact entry points for sustainable agriculture investments



While the impact of agricultural expansion and intensification is generally associated with biodiversity loss, soil fertility decline, unsustainable water abstraction and freshwater pollution, greenhouse gas emissions, and chemical pollution, these issues manifest themselves in unique ways in the various geographies:

- ? In West Africa, agricultural export commodities (e.g. cocoa production) drive deforestation and forest degradation, leading to biodiversity loss and GHG emissions. Loss of tree cover in dryland areas also contributes to soil degradation. The sub-optimal use of agricultural inputs, including fertilizer, seeds and a lack of technical assistance, leads to environmental pollution and decreasing soil fertility for important food and cash crops such as sorghum.
- ? In South and East Africa, an expanding footprint of food and cash crops may lead to loss of tree cover, biodiversity, and soil fertility. Improper agronomic practices and input use, including agro-chemicals and water, cause pollution.
- ? In tropical Asia, expansion of cash crops has led to significant biodiversity loss and GHG emissions, (e.g. for palm oil).

? In Latin America and Caribbean, expansive plantations of annuals (e.g. soy production) has led to a loss of forest cover and biodiversity, and declining soil health and water pollution from intensive agriculture.

In summary, the loss of GEBs has different root causes in the various countries and production systems. While climate change is exacerbating the issue, a common underlying root cause is the unsustainable overexploitation of natural resources, and lack of consideration of environmental and social factors within agricultural value chains, and the entities that regulate and finance such value chains.

The challenge that agriculture poses to the global environment is also tied closely to issues of poverty and inequality, particularly in rural areas. In many emerging and developing countries, and especially across Sub Saharan Africa, the agricultural sector is closely tied to socio-economic development objectives. Investments in agriculture can be extremely effective in raising incomes of low-income populations ? including women and marginalized populations. The World Bank estimates that growth originating from agriculture has been two to four times more effective at reducing poverty than growth originating from other economic sectors over the last two decades. Supporting improved production can have positive impacts both on farming communities (including smallholder farmers) and on job creation and training resulting from localized aggregation such as food processing. Increasing sustainable rural economic activities, particularly for women, can help to mitigate other pressing issues such as migration, urbanization and civil unrest. The link between global environmental threats and sustainable development, including climate mitigation and adaptation, is particularly prominent in the Sub Saharan Africa, where there is an urgent need to create new jobs, improve domestic and regional food security, and sustainably increase foreign exchange earnings.

-- Barriers to Addressing the Environmental Problems and Root Causes

The Food Securities Fund is a global fund that finances aggregators operating in emerging and developing markets. Loans provided by the Fund will cover multiple value chains in multiple countries and address a range of environmental problems and root causes.

While there are several underlying barriers that lead to adverse environmental outcomes from agriculture, the Food Securities Fund will address two specific barrier categories.

Barrier 1: Access to affordable, quality and timely goods and services (excluding access to credit, which is addressed as Barrier 2 below)

To implement improved practices, farmers and their business partners need access to a range of appropriately-priced, quality goods and services, delivered at the right time. This includes access to inputs such as seeds, fertilizers, and crop protection products, as well as training, weather, agronomic information, and insurance. Where farmers work at a small scale, are poor, or live in remote rural areas, it may be difficult for them to access these services. The availability of timely and affordable products and services to support improved production practices is intricately linked to market demand as well as access to financing, including credit.

In terms of physical inputs, farmers may not have an understanding of the appropriate inputs and their application. These may also not be available or affordable locally. Lack of such inputs may result in low- or poor-quality yields. For example, according to AGRA, current yields of cereals and legumes in

Sub Saharan Africa are 15-30% of the potential that could be achieved with improved inputs and management ? and that with judicious use of mineral fertilizers, yields of important food crops such as maize and rice can be doubled. Disadvantaged groups, e.g. smallholder farmers or women-led farming households, may find it particularly difficult to access such inputs.

? Fertilizers: many tropical soils, and in particular those in Africa, are highly weathered and nutrient-poor. Soils typically lack nitrogen, phosphorus, potassium, sulfur, and micronutrients critical for plant growth. While organic fertilizers can play an important part in boosting yields in some places, integrated soil fertility management, combining both organic and inorganic fertilizers is typically required.

? Seeds: farmers usually depend on seed certified by government agencies; however, these agencies do not always have the capacity to inspect seed fields and certify seed production. According to the FAO, small-scale farmers in many developing and emerging markets have limited knowledge or access to appropriate seeds and their use, however this is critical to build resilient farming systems.

? Crop protection products: while controversial, it is largely recognized by the scientific community that crop protection products are necessary to meet global food production targets ? however that these must be used selectively and with appropriate care. Where necessary, farmers should have access to high-quality and appropriate crop protection products and these must be accompanied by training.

? Farmer services: access to services is necessary to farm efficiently and effectively. Due to a lack of capacity, many farmers may not have adequate access to extension services. While technology can help to address part of this problem, e.g. through digital applications, there are still challenges with respect to the efficiency of this approach. According to a recent report published by CTA, the most effective farmer service solutions seem to be combined digital and analogue services, that are holistic, including being connected to a value chain.

Barrier 2: Access to appropriate financial resources:

Access to appropriate financial resources: Many of the crops that result in adverse environmental impacts are part of global value chains (cocoa, coffee, palm oil) - i.e. they are sold internationally, and/or have an international value or use inputs that are sourced internationally. These value chains are typically based on business linkages between farmers, small and medium-sized enterprises (SMEs) that act as intermediary aggregators, and large companies with sustainability commitments. While many of these large companies have taken steps to improve the environmental sustainability of their sourcing footprints, significant additional capital is required. At the level of the local supplier (primarily local SMEs), this gap is even more prominent: between 55-68% of formal SMEs in emerging and developing markets are either underserved or unserved by financial institutions. The situation is exacerbated by the high opportunity cost of capital in many emerging and developing markets and regulations imposed on banks complicate lending to agriculture. In addition, there are few financial intermediation structures that are relevant for traditional institutional investors, which can allow them to deploy capital at scale to address this need for sustainable agriculture in emerging and developing markets, particularly for SMEs operating in rural areas. Financing challenges at different points in the value chain are summarized in Figure 3.

Figure 3: Simplified value chain components indicating potential entry points and financing challenges



The capital gap for sustainable agriculture exists at all steps of the supply chain and spans long-term investment capital to relatively short-term trade finance. The International Finance Corporation (IFC) estimates the credit need of one third of SMEs in North Africa and approximately half of SMEs in Sub Saharan African are not fully met and estimates the African SME finance gap to be at more than USD 421 billion. The unmet demand for trade finance in Africa is estimated at USD 120 billion, and USD 700 billion in developing Asia. Currently, only about USD 50 billion of the more than USD 200 billion credit need is fulfilled for smallholder finance in Sub Saharan Africa, Latin America, South and Southeast Asia, and it is expected this gap will increase in the coming years without additional attention. A lack of available credit, particularly tied to **improved** business practices, is thus both a threat and an opportunity to achieving GEBs.

A significant amount of working capital is required from seeding to harvest, in particular to support the farmers that the borrower works with, including supporting them to implement improved practices. During this period, limited collateral (if any) is available for funders. A critical barrier to credit is the availability of collateral. A typical borrower has limited fixed assets (e.g. land, equipment), and these may already be pledged to local banks and other lenders in order to access leasing, mortgages and

overdraft facilities. Agriculture produce (e.g. grains) and sales agreements (e.g. export contracts) are available only post-harvest and are provided as collateral to trade finance providers. By focusing on value chain relationships, the Food Securities Fund can provide unsecured loans to address this funding gap - such approach is backed by the provision of a first loss guarantee, typically at 10 - 40% of the loan amount, by a Value Chain Partner ? larger stakeholders of the borrower, typically a client.

2) The baseline scenario and any associated baseline projects

Global agricultural production is expected to grow by approximately 20% between 2018 ? 2027, with strong growth notably in Africa, the Middle East, South and Southeast Asia. Regional trends are likely to persist:

? **Africa:** Agriculture is the dominant source of employment (approximately 51%), but productivity remains low. Sustainable economic growth will require agricultural productivity growth, which will require more investment. Despite the Malabo Declaration, agriculture remains under-funded in most countries. Access to low-quality inputs and adoption of improved technologies are also a factor. Agricultural production must be done in a manner that maintains GEBs; Africa represents about 30% of global mitigation potential from forests and 20% from soils, and given the right agricultural practices and funding availability, productivity could be increased by a factor of 5, on average. Value chain approaches are central to promoting investment; mobilizing capital and ensuring that growth in the sector has positive social and environmental benefits.

? **Latin America & Caribbean:** Many of the leading economies in this region depend on agricultural exports for continued economic growth and falling prices of raw materials has weakened economic performance. This situation has been exacerbated by unfavorable weather conditions, in part due to climate change. Economic and production challenges mean that countries in the region will focus on increasing productivity, reducing inequity within value chains, increasing resilience, and reducing the environmental impacts of production. The region already contributes significantly to global greenhouse gas emissions and biodiversity loss resulting from agriculture and is the second largest producer of agricultural emissions globally (after Asia). Of particular concern is the soy sector.

? **South and Southeast Asia:** The region generally has experienced strong growth, including in the agricultural sector, and this is expected to continue. However, this growth is likely to come from an increase in land under production and intensification, including destruction of biodiverse primary forests for palm oil production. Climate change and environmental degradation is already influencing production, for example through salinization.

Throughout these regions, there is a lack of adequate financial services for the rural sector, which constrains productivity and opportunities for moving towards improved production practices. In the absence of new financing sources dedicated to sustainable agriculture, the agriculture credit gap will persist and grow, undermining the sector's potential contribution to the Sustainable Development Goals (SDGs). While large corporations may be able to fund part of their sustainable supply chain programs, the current and projected funding will be insufficient. Due to the applicable regulations, lending by banks and non-bank financial companies (NBFCs) remain constrained by collateral requirements. SMEs will face a continued struggle to access sufficient financing.

The baseline scenario analysis identifies several challenges affecting (or caused by) agriculture, including low productivity, limited access to high-quality inputs and improved technologies in Africa, commodity price volatility, climate change, deforestation, and biodiversity loss. It concludes that access to additional financial services, specifically financing facilities dedicated to promoting sustainable production, are required to close the prevailing credit gap and enable agriculture to meet its potential in contributing to the Sustainable Development Goals (SDGs).

The capital gap for sustainable agriculture exists at all steps of the supply chain and spans long-term investment capital to relatively short-term trade finance. The International Finance Corporation (IFC) estimates that the credit needs of one third of SMEs in North Africa and approximately half of SMEs in Sub Saharan African are not fully met and estimates the African SME finance gap to be at more than USD 421 billion The unmet demand for trade finance in Africa is estimated at USD 120 billion, and USD 700 billion in developing Asia. Currently, only about USD 50 billion of the more than USD 200 billion credit need is fulfilled for smallholder finance in Sub Saharan Africa, Latin America, South and Southeast Asia, and it is expected this financing gap will be exacerbated in the coming years without additional attention. A lack of available credit, in particular tied to **good** business practices, is thus both a threat and an opportunity to achieving Global Environmental Benefits.

In the absence of innovative loan facilities such as the Food Securities Fund, the lack of access to credit that integrates action on the sustainable development goals and delivery of GEBs will remain an issue that constrain the transition to **improved natural resource** management, with consequences for the environment and society worldwide and especially in emerging and developing markets. Loans will continue to follow business as usual approaches and thus not provide the additional funding required to move these value chains to more sustainable paths. And, as agricultural production becomes more susceptible to climate variations, lenders can become more inclined to prioritize larger, established farming operations in low-risk jurisdictions with more land holdings and therefore lower risks.

-- Associated Baseline Projects

A selection of example baseline projects led by various stakeholder groups are provided below. Note that this list only references funded and on-going initiatives, not to those that are in development. Clarmondial has initiated contact with several of these projects and has identified approaches and partnerships that will be of use when implementing the project.

A selection of example baseline projects led by various stakeholder groups are provided below. Note that this list only references funded and on-going initiatives, not to those that are in development. Clarmondial has initiated contact with several of these projects and has identified approaches and partnerships that will be of use when implementing the project.

Table 1: Baseline projects related to the Food Securities Fund

Project name	Years (start ? end)	Budget (USD)	Funder(s)	Objectives / brief description of how it is linked to this GEF project

<i>Government-endorsed strategies and policies (regional & national)</i>				
Brazil Forest Code	2012 - on-going	N/A government law	Government of Brazil	Provides a legal framework and tools for monitoring compliance of borrowers to maintaining forest cover. This will help in guiding lending in Brazil.
CAADP[1] ¹ , Maputo (2003) Malabo Declaration (2014)	2003 - on-going	N/A government programs under the African Union	Various governments	Pan-African framework, principles and monitoring system to sustainably develop agricultural systems. This can provide useful reference documentation for the Food Securities Fund.
NIRSAL[2] ² (Nigeria)	2013	Over USD 100m	Government of Nigeria	Public Private Partnership (PPP) to support increased lending to agriculture, expand insurance coverage to small-scale farmers, and value chain lending. Clarmondial has a Memorandum of Understanding (MOU) with NIRSAL, to collaborate in Nigeria on the Food Securities Fund.
Cocoa & Forests Initiative	2017	N/A	Ghana & Cote d'Ivoire, supported by donors and industry	PPP to define commitments, verifiable actions and timebound targets for deforestation-free and forest-positive supply chains. Part of this includes National Implementation Plans, which Clarmondial can use to guide its loans in these areas.

Indonesian Sustainable Palm Oil (ISPO) certification	2011	N/A	Government of Indonesia	Certification requirement on palm oil imposed by the Government (voluntary for smallholders). Clarmondial can use this, and Roundtable on Sustainable Palm Oil (RSPO)[3] ³ as a guide.
<i>International funding lines (donor & development partner driven)</i>				
One World Without Hunger	N/A	N/A	BMZ, KfW (Germany)	KfW has provided a letter confirming their interest in a potential investment in the Fund.
USAID Feed the Future	2010	N/A	United States	Strategy for an integrated approach to combating the root causes of hunger, malnutrition and poverty. The Food Securities Fund has received a guarantee from the US Development Credit Authority (now DFC), subsidized by the US Bureau for Food Security in the context of the Feed the Future Program.
Adaptation of African Agriculture (AAA)	2017	N/A	AFD, DfID, World Bank, Government of Morocco	Clarmondial has advised the AAA, including various African governments, on their Climate Smart Agriculture Investment Plans. These Plans can help guide the investment strategy of the Fund.

UN Environment Programme	N/A	N/A	N/A	UN Environment is collaborating with several private sector entities to help mobilize finance for sustainably managed landscapes.
<i>Commitments and compacts</i>				
New York Declaration on Forests	2014	N/A	N/A	Initiative to increase ambition, create new partnerships and accelerate progress on global forests. Clarmondial is a signatory to the Declaration.
Tropical Forest Alliance 2020 (TFA2020)	2012	N/A	US, World Economic Forum (WEF), Norway, UK	PPP focused on deforestation-free supply chains. It convenes stakeholders in key supply chains such as palm oil, including on mobilizing finance. Clarmondial is a member of TFA2020 and may leverage the platform for outreach and knowledge management.
Grow Africa	2011	N/A	WEF, African Union, NEPAD, private companies	Initiative to grow private sector investment in agriculture, which supports implementation of the CAADP Compact. The Country Agribusiness Partnership Framework (CAP-F) and implementation may provide a useful point of alignment for the Food Securities Fund.

PISAgro (Grow Asia ? Indonesia)	2011	N/A	Indonesian government, 7 private companies	Supports PPPs focused on delivering a 20% yield increase, 20% farmer income increase and 20% CO2e emission reduction. The agri-finance working group may provide a useful counterpart to the Food Securities Fund.
<i>Other impact funds and private sector impact investment strategies</i>				
IDH FarmFit Fund	2018	34m	IDH, DfID, Gates Foundation, various donors	IDH and Clarmondial have discussed collaborations with respect to the IDH FarmFit Fund. The Food Securities Fund could be a ?partner financial institution?, complementary to the commercial banks and other funds.

3) The proposed alternative scenario with a description of outcomes and components of the project

Worldwide, and especially in emerging and developing markets, there is an urgent need for financing that addresses the full agricultural cycle and promotes sustainable rural development, including through engaging smallholder farmers. While some local banks and microfinance institutions are providing credit lines that incentivize improved practices, these opportunities are limited by relatively high opportunity costs. Such loans tend to support traditional agricultural practices which are often very country specific and may not reach the scale required for international agricultural markets. Some credit funds are available for sustainable agricultural initiatives, but they also tend to focus on more traditional approaches, and like local bank funding, may not result in the scale of product required. Meanwhile, some large banks have some sustainable agricultural financing loan products available, however, these loans tend to be focused on large-scale investments.

Under a business as usual scenario, this loan environment is unlikely to change significantly in the near term. While the number of local banks and microfinancing that provide credit for small-scale farmers and sustainable agricultural initiatives may grow, it is unlikely that these institutions will have access to the large-scale capital for such loans. The existing lenders do not typically collect and require regular reporting on social and environmental factors to estimate contributions to GEBs, and do not consider impact in their credit (lending) decisions. As a result, contributions to sustainable agriculture and GEBs will continue to be piecemeal and very geographically specific. The sum total of these initiatives is unlikely to make any significant GEB impact at scale even over time.

Through its loans, the Food Securities Fund proposes a strategy to address these environmental challenges as well as the rural credit gap for sustainable land management in emerging and developing markets. The Fund works alongside the agricultural value chain to leverage existing relationships and commitments: large companies (Value Chain Partners) are used to source and de-risk investment opportunities (by providing a first loss guarantee, typically at 10 ? 40% of the loan amount), and SMEs that operate locally in these markets as aggregators are financed to become better partners to farmers and rural communities. By providing season-long loans, the Fund enables its borrowers ? the aggregators - to better support the farmers they work with (e.g., through technical assistance, inputs and credit) to sustainably improve productivity and rural incomes. Due to its innovative de-risking approach and structure, loans by the Food Securities Fund do not depend on the availability of collateral from the borrower and can therefore provide a complementary and additional source of financing alongside existing financial institutions and the baseline projects indicated in Table 1. This type of funding is scarce and in high demand. Access to such funding creates an incentive for borrowers and Value Chain Partners to deliver on Global Environmental Benefits (GEBs) for biodiversity, climate change mitigation, land degradation and forests.

As its loans are conditional to good environmental practices, the Fund provides a lasting incentive for local companies to become more transparent, accountable and committed to continuously improving their environmental performance. Good environmental practices are defined according to (i) a sectoral / geographical baseline, (ii) a ?project? (internal) baseline, or a combination of the two. A standard set of ESG Key Performance Indicators (KPIs) including qualitative assessment factors and quantitative impact metrics will be monitored. Performance according to the baseline is tracked using indicators related to the GEBs. This approach allows the Fund to support measurable progressive improvements on relevant indicators in successive loan periods. The Fund expects to see continuous improvements on environmental and social indicators over recurring loan cycles.

The aggregators that borrow from the Food Securities Fund are assessed prior to and during the loan period. The aggregators are expected to build on their existing operations in emerging and developing countries, and to do so with more transparency and intent to do more and better business with farmers. Aggregators existing operations will be considered to determine the potential for new contributions to GEBs, including on restoration (contributing to reversing land degradation and promoting biodiversity), climate mitigation, improved land management (e.g., introducing improved agricultural management techniques such as reduced tillage) and rural economic development. The borrowers (aggregators) will carry out local operations such as farmer training and operational support, provision of inputs (such as seedlings), sourcing, processing, storing and exporting. They may also provide farmers with certification support, for example. The requirements associated with the loan from the Food Securities Fund will consider the borrower (aggregators) potential localized contributions to conservation and GHG mitigation through considering available information e.g., from the government, certification bodies, World Bank Group, FAO, and other experts (including the Fund?s Impact Advisory Board members). Aggregators are expected to report on progress regularly to the Food Securities Fund. The area and type of operations on the ground will vary according to the portfolio of loans of the Food Securities Fund. The volume of loans will depend on the growth of the Food Securities Funds (i.e., timing of the inflows of investment, including from the GEF). Please see

Appendix X and the ESG Policy for more information on how the Food Securities Fund intends to contribute to GEB generation.

The Fund is structured to address some of the challenges faced by some other organizations and investment vehicles financing sustainable agriculture:

a) **Commercial viability**: Programs that fund responsible agriculture are often systematically dependent on the availability of concessional capital and lack a strategy to phase out such capital over time to become commercially viable. In contrast, the Food Securities Fund is structured to attract private, commercial investors as it builds its track record, so that concessionary investors are gradually replaced.

b) **Scalability**: Many investment vehicles are structured as closed ended funds, where investors commit their capital at the beginning and are only repaid after several years. These structures play an important role, particularly with respect to equity and longer-term debt but may take longer to scale. The lack of scale, liquidity, and track record prevents many institutional investors from participating in such vehicles, constraining the growth of investment structures that provide capital to the sector. The Food Securities Fund is different as it offers quarterly liquidity to investors (i.e., the option to invest or divest at each quarter). The Fund is also supervised by the Luxembourg regulator, which provides additional comfort to the institutional investors that can bring the Fund to scale.

c) **Blended finance approach**: Traditional financial institutions struggle to lend to agriculture SMEs for several reasons, including their dependency on traditional collateral (e.g., real estate, agricultural goods in a managed warehouse). In line with its value chain approach, the Food Securities Fund builds on existing business relationships between SMEs and larger companies (VCPs) to de-risk transactions through partial first loss guarantees (typically between 10% and 40%). This de-risking from VCPs can be complemented by a guarantee facility from USAID Development Credit Authority (DCA) which is now under the US Government's Development Finance Authority). The Fund constitutes a new, additional source of financing that effectively addresses the prevailing credit gap in agriculture.

Project Outcomes and Outputs:

This GEF project has one component that is focused on the establishment of a viable and sustainable open-ended investment fund that uses an innovative blended finance approach to promote sustainable development through agricultural value chains. The Food Securities Fund will address a financing gap by providing working capital to companies that operate primarily in rural areas in emerging and developing markets and aggregate produce to and from farmers. The Fund:

? Is a global emerging and developing markets Fund, which covers a wide range of agricultural sectors and geographies and is therefore expected to encounter heterogeneous social conditions including in terms of gender related issues.

? Targets the agriculture sector broadly, which at a very general level, is increasingly being feminized.

? Intends to promote gender equality and women's empowerment at both the borrower-level (borrowers, i.e., companies that transact with, and act as aggregators for, farmers) and at the farm-level.

Component 1: The Food Securities Fund for sustainable supply chains.

During the proposed 8-year GEF investment period in the Food Securities Fund, the Fund intends to achieve the outcomes, outputs, and associated indicators and targets outlined below. The sum of these elements will result in GEBs amounting to cumulatively 2.1 million hectares of land under improved management (i.e., 100,000 hectares of land restored and 2,000,000 hectares of land under improved practices), the greenhouse gas (GHG) mitigation of 1 million metric tons of carbon dioxide equivalent (CO₂-e), and at least 700,000 direct beneficiaries disaggregated by gender as co-benefit of GEF investment.

●**Outcome 1.1:** Agricultural supply chains in emerging and developing markets are strengthened through the Food Securities Fund.

Indicator 1.1.: Number of borrowers financed by the Food Securities Fund.

Outcome 1.1 Target: 60 borrowers financed by the Food Securities Fund.

Supply chains are critical to ensuring that there is a timely and affordable delivery of goods and services for production and that there is a predictable and fair value chain partner that is able to pay a reasonable price for agricultural products within a reasonable timeframe. In most cases, professional agricultural production, conducted as a business, requires links to larger companies in the agricultural sector, such as large and well-established traders, processors, retailers, brands and input providers. The Food Securities Fund seeks to leverage and strengthen the relationships between Value Chain Partners, borrowers, and farmers through an independent and additional source of finance. Value Chain Partners include both suppliers of agricultural inputs (e.g., seeds and fertilizer) and buyers. Though the Food Securities Fund will provide relatively short-term funding, it will do so only where there is a longer-term commitment by the Value Chain Partner to the Borrower, and from the Borrower to farmers. In general, the Fund expects to see existing relationships of at least 3 years between the Borrower and its business partners. Clarmondial, as an advisor to the Food Securities Fund, will monitor these relationships as part of their loan to the borrower in the Value Chain Partner's supply chain. The Food Securities Fund will attract Borrowers by providing a new, additional and renewable source of working capital that can support their sustainable supply chain activities. Output 1.1.1 enables the Food Securities Fund to make the loans that will generate the impact (i.e., the GEBs), this is because the Value Chain Partners create the demand that enables sustainable production, de-risks loans from the Fund, may require reporting on social and environmental issues and may provide additional support (e.g., technical assistance) to the borrower.

Output 1.1.1.: Value Chain Partner companies are committed to facilitating loans to their supply chains and trading partners in emerging and developing countries through the Food Securities Fund, as evidenced by policies, operational procedures, and guarantees.

Output 1.1.1. Indicator 1.: Number of Value Chain Partner companies committed to facilitating loans to linked to borrowers through the Food Securities Fund.

Target: At least 10 companies.

Activities to be carried out to achieve this output include building relationships with potential Value Chain Partners, i.e., larger established organizations that can facilitate introductions to potential Borrowers and that can de-risk loans to such Borrowers. These Value Chain Partners may be headquartered in developed or developing and emerging countries and have an interest in supporting the transition to sustainable practices within their supply chains and business networks in emerging and developing markets.

Value Chain Partners are companies that source agricultural produce from Aggregators operating in emerging and developing countries and have sustainable sourcing commitments (e.g., commitments to no-deforestation, or the prevention of environmental degradation and biodiversity loss). Through this Output, at least 10 internationally or regionally relevant organizations will sign on to business commitments to their business partners (the Borrowers) and support the monitoring of these supply chains by the Fund's Advisor as part of the lending relationship between the Fund and the Borrower. The terms in these loans will contribute to GEBs as well as improved well-being for rural communities (notably small-scale farmers and women) working in emerging and developing markets around the world. The Food Securities Fund's collaboration model will attract Value Chain Partners that are committed to supporting their partners and farmers transition to more environmentally friendly practices within sourcing landscapes.

The Borrowers are expected to be able to do more and better business as a result of receiving a loan from the Food Securities Fund. As the Fund grows, it will also be able to provide larger loans, which can result in impact over a larger area. The area of land in the Fund's portfolio, as well as improvements compared to business as usual and contributions to restoration will be considered. The borrowers may be expected to improve their business practices and reach over subsequent loan renewals. The land under improved environmental management (area, management practices, baseline) and restoration (types of management activities, land characteristics) will be used as inputs to estimate GHG mitigation impacts. The Fund intends to generate a net GHG mitigation benefit of 1,000,000 tCO₂-e within an 8-year period from the GEF's investment. Please see Annex X for more information on this.

●**Outcome 1.2:** Increase in the area of land under improved environmental practices, area of land restored and GHGs mitigated linked to financial investments (loans) from the Food Securities Fund.

Outcome 1.2 Indicator 1: Area of land under improved environmental practices financed by the Food Securities Fund.

Outcome 1.2. Target 1: 2 million hectares of land under improved environmental practices linked to the Food Securities Fund.

Outcome 1.2 Indicator 2: Area of degraded land restored linked to financing (loans) from the Food Securities Fund.

Outcome 1.2. Target 2: 100,000 hectares of degraded land restored linked to financing (loans) from the Food Securities Fund.

Outcome 1.2 Indicator 3: Improved environmental management practices and restoration generates GHG mitigation benefits.

Outcome 1.2. Target 3: 6,584,626 metric tons of CO₂ equivalent of GHGs are mitigated by the Food Securities Fund's borrowers.

The Food Securities Fund will provide loans to borrowers that operate within agricultural value chains in emerging and developing countries. This will enable the borrowers to increase their business operations with farmers that adopt sustainable land practices. The Food Securities Fund intends to have a loan portfolio of at least USD 750 million by 2028. Loans will be monitored quarterly. Most loans will have a duration of one year with decisions on renewals made at least annually and based on financial performance as well as abidance to and progress on the Fund's ESG standards. During the 8-year GEF investment period, loans to borrowers will result in the restoration of at least 100,000 hectares of degraded lands and 2 million hectares of land under improved environmental practices such as agroforestry, organic agriculture, reduced / no till agriculture and cover cropping. Implementation of improved environmental practices and restoration activities by the Food Securities Fund's borrowers (i.e., the aggregators) should contribute to GHG mitigation benefits of at least 1,000,000 metric tons of CO₂e. A mix of commodities and countries will be targeted to ensure adequate portfolio diversification from a financial and impact perspective, these may include both food and non-food crops such as coffee, maize, sorghum, cocoa and rubber.

Output 1.2.1.: Funding deployed as loans to borrowers tied to sustainable production practices.

Output 1.2.1. Indicator 1: Amount of funding deployed to borrowers as loans for sustainable production practices.

Target.: At least USD 750 million allocated.

Primary activities under this output include, on the one hand, the origination of potential transactions, assessment (due diligence), execution and monitoring of transactions, and on the other hand securing additional investment and responsibly managing investments according to investor expectations and applicable regulations. Through its investment strategy, the Food Securities Fund is expected to raise approximately USD 750 million from investors over the 8-year GEF investment period (including GEF's investment and support in the form of guarantees and grants in support of the Fund). Investments in the Fund will be used to make loans to Borrowers. These loans may be renewed subject to the Fund's Net Asset Value (NAV) and progressive increases in the delivery of global environmental benefits including the delivery of social impact.

Output 1.2.2.: Sustainably produced commodities are included in the loan portfolio.

Output 1.2.2. Indicator 1: Number of commodities covered.

Target: At least 12 commodities.

Activities associated with this output include the origination, assessment (due diligence), execution and monitoring of transactions in a range of commodities. This also means that the Fund should engage with counterparts (Borrowers, Value Chain Partners), experts and other stakeholders in commodities to identify the ones to focus on. During the project period, the Fund will focus on a mix of food and cash crops, important to domestic economies and with environmental and social relevance, including cocoa, coffee, oil seeds (soy, palm), sorghum, vanilla, and legumes. This mix of commodities in the loan portfolio should promote portfolio diversification and may help to mitigate adverse effects of a specific crop disease or national disaster that could impact the performance or price of any one commodity. Over time and as the Fund garners additional financial resources, the Fund may expand into sectors such as forestry and fisheries.

Output 1.2.3.: Developing and emerging countries are targeted in the Food Securities Fund's loan portfolio.

Output 1.2.3. Indicator 1: Number of developing and emerging countries targeted in the Food Securities Fund loan portfolio.

Target: At least 20 developing and emerging countries.

Activities associated with this output include the origination, assessment (due diligence), execution and monitoring of transactions in a range of countries. This also means that the Fund should engage with counterparts (Borrowers, Value Chain Partners), experts and other stakeholders in various countries to identify the countries to focus on. Activities for this output will focus on establishing relations with relevant stakeholders.

The Food Securities Fund is designed to spur employment, training, and trade in developing and emerging markets. As noted, during the first Phase (2020-2022), the Fund will primarily focus on investments in Sub Saharan Africa where there is generally a greater dearth of agricultural funding. However, in this initial period, the Fund will also consider potential investments in Latin America Caribbean and Southeast Asia. As the Fund grows, the investment portfolio will become more diversified to cater to additional countries. The Fund's pipeline list has significant overlap with the GEF Food Systems, Land Use & Restoration Impact Program (FOLUR) countries, namely Burundi, Colombia, Mexico, Cote d'Ivoire, Ethiopia, Ghana, Indonesia, Tanzania, as well as with GEF Focal Areas. This country selection also complements the GEF historical grant and non-grant portfolio.

• **Outcome 1.3.:** Increased access to goods and services for men and women farmers to implement sustainable farming practices.

Indicator 1.3.: Percentage of loans made to borrowers that provide pre-harvest support to men and women farmers.

Outcome 1.3. Target: At least 50% of borrowers provide pre-harvest support to farmers, at least 50% of whom are women.

The Fund's borrowers work with farmers and rural communities ? for example by buying agricultural products from smallholder male and female farmers. As noted, the definition of small-scale farmer is highly contextual according to land holding size, labour, income, market productivity, etc. Clarmondial will consult international, regional and national discussions on definitions, including and as a part of the 2030 Agenda for Sustainable Development and the determination of smallholder will be determined on a loan-by-loan basis.

Early in the agricultural season, it is often difficult for farmers to obtain adequate resources in the form of financing and seeds, tools, small-scale infrastructure and machinery, and labour. This is particularly the case for smallholder and women farmers who may have less collateral and bargaining power.

Through an approach that engages Value Chain Partners, the Food Securities Fund will address some of the obstacles that prevent adequate full-season resourcing of farmers. The Fund will provide loans to borrowers that operate locally in emerging and developing markets so that these borrowers can expand their business with farmers and rural communities and provide full cycle loans that particularly benefit smallholder farmers. As a condition of its loans, the Food Securities Fund will regularly monitor the relationship between the farmers, borrowers, and Value Chain Partners.

Output 1.3.1: Men and women farmers have improved access to market and increased pre-harvest support for sustainable production practices.

Output 1.3.1. Indicator 1: Number of men and women farmers that transact with the Fund's borrowers.

Target: 700,000 farmers, 50% of whom are women.

Output 1.3.1.: Indicator 2.: Number of smallholder men and women farmers with improved access to markets and support for sustainable production practices.

Target.: 350,000 smallholder men and women farmers.

In addition to the activities mentioned under Output 1.2.1, 1.2.2 and 1.2.3, activities under this output 1.3.1 include assessments of the number of male and female farmers that the Borrower engages with. The intent of the Fund's loans is to create sustainable development opportunities for farmers and rural communities, especially women and small-scale farmers. The Fund has developed specific metrics to track benefits created for these groups. Monitoring and progress on these metrics will be captured in borrower reports and reflected upon in annual reports to investors.

•**Outcome 1.4.:** Increased employment, and economic advancement opportunities for local communities, and especially for rural women.

Indicator 1.4.: Borrowers increase employment and economic advancement opportunities, especially, for women, in the local sourcing area.

Outcome 1.4. Target: At least 50% of borrowers commit to becoming "equal opportunity employers" within 3 years from their initial loan within 3 years from their initial loan, i.e., as demonstrated by new or improved policies, gender plans, or equal opportunity development plans.

Increase in rural economic growth, in a manner that creates environmental and social benefits, is critical to preserving the environment. The Fund's intended borrowers are often important local employers and create economic advancement opportunities for women. Through its loans to borrowers, the Food Securities Fund will increase local employment while ensuring that opportunities for economic empowerment for women are provided to support sustainable natural resource management.

While the Fund has strong environmental commitments, in line with GEF policies, it also has strong social commitments including requiring Borrowers to develop and implement relevant steps to achieve gender equality, e.g., through Equal Opportunity Employment (EOE) policies that benefit women and other marginalized populations. The Fund will verify any borrower EOE commitments as a part of its due diligence. EOE policy improvement/development as documented in gender plans or equal opportunity development plans may be used as one criterion for loan renewal.

Output 1.4.1.: Through loans from the Food Securities Fund, borrowers increase the number employees, providing more jobs to men and women employees.

Output 1.4.1. Indicator 1: Percentage of borrowers that increase the number of employees in a three-year period.

Target 1: 75% of borrowers.

Activities to be carried out to ensure this project output include ensuring that the borrower collects information on female and male employees, including training provided during the year, and that this information is shared with the Fund for the duration of the loan.

Output 1.4.1. Indicator 2: Borrowers increase the number or percentage of female employees in their workforce over a 3-year period targeting equal opportunity employment (50% women).

Target: 20% increase in women employees over a 3-year period or comparable increase in numbers to achieve gender parity over a 3-year period.

Output 1.4.1. Indicator 3: Percentage or number increase in women participating in trainings provided by the borrower per year, targeting gender parity (50% women participation).

Target: Women's participation in trainings increases by at least 10% per year over baseline/previous year, or comparable increase in numbers of females participating in order to reach parity.

Activities to be carried out include ensuring that borrower have a system in place to document and track the gender composition of their staff employment and training program over successive years and that this data is regularly documented and communicated to the Fund.

Sustainable rural job creation will boost local economies, in line with country plans under international and national commitments such as the United Nations Convention on Biodiversity (CBD), Framework Convention on Climate Change (UNFCCC), and Convention to Combat Desertification (UNCCD). These employees will come from a variety of sectors including farming, but also commodity processing, packaging, and shipment.

The Fund will specifically promote women's inclusion in its borrowers' workforce. Through this inclusion, women will increase their skills, generate income, be empowered in their decision making, and as a result, be presented with more leadership opportunities within local rural economies. Increases in women's participation will be used as a criterion for any loan renewal.

Access to training may be important for skills-building. While many trainings do not explicitly exclude women, they are often provided at a cultural setting or at a time that limits women's full participation. The Fund will track women's participation in trainings provided by or on behalf of the borrower. Women's participation in trainings may be used as one criterion for loan renewal.

•Outcome 1.5.: Improvement in relevant environmental impact of borrowers and their value chains as per impact metrics.

Outcome 1.5. Indicator 1: Improvement in quantitative impact metric performance for environmental issues across the Fund's portfolio of loans, monitored and reported according to its ESG Policy.

Target 1.5: At least 80% of borrowers report improvements in environmental scores on Key Performance Indicators (KPIs) over successive agricultural seasons.

The Food Securities Fund has a set of environmental and social KPIs (quantitative impact metrics + qualitative assessment factors including social and gender considerations) that it will monitor over the course of the credit relationship with the Borrower and Value Chain Partner. These include KPIs that are required for all loans, as well as some that may be assigned for specific loans. At the start of the lending relationship, the Food Securities Fund and the Borrower will agree on any KPIs that the Borrower will monitor, in addition to the required KPIs. These will be included in the loan agreement and will be monitored on a quarterly basis. They will inform the decision on renewing a loan from the Food Securities Fund to the Borrower. The Food Securities Fund expects to see steady progress on these KPIs. The Food Securities Fund will seek input from leading CSOs, research organizations, and government agencies to ensure that such KPIs are relevant, and that monitoring, and reporting are done in the best possible manner in line with international best practice and government priorities. Note that additions or modifications to some of the specific KPIs may be developed during the project inception meeting, notably given the likely timing of the GEF allocation. Modifications or improvements will also be guided by input from the Impact Advisory Board.

Output 1.5.1.: Quantitative environmental impact metrics and targets set by the Fund for borrowers are collected.

Output 1.5.1. Indicator 1: Number of borrower impact metric reports developed.

Target: 24 impact quarterly reports (4 quarterly reports/year X 8 project years) that include impact metrics.

Activities will include the collection and review of information provided by the Borrower on social and environmental impact metrics and assessment factors. The Fund has a detailed set of social and environmental KPIs designed to document farmers (including smallholder farmers and women inclusion in the project which have been reviewed by Civil Society Organizations (CSOs) and other relevant stakeholders. The Fund intends to work with these partners, as well as governments and the private sector to improve the information base for investment decision making and monitoring that can benefit these populations and result in the delivery and maintenance of GEBs. These reports will be reviewed regularly by the Fund's Impact Advisory Board.

Output 1.5.2.: Annual on-site review of borrower impact metric performance is conducted and recorded.

Output 1.5.2 Indicator 1: Number of annual on-site impact performance (monitoring) reports that include impact metrics communicated to the Fund.

Target: 8 annual reports.

Activities under this output will focus on the collection and review information provided by the Borrower on social and environmental impact metrics and assessment factors, i.e., the course of original loan due diligence, loan renewal and regular monitoring. Progress on the Fund's environmental, social, and governance KPIs and overall targets, including the global environmental benefits, will be summarized in annual reports that will be available to investors. These reports will also be made available to the GEF Secretariat along with the required Project Implementation Reports (PIRs).

Together these Outcomes and Outputs, as well as the associated indicators and targets, will result in the implementation of the Food Securities Fund so that it cumulatively over the GEF 8-year GEF investment period finances at least 60 borrowers, works with at least 10 Value Chain Partners that de-risk individual loans, and that the Fund has deployed a total of USD 750 million contributing to improved practices being implemented on 2 million hectares, as well as 100,000 hectares of land being restored and resulting in an estimated reduction of greenhouse gas emissions (GHGs) by 1 million tons of CO₂e.

While there have been no major changes to the description of the proposed alternative scenario from the PIF stage, the project is now including a disbursement plan. The GEF will commit \$15M at CEO endorsement (GEF Grant+ M&E+ PMC + Agency Fee: \$12.82M + \$80,000+ \$561,022 +\$1,211,532), however, will disburse the funds following the proposal below:

1. GEF initial Investment: **\$6.36 Million** at the time of CEO endorsement (satisfies the 1:7 co-financing requirement, Satisfies GEF Equity requirement: 47.59%)
2. Additional Tranche payments conditional on raising Capital

Table 2: Tranche Payments

		GEF additional investment	GEF Total Investment

Tranche 1	Next \$15 million capital raise:	\$2.14	\$8.50
Tranche 2	Next \$15 million capital raise:	\$2.14	\$10.64
Tranche 3	Next \$15 million capital raise:	\$2.17	\$12.82

4) Alignment with GEF focal area and/or impact program strategies.

Transactions will be selected based on both financial and non-financial aspects. Transactions that have the potential for greater contributions to GEBs will be prioritized - notably transactions that result in greater numbers of hectares of degraded lands restored (GEF core indicator 3.1), area of landscapes under sustainable land management in production systems (GEF core indicator 4.3), greenhouse gas mitigation i.e. carbon sequestered or emissions avoided in the AFOLU sector (GEF core indicator 6.1) and more beneficiaries, particularly women (GEF core indicator 11). GEF landscapes will be prioritized in the investment pipeline against similar deals (in relation to loans amount, risk/return profile, timing, and other criteria), however, the Food Securities Fund cannot commit to only investing in GEF landscapes. With the collaboration of Conservation International, and potentially other GEF partners (e.g. WWF US, which is also represented in the Fund's Impact Advisory Board), additional origination efforts can be directed to the GEF landscapes. Clarmondial understands that access to working capital is an issue to projects engaging private sector in GEF landscapes, therefore these should present additional investment opportunities for the Food Securities Fund. Note that GEF investment is part of the overall fund capital (i.e. there is no carve out for GEF landscapes) and a portfolio-wide restriction would be detrimental to the GEF goals by limiting the Fund's ability to scale.

Biodiversity Focal Area

Objective 1.1 Mainstream biodiversity across sectors as well as landscapes and seascapes

This 'mainstreaming' is defined by the GEF as 'the process of embedding biodiversity considerations into policies, strategies and practices of key public and private actors that impact or rely on biodiversity, so that it is conserved and sustainably used both locally and globally.' In addition to its alignment with the Food Systems, Land Use & Restoration Impact Program (FOLUR), the Food Securities Fund provides:

? An entry point for biodiversity mainstreaming in priority sectors, e.g., through the application of emerging tools for biodiversity monitoring such as Align, PBAF and ENCORE.

? Natural capital assessment and accounting, notably for testing portfolio assessment methods that integrate these approaches ? particularly as the Food Securities Fund is able to provide a complementary source of green finance to the traditional banking sector. Note that Clarmondial has previously supported knowledge events and exchange on natural capital accounting and mainstreaming, i.e., with the UN Environment Natural Capital Declaration⁷⁴;

? Sustainable use of plant and animal genetic resources, e.g., ensuring better value chain cohesiveness and long-term market commitment to a specific local variety produced with an inclusive approach, for example for sorghum.

The Fund primarily addresses large scale buyers where there is a focus on consistency of supply of a particular agricultural product among other requirements (e.g., taste, quality). The Value Chain Partners with whom the Fund is engaging recognize the importance of maintaining (or improving) agrobiodiversity in order to achieve resilience within a given landscape. They may do this in different manners - e.g., by supporting farmer livelihood diversification and providing training. Increasing farmer livelihood diversification in most cases (and all that are being considered so far), translate into greater farm agrobiodiversity, which means that farmers have more stable incomes through the year and that there continues to be a stable farmer base that produces the key crop relevant for Value Chain Partners. Engagement by the Value Chain Partners and borrowers, e.g., in providing training, is made possible by the purchase of the main product.

The Food Securities Fund also contributes to the UN CBD, including the Aichi Biodiversity Targets. Particularly, the Food Securities Fund supports Targets under Strategic Goal B (?Reduce the direct pressures on biodiversity and promote sustainable use?), and to a lesser extent Strategic Goals D (?Enhance the benefits to all from biodiversity and ecosystem services?) and E (?Enhance implementation through participatory planning, knowledge management and capacity building?). The following Targets under the Strategic Goals are supported by the Food Securities Fund, though it is notable that the Fund will only start operations in 2020, therefore while the Food Securities Fund can contribute to the Aichi Biodiversity Goals and Targets, it will do so from 2020 onwards.

Table 3: Food Securities Fund relevance to Aichi targets

Strategic Goal and Target	Summary	Relevance to the Food Securities Fund
Aichi Biodiversity Targets: Strategic Goal B		
Target 5	By 2020, the rate of loss of all-natural habitats, including forests, is at least halved and where feasible brought close to zero, and degradation and fragmentation is significantly reduced.	The Food Securities Fund considers the sourcing area in its investment origination, due diligence, decision and monitoring. This means that the Food Securities Fund will create an incentive for better management of a sourcing area, including promoting forest restoration and agroforestry production systems. This is linked to Project Outcomes and Targets for 1.2, 1.3, and 1.5. See the Results Framework in Appendix I.
Target 7	By 2020 areas under agriculture, aquaculture, and forestry are managed sustainably, ensuring conservation of biodiversity.	The Food Securities Fund provides credit to local companies and their business partners, under the agreement that they utilize sustainable management practices. These practices are monitored regularly by the Food Securities Fund. This is linked to Project Outcomes and Targets for 1.2 and 1.5. See the Results Framework in Appendix I.

Target 8	By 2020, pollution, including from excess nutrients, has been brought to levels that are not detrimental to ecosystem function and biodiversity.	The Food Securities Fund requires monitoring of input management practices among its borrowers and their suppliers. This is linked to the Project Outcome and Target for 1.5. See the Results Framework in Appendix I.
Aichi Biodiversity Targets: Strategic Goal D		
Target 14	By 2020, ecosystems that provide essential services, including services related to water, and contribute to health, livelihoods and well-being, are restored and safeguarded, taking into account the needs of women, indigenous and local communities, and the poor and vulnerable.	The Food Securities Fund requires its borrowers to consider the health, livelihoods and well-being of local communities that produce agricultural products. Specifically, the Food Securities Fund will monitor borrower's contribution to rural incomes, gender equality and job creation, and expects to see measurable progress on these indicators. This is linked to the Project Outcome and for Target 1.4. See the Results Framework in Appendix I.
Target 15	By 2020, ecosystem resilience and the contribution of biodiversity to carbon stocks has been enhanced, through conservation and restoration, including restoration of at least 15 per cent of degraded ecosystems, thereby contributing to climate change mitigation and adaptation and to combating desertification.	The Food Securities Fund monitors agricultural production activities of its borrowers, and the landscape that they operate in. The Food Securities Fund will track the contribution to carbon stocks by the borrower, as well as to land restoration. This is linked to the Project Outcomes and Targets 1.2 and 1.5. See the Results Framework in Appendix I.
Aichi Biodiversity Targets: Strategic Goal E		
Target 20	By 2020, at the latest, the mobilization of financial resources for effectively implementing the Strategic Plan for Biodiversity 2011-2020 from all sources, and in accordance with the consolidated and agreed process in the Strategy for Resource Mobilization, should increase substantially from the current levels. This target will be subject to changes contingent to resource needs assessments to be developed and reported by Parties.	The Food Securities Fund is additional source of credit to local companies that are committed to improved natural resource management . It is thus an additional source of private capital that has been mobilized in support of the UN CBD, its Goals and Targets. The Food Securities Fund intends to align itself with the national strategies of relevant Parties to the UN CBD. This is linked to the Project Outcomes and Targets 1.4 and 1.5. See the Results Framework in Appendix I.

Climate Change Focal Area

Objective 2.6 Demonstrate mitigation options with systemic impacts

This is linked to the FOLUR program, where the focus is on fostering climate smart agriculture and sustainable land management while increasing prospects for food security for smallholders and communities that are dependent on farming for their livelihoods. The Food Securities Fund utilizes a

sustainable supply chain (value chain) approach to promoting long-term emissions reductions from agriculture, including through reducing pressure on forests, and supporting increases in carbon storage in agricultural lands.

Land Degradation Focal Area Strategy

Objective 1.1 Maintain or improve of agro-ecosystem services to sustain food production and livelihoods through Sustainable Land Management (SLM)

This objective is also related to GEF FOLUR in that promotes an integrated approach to implementing Sustainable Land Management (SLM) to increase the prospects for food security for smallholders and communities that are dependent on farming for their livelihoods, notably addressing the need for agricultural productivity increases without further expansion of farmland, erosion of genetic diversity, overexploitation of land and water resources, overuse of chemical fertilizers and pesticides, and inefficient practices that lead to greenhouse gas emissions and food loss and waste. The Food Securities Fund includes several agroforestry opportunities in its pipeline, including in dryland areas (e.g. for cashew), as well as for important tree crops such as cocoa. It also includes opportunities in legumes (e.g. pulses, potentially peanuts), which are important for soil fertility as well as local food security.

Objective 4.5 Creating enabling environments to support scaling up and mainstreaming of SLM and LDN

Many of the enabling investments promoted by GEF under this objective are relevant for the Food Securities Fund, notably:

- ? Creating the foundations for mobilizing more investment into specific countries and value chains from the Food Securities Fund by embedding the LDN tool, conducting policy work and promoting good resource governance, particularly for smallholders. Capacity building for a variety of levels within the landscape will also be helpful.
- ? Providing technical assistance to bring bankable projects to investment.
- ? Supporting smallholders through special lending and extension projects.
- ? Lessons learning and knowledge exchange, and south-south cooperation to promote and scale innovations including for financial service providers such as the Food Securities Fund.
- ? Developing monitoring and information systems and targeted research on impacts, trade-offs, cost-benefit analysis of restoration and identifying incremental synergies. Clarmondial intends to work with other private and public sector entities to ensure sound monitoring systems to create a stronger link between environmental benefits and access to finance.

The Fund recognizes that higher land value through improved production can and has led to increased deforestation and forest degradation, and that this is an important consideration with respect to the Food Securities Fund. The Fund's Environmental and Social Governance (ESG) Policy stipulates that, among other factors, a condition for receiving loans is that the borrower does not promote deforestation of primary forests or biodiversity hotspots or important conservation areas. Borrowers may be required to have such a policy in place and provide proof of compliance, if they operate in an area where this

may be an issue. Furthermore, the Food Securities Fund complements regulatory and legislative approaches by requiring verifiable commitment to positive social and environmental outcomes leading to GEBs, including regular reporting, on-site visits and continued improvements over subsequent loan cycles. The safeguards are reflected in the loan agreements, and non-compliance may lead to penalties and non-renewal of the loan for the following season. The loan agreements will have a specific section on non-financial indicators and reporting. Borrowers will commit to them, and loans may not be renewed if the conditions related to non-financial performance are not met.

The financial penalty that the Fund can impose is the non-renewal of the loan in the following season. This is a major penalty as the target borrowers generally do not have access to sufficient working capital, particularly to pre-harvest working capital as provided by the Fund. Not having access to the Fund will likely impair the borrower's ability to scale their business and maintain their credibility with both the farmers that supply them and the Value Chain Partners they work with.

Food security is of primary importance to the Fund, in alignment with the GEF's land degradation programming direction. FAO refers to following four dimensions of food security: physical availability of food, economic and physical access to food, food utilization and stability of the other three dimensions over time. Technical assistance and availability of adequate inputs is often required to have enough food. However, it is typically challenging for local stakeholders, including farmers and aggregators, to access this. While national, donor and NGO programs provide critical support, such support is also often provided by the private sector where there is a link to a commercial crop. This link also helps to ensure that farmers have economic and physical access to food, including an adequate nutritional variety of food (some of which they will need to buy with cash), and that this is stable. The Food Securities Fund monitors these aspects proactively as part of its ESG Policy – indeed these are monitored at the borrower level on at least a quarterly basis so that action can be taken, and the overall impact on domestic food security is considered on the transaction and Fund level on an annual basis where it is reported to investors using the reporting template included in the ESG Policy. Value Chain Partners and borrowers that contract with the Fund recognize that farmers will only produce adequate product where they have food security.

Alignment with Food, Land use and Restoration Impact Program (FOLUR): The Food Securities Fund is well-aligned with GEF's FOLUR Impact Program, particularly as it will help countries meet the growing demand for increased crop and livestock production, while reducing the risk of further expansion of farmland, erosion of genetic diversity, overexploitation of land and water resources, overuse of chemical fertilizers and pesticides, and inefficient practices that lead to deforestation, biodiversity loss, land degradation, and greenhouse gas emissions. While there only a partial match with the initial FOLUR cohort of countries and landscapes, a common intention is clear, particularly in its engagement of the private sector (see table below), and delivering significant GEBs.

The Food Securities Fund intends to address a problem that is pervasive across rural landscapes, including those under FOLUR, e.g., the availability of unsecured, pre-harvest working capital tied to transparency and continuous social and environmental impact generation. A common intention is clear, particularly in its engagement of the private sector, and delivering significant GEBs. As such,

Clarmondial will prioritize pipeline development where the Fund has significant overlap with the FOLUR countries and landscapes. While the FOLUR landscapes may guide investment origination, adequate conditions must exist for the Fund to transact in those landscapes (e.g. creditworthy counterparts, appropriate interest rates, suitable loan size size).

Table 4: Food Securities Fund/FOLUR alignment

FOLUR Private Sector Approach	Alignment with the Food Securities Fund
Strengthening corporate governance and sourcing policies.	The Food Securities Fund works with international corporates to source investment opportunities in their supply chains. The Food Securities Fund encourages a long-term commitment by these corporates to their suppliers and ensures sustainable sourcing policies are implemented. While the Food Securities Fund and its investors take some of the risk burden, it ensures appropriate skin in the game from the corporates by requiring a partial first loss guarantee and an on-going business relationship committed to continuous improvements.
Targeting sourcing policies on regions and countries that are putting in place interventions to improve land management.	While sourcing policies are ultimately driven by corporates and their customers, the Food Securities Fund works with, and seeks to align with, countries and regional programs that have actionable intentions to improve land management. For example, an MOU exists with the Government of Nigeria to work alongside its agricultural finance program NIRSAL.
Increasing commitment for zero deforestation and sustainability standards in supply chains for both direct and indirect suppliers.	The Food Securities Fund seeks change by requiring continuous monitoring on key sustainability impact KPIs of suppliers. The Food Securities Fund lends to suppliers of international corporates. While the funding is seasonal, it may sign multi-year funding agreements where at least annual achievements must be demonstrated to continue the lending relationship.
Including gender and equity aspects in purchasing / sourcing policies and in engagements with producer organizations and cooperatives.	Gender and equity aspects are a critical part of the Food Securities Fund and will be continuously monitored. The Food Securities Fund intends to see improvements in the gender balance of females engaged at the level of the farmer as well as the aggregator (e.g. cooperative, processor).

Encouraging and leveraging additional financing and investment by private sector actors.	The Food Securities Fund leverages and supports the existing financial relationships between organizations in the value chain, e.g. by complementing the pre-finance that may already be provided by consumer-facing companies in the context of their sustainable sourcing commitments through an off-balance funding solution. The Food Securities Fund creates a new channel for capital to flow from institutional investors to sustainable agriculture in emerging and developing markets, notably unsecured full season finance to SMEs that operate in the agricultural sector in emerging and developing countries.
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Within the GEF commitment period, the Food Securities Fund intends to target the following initial FOLUR cohort countries and sectors:

- ? Palm oil in Indonesia and Liberia, with the potential for including Peru;
- ? Cocoa in Cote D'Ivoire, Ghana, and potentially Indonesia, Peru and Colombia;
- ? Coffee in Burundi and Ethiopia, with the potential for including Indonesia, Colombia, Peru, Guatemala and Mexico; and
- ? Soy, notably in Brazil and potentially Argentina and Paraguay.

The Food Securities Fund may also consider investment opportunities in the rice sector in Indonesia and Vietnam.

The Food Securities Fund intends to coordinate with government and agency leads executing FOLUR projects in countries where overlaps exist. This will include reviewing relevant program documents, policies and coordinating with relevant individuals managing such programs to share learnings and explore collaboration.

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

The baseline projects described in Table 1 of this document share a vision of mobilizing more, and more sustainable funding to sustainable land management in emerging and developing markets. While they have different geographical and sectoral foci, they pursue a science-based and private-sector led approach. Initiatives to engage the business community, particularly consumer-facing brands, as well as government and NGO engagement in the context of the UN CBD, UNFCCC and UNCCD, are increasing pressure to act. However, additional funding is required to support these commitments which is unlikely to be met by commercial banks, the balance sheets of major corporations, or donor funding. New funding channels are needed that tap into institutional investor interest in SDG-aligned investing that are able to effectively and efficiently deploy capital locally, and that share risk fairly with value chain partners such as leading international and regional corporations.

Leading international and regional companies, including consumer facing brands, retailers, traders and input providers are willing to support the efficient identification of reliable and commitment local partners that have a track record of working responsibly with farmers, and particularly smallholder farmers especially when they are driven by consumer demand. But the adoption of these policies also requires a funding solution that can meet corporate value chain financing needs at scale, and across multiple jurisdictions and agricultural products to be relevant. From the investor perspective, the funding solution must be in an acceptable structure, have limited intermediation costs, and independent

governance so that the investment manager and advisor can hold borrowers and Value Chain Partners to account on financial and non-financial performance.

While the funding need for value chains spans from long to short-term, investors and particularly institutional investors, seek open-ended structures that have regular valuation events and possibilities for redemptions. Similarly, the borrowers and Value Chain Partners have an on-going need for working capital, so while the funding from the Food Securities Fund is cycled annually, the arrangements can be on a multi-year basis. This enables the investors, fund manager and advisors, Value Chain Partners and borrowers to be held accountable on regularly and transparently.

The Food Securities Fund's unique design approach and structure supports many GEF objectives, notably on biodiversity and FOLUR. Through the Fund, GEF can enable the creation of an innovative non-bank financing company dedicated to sustainable agriculture, willing to provide unsecured full season working capital to local SMEs and their Value Chain Partners that are dedicated to creating measurable impact over time. This Fund is also able to mobilize institutional capital efficiently while reducing the borrowing costs and capital availability to sustainable businesses. The Fund's open-ended structure, which means that the impact of GEF's support will create impact well beyond the investment period. The GEF's anchor funding is critical in that it will:

- ? Ensure a minimum viable size of the Fund is reached at start up.
- ? Act as a foundational investor for the first 8 years, which will create stability in the structure.
- ? Add additional visibility on the commitment of the Food Securities Fund to generate GEBs.

GEF Financial Value Added: The GEF's investment into the Food Securities Fund adds value in four important ways:

1) Economies of scale: The Food Securities Fund is a regulated vehicle in Luxembourg with all the characteristics required to attract institutional investors and thereby achieve impact at scale. This structure, however, results in considerable fixed costs and forces the Fund to achieve a reasonable size within two years. While considerable interest and commitments have already been secured from investors, the GEF's investment significantly strengthens the Fund's capital base and helps it attract other investors.

2) Stable investor base: The Fund was structured in consultation with leading institutional investors, who indicated that they strongly prefer investment funds with at least quarterly subscription and redemption opportunities, and linked with this, quarterly independent valuation. Although these institutional investors are unlikely to change each quarter, a longer-term view is required to plan for an adequate Fund budget and liquidity, particularly in the first two years where the Net Asset Value (NAV) is likely to be smaller. The GEF's commitment to remain invested in the Fund for eight years provides a solid foundation on which to grow, while improving the Fund's ability to build a stable, well diversified portfolio of investments.

3) Signal effect: The Food Securities Fund uses an innovative blended finance strategy to address a critical gap faced by agriculture companies that operate in emerging and developing markets. The GEF's investment constitutes an invaluable signal to other potential investors that are considering an

investment, and thereby help mobilize private capital at scale. Other stakeholders, including the Luxembourg regulator, potential investees, and service providers, value the GEF's investment as a strong sign of support.

4) Environmental Value Added: The GEF's investment is critical to the launch of the Food Securities Fund, allowing it to create environmental value added through its investments. The Fund will (a) provide continued incentives for improved agricultural production and generation of environmental benefits; (b) create a robust base for impact monitoring, reporting and generation; and (c) ensure long-term impact creation. This is described further below:

a) The Food Securities Fund will provide season-long working capital loans to responsible agriculture companies in emerging and developing markets. In accordance with the Fund's ESG Policy, loans are tied to transparency and performance on pre-agreed financial and non-financial Key Performance Indicators (KPIs), including indicators related to the GEF GEBs. By monitoring these KPIs, Clarmondial will track and support the borrowers' improvements. In the absence of progress on these KPIs, the Fund may decide not to renew a loan. The Fund's loans provide effective financial incentives for borrowers to continually improve their performance on environmental, social and governance (ESG) metrics. This practice is in contrast to that of other financial institutions who typically have no or weak non-financial requirements. Additionally, and as the Fund grows, it will benefit from economies of scale to sustainably provide more and lower-cost funding, which will further increase additionality and borrower interest in meeting or exceeding environmental and social impact targets. Meanwhile, the Food Securities Fund should also have a demonstration effect for other investors, agriculture-related companies, and policy makers. The type of investment proposed by the Food Securities Fund is highly additional: full season (primarily pre-harvest) loans (including unsecured loans) at reasonable cost. Clarmondial is not aware of other financial institutions providing funding on these conditions.

b) A lack of reliable and consistent data represents a major challenge to creating social and environmental impacts and considering these as material factors in lending or investment decision making. By requiring borrowers to regularly report on a standard set of environmental and social KPIs, the Fund will enable better integration of impact factors (e.g. to set appropriate sectoral and geographical baselines).

KPIs and claims reported by borrowers can be ascertained depending on their nature. For example, areas of set-asides can be assessed using satellite or drone-based information while input use in an area can be assessed by reviewing receipts and other claims may be verified through third-party certifications. Clarmondial will verify all claims regularly (and at least annually through onsite due diligence). Actions and progress will be reviewed and discussed twice a year with the Impact Advisory Board and reported to investors each year. Note that Clarmondial also intends to work with sector and regional experts who can provide guidance on 'good practices', so that self-reported claims can be contextualized. Also, as the Fund gains greater scale, a larger inhouse database on key sectors and geographies will facilitate the validation of self-reported claims.

c) Clarmondial consists of an experienced and growing team with backgrounds in impact investing, natural sciences and private investments in emerging and developing markets. Clarmondial recognizes the importance of emphasizing its commitment to generating impact and to be accountable for GEBs to

the Food Securities Fund and its investors. An Impact Advisory Board has been created to guide the Food Securities Fund. A representative from Conservation International (representing GEF) and from WWF-US are the first confirmed Impact Advisory Board members. Other members will be announced soon. Investors will appreciate the GEF's commitment to the Fund as an endorsement of its ambition to create positive social and environmental impact.

6) Global Environmental Benefits (GEFTF) and/or adaptation benefits (LDCF/SCCF)

Through its loans, the Food Securities Fund expects to positively impact at least 2.1 million hectares of tropical agricultural land. This is directly linked to the delivery of GEBs specified under "area of landscapes under improved practices" as well as "area of land restored". The Food Securities Fund delivers GEBs under the biodiversity, climate change, and land degradation focal areas specifically, and is aligned with the FOLUR Impact Program.

Due to its structure, the Food Securities Fund is able to ensure steady progress on delivery of GEBs on this area over the GEF investment period and beyond. The scalability of the Food Securities Fund also means that capital can be delivered at a lower cost, and to a more diverse set of transactions (including geographies, agricultural product, and borrowing term) as the Food Securities Fund grows, i.e. that the incentive for Value Chain Partners and borrowers to participate in the Food Securities Fund and demonstrate progress on GEBs will be amplified as the Fund grows.

Global environmental importance and the ability of landscapes to generate GEBs will be considered in the investment origination process and in accordance with the Fund's ESG policy (note that the process, responsibilities, monitoring and reporting are described in the ESG Policy). In addition, the GEF can play an active role on ESG guidance along with the participation of Conservation International on the Impact Advisory Board. The Impact Advisory Board will provide guidance on the impact strategy, supervise adherence to best practice, and ensure that important international environmental and sustainable agriculture initiatives such as the are integrated into the strategy, and will regularly review the pipeline and existing portfolio.

The Food Securities Fund has taken a conservative approach to calculating targeted contributions to GEBs. These are based on a conservative assessment of the investment pipeline. Impacts created by the Food Securities Fund include both qualitative and quantitative KPIs, which are summarized in the ESG Policy. This Policy also refers to information sources that will help to inform baselines and progress on indicators (KPIs).

Clarmondial will conduct desktop and on-site due diligence on every potential Fund transaction where the availability and quality of relevant baseline information related to GEBs will be assessed. The borrower will be required to report on impact indicators that track progress on the GEBs, including: Area of degraded land restored, Area of landscapes under SLM (sustainable land management) in productive systems and GHG (greenhouse gas) emissions mitigated.

The Fund has committed to tracking the following **GEF core indicators that are associated with GEBs**:

3.1 " area of degraded agricultural land restored; Target: 100.000 hectares

4.3 ? area of landscapes under sustainable land management in production systems; Target: 2.000.000 hectares

6.1 ? carbon sequestered, or emissions avoided in the AFOLU sector; Target: 1.000.000 tons CO₂eq and

11 ? number of direct beneficiaries disaggregated by gender as a co-benefit of GEF investment. Target: 700.000 beneficiaries, 50% women.

Table 5: Food Securities Fund Contributions to GEF Core Indicators.

Project Core Indicators		PIF Submission	CEO Endorsement Submission
1	Terrestrial protected areas created or under improved management for conservation and sustainable use (Hectares)	0	0
2	Marine protected areas created or under improved management for conservation and sustainable use (Hectares)	0	0
3	Area of land restored	100,000	1,00,000
4	Area of landscapes under improved practices (excluding protected areas)	2,000,000	2,000,000
5	Area of marine habitat under improved practices (excluding protected areas) (million Hectares)	0	0
	Total area under improved management (million Hectares)	0	0
6	Greenhouse Gas Emissions Mitigated (metric tons of CO ₂ e)	1,000,000	1,000,000
7	Number of shared water ecosystems (fresh or marine) under new or improved cooperative management	0	0
8	Globally over-exploited marine fisheries moved to more sustainable levels (thousand metric tons) (Percent of fisheries, by volume)	0	0
9	Reduction, disposal/destruction, phase out, elimination and avoidance of chemicals of global concern and their waste in the environment and in processes, materials and products (thousand metric tons of toxic chemicals reduced)	0	0
10	Reduction, avoidance of emissions of POPs to air from point and non-point sources (grams of toxic equivalent gTEQ)	0	0
11	Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment	700,000	700,000

Area of land restored (Ha): The 100.000 hectares target is based on an estimate of three factors:

- the total cumulative hectares of land that the Food Securities Fund has impacted through portfolio by 8 years during the GEF's investment period (expected from Q2 2021 to Q2 2029);
- the proportion of that in loans that are renewed so that land can be restored leading to climate mitigation benefits; and
- the commodity-geography mix where restoration is a specific focus of the Value Chain Partner and borrower.

Area of landscapes under improved practices: For the Food Securities Fund, 'improved agricultural practices' are locally-appropriate measures such as water and soil retention, introduction of improved seeds, reduced/no till agriculture, crop rotation, cover-cropping, and agroforestry. This number is based on an estimate of the entire cumulative land footprint of the Fund's loan portfolio in 2028 and on similar assumptions to those above. Given the Fund's ESG criteria for its loans, all land that falls under Fund oversight should be considered as being under 'improved practices'. The 2.000.000 million hectare estimate is based on the land area in the Fund's current transaction pipeline.

Greenhouse gas emissions (GHGs) mitigated is based on the FAO EX ACT tool, specifically using the EX-ACT 7.2 Excel calculation framework. The excel tool will be used each loan that the FSF makes, starting at the end of the first year of the loan where the initial set of information is available. In the 'Description' tab, the continent, climate, moisture regime, dominant regional soil type characteristics will be selected given the anticipated loan characteristics. Default numbers will be used where more site specific information is not available. The results may be compared with scientific literature including comparable case studies. While the loans are annual, GHG mitigation impacts will be considered on a linear 20 year basis in the anticipation of renewals and the model for each transaction updated on an annual basis. This calculation will focus on the land management practices rather than on operational aspects. The entire loan portfolio will be considered at least annually to guide loan renewal decisions and investment prioritizations.

Direct beneficiaries: This number is based on estimates given the current Fund portfolio. The Fund has set itself a target of 700,000 beneficiaries and at least 350,000 women benefitting cumulatively from the Fund by 2028.

In order to have a flexible approach that can be tailored to specific social and environmental issues within a sourcing area, yet one that results in a consistent set of information that can be gathered and reported on the portfolio, the Fund has adopted a list of quantitative impact metrics and qualitative assessment factors, some which are required for all transactions. Tracking of impact metrics can help estimate contribution to GEBs. For example:

? Tracking the geographical sourcing area, practices, input use, soil management, and areas of set-asides as well as replanting can help to track contributions to area of land restored and area of landscapes under improved practices.

? Combining the aforementioned information with proxies (e.g. in the FAO EX-ACT worksheet), and further operational information (e.g. on energy use) can help to estimate the Fund's impact on greenhouse gases.

? The Fund tracks numbers of beneficiaries by gender directly engaged by the borrower and will over time require more accurate figures on number and gender of farmers that are transacted with, including through third parties (e.g. traders, smaller cooperatives that supply the borrower).

To ensure contribution to GEBs, all other factors being equal, the Fund will prioritize investments in landscapes that explicitly generate GEBs. Rather than apply these criteria to a selection of the Fund, the whole Fund is focused on maximizing GEBs ? thus creating a significant leveraging effect for GEF's resources. It is for this reason that the Impact Advisory Board has been established and will be invited to review the Fund's portfolio and potential pipeline twice a year. Additionally, CI and the Food Securities Fund commit to contracting an independent auditor to verify the annual GEB report. Conservation International may provide training to such auditor and oversee the process. The Fund's contributions to Core Indicators can be found below with the GEF Core Indicator Worksheet found in Appendix IV.

Linking pre-harvest and full-season financing with GEBs

In general, we have found that the Food Securities Fund is unique in how it works with the value chain to assess and monitor impact. Several borrowers and potential borrowers have indicated that the Food Securities Fund's impact assessment and monitoring approach has helped them in attracting new investors that also consider SDG contributions in their investment decisions.

(a) Contribution to land under sustainable agriculture practices

As value chains come under additional scrutiny by consumers and investors, aggregators and value chain partners will need to support the farmers that supply them in applying, monitoring and reporting good agricultural practices. This means inter alia supporting farmers with training on good practices, providing access to timely and high quality seeds, and paying for third party certification to verify sustainability claims. This infers additional cost, notably at times where there may not be an immediate product to sell (i.e., pre-harvest). Local farmers and aggregators struggle to access appropriate financing to meet such needs. Thus, providing pre-harvest financing can support transition to sustainable agriculture practices, notably where this financing is linked to increased transparency, monitoring and reporting.

(b) Contribution to area of land restored

Many aggregators recognize their role in supporting farmers improve their economic and environmental resilience. Some aggregators provide seedlings (including indigenous seedlings that can help diversify farmer incomes), pay for local nurseries and technical assistance to support land restoration, contribute to biodiversity and resilience. However, such activities require finance to operate. As many aggregators finance their pre-harvest finance with equity, providing financing from the Food Securities Fund for working capital can help free up resources for longer-term investments, including in restoration. In addition, the Fund helps to solidify relationships between Value Chain Partners and Aggregators, and Aggregators and Farmers, which may give farmers more certainty to make or contribute to longer-term restoration investments.

(c) Contribution to GHG target

The provision of pre-harvest finance can help to cover farmer training, monitoring and certification costs, among other aspects. This may help farmers in adopting improved practices, for example it could help farmers in adopting standards such as the Sustainable Rice Platform (SRP) standard. It may also support farmers to continue good farming practices (e.g., agroforestry) as it may enable a premium payment ? e.g., contributing to reduced degradation. As financing from the Fund also help Aggregators to access adequate funds to buy the product from the farmers at the very start of the season, this may also contribute to reducing post-harvest losses and associated GHG impacts. As previously discussed, this may also increase farmers and aggregators capacity and willingness to make long-term investments, e.g., in reforestation.

(d) Contribution to direct beneficiaries, gender equality and empowerment

By providing this type of pre-financing, the Fund enables borrowers (aggregators) to work with more farmers including providing training, covering certification costs, etc. This additional liquidity should also enable the aggregator (borrower) to buy more product, and thus potentially create more rural jobs at their facilities. The Food Securities Fund has targets on number of farmers, number of jobs and the gender aspects of these, which will be monitored and considered in loan renewals. In many cases, the Food Securities Fund has been the first lender to ask about policies such as gender policy. This GEB can be contributed to through providing this additional source of financing that can enable more business to be done but also requiring additional reporting.

7) Innovativeness, sustainability and potential for scaling up?

The Food Securities Fund is a first-of-kind blended finance mechanism that addresses a market gap for affordable finance for companies operating in emerging and developing countries that intermediate (i.e. act as aggregators) between farmers and larger companies. The purpose of the Fund is to create a more efficient and scalable credit channel between qualified investors and such agricultural companies operating in emerging and developing markets. The Food Securities Fund is innovative in the following aspects:

- **The Fund takes a value chain approach to deal sourcing and de-risking.** Working with international Value Chain Partners to source local lending opportunities among their business partners (borrowers) means access to a large potential pipeline of loans. De-risking by Value Chain Partners on a transaction basis means that these critical business partners have a longer-term commitment to sustainable sourcing in the locality and are willing to introduce independent oversight on the local activities. This also translates into lower deal origination cost, and an ability of the Food Securities Fund to finance earlier in the production season and on an unsecured basis. Pre-harvest, unsecured finance is particularly scarce in emerging and developing markets.

- **The Fund delivers global environmental benefits (GEBs) in the long-term, but through repeated transactions between partners.** While the loans provided by the Food Securities Fund may be relatively short term in duration (up to 12 months), the Food Securities Fund intends to facilitate multi-year relationships. One result of the Fund may be that Value Chain Partners place longer-term purchase orders to a borrower, which the Fund then finances on an annual basis. The Food Securities Fund can decide not to renew a loan if GEBs and social outcomes are not delivered within the context of business relationships between the Fund and the borrower, Value Chain Partner, farmers and rural communities.

There are no comparable funds for agriculture in any region, particularly none that share this blended finance-value chain approach and utilizes this structure.

The structure can mobilize institutional investment at scale. The structure, domicile, management partners, and investment strategy have been designed based upon multiple discussions with institutional

investors and reflects their asset allocation capacity, criteria and priorities. Particularly, there are few SDG-aligned fixed income opportunities that tackle sustainable agriculture, and that have a comparable risk-return profile.

The Fund is also scalable in terms of potential social benefits that it can deliver, particularly for farmers and rural communities.

While the Food Securities Fund initially utilizes a subsidized guarantee (from DFC), there is a clear pathway for eliminating its dependence on this subsidy.

Replicability and Potential for Scaling Up

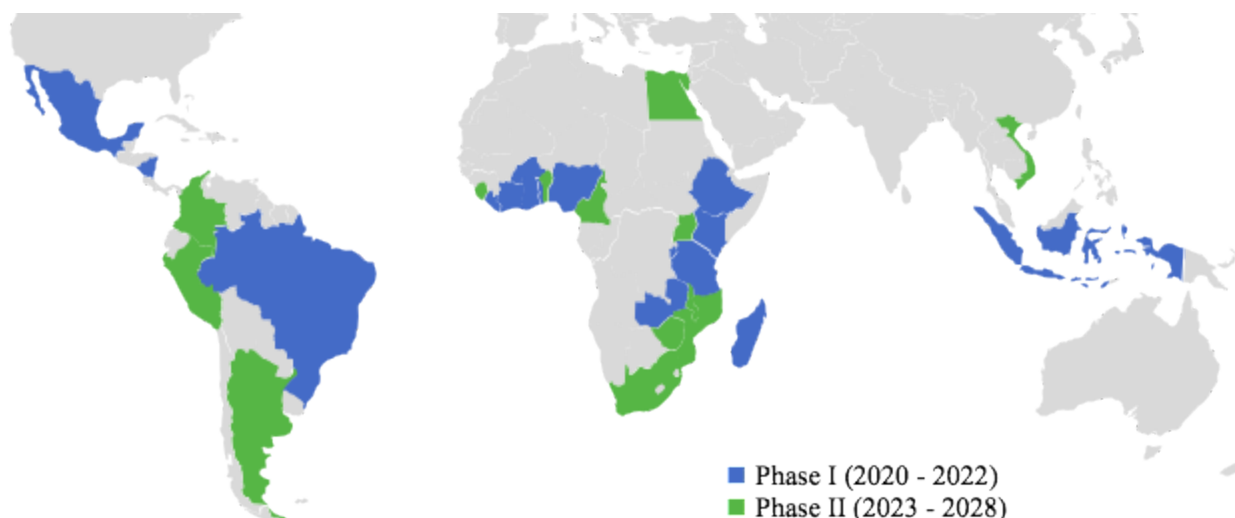
The Food Securities Fund can be scaled up over time, as it is an open-ended fund. Within Clarmondial's current network of Value Chain Partners, a potential investment pipeline in excess of USD 800m has been identified. The approach is also relevant for other sectors, including agroforestry, aquaculture, and fisheries. Several potential partners have approached Clarmondial in the context of funding these other sectors. The Food Securities Fund can also be replicated globally. While the initial focus is Sub Saharan Africa, Clarmondial is performing initial assessments of transactions in Latin America Caribbean and South East Asia.

Meanwhile, by creating an open-ended fund that provides loans that are closely associated with good environmental, social, and governance practices, the Fund provides a model and lessons learned for other investment entities to create similar funds in other geographies and/or other sectors. Some of the Fund's core elements could potentially be applied to other sectors, including infrastructure development and natural resource extraction.

1b. Project Map and Coordinates

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

Figure 4: Focus countries for the Food Securities Fund.



1c. Child Project?

If this is a child project under a program, describe how the components contribute to the overall program impact.

No, this is not a child project.

2. Stakeholders

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

Civil Society Organizations

Indigenous Peoples and Local Communities No

Private Sector Entities Yes

If none of the above, please explain why:

Please provide the Stakeholder Engagement Plan or equivalent assessment.

In addition, provide a summary on how stakeholders will be consulted in project execution, the means and timing of engagement, how information will be disseminated, and an explanation of any resource requirements throughout the project/program cycle to ensure proper and meaningful stakeholder engagement

The Food Securities Fund is an open-ended investment fund that uses an innovative blended finance approach to promote sustainable development through agricultural value chains. It addresses a financing gap by providing working capital to agricultural companies that operate in emerging markets and aggregate produce from farmers, particularly smallholder farmers. By offering loans that cover the entire agricultural cycle, the Fund enables its borrowers to provide increased pre-harvest support to

farmers. By making loans conditional to improvements on social and environmental performance, the Fund promotes the uptake of sustainable and climate-smart agriculture.

The Fund will impact the following stakeholder groups, who are the focus of this Stakeholder Engagement Plan (SEP):

Table 6: Stakeholder Mapping

Stakeholder Name and Function <i>Name of the key stakeholder, and their main purpose/function</i>	Stakeholder's Interest <i>What are the stakeholder's main interests in and concerns about the project?</i>	Impact of Project on Stakeholder <i>How will the stakeholder be affected (both positively and negatively) by the project?</i>	Influence of Stakeholder <i>How can the stakeholder affect the project? Can they hinder or contribute to the success of the project?</i>	Risk Management <i>(Is this a low, medium or high-risk stakeholder? And how would you manage medium/high risk stakeholders)</i>
Government / Public Sector				
Ministry of Environment, or equivalent	Alignment of the Fund with environmental plans and commitments, e.g., on HCV and HCS, UNCCD, UNFCCC.	Loans provided by the Fund are an incentive for the local private sector to abide by and report in line with international best practices.	They may support the Fund with access to additional information (e.g., HCV mapping).	Low
Ministry of Agriculture / affiliated institutions (e.g. under the Central Bank or Ministry of Finance focused on agriculture)	Alignment of the Fund with agricultural policies, e.g., on priority crops and sectors.	Loans provided by the Fund may encourage the local private sector support these policies.	They may change regulations (e.g., on the types of crops, companies, regions or movement of goods) in favour of or to the detriment of the Fund.	Medium Monitor government policies relevant to the project
Investors	The Fund target the delivery of financial and non-financial returns.	The Fund's financial and non-financial performance should help investors achieve their goals.	A lack of investors will hinder Fund activities and goals.	High Subject to fundraising capacity and overall fund performance
CSOs/NGOs				

Women's groups	The Fund supports women's empowerment.	Loans provided by the Fund are an incentive to follow recommended practices.	They may contribute with insights into more efficient production methods and/or barriers to women's involvement in agriculture. They may opt not to participate in the project e.g. due to safety, distance, or cultural concerns.	Low
Conservation groups	The Fund supports conservation objectives.	Loans provided by the Fund are an incentive to local stakeholders to implement better practices, and improve their transparency through better monitoring and reporting.	They can support the project by providing additional insights and resources (e.g. mapping, contacts). They can hinder the project by negatively reporting on the project.	Low
Human rights and social NGOs	The Fund helps safeguard human rights and promote social goods.	Loans provided by the Fund are an incentive to follow recommended practices.	They may contribute to the project by providing cultural insights into barriers for women/youth participation. They could hinder the project should they feel that working conditions do not adequately address the needs of marginalized groups.	Low
Local Communities				

Farmers and farmers organisations	The Fund creates additional livelihood opportunities for men and women farmers.	Loans provided by the Fund help Borrowers to effectively do more business with farmers in a sustainable manner.	Farmers may benefit the project by promoting the project and employment opportunities within their geographic region. They could hinder the project by not selling to the Borrower, or by not following agreed practices (e.g. deforestation to create agricultural lands).	Medium This will be monitored regularly
Aggregator employees	The Fund creates additional livelihood opportunities for them, i.e. through employment and training.	Loans provided by the Fund will allow borrowers to increase employment, to the benefit of local people, improving socio-economic opportunities in rural areas.	Local people may benefit the project by promoting the project and employment opportunities within their geographic region. Youth may hinder the project by leaving rural areas so there is a lack of labor. Women may hinder the project by choosing not to seek employment with Aggregators.	Low This will be monitored regularly
Private Sector				
Borrowers	The Fund is an additional source of credit to support their operations	Loans provided by the Fund help them grow their business	Borrowers are critical to the Fund's success (loan repayment, adherence to ESG Policy).	High This is the main focus of the Fund's risk mitigation strategies

Value Chain Partners	The Fund can help value chain suppliers meet sustainable procurement needs.	Loans provided by the Fund help to strengthen sustainable value chains by supporting the borrowers.	Value Chain Partners play a key project role by entering into risk sharing arrangements with the Fund. Their lack of participation could hinder project activities and goals.	High Value Chain Partners are a key element in the Fund's risk mitigation strategy
Investors	The Fund target the delivery of financial and non-financial returns.	The Fund's financial and non-financial performance should help investors achieve their goals.	A lack of investors will hinder Fund activities and goals.	High Subject to fundraising capacity and overall fund performance
Local financial services providers (e.g. banks, insurance companies)	The Fund will create additional business for them.	Loans provided by the Fund may increase demand for their services, making their clients more robust and enabling new business opportunities.	This group can support the project by providing complementary, timely and affordable financial services such as capex loans or overdraft facilities. They may undermine the project by limiting the borrowers' access to their services.	Low
Academia/Others				
Research providers (e.g. CGIAR centers, local research centres)	The Fund generates additional data and case studies.	The Fund may generate additional information/data (inputs) for their research, and may create new opportunities for them.	This group can provide qualitative and quantitative and potentially peer-reviewed information that may support the project.	Low

Media	The Fund may provide an interesting news angle or source of market / geographical news.	The Fund may provide interesting news.	This group can support the project by reporting fairly on its activities. This group can undermine the project if it provides misleading information about the Fund.	Low
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The Fund's Borrowers, i.e., companies that operate in emerging and developing markets and transact with farmers: Borrowers are direct stakeholders of the Fund in that they will enter into a loan agreement with the Fund, which will bind them to regularly monitor and report on financial, operational, social and environmental conditions.

Value Chain Partners: These are larger companies that do business with the borrowers, i.e. source agricultural products from them. These groups will enter into a partial de-risking agreement with the Fund to support the Fund's loans to borrowers in their value chains. Notably, the Fund utilises the business relationship between the Value Chain Partner and borrower to facilitate loans to support sustainable agriculture.

Farmers (men and women) and farmers' groups: This group transacts with the borrower (aggregator) - i.e., by selling agricultural products to the aggregator. The sale of these products represents a significant contribution to their livelihoods. Through explicit loan conditions and monitoring, the Fund expects to positively impact farmer livelihoods, and especially women farmers / female led farming households.

Rural communities: This group will receive economic benefits from the Fund's borrowers as a result of the agricultural activity in their locality through access to jobs or training. Through its borrowers, the Fund intends to have a positive impact on rural community livelihoods with a special focus on job creation and training for women and youth.

Investors: This group is a direct stakeholder as they invest in the Fund with the intention of making a financial return, as well as generating social and environmental impact. The Fund must meet their expectations to attract and retain investors in order to make loans to borrowers.

Local governments: These may have a specific development strategy for a geographic area or agricultural sector, complemented by policies and support programs. The use of funds by the borrower might be aligned with such strategy. In turn, a local government may be able to provide additional support to the Fund or to the borrower - e.g. through incentives, such as additional loan guarantees.

Development partners: These are multilateral and bilateral donors, non-governmental organisations, foundations (including conservation organisations), and research agencies who have an interest in a specific geographic area and/or agricultural sector. They may support the Fund with relevant information and contacts and may potentially provide financial or in-kind support to the borrowers or farming communities.

During the PPG Phase, 99 stakeholder groups were engaged: 12 representing government / public sector, 12 local communities, 12 CSOs / NGOs, and 47 private sector entities. The PPG phase of this Project started just prior to the pandemic lockdowns. While this restricted travel, it did not stop progress being made during this preparatory phase of the Project. Based on the lessons learned, further

engagements are planned for the execution phase. These are described in the Stakeholder Engagement Plan, presented as Annex VII of the ProDoc.

Select what role civil society will play in the project:

Consulted only;

Member of Advisory Body; Contractor;

Co-financier;

Member of project steering committee or equivalent decision-making body;

Executor or co-executor;

Other (Please explain) Yes

Civil Society, especially small-scale men and women farmers in developing countries will indirectly benefit from the Food Securities Fund according to principles outlined in the Fund's ESG policy.

3. Gender Equality and Women's Empowerment

Provide the gender analysis or equivalent socio-economic assesment.

The agricultural sector plays a key role in advancing women's equality around the world as there is a 'feminization' of agriculture, notably due to male urban migration and the increase of female-headed households. The agricultural sector can address and promote gender equality by providing (a) access to resources (including inputs and credit) and (b) access to economic advancement opportunities.

The Food Securities Fund approach creates incentives for information sharing and continuous improvements for gender-disaggregated data collection. Through this approach, the Fund will generate data on women's current engagement in a specific value chains and create a mechanism for encouraging continuous improvement on gender issues and specifically women's involvement in all levels of the agriculture supply chain. The Fund will enable these outcomes by providing an additional source of credit to those borrowers who, among other aspects, advance women's participation and education. By providing this additional credit source, the Fund will provide borrowers with both the means and the motivation to support women's participation in agricultural value chains, i.e., in training, purchasing, and job creation.

To capture women's participation, the Fund will monitor the engagement of women as farmers and employees annually throughout the life of project. Borrowers will be expected to demonstrate ambition and continuous improvement on women's engagement through development/improvement on both gender plans and ESG (impact) indicators, which will be evaluated and reported as a part of the project monitoring plan and reports. This impact monitoring approach will also help address a critical data challenge of a lack of consistent and regular gender disaggregated data within the farming sector, in particular in emerging and developing countries. Borrowers will be advised that advancement in women's inclusion will be used as a criteria for determining if a loan should be renewed.

The project results framework has included gender sensitive indicators at an outcome and output level. Details on how the project is proposing this can be found in the gender mainstreaming plan developed by the project.

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; Yes

Improving women's participation and decision making Yes

Generating socio-economic benefits or services or women Yes

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

Yes

4. Private sector engagement

Elaborate on the private sector's engagement in the project, if any.

Two types of private sector entities are involved in the Food Securities Fund:

? Investors: private sector investors including family offices, banks and other institutional investors / asset managers invest in the Food Securities Fund. The fund has been designed with input from private sector investors to ensure that it fits their investment mandates, and legal and regulatory requirements.

? Operating companies in the agriculture, forestry and other natural resource management sectors: the Food Securities Fund will make loans to private sector companies (and cooperatives) that operate in emerging markets. The fund also builds on the value chains of larger companies, such as consumer facing goods companies and international traders, to source and de-risk its loans. The loans from the fund will enable such companies to progress their sustainability commitments.

5. Risks to Achieving Project Objectives

Elaborate on indicated risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved, and, if possible, the proposed measures that address these risks at the time of project implementation.(table format acceptable):

Perceived project risks have been identified and classified in the table below.

Table 7: Risk assessment and mitigation planning.

Project Outcome	Risks	Rating (High (H), Substantial (S), Modest (M) Low (L))	Risk Mitigation Measures
Outcome 1.1.: Agricultural supply chains in emerging and developing markets are strengthened through the Food Securities Fund.	The Fund fails to become financially viable	S	A range of investors have shown interest in participating in the fund in order to grow it to USD 75m (expected for 2022) and beyond. Several funding sources have been identified and are under negotiation to address the budget gap expected by Clarmondial in its role as investment advisor. CI GEF is limiting its exposure to this risk by investing in 4 tranches.
	Low portfolio diversification during ramp-up phase (i.e., the first quarters of the Fund investment operations, when its size is not sufficient to ensure financial viability or significant portfolio diversification).	S	A default during the ramp-up phase could have a significant impact on performance and reduce investors' interest in supporting the Fund. In addition to the first loss guarantees provided by the Value Chain Partners (VCPs) and the guarantee provided by DFC, the portfolio will be constructed such that the first deals are in different countries, crops, and counterparties (Borrowers and VCPs). As mentioned above, a set of investors have been identified in order to support the growth of the Fund and allow a well-diversified portfolio as soon as possible.
	Adverse weather events (made more likely by climate change) or pest impact agricultural production, and thereby borrowers' ability to repay loans obtained from the Fund.	S	Due diligence will include information on potential climate-related risks and adaptation strategies (e.g. referencing national UNFCCC submissions and CIAT models). The Fund will support the uptake of climate-smart practices and adaptation measures.

Outcome 1.2.: Increase in the area of land under improved environmental practices, area of land restored and GHGs mitigated linked to financial investments (loans)	A dispute arises between the VCP and Aggregator to which the Fund is lending.	M	The Fund checks that there are longer term relationships in place. While this does not guarantee against disputes, it should mitigate the risk as the parties have experience of working together, typically for several years. The first loss guarantee agreement also signals an interest in continued engagement between the borrower and VCP. Also, the first-loss guarantee agreement between the VCP and the Fund shall remain valid regardless of production and trading performance. The Accountability and Grievances Mechanism should also help mitigate this risk.
	The COVID-19 epidemic impacts the Fund's ability to make loans	M	The Fund has secured adequate capital to start. However, if travel bans continue into Q3 2021, this may undermine the Fund's performance as it will not be possible to carry out adequate due diligence to lend.
	The COVID-19 epidemic impacts the Fund's ability to generate the expected returns e.g. due to reduction in demand or disruption to logistics	M	This will depend on how long the COVID-19 restrictions will last ? the Fund's loans are for a general term of 12 months and the situation should be rectified by then. Among the initial value chains being considered, there has been no significant reduction in demand or disruption to logistics.
	The Fund cannot deploy capital as planned due to civil or political unrest in a country or region.	L	The Fund's global emerging and developing markets mandate gives it the flexibility to allocate capital to other countries or regions. Nevertheless, the Fund may lend in countries where there is turmoil, if sufficient comfort can be gained that the risk to the value chain concerned (farmers, borrower, other relevant stakeholders) is acceptable.
	Increased access to working capital drives unsustainable land use change.	L	The risk of unsustainable land use change as a result of the loan will be assessed during the due diligence. To the extent possible, it will be ensured that Borrowers have policies and practices in place to discourage unsustainable land use change in their sourcing area. Borrowers will be held to account on this through the loan documentation.

from the Food Securities Fund.	Failure to execute a sufficient number and volume of transactions to allocate the Fund's capital.	M	The Fund concept has been tested with partners over a 4-year period, in which relationships with VCPs have been built that should ensure adequate deal flow. A dedicated team is been built to assess and execute investment opportunities. The Fund also has a global emerging and developing country mandate, which increases the chance of investment taking place (vs. a single country/region strategy). Still, market conditions (e.g. global fixed income markets) influence the Fund's attractiveness to Borrowers and VCPs.
Outcome 1.3.: Increased access to goods and services for men and women farmers to implement sustainable farming practices.	Goods / services offered become less useful in the context of climate change shifting agricultural production or emergence of other risks.	L	The Borrowers and VCPs monitor their supply chains closely in order to mitigate this risk. As previously mentioned, the Fund will also monitor long-term climate trends based on national, regional and international information sources. Further, the Fund is able to react to these changes each season by altering its loan requirements.
Outcome 1.4.: Increased employment, and economic advancement opportunities for local communities, and especially for rural women.	Severe price volatility of goods means that farmers do not benefit as much as expected, or that Borrowers are unable to repay loans.	M	The Fund focuses on value chains where VCPs are committed to supporting Borrowers in the long-term, including mitigating price risks by paying premia when appropriate. This relationship will mitigate part of the risk, but the Fund will remain exposed to production risks. It is in the Borrower's and VCP's interests that the farmers continue consistent production.
	Cultural conventions stifle efforts to engage women, despite dedicated training and incentives to the borrower.	M	The Fund will seek to promote women through its engagement with the Borrower and Value Chain Partner, and to work alongside existing local initiatives where possible.

Outcome 1.5.: Improvement in relevant environmental impact of borrowers and their value chains as per impact metrics.	Inadequate baseline information prevents assessment of the project impact.	L	The availability and quality of baseline information varies greatly. As part of the initial screening, the Fund will collect and assess baseline data available, and discuss incentives to improve monitoring and reporting over the project period with the borrower and other relevant stakeholders. Note that several borrowers and Value Chain Partners have indicated an interest in receiving a loan from the Food Securities Fund as it also provides them with an organized approach to assess impact and potentially attract other impact investors.
	High volatility in the Fund's portfolio (i.e. many changes in borrowers funded) so that there is not consistency in borrowers to enable significant environmental impact.	M	The Fund has an incentive to renew loans, as the initial transaction cost has been made and the DFC guarantee mechanism incentivizes multiple loan renewals. Consistency will also be driven by the VCP relationships, market conditions, portfolio construction, stability of investor base, etc.

COVID-19 related impacts, risks and mitigants

The Food Securities Fund started operations during the global COVID-19 pandemic, which has had unprecedented impacts on economies across the world, including on agricultural trade, and severe repercussions for rural communities. While the impacts and their long-term consequences are not yet fully understood, Clarmondial as the investment advisor to the Food Securities Fund noted some of the following anecdotal impacts in discussions with potential borrowers, Value Chain Partners and other groups operating in agricultural trade, production and finance:

Sudden change in demand from key clients, for example reduced demand from corporate customers in the restaurant business but demand surges from supermarket and direct to consumer companies, in particular in the 'essential foods' category (e.g., one company reported that they sold one years' worth of product in 3 months due to panic buying). Companies that had long-term off-take relationships and had their positions hedged (where possible) were less affected.

Local lockdowns affected business operations, for example in some cases the number of people working in factories had to be reduced to maintain social distancing, and new more time-intensive health and safety protocols meant that borrowers had to implement extra shifts and spend additional time to train employees and farmers on safe practices, provide masks, etc. This did not seem to significantly impact the businesses.

Logistics were impacted, with the Suez Canal blockage also contributed to disruptions. While transit to some ports, e.g., in South Africa were slowed down in the initial phase of the pandemic, this was generally

quickly addressed. What has become more of a challenge is a surge in demand for online products / ecommerce, which meant a global container shortage. This has also been worsened by the reduced travel between locations. We understand that freight availability is now better, but that transport costs generally remain high. Companies that had existing links to exporters, freight handlers, and had professional operations and were focused on non-perishables have been able to deal with this issue. Depending on the contract, this cost is absorbed by the buyer. Note that this impacted the export of goods, as well as the import, for example of crop inputs.

Local banks and other lenders stopped or greatly reduced lending due to risk management procedures. Despite good performance of borrowers, several lenders pulled out, or reduced their exposure, to agriculture. This meant that despite the preponderance of additional credit (e.g., COVID-19 stimulus funds) entering into financial institutions, it is questionable how much it actually resulted in additional lending. In some countries, repayment moratoria were put on local banks, so the impact of the financial crisis in terms of defaults may not yet be known. In response, borrowers sought to diversify their lending base, including more non-traditional lenders in their credit mix.

It may have contributed to a worsening trade balance and foreign currency exposure for some emerging and developing country governments. This may undermine their ability to backstop interest rate (and other) subsidies in the short to medium term. This may also be associated with increased risk of political unrest. This heightens the importance of a mix of local and international credit sources to local businesses, and in particular those that value non-financial impact alongside financial impacts.

It may impact Overseas Development Assistance (ODA) budgets. This may further increase the relevance of blended finance structures. However, we also noted that development finance institutions halted consideration of new investment products to focus on COVID-19 relief, delivered through incumbent groups.

6. Institutional Arrangement and Coordination

Describe the institutional arrangement for project implementation. Elaborate on the planned coordination with other relevant GEF-financed projects and other initiatives.

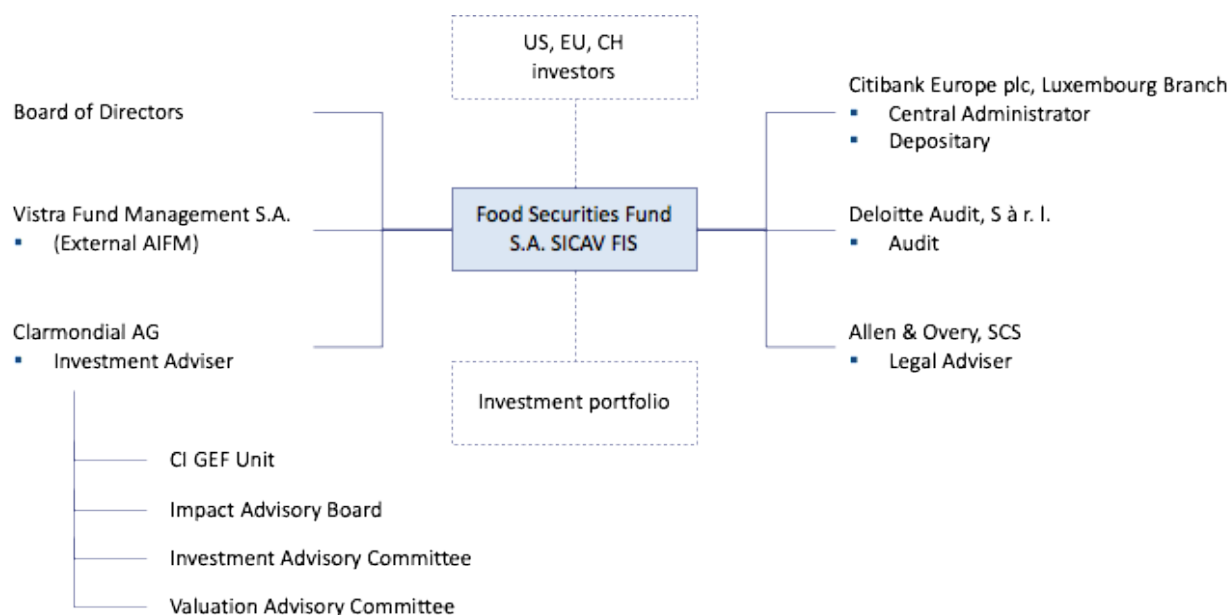
Conservation International is the GEF Implementing Agency for this project. The Food Securities Fund provides working capital loans to borrowers who meet established loan criteria including ESG requirements and loan conditions. The Food Securities Fund is advised by Clarmondial, a woman-led Swiss investment advisory company. Clarmondial has been working with various partners to help develop the Fund and who will play a key role in implementation.

Project Executing Agency. Clarmondial in its capacity as Investment Advisor for the Fund is designated as the Executing Agency for GEF project purposes as defined in the *Global Environmental Facility Guidelines on the Project and Program Cycle Policy*? (found at https://www.thegef.org/sites/default/files/documents/GEF_Guidelines_Project_Program_Cycle_Policy_20200731.pdf and which may be amended from time to time).

Clarmondial has entered into an investment advisory agreement with the Fund's External AIFM, whereby Clarmondial provides specialized support, ensuring the fulfilment of the financial and non-financial investment criteria, but it has no authority or discretionary power over the Fund's assets or activities.

A general overview of the Food Securities Fund organizational structure is depicted in the schematic below.

Figure 5: Food Securities Fund Organization Structure



7. Consistency with National Priorities

Describe the consistency of the project with national strategies and plans or reports and assessments under relevant conventions from below:

NAPAs, NAPs, ASGM NAPs, MIAs, NBSAPs, NCs, TNAs, NCSAs, NIPs, PRSPs, NPFE, BURs, INDCs, etc.

The Fund intends to work in a diverse set of emerging and developing countries. The initial country list includes Brazil, Burkina Faso, Burundi, Cote d'Ivoire, Ethiopia, Ghana, Indonesia, Kenya, Liberia, Madagascar, Mexico, Nicaragua, Nigeria, Togo, Zambia. An overview of relevant national strategies is given in the table below. Note that national reports such as the NBSAP, UNFCCC National Determined Contribution (NDC) and National Adaptation Programme of Action (NAPA) Update are useful in guiding investments, identifying reference levels and information sources. Note that not all target countries are party to the Nagoya Protocol, and have submitted NAPA Updates. The Fund will also regularly monitor the Stockholm Convention website, notably the country registries for agricultural chemicals to ensure that

funding does not support any project that is using any banned substances. The figure summarizes the national strategy alignment to relevant conventions for some of the initial focus countries of the Food Securities Fund.

Documentation submitted by national governments, e.g. in the context of the UNCBD, UNFCCC and UNCCD will be monitored and utilized where relevant. For example, under the UNCCD, national LDN targets, combined with reports submitted by the Parties to the UNCCD can help to inform and guide the Food Securities Fund strategy. In addition, various initiatives related to the UNCCD are complementary to the Food Securities Fund, including the LDN Fund and the Drought Initiative.

Figure 6: Summary of National Strategy Alignment to Relative Conventions for Countries Targeted by the Food Securities Fund

National strategy alignment to relevant conventions							
Country	NBSAP	CBD National Report	Cartagena Protocol National Report	Nagoya Protocol National Report	UNFCCC NDC	UNCCD	NAPA
Brazil	✓	✓	✓		✓	✓	
Burkina Faso	✓	✓	✓	✓	✓	✓	✓
Burundi	✓	✓	✓	✓	✓	✓	
Côte d'Ivoire	✓	✓	✓	✓	✓	✓	
Ethiopia	✓	✓	✓	✓	✓	✓	✓
Ghana	✓	✓	✓		✓	✓	
Indonesia	✓	✓	✓	✓	✓	✓	
Kenya	✓	✓	✓	✓	✓	✓	
Liberia	✓	✓	✓	✓	✓	✓	✓
Madagascar	✓	✓	✓	✓	✓	✓	✓
Mexico	✓	✓	✓	✓	✓	✓	
Nicaragua	✓	✓	✓		✓	✓	
Nigeria	✓	✓	✓		✓	✓	
Togo	✓	✓	✓	✓	✓	✓	✓
Zambia	✓	✓	✓	✓	✓	✓	✓

Note that this list includes only some of the countries considered.

In addition to the relevant conventions, the Food Securities Fund will monitor national strategies, policies and regulations. These include agriculture investment plans, food security strategies and national development plans. Where available, the Food Securities Fund will reference and utilize government impact monitoring systems, including early warning systems and geographic mapping and investment prioritization initiatives to support and further inform national initiatives. These may Climate Smart Agriculture Investment Plans (CSA IPs) developed by CGIAR CIAT and the World Bank, for example.

The Food Securities Fund has a tentative list of countries where the Fund might invest in Phase I and Phase II. While Phase I (months 1-24) will likely focus on Sub Saharan countries, other developing countries outside this geography may be included. Phase II of the project will likely include an expansion within Sub Saharan countries while moving into new emerging and developing market geographies. In all cases, the Food Securities Fund will ensure that there is alignment with national policies and strategies in any country or site selected.

8. Knowledge Management

Elaborate the "Knowledge Management Approach" for the project, including a budget, key deliverables and a timeline, and explain how it will contribute to the project's overall impact.

The Fund is subject to distribution rules according to Luxembourg law, which restrict public announcements and communications. As such there will be no dedicated media staff person for the Fund. Clarmondial staff and other service providers are expected to participate in trainings that will focus on how to portray information about the Fund.

The Fund has a website (www.foodsecuritiesfund.com), but it contains limited information due to legal and regulatory restrictions. Despite these limitations, several stakeholder-tailored mechanisms will be developed to communicate about and share knowledge related to the Fund as it develops. These include:

Annual Reports for Investors - Clarmondial will report progress in an annual impact report that will be made available to Fund investors in electronic format. This report will provide an overview of the impact created by the Food Securities Fund. The report will be primarily a qualitative summary, describing the achievements and challenges, reflecting the collected impact metrics and assessment factors and responding to the questions proposed in the ESG Policy, including progress on delivery the global environmental benefits.

This investor-oriented Annual Report will be based on information captured by Clarmondial on the transactions over the year. As described in the ESG Policy, Clarmondial will collect information on the Fund's borrowers through the initial due diligence process, over the loan period, and on loan renewal (where this takes place). These processes will be documented through the Fund's Investment Proposal, loan agreement, loan and portfolio monitoring and valuation processes, as well as during Investment Advisory Committee, Impact Advisory Board, and Director meetings. The borrowers will be required to provide certain information to access loans from the Fund, during and at the end of the loan period. This will be checked and consolidated by Clarmondial, who will ensure compliance with the ESG Policy and loan covenants. Clarmondial will reflect key insights from the information collected from the borrowers, Value Chain Partners, team members, advisors and directors into this annual report including lessons, best practices, challenges, emerging opportunities and expertise generated over the year. Clarmondial will be responsible for drafting the annual report, potentially with external editorial support.

Presence at relevant conferences - Information gathered, and lessons learned, as a result of implementing the Food Securities Fund, may also be shared in thought pieces, workshops, conferences and meetings with selected stakeholders. Specific events where the results may be presented include the Global Impact Investing Network (GIIN) annual investor forum, and New York Climate Week. Presentations at these venues may also help to stimulate discussions with partners to address additional resourcing needs at the local level, including technical assistance, business partnerships and other types of capital (e.g. equity, project finance).

Communication mechanisms for reporting any grievance - There is a link on the Fund website for reporting any grievance regarding the Fund activities. The Grievance Mechanism for the Food Securities Fund, put in place prior to the first disbursement, will be reviewed and managed according to the Accountability and Grievance Mechanism policy as presented to the GEF.

Existing lessons and best practices: as described in the Food Securities Fund Project Document, it has been designed in response to the documented large and growing working capital gap for emerging market agri-SMEs, in particular those that are transitioning to more sustainable practices. The global development community increasingly recognizes the value of fostering lasting relationships with the private sector. The GEF work on Resilient Food Systems, for example, indicated that the valuable value chain development work carried out by GEF partners required funding from institutions with a greater willingness to focus on smallholder farmer livelihoods, sustainable agriculture and gender. Through its previous programs (e.g., the Moringa Fund), the GEF and its peers increasingly recognize the need for blended finance. The Food Securities Fund is innovative in that it:

? is essentially a permanent capital structure that can achieve the economies of scale needed to sustainably deliver timely and affordable working capital to support green and resilient value chains in emerging markets; and

? is a source of funding that is additional to local banks (i.e., the Fund's loans can be unsecured), and that supports and incentivizes improved value chain integration in a manner that can improve farmer outcomes and deliver environmental benefits.

This Fund is particularly timely given the global macro-economic outlook, for both investors, traditional lenders (banks) and for emerging market SMEs. Largely due to the COVID-19 pandemic, access to traditional funding has reduced, SMEs and companies are seeking diversify their lending base. Even prior to the crisis, the MSME funding gap in emerging markets was estimated to be USD 5 trillion, with over 40% having unmet financing needs ? lack of collateral is a significant contributor to this. At the same time, international investor interest in impact investing has surged and targets for fixed income yields reduced. The Fund thus provides a potentially critical bridge between investors seeking fixed income impact products and agri-SMEs in emerging markets seeking additional sources of working capital for their businesses.

Plans to learn from existing projects, programs, initiatives & evaluations: Clarmondial intends to learn from both GEF and non-GEF initiatives. These include, but are not limited to:

? Learning with FOLUR and other terrestrial climate change mitigation-related initiatives under GEF on impact monitoring approaches, e.g., potential for providing feedback to the FAO tools on GHG mitigation;

? Where appropriate liaising with GEF programs on collaboration on funding programs supported by member states (e.g., building on discussions that Clarmondial has had with NIRSAL in Nigeria); and

? Assessing opportunities to integrate other international and localized information sources and tools into credit assessment, monitoring and decision making - e.g., PBAF , Climate Disclosure Project (CDP) and information from certification agencies such as Rainforest Alliance and Sedex .

Contribution of knowledge and learning to the Fund's impact and sustainability: the Fund was created based on the premise that agri-SMEs that have the support of committed and credit-worthy business partners and that are transparent and willing to improve on material sustainability KPIs should be considered more credit-worthy than their counterparts. And, that the Fund's innovative blended finance approach can be used to sustainably deliver an additional source of capital to agri-SMEs to incentivize transparency and good practices. Tracking the non-financial impacts and their links to the Fund's portfolio performance (including defaults, loan renewals, portfolio growth) will provide important lessons for Clarmondial, the GEF and its peers, global companies, governments and investors. These will be shared as described above.

9. Monitoring and Evaluation

Describe the budgeted M and E plan

Monitoring and Evaluation (M&E) for the Food Securities Fund will be conducted in accordance with established Conservation International and GEF procedures by the project team and the CI-GEF Project Agency. The M&E plan will be implemented by Clarmondial, as the advisor to the Food Securities Fund. The Fund's M&E plan will be presented at the time of GEF CEO Endorsement, including indicators, means of verification, and M&E staff responsibilities. This M&E plan will support the Fund's ESG Policy and associated information related to achieving non-financial targets.

A. *Monitoring and Evaluation (M&E) Roles and Responsibilities*

The Clarmondial team will be responsible for initiating and organizing key monitoring and evaluation tasks. This includes integrating these requirements in initial transaction assessment and monitoring, as well as reporting on the overall performance of the Fund to investors, including the GEF. Reporting to CI-GEF will include quarterly progress reporting, annual progress and implementation reporting, documentation of lessons learned, and support for and cooperation with the independent external evaluation exercises.

Clarmondial, on behalf of the Fund, is responsible for ensuring the M&E activities are carried out in a timely and comprehensive manner, and for initiating key M&E activities, such as the independent evaluation exercises. Clarmondial is also responsible for ensuring that the Fund borrowers provide the required information and data necessary for timely and comprehensive project reporting, including results and financial data, as necessary and appropriate. This requirement may be enshrined in loan agreements between the Fund and the borrower.

The Project Steering Committee for this project is the Fund's Impact Advisory Board, which plays a key oversight role for the project, with regular meetings to receive updates on project implementation progress, including on potential pipeline and the existing portfolio. They may also be asked to provide ad hoc responses and advice on aspects with respect to M&E and the Fund's activities more generally. Non-financial results achieved by the Fund will be reported to all investors on an annual basis. The CI-GEF Project Agency plays an overall assurance, backstopping, and oversight role with respect to monitoring and evaluation activities. The CI Internal Audit function is responsible for contracting and oversight of the planned independent external evaluation exercises at the mid-point and end of the project.

B. *Monitoring and Evaluation Components and Activities*

Inception meeting: A project inception meeting will be held within the first three months of project start with relevant members of the Clarmondial team, as the adviser supporting the Fund on this project. An overarching objective of this meeting will be to ensure the project team the implementation processes with respect to the Fund's M&E. A virtual 'inception meeting' will also be held with the Impact Advisory Board within the first 3 months of the project start to detail the roles, support services and complementary responsibilities of various stakeholders, including the participants of this Committee.

Inception Meeting Reports: Clarmondial will provide minutes of the meetings with the Clarmondial team and the Impact Advisory Board to CI within 1 month of the meetings. The meeting with the Clarmondial team will document the implementation of the M&E approach in detail, including timing, activities, responsibilities, and processes. The meeting minutes for the Impact Advisory Board will document the Investment Advisory Board members' expected contribution and engagement with the Fund.

Project Results Monitoring Plan (Objective, Outcomes, and Outputs): A Project Results Monitoring Plan will be developed by the Project Agency, which will include objective, outcome and output indicators, metrics to be collected for each indicator, methodology for data collection and analysis, baseline information, location of data gathering, frequency of data collection, responsible parties, and indicative resources needed to complete the plan. Appendix III provides the Project Results Monitoring Plan table that will help complete this M&E component. In addition to the objective, outcome, and output indicators, the Project Results Monitoring Plan table will also include all indicators identified in the Safeguard Plans prepared for the project, thus they will be consistently and timely monitored. The monitoring of these indicators throughout the life of the project will be necessary to assess if the project has successfully achieved its expected results.

Baseline Establishment: In the case that all necessary baseline data has not been collected during the PPG phase, it will be collected and documented by Clarmondial within the first year of project implementation, and within the first year of new transactions.

GEF Core Indicator Worksheet: The relevant section of the GEF Core Indicator Worksheet was updated for the CEO endorsement submission. This worksheet will also be updated i) prior to mid-term review, and ii) prior to the terminal evaluation.

Impact Advisory Board Meetings: As noted, the Project Steering Committee (PSC) for this project will be Fund's Impact Advisory Board. The meetings will be held annually, semi-annually, or quarterly, as appropriate. Meetings shall be held to review and approve project annual budget and work plans, discuss implementation issues and identify solutions, and to increase coordination and communication between key project partners. The meetings held by the PSC will be monitored and results adequately reported.

CI-GEF Project Agency Field Supervision Missions: The CI-GEF PA will conduct annual visits to the project country and potentially to project field sites based on the agreed schedule in the project's Inception Report/Annual Work Plan to assess first-hand project progress. Oversight visits must be coordinated with the Fund and the borrower. A Field Visit Report will be prepared by the CI-GEF PA staff participating in the oversight mission and will be circulated to the project team and Impact Advisory Board members within one month of the visit.

Semi-annual Progress Reporting: Clarmondial, on behalf of the Food Securities Fund, will submit six months progress reports to the CI-GEF Project Agency.

Annual Project Implementation Report (PIR): Clarmondial, on behalf of the Food Securities Fund, will prepare an annual PIR to monitor progress made since project start and particularly for the reporting period. The PIR will summarize the annual project result and progress. A summary of the report will be shared with the Impact Advisory Board.

Final Project Report: Clarmondial, on behalf of the Food Securities Fund, will draft a final report at the end of the project.

Independent External Mid-term Review: The project will undergo an independent Mid-term Review within 30 days of the mid-point of the project term. The Mid-term Review will determine progress being made toward the achievement of outcomes and will identify course correction if needed. The Mid-term Review will highlight issues requiring decisions and actions, and will present initial lessons learned about project design, implementation and management. Findings and recommendations of the Mid-term Review will be incorporated to secure maximum project results and sustainability during the second half of project implementation.

Independent Terminal Evaluation: An independent Terminal Evaluation will take place within six months after project completion and will be undertaken in accordance with CI and GEF guidance. The terminal evaluation will focus on the delivery of the project's results as initially planned (and as corrected after the mid-term evaluation, if any such correction took place). Clarmondial, in collaboration with the Impact Advisory Board, will provide a formal answer to the findings and recommendations of the terminal evaluation.

Lessons Learned and Knowledge Generation: Results from the project will be disseminated within and beyond the project intervention area through existing information sharing networks and forums. The project will identify and participate, as relevant and appropriate, in scientific, policy-based and/or any other networks, which may be of benefit to project implementation through lessons learned. The project will identify, analyze, and share lessons learned that might be beneficial in the design and implementation of similar future projects. There will be a two-way flow of information between this project and other projects of a similar focus.

Financial Statements Audit: Annual Financial reports submitted by the executing Agency will be audited annually by professional, independent external auditors appointed by the Executing Agency. Additional impact audits may also be submitted - the Terms of References for these specific evaluations will be drafted by the CI-GEF PA in accordance with GEF requirements. The procurement and contracting for the independent evaluations will be handled by CI's General Counsel's Office. The funding for the evaluations will come from the project budget, as indicated at project approval.

10. Benefits

Describe the socioeconomic benefits to be delivered by the project at the national and local levels, as appropriate. How do these benefits translate in supporting the achievement of global environment benefits (GEF Trust Fund) or adaptation benefits (LDCF/SCCF)?

The critical link between rural economies, environmental degradation, and empowerment of local people (particularly marginalized groups, such as rural women) must be addressed in any sustainable financing structure. The Food Securities Fund will provide loans to borrowers and promote the uptake of responsible, climate smart agriculture practices, thereby achieving a positive social and environmental impact and

contributing to improved food security. By giving borrowers access to more credit, the Fund will enable them to expand their operations and hire and train more staff ? including women. This borrower growth will result in an improved and more reliable demand for produce from farmers, including smallholder farmers including women. Better access to capital will also mean that borrowers will be able to provide pre-harvest inputs to farmers including credit, agricultural inputs, and/or training. This input of cash and employment in rural areas will have a domino effect, generating additional economic activity and enterprises in these rural areas that may or may not be directly related to the agricultural sector.

The Food Securities Fund will generate socio-economic benefits for at least 700,000 local people in emerging and developing country landscapes, 50% of them women. The Fund will closely monitor borrower contributions to the Fund's social and environmental KPIs and their performance on these issues will be used as criteria for loan renewal.

11. 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
Low			

Measures to address identified risks and impacts

Elaborate on the types and risk classifications/ratings of any identified environmental and social risks and impacts (considering the GEF ESS Minimum Standards) and any measures undertaken as well as planned management measures to address these risks during implementation.

Based on the information provided by the EA in the Screening Form, the project is categorized as follows:

PROJECT CATEGORY	Category A	Category B	Category C
			X

Justification: The proposed project activities are likely to have minimal or no adverse environmental and social impacts.

At the PPG stage of the project, the exact project locations and sub project that would be supported by the project are unknown. As such, there is insufficient safeguard information to validate that the project is a high risk one. Nevertheless, the project will have its own safeguard system in place to screen each sub project and determine its risk. If the screening reveals any risk, appropriate mitigation measures will be developed and implemented by the project. The ESS categorization for the project is subject to change when new and more detailed safeguard information is presented. As such, the project categorization could change from C to B or A when the ESS safeguards marked ?TBD? are assessed during the implementation of the project.

The EA is required to undertake the following measures:

I. Accountability and Grievance Mechanism

A specific Accountability and Grievance Mechanism (AGM) was developed during the PPG phase and incorporated into the Fund's ESG Policy. Borrowers will be required to have appropriate policies in place and demonstrate adherence to those policies. The policy includes a submission form on the FSF website (www.foodsecuritiesfund.com) along with contact information. The Fund also requires that Aggregators have an AGM resolution policy and grievance mechanism that follows FSF guidelines. The Fund will verify access to the grievance mechanism as a part of due diligence and monitoring protocols. The Fund will also require that the borrower maintains AGM records and reports any cases to the Fund as soon as they become aware of any such issue.

In addition, the EA is required to monitor and report on the following minimum accountability and grievance indicators:

- 1. Number of conflict and complaint cases reported to the project's Accountability and Grievance Mechanism; and*
- 2. Percentage of conflict and complaint cases reported to the project's Accountability and Grievance Mechanism that have been addressed.*

II. Environmental & Social Framework (ESF) for the funding mechanism

The Fund has an Environmental, Social and Governance (ESG) Policy which describes how the Fund intends to identify and manage environmental and social risks and potential impacts, including the tracking and reporting of social and environmental impacts such as global environmental benefits. The ESG Policy will be implemented throughout the Fund's activities, most importantly during the analysis of potential investments, in investment decisions, and in monitoring and reporting to investors and the CI-GEF Project Agency.

Given that the project entails sustainable agriculture production systems, the screening of investments should carefully examine water efficiency and runoffs from agricultural lands and pest management (use of chemicals). These are related to the safeguard policy on resource efficiency and pollution prevention.

Other Plans

Apart from the safeguard policies, the project is required to comply with the GEF's Gender Policy and Stakeholder Engagement Policy. As such, the project is required to develop the following plans:

III. Gender Mainstreaming

A specific Gender Mainstreaming Plan (GMP) was developed during the PPG phase and incorporated into the Fund's ESG Policy. The Fund is expected to deliver demonstrable economic benefits for over 700,000 people in rural areas, including at least 350,000 rural women. The GMP describes how the Fund will promote women's involvement in rural agribusinesses at all levels by providing an additional source of credit to those borrowers who, among other aspects, advance women's participation and education. By providing this additional credit source, the Fund will provide borrowers with both the means and the motivation to support women's participation in agricultural value chains, i.e., in training, purchasing, and job creation.

To capture women's participation, the Fund will monitor the engagement of women as farmers and employees annually throughout the life of project. Borrowers will be expected to demonstrate ambition and continuous improvement on women's engagement through development/improvement on both gender plans and ESG (impact) indicators, which will be evaluated and reported as a part of the project monitoring plan and reports. This impact monitoring approach will also help address a critical data challenge of a lack of consistent and regular gender disaggregated data within the farming sector, in particular in emerging and developing countries. Borrower's will be advised that advancement in women's inclusion will be used as a criterion for determining if a loan should be renewed.

In addition, the EA is required to monitor and report on the following minimum gender indicators:

- 1. Number of men and women that participated in project activities (e.g. meetings, workshops, consultations);*
- 2. Number of men and women that received benefits (e.g. employment, income generating activities, training, access to natural resources, land tenure or resource rights, equipment, leadership roles) from the project; and if relevant*
- 3. Number of strategies, plans (e.g. management plans and land use plans) and policies derived from the project that include gender considerations.*

IV. Stakeholder Engagement

A specific Stakeholder Engagement Plan (SEP) was developed during the PPG phase and incorporated into the Fund's ESG Policy. The SEP describes the various stakeholders of the project, engagements undertaken during the PPG Phase, and a plan of action for stakeholder engagement during the Implementation Phase of the project.

In addition, the EA is required to monitor and report on the following minimum stakeholder engagement indicators:

- 1. Number of government agencies, civil society organizations, private sector, indigenous peoples and other stakeholder groups that have been involved in the project implementation phase on an annual basis;*
- 2. Number persons (sex disaggregated) that have been involved in project implementation phase (on an annual basis); and*
- 3. Number of engagement (e.g. meeting, workshops, consultations) with stakeholders during the project implementation phase (on an annual basis)*

Supporting Documents

Upload available ESS supporting documents.

Title	Module	Submitted
20210614 Food Securities Fund Safeguard Screening Analysis Results	CEO Endorsement ESS	
20210325 Safeguard Analysis	CEO Endorsement ESS	

ANNEX A: PROJECT RESULTS FRAMEWORK (either copy and paste here the framework from the Agency document, or provide reference to the page in the project document where the framework could be found).

Objective:	The Food Securities Fund will improve rural livelihoods and achieve positive environmental outcomes by supporting sustainable agriculture production systems in emerging and developing markets with a complementary source of credit, provided in partnership with companies committed to sustainable development in their sourcing areas.		
Indicator(s):	<p>(a) Number of companies (Value Chain Partners - VCPs) collaborating with the Fund.</p> <p>(b) Number of landscapes-production systems that Fund-financed borrowers are sourcing from.</p> <p>(c) Number of local companies operating in emerging and developing markets receiving loans from the Food Securities Fund.</p> <p>(d) Total amount in USD lent to borrowers.</p> <p>(e) Area of land under improved environmental practices linked to Food Securities Fund financing.</p> <p>(f) Area of land restored linked to Food Securities Fund financing</p> <p>(g) Amount of greenhouse gas (GHGs) emissions mitigated in the AFOLU sector linked to Food Securities Fund financing.</p>		
Expected Outcomes and Indicators	Project Baseline	End of Project Target	Expected Outputs and Indicators
Component 1: The Food Securities Fund for sustainable supply chains.			

<p>Outcome 1.1.: Agricultural supply chains in emerging and developing markets are strengthened through the Food Securities Fund.</p> <p>Indicator 1.1.: Number of borrowers financed by the Food Securities Fund.</p>	<p>Outcome Indicator Baseline 1.1.: Currently, there are no dedicated open-ended credit funds that provide this type of pre-harvest finance for agricultural value chains in emerging and developing markets, i.e. using a value chain approach to de-risk transactions and linking loans to social and environmental reporting.</p>	<p>Outcome Indicator 1.1. Target: 60 borrowers financed by the Food Securities Fund.</p>	<p>Output 1.1.1.: Value Chain Partner companies are committed to facilitating loans to their supply chains and trading partners in emerging and developing countries through the Food Securities Fund, as evidenced by policies, operational procedures, and guarantees.</p> <p>Output 1.1.1 Indicator 1.: Number of Value Chain Partner companies committed to facilitating loans to linked to borrowers through the Food Securities Fund.</p> <p>Target: At least 10 companies.</p>
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<p>Outcome 1.2.: Increase in the area of land under improved environmental practices, area of land restored and GHGs mitigated linked to financial investments (loans) from the Food Securities Fund.</p> <p>Outcome 1.2 Indicator 1: Area of land under sustainable farming practices financed by the Food Securities Fund.</p> <p>Outcome 1.2 Indicator 2: Area of degraded agricultural land restored linked to financing (loans) from the Food Securities Fund.</p>	<p>Outcome Indicator Baseline 1.2.: Currently there are no similar programs that provide working capital loans in a scalable structure (across various value chains and countries) that are not typically tied to one company or to collateral.</p>	<p>Outcome 1.2. Target 1: 2 million hectares of land under sustainable farming practices linked to the Food Securities Fund.</p> <p>Outcome 1.2. Target 2: 100,000 hectares of degraded agricultural land restored linked to financing (loans) from the Food Securities Fund.</p>	<p>Output 1.2.1.: Funding deployed as loans to borrowers tied to sustainable production practices.</p> <p>Output 1.2.1. Indicator 1: Amount of funding deployed to borrowers as loans for sustainable production practices.</p> <p>Target.: At least USD 750M allocated.</p> <p>Output 1.2.2.: Sustainably produced commodities are included in the loan portfolio.</p> <p>Output 1.2.2. Indicator 1: Number of commodities covered.</p> <p>Target: At least 12 commodities.</p> <p>Output 1.2.3.: Developing and emerging countries are included in the Food Securities Fund's loan portfolio.</p> <p>Output 1.2.3. Indicator 1: Number of developing and emerging countries included in the Food Security's Fund loan portfolio.</p> <p>Target: At least 20 developing and emerging countries.</p>
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<p>Outcome 1.3.: Increased access to goods and services for men and women farmers to implement sustainable farming practices.</p> <p>Indicator 1.3.: Percentage of loans made to borrowers that provide pre-harvest support to men and women farmers.</p>	<p>Outcome Indicator Baseline 1.3.: Farmers, both female and male, struggle to get adequate support throughout the year as the borrowers they work with have limited collateral. Through the Food Securities Fund, borrowers will have funds available to support the female and male farmers they work with, over and above business as usual. Limited data exists on gender aspects of the baseline. The borrower will also collect and report information on farmers, including number of female farmers.</p>	<p>Outcome 1.3. Target: At least 50% of borrowers provide pre-harvest support to farmers, at least 50% of whom are women.</p>	<p>Output 1.3.1: Men and women farmers have improved access to market and increased pre-harvest support for sustainable production practices.</p> <p>Output 1.3.1. Indicator 1: Number of men and women farmers that transact with the Fund's borrowers.</p> <p>Target: 700,000 farmers, 50% of whom are women.</p> <p>Output 1.3.1. Indicator 2.: Number of smallholder men and women farmers with improved access to markets and support for sustainable production practices.</p> <p>Target.: 350,000 smallholder men and women farmers.</p>
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<p>Outcome 1.4.: Increased employment, and economic advancement opportunities for local communities, and especially for rural women.</p> <p>Indicator 1.4.: Borrowers increase employment and economic advancement opportunities, especially, for women, in the local sourcing area.</p>	<p>Outcome Indicator Baseline 1.4.: There are currently no dedicated value chain (credit) financing programs tied to improving opportunities for rural women. No information is collected on employment and economic advancement opportunities for women in rural areas.</p>	<p>Outcome 1.4. Target: At least 50% of borrowers commit to becoming "equal opportunity employers" within 3 years from their initial loan within 3 years from their initial loan, i.e. as demonstrated by new or improved policies, gender plans, or equal opportunity development plans.</p>	<p>Output 1.4.1.: Through loans from the Food Securities Fund, borrowers increase the number employees, providing more jobs and training to men and women employees.</p> <p>Output 1.4.1. Indicator 1: Percentage of borrowers that increase the number of employees in a three-year period.</p> <p>Target: 75% of borrowers.</p> <p>Output 1.4.1. Indicator 2: Borrowers increase the number or percentage of female employees in their workforce over a 3-year period targeting equal opportunity employment (50% women).</p> <p>Target: 20% increase in women employees over a 3-year period or comparable increase in numbers to achieve gender parity over a 3-year period.</p> <p>Output 1.4.1. Indicator 3: Percentage or number increase in women participating in trainings provided by the borrower per year, targeting gender parity (50% women participation).</p> <p>Target: Women's participation in trainings increases by at least 10% per year over baseline/previous year, or comparable increase in numbers of females participating in order to reach parity.</p>
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<p>Outcome 1.5.: Improvement in relevant environmental impact of borrowers and their value chains as per impact metrics.</p> <p>Outcome 1.5. Indicator 1: Improvement in quantitative impact metric performance for environmental issues[4] across the Fund's portfolio of loans, monitored and reported according to its ESG Policy.[5]</p>	<p>Outcome Indicator Baseline 1.5.: Currently, there are no commercial open-ended funding programs that link financing to the Food Securities Fund's set of social and environmental impacts. No systematized processes exist within current lenders to track quantitative performance on these impact metrics, and there is a lack of baseline information.</p>	<p>Target 1.5: At least 80% of borrowers report improvements in environmental scores on KPIs over successive agricultural seasons.</p>	<p>Output 1.5.1.: Quantitative environmental impact metrics and targets set by the Fund for borrowers are collected.</p> <p>Output 1.5.1. Indicator 1: Number of borrower impact metric reports developed.</p> <p>Target: 24 impact quarterly reports that include impact metrics.</p> <p>Output 1.5.2.: Annual on-site review of borrower impact metric performance is conducted and recorded.</p> <p>Output 1.5.2 Indicator 1: Number of annual on-site impact (monitoring) reports that include impact metrics reported to the Fund.</p> <p>Target: 8 annual reports.</p>
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[1] An investment vehicle that finances responsible companies operating in emerging and developing countries that intermediate capital between primary producers (farmers and in particular smallholder farmers) and large companies with sustainable sourcing commitments.

[2] Value Chain Partners are companies that source agricultural produce from emerging and developing countries and have sustainable sourcing commitments (e.g. on no-deforestation, or the prevention of environmental degradation and biodiversity loss).

[3] An employer who agrees not to discriminate against any employee or job applicant because of race, color, religion, national origin, sex, physical or mental disability, or age.

[4] These include: waste reduction, input use efficiency, water management, greenhouse gas emissions

[5] These impact performance metrics are explained in the Food Securities Fund's ESG Policy. The ESG Policy is a tool for the Fund to meet the Results Framework and commitments made to CI-GEF.

ANNEX B: RESPONSES TO PROJECT REVIEWS (from GEF Secretariat and GEF Agencies, and Responses to Comments from Council at work program inclusion and the Convention Secretariat and STAP at PIF).

SPart I: Project Information		Response
GEF ID	10322	
Project Title	The Food Securities Fund: A fund to finance sustainable supply chains at scale in Emerging Markets	
Date of Screening	2-Dec-19	
STAP member Screener	Blake Ratner	
STAP secretariat screener	Virginia Gorsevski	
STAP Overall Assessment		Concur: STAP welcomes this project entitled "The Food Securities Fund: A fund to finance sustainable supply chains at scale in Emerging Markets." This is a highly innovative project with strong institutional support from global partners. STAP finds that it is very clearly designed for long-term impact and scalability beyond the period of GEF financing. Financingrelated risks are well specified. In addition, the project is well aligned with the FOLUR Impact Program. It may be useful to give further consideration to policy-related risks beyond trade / tax / investment, such as sectoral and environmental policies affecting the feasibility of realizing GEBs and social / economic gains. The knowledge management description is appropriate but brief; given the project's highly innovative approach, there should be clear commitments outlined to sharing outcomes and lessons both to global investor and conservation communities.
Part I: Project Information		
B. Indicative Project Description Summary		

Project Objective	Is the objective clearly defined, and consistently related to the problem diagnosis?	
Project components	A brief description of the planned activities. Do these support the project's objectives?	Project structured as just one component, whereas many of the Project Outputs detailed could be considered as outcomes.
Outcomes	A description of the expected short-term and medium-term effects of an intervention.	GEBs concern land area restored, under improved practices / mgmt, and associated CO2 mitigation
	Do the planned outcomes encompass important global environmental benefits/adaptation benefits?	Yes
	Are the global environmental benefits/adaptation benefits likely to be generated?	Plausible, given scaling ambition and financing leverage
Outputs	A description of the products and services which are expected to result from the project. Is the sum of the outputs likely to contribute to the outcomes?	Plausible expectation
Part II: Project justification	A simple narrative explaining the project's logic, i.e. a theory of change.	
1. Project description. Briefly describe:		
1) the global environmental and/or adaptation problems, root causes and barriers that need to be addressed (systems description)	Is the problem statement well-defined?	Very well defined
	Are the barriers and threats well described, and substantiated by data and references?	Yes, well substantiated, including useful visuals
	For multiple focal area projects: does the problem statement and analysis identify the drivers of environmental degradation which need to be addressed through multiple focal areas; and is the objective well-defined, and can it only be supported by integrating two, or more focal areas objectives or programs?	Yes, clearly integrates LD, BD, CCM objectives
2) the baseline scenario or any associated baseline projects	Is the baseline identified clearly?	Yes, with good description of regional differences

	Does it provide a feasible basis for quantifying the project's benefits?	Yes
	Is the baseline sufficiently robust to support the incremental (additional cost) reasoning for the project?	Yes, with good compilation of sample national and international investment funds and incentive schemes
	For multiple focal area projects:	
	are the multiple baseline analyses presented (supported by data and references), and the multiple benefits specified, including the proposed indicators;	Yes (additional detail on indicators provided in section 1.5
	are the lessons learned from similar or related past GEF and non-GEF interventions described; and	Yes, with clear identification of remaining gaps to address
	how did these lessons inform the design of this project?	Well integrated in design
3) the proposed alternative scenario with a brief description of expected outcomes and components of the project	What is the theory of change?	Well summarized in intro to alternative scenario section
	What is the sequence of events (required or expected) that will lead to the desired outcomes?	
	? What is the set of linked activities, outputs, and outcomes to address the project's objectives?	Clearly defined
	? Are the mechanisms of change plausible, and is there a well-informed identification of the underlying assumptions?	Yes, with linkages to FOLUR Impact Program well specified
	? Is there a recognition of what adaptations may be required during project implementation to respond to changing conditions in pursuit of the targeted outcomes?	Strong attention to risk mitigation measures
5) incremental/additional cost reasoning and expected contributions from the baseline, the GEF trust fund, LDCF, SCCF, and co-financing	GEF trust fund: will the proposed incremental activities lead to the delivery of global environmental benefits?	Good likelihood, with innovative approach

	LDCF/SCCF: will the proposed incremental activities lead to adaptation which reduces vulnerability, builds adaptive capacity, and increases resilience to climate change?	
6) global environmental benefits (GEF trust fund) and/or adaptation benefits (LDCF/SCCF)	Are the benefits truly global environmental benefits, and are they measurable?	Yes, well specified with notes on measurement of indicators
	Is the scale of projected benefits both plausible and compelling in relation to the proposed investment?	Yes, very compelling, given leverage of private financing and potential long-term operation. Target is \$1B fund value by 2030.
	Are the global environmental benefits explicitly defined?	Yes
7) innovative, sustainability and potential for scaling-up	Is the project innovative, for example, in its design, method of financing, technology, business model, policy, monitoring and evaluation, or learning?	Highly innovative design, with strong institutional support already secured.
	Is there a clearly-articulated vision of how the innovation will be scaled-up, for example, over time, across geographies, among institutional actors?	Yes, very well specified and ambitious
	Will incremental adaptation be required, or more fundamental transformational change to achieve long term sustainability?	Compelling because of transformational vision, yet implementation can begin with incremental steps through pool of investments
1b. Project Map and Coordinates. Please provide georeferenced information and map where the project interventions will take place.		

2. Stakeholders. Select the stakeholders that have participated in consultations during the project identification phase: Indigenous people and local communities; Civil society organizations; Private sector entities. If none of the above, please explain why. 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.	Have all the key relevant stakeholders been identified to cover the complexity of the problem, and project implementation barriers?	Yes, appears appropriate, given cross-regional reach
	What are the stakeholders? roles, and how will their combined roles contribute to robust project design, to achieving global environmental outcomes, and to lessons learned and knowledge?	Roles specified are reasonable
3. Gender Equality and Women's Empowerment. Please briefly include below any gender dimensions relevant to the project, and any plans to address gender in project design (e.g. gender analysis). Does the project expect to include any gender responsive measures to address gender gaps or promote gender equality and women empowerment? Yes/no/ tbd. If possible, indicate in which results area(s) the project is expected to contribute to gender equality: access to and control over resources; participation and decision-making; and/or economic benefits or services. Will the project's results framework or logical framework include gender-sensitive indicators? yes/no /tbd	Have gender differentiated risks and opportunities been identified, and were preliminary response measures described that would address these differences?	Good specification of types of gender considerations that will be applied to transactions. Clarmondial status as majority women-owned is a positive sign.
	Do gender considerations hinder full participation of an important stakeholder group (or groups)? If so, how will these obstacles be addressed?	Context specific; recognized as key consideration in review of potential deals.

5. Risks. 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	Are the identified risks valid and comprehensive? Are the risks specifically for things outside the project's control?	Financing-related risks well specified. May be useful to give further consideration to policy related risks beyond trade / tax / investment, such as sectoral and environmental policies affecting the feasibility of realizing GEBs and social / economic gains.
	Are there social and environmental risks which could affect the project?	Yes, see above. Also should consider land tenure security among producers.
	For climate risk, and climate resilience measures:	
	? How will the project's objectives or outputs be affected by climate risks over the period 2020 to 2050, and have the impact of these risks been addressed adequately?	Adequately addressed at this stage, and recognized as ongoing assessment focus
	? Has the sensitivity to climate change, and its impacts, been assessed?	Integrated among investment criteria
	? Have resilience practices and measures to address projected climate risks and impacts been considered? How will these be dealt with?	Yes, as above
	? What technical and institutional capacity, and information, will be needed to address climate risks and resilience enhancement measures?	May require specialized technical inputs or partnerships to undertake appropriate ongoing assessments
6. Coordination. Outline the coordination with other relevant GEF-financed and other related initiatives	Are the project proponents tapping into relevant knowledge and learning generated by other projects, including GEF projects?	Yes, particularly FOLUR IP
	Is there adequate recognition of previous projects and the learning derived from them?	Relatively new domain within GEF; appears well researched in relation to other prior experiences.
	Have specific lessons learned from previous projects been cited?	Yes
	How have these lessons informed the project's formulation?	Yes

	Is there an adequate mechanism to feed the lessons learned from earlier projects into this project, and to share lessons learned from it into future projects?	Merits further development; see below
8. Knowledge management. Outline the 'Knowledge Management Approach' for the project, and how it will contribute to the project's overall impact, including plans to learn from relevant projects, initiatives and evaluations.	What overall approach will be taken, and what knowledge management indicators and metrics will be used?	KM description is appropriate but brief; given highly innovative approach, there should be clear commitments outlined to sharing outcomes and lessons both to global investor and conservation communities.
	What plans are proposed for sharing, disseminating and scaling up results, lessons and experience?	As above
STAP advisory response	Brief explanation of advisory response and action proposed	
1. Concur	STAP acknowledges that on scientific or technical grounds the concept has merit. The proponent is invited to approach STAP for advice at any time during the development of the project brief prior to submission for CEO endorsement.	

	* In cases where the STAP acknowledges the project has merit on scientific and technical grounds, the STAP will recognize this in the screen by stating that 'STAP is satisfied with the scientific and technical quality of the proposal and encourages the proponent to develop it with same rigor. At any time during the development of the project, the proponent is invited to approach STAP to consult on the design.'	
2. Minor issues to be considered during project design	STAP has identified specific scientific /technical suggestions or opportunities that should be discussed with the project proponent as early as possible during development of the project brief. The proponent may wish to:	
	(i) Open a dialogue with STAP regarding the technical and/or scientific issues raised;	

	(ii) Set a review point at an early stage during project development, and possibly agreeing to terms of reference for an independent expert to be appointed to conduct this review.	
	The proponent should provide a report of the action agreed and taken, at the time of submission of the full project brief for CEO endorsement.	
3. Major issues to be considered during project design	STAP proposes significant improvements or has concerns on the grounds of specified major scientific/technical methodological issues, barriers, or omissions in the project concept. If STAP provides this advisory response, a full explanation would also be provided. The proponent is strongly encouraged to:	
	(i) Open a dialogue with STAP regarding the technical and/or scientific issues raised; (ii) Set a review point at an early stage during project development including an independent expert as required. The proponent should provide a report of the action agreed and taken, at the time of submission of the full project brief for CEO endorsement.	

Council Comments

GEF Country	Question	Response
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<p>France</p>	<p>Some existing funds seem to be based on the same mechanisms: IFAD's ABC fund, GAFSP's Missing Middle initiative, Mirova's LDN fund. It is necessary to ensure the complementarity with these funds. In addition, the SAFIN network (FIDA) brings together the various actors / funds / initiatives working to improve access to financial services for MSMEs in the agricultural sector.</p>	<p>The agricultural segment, including the Agri-MSMEs, requires a mix of different, complementary funding sources to address both the size and diversity of funding needs. While the Food Securities Fund addresses some of the same challenges as the other initiatives noted, it utilizes different mechanisms, notably:</p> <ul style="list-style-type: none"> ? Provides working capital (season-long, pre-harvest funding, i.e., 9-12 months), rather than long-term capex funding ? Provides direct financing to agri-SMEs (?aggregators?) rather than via local financial institutions ? De-risks through value-chain approaches, rather than relying on collateral ? Designed to attract institutional investors and be financially sustainable <p>Clarmondial, the Food Securities Fund's investment advisor, is in contact with many agri-finance initiatives, including those mentioned, to share knowledge and potential deal flow.</p> <p>Clarmondial actively contributes to the work of SAFIN. Tanja Havemann (Clarmondial founder & director of the Food Securities Fund) has provided guidance on approaches to blended finance in agriculture resulting in SAFIN-branded publications, including writing the original Investment Prospectus Framework, the Investment Prospectus for Coconut Value Chains in Jamaica, and drafting the 'Landscape report: Blended finance for agriculture' (March 2019).</p>
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UK	<p>GEF should plan and be able to articulate an exit strategy from this investment, as it is not built into the fund structure. That being said, evergreen funds of this type are a potentially valuable innovation, the leverage ratio is high, and the choice of sector - sustainable agriculture - is encouraging from a development impact perspective.</p>	<p>The Fund's structure allows any investor ? including the GEF ? to redeem its shares or subscribe to new shares in any quarter. However, it is possible to simulate a closed end fund approach. By exiting at its pre-agreed date (e.g., in 8 years from their investment), GEF funding will enable the Fund to manage its liquidity to allow a full exit without risking the deployment of the Fund's redemption gate. The underlying assets are short term loans (typically 9 - 12 months), which limits potential maturity mismatches and ensure liquidity to Fund investors.</p>
	<p>We are interested in understanding about the involvement of multinational agribusinesses companies. What is the motivation behind their first loss guarantee?</p>	<p>Multinational agri-business companies (as well as larger regional and national companies) are interested in supporting sustainable supply chains to ensure the quality and quantity of the agricultural goods they source in the long term, as well as to meet specific sustainability strategies and policies. This is particularly true for larger companies (e.g., multinationals) that rely on specific product characteristics (e.g., ingredient characteristics, certification, traceability). Examples of such Value Chain Partners include trading and processing companies, as well as consumer facing brands and retailers.</p> <p>The implementation of sustainable agricultural practices often involves aggregators, i.e., the intermediaries between farmers and multinationals. Aggregators may be required to provide services or goods to the farmers they source from at the beginning of the agricultural production season. To enable this, they need access to season-long working capital, which local or international banks are not in a position to provide due to collateral requirements and other limitations. The Fund addresses this financing gap, by supporting the multinationals in achieving their sustainable sourcing targets. In exchange, the Fund seeks a partial first loss guarantee from the multinational on each loan to an aggregator in its value chain (10 to 50% of the loan).</p>

<p style="text-align: center;">Germany</p> <p>Germany requests that the following requirements are taken into account during the design of the final project proposal:</p>	<p>Germany asks to clarify how project activities and the theory of change contribute to achieving output 1.2.3: ?At least 20 developing and emerging countries included in the Food Securities Fund?s loan portfolio. The Food Securities Fund will have an initial focus on Sub Saharan Africa". This assessment should clearly identify barriers to this output and describe how project activities address them.</p>	<p>The Fund will provide loans to finance agriculture companies operating in emerging and developing countries. The initial focus will be on countries in Sub Saharan Africa, but as the fund volume grows it will diversify to developing and emerging markets in other regions as well over the eight-year GEF investment period.</p> <p>The current pipeline of potential investments already covers over 30 countries. This target will be achieved through existing relationships with Value Chain Partners. The main barrier identified to date is the Fund size.</p>
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	<p>Germany would ask to clarify and provide additional detail on the engagement strategy with private investors. What is the approach used to mobilize investment specifically into Sub-Saharan Africa? What is the added value of the fund?</p>	<p>Engagement strategy with private investors: in consideration of the applicable distribution rules, qualified private and public investors have been engaged. Their reaction to the Fund's impact objectives (implemented through its Environmental, Social and Governance (ESG) Policy), legal and operational setup, partners and service providers has been positive. As the Fund builds a financial and non-financial performance track record it will become eligible for consideration by an increasing number of investors.</p> <p>Mobilization of investments: The Fund can invest in emerging and developing markets globally and therefore does not raise funding specifically for Sub-Saharan Africa. However, since the Fund's initial focus is on Sub Saharan Africa, a substantial part of the initial money raised will be deployed there. Given this, investment in Sub Saharan Africa has become a significant part of the Fund's initial engagement strategy mentioned above.</p> <p>Added value of the Fund: agricultural companies in emerging markets often struggle to obtain working capital from existing lenders such as banks. The limited availability of collateral represents a key restriction for incumbent lenders. The Fund's loans are de-risked through third party guarantees, which reduce the Fund's dependency on traditional collateral and therefore enables the Fund to address the prevailing financing gap.</p>
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	<p>Germany asks that a dedicated section on 'additionally' is included into the document, and that indicators and screening criteria are defined to ensure that utilized GEF-funding is used to 'crowd-in' private investment.</p>	<p>The additionality of the GEF funding and its contribution to crowding in private investment is addressed in paragraph 104 of the ProDoc.</p> <p>The commitment from the GEF has been essential in helping secure the anchor investor, which allowed the Fund to start operations and make its first loan in March 2021. Similarly, further investors that are currently conducting due diligence on the Fund have communicated that the GEF's commitment has been important in their decision to consider an investment. The GEF's commitment is therefore already helping to crowd-in private investors and this effect is expected to continue, thus enabling the Fund to reach its growth targets.</p>
<p>Norway-Denmark</p> <p>In general, we view the FSF investment strategy as relevant for the target group and the markets in which it will operate, and as an innovative approach to addressing food security.</p>	<p>Investment Strategy</p> <p>Investment vehicle. FSF's main product is a working capital loan with a tenure up to 12 months to match the full agricultural cycle. We note that affordable financing is extremely scarce for aggregators in most developing countries. In cases where financing is available, it is usually through informal channels carrying very high interest rates. Or, where bank financing is an option, collateral is usually required making bank financing out of reach by most aggregators. The FSF is one of very few, if not the only fund, that is targeting aggregators with working capital financing product. The loans are relatively short, and appropriate for the target group. What other type of flexibilities are/or can be built into the loan product (e.g. grace periods, repayment options, accrued interest)?</p>	<p>Due to the short tenure of the loans (typically 9 - 12 months) and the cash flow profile of the borrowers during the agricultural season, in most transactions the principal and interest will be repaid at once at the end of the loan period. As a result, the 'grace period' is equivalent to the tenure (duration) of the loans.</p>

	<p>Investment Strategy</p> <p>Foreign exchange (FX) risk. All loans will be denominated in USD. This limits FSF's exposure to currency risk, however, putting the FX burden on the borrower. Given the short loan tenure, the risk should not be considered to have high probability nor impact. Although, in the event of disbursing loans in currency fragile countries, could FSF consider FX risk sharing with the borrower, i.e. splitting cost of a currency hedge?</p>	<p>Yes, the loans will be denominated in USD. If it is possible and economically viable to hedge local currencies against the USD, local currency loans may be considered.</p> <p>The borrower's FX exposure depends on its specific business model and financing structure. Most borrowers in the Fund's investment pipeline benefit from sales denominated in USD. Currency-induced credit risk will be assessed for each investment.</p> <p>The Fund will consider its target net return on each investment (e.g., net of hedging costs and withholding taxes). Currency hedging cost, if applicable, will be discussed during the loan negotiation.</p>
	<p>Investment Strategy</p> <p>Interest rate. Loans will be priced ranging from 9 ? 15% per annum. The interest rate appears to be slightly lower than other US denominated loans we have seen in the African agribusiness lending environment. Local currency loans can bear interest rates of up to 18-22% (secured). FSF rates appropriately reflect the risk. With that said and taking into account the large guarantee facility from USAID, the risk to FSF is considerably reduced. Can rates potentially be pushed slightly lower to become even more competitive in the market and reach the entities that need it the most?</p>	<p>The targeted pricing is based on the Fund's current pipeline and investor requirements.</p> <p>On the one hand, interest rates charged to borrowers will depend on the risk profile of each transaction, and on the status of local capital markets. On the other hand, the Fund has committed to a target net return to investors.</p> <p>The Fund does not seek to differentiate itself by providing lower interest rates, but rather by offering full-season working capital loans that do not depend on collateral. Such loans are rarely offered, despite of the operational needs of the targeted borrowers.</p> <p>That said, as the Fund grows and builds a performance track record, we expect that it will be possible to reduce the target portfolio yield (i.e. interest rate to borrowers).</p>

	<p>Investment Strategy</p> <p>Allocation strategy. Although the prospectus is limiting exposure to 30% in any one investment, internal guidelines has max exposure in any country, commodity, value chain partner (?VCP?), or aggregator at 25%. We assess this to be very high and would like to see this adjusted down. Even at 25% concentration, the fund will be highly exposed and sensitive to e.g. changes in market prices, political risk in a given country, and all the risks related to agricultural primary production (i.e. weather, diseases). We would suggest decreasing this to 15% to be more conservative.</p>	<p>The Board of Directors of the Fund has enacted Fund?s loan allocation guidelines (internal targets and limits), which limit the exposure per aggregator to 10%. These guidelines consider not only the exposure per Value Chain Partner, but also per loan, borrower, commodity, country, and currency, among other factors (e.g., the US International Development Finance Corporation (DFC - formerly USAID) guarantee allocation requirements). The Board will regularly review the guidelines will ensure that the Fund maintains a diversified but appropriately conservative loan portfolio.</p>
	<p>Investment Strategy</p> <p>First loss/risk sharing. FSF is managing a guarantee facility from USAID with a max. exposure up to \$37.5 million. This feature is a defining competitive advantage in terms of fundraising and product offering. The guarantee facility will likely attract additional private sector capital as their risk will be considerably reduced. From the borrower perspective, FSF is able to offer an attractive guarantee. However, as the portfolio grows, dependency on USAID becomes more obsolete. Is the guarantee facility only a strategy while the fund is building its track record? Without the credit facility, how will this affect both interest rate and collateral requirements?</p>	<p>The US DFC (formerly USAID) guarantee provides a safety net during the Fund?s start-up phase. This guarantee has been critical to attract private and public investors.</p> <p>Regarding the question: ?Is the guarantee facility only a strategy while the fund is building its track record? ? the answer is yes that is the intention. As the portfolio grows and becomes more diversified, the Fund intends to build a track record that reassures investors that the US DFC credit guarantee will not be required for the entire life of the Food Securities Fund.</p> <p>The Fund intends to secure loans with a partial first-loss guarantee from larger companies (Value Chain Partners, typically larger and more diversified international, regional or national clients or business partners of the borrowers). Since this arrangement will remain even when the USAID guarantee is exhausted, it is not expected that the loan requirements will change fundamentally.</p>

	<p>Investment Strategy</p> <p>Co-investment options. Currently, FSF does not allow for co-investments. We would like a provision for co-investment opportunities. In the future, there will almost certainly be projects that will align with investors interest. This provision can catalyze additional capital and further strengthen and de-risk the portfolio.</p>	<p>Where appropriate, the Fund will consider offering co-investment rights to investors. However, this must be managed such that potential conflicts of interest are avoided.</p>
	<p>Fund organization</p> <p>Fee structure. The Fund is domiciled in Luxemburg (with feeder fund in the US). The fund is registered and appears to have a strong organizational structure. The feeder fund enables the fund to raise capital from US investors. This element is key as US investors are a key target group for fundraising. For information purposes, we should be informed of the fee structure related to compliance and regulations (i.e Vistra). Are these costs expensed directly to the fund account or subtracted from the quarterly management fee?</p>	<p>Since the initial proposal to the GEF, the Fund has replaced its administrator and depositary, enabling it to eliminate the feeder vehicle. All investors will subscribe to Fund shares directly, under the same share class and conditions.</p> <p>The maximum total expense ratio (TER) of the Fund has been maintained at 0.5% of its Net Asset Value (NAV) per quarter. This includes administrative, depositary, legal, investment advisory and other services. The TER applies equally to all investors (including US investors).</p>

	<p>Fund Governance</p> <p>Roles and responsibilities. With a contribution of almost \$15 million, GEF will be the largest investor. How will GEF be represented in the fund governance? Will GEF take a board seat? Could it take a board seat and be represented by an outside board member?</p>	<p>The GEF will be represented through Conservation International, its agency in this investment, which has a seat on the Fund's Impact Advisory Board alongside WWF US (another GEF agency). The Impact Advisory Board will review the Fund's pipeline and portfolio on a bi-annual basis, giving the GEF visibility and influence over the use of its funds.</p> <p>Noe that GEFSEC has also limited the relative exposure by proposing a subscription in tranches.</p> <p>Finally, as an open-ended vehicle, the Fund must maintain an independent structure that provides the same treatment to all investors. Therefore, investors will not nominate members to the Fund's board or participate in the Investment Committee.</p>
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	<p>Fund Governance</p> <p>IC composition. Ensure that IC is represented by experienced investors with agribusiness backgrounds.</p>	<p>The Investment Advisory Committee (IAC) to the Food Securities Fund will consist of one member of the investment advisor (Clarmondial) management team and at least two independent IAC members. At this point three independent Investment Advisory Committee (IAC) members with extensive agribusiness backgrounds have been engaged:</p> <p>? Danny van Det ? experienced C-level banker, seconded by Rabobank to various emerging market subsidiaries with significant agri exposure. Danny also led the World Food Programme's Farm to Market Alliance (FtMA).</p> <p>? Jacques Taylor ? Managing Director of John Deere Africa. He previously led John Deere Bank and prior to that was an agri-banker at Standard Bank (Africa's largest agri-bank).</p> <p>? Frank Hicks ? previously chair of the board and IC member of Root Capital, Frank also supported the EcoEnterprises Fund. Has local operational experience in Africa, Asia, and Latin America Caribbean as well as with various sustainability standards and practical operating businesses through his work with TechnoServe.</p>
	<p>Fund Governance</p> <p>Reporting. Limited information has been shared on fund reporting.</p>	<p>Please refer to the Fund's ESG Policy, provided as an appendix of the ProDoc, to Section 6 of the ProDoc, and to paragraph 148 (Communications and Knowledge Management) of the ProDoc.</p>

	<p>Investment Terms</p> <p>Redemption options. The Fund is an open-ended fund and can receive investments at the end of each quarter. This structure allows for greater flexibility for the fund manager and the investor. The fund manager is not constrained by an investment period or forced exits upon fund liquidation; and the investor can redeem their investments on a schedule set by the fund manager. Nevertheless, it also exposes the fund to great liquidity risk as investors can call their investments. We need to know what the redemption options, schedule, and restrictions are (e.g. total amount allowed to redeem, penalty for early redemption). Current notice period is 60 days. This is investor friendly but may cause cash flow disruptions. Having at minimum 3-months (ideally 6-month) redemption notice would be a good risk mitigation measure. Also, the board should reserve the right to block a redemption request depending on liquidity ratios and amounts.</p>	<p>The redemption notice period is a compromise between investor requirements and the Fund's needs. These terms were set in consultation with relevant investor groups (pension funds, private banks, insurance companies and other institutional investors). Longer redemption periods will reduce the Fund's attractiveness for private investors that are crucial for its development. We believe that the current redemption period of 60 days represents a reasonable trade-off, with minimum asset and liability misalignment.</p> <p>The Fund's Confidential Offering Memorandum includes a mechanism that addresses high redemption rates: a redemption gate allows the Fund to cap redemption payments to 10% of the Fund's net asset value (NAV) per quarter, if needed.</p>
	<p>Investment Terms</p> <p>Management fees & hurdle rate. The Fund is charging 0.5% of net asset value (NAV) quarterly management fee (2% annually). This is typical and competitive with other debt funds. The fund manager does not have a hurdle rate and given Clarmondial is a first-time fund manager, a hurdle rate of 3 or 4% might be appropriate and at the same time give incoming investors more confidence.</p>	<p>When funds charge investors a performance fee (or incentive fee), such a fee is often subject to a minimum return hurdle being met. The logic is that the management fee pays the fund's 'running costs', while the performance fee constitutes a variable component (a 'bonus') in case of strong financial performance.</p> <p>At the request of private and public investors, the Fund does not charge investors a performance fee, therefore a hurdle rate is not applicable.</p>

	<p>Investment Terms</p> <p>Share class. There is only one equity share class. FSF could consider creating other share classes in order to attract a wider range of potential investors. For example:</p> <p>? Share class X: higher investment amount, more flexible redemption terms and lower management fee.</p> <p>? Share class Y: lower investment amount, stricter redemption terms and higher management fee.</p> <p>? Share class Z: management's contribution, no redemption, no management fee</p>	<p>The creation of additional share classes would add additional cost and complexity. We seek to keep the structure as simple as possible and only pursue other share classes as this becomes necessary and if there is sufficient investor interest to justify the extra cost.</p>
	<p>Fund Performance</p> <p>Track record. The Fund is not yet operational and has not yet made any investment. Moreover, Clarmondial is a first-time fund manager with limited experience managing an investment portfolio. GEF should take on additional leadership in resource mobilization for FSF.</p>	<p>The Fund started operations on 02 March 2021 and made its first investment on 08 March 2021.</p> <p>While the Fund is the first investment vehicle to which Clarmondial acts as the investment advisor, its professionals have extensive investment management experience. An overview of the team has been provided to Conservation International.</p> <p>GEF's support in additional resource mobilization would be appreciated.</p>
	<p>Fund Performance</p> <p>Co-financing target. FSF is targeting \$772.500.000 co-financing over the next 8 years. As of now, FSF only has \$1.000.000 in firm commitments. As such, we view the co-financing target as too ambitious. We ask FSF to provide a more detailed plan on how they will reach their target.</p>	<p>The Fund has been capitalized with USD 7 M and it made its first loan in March 2021. Potential investors already engaged total an additional USD 269M, and the Fund is committed to reach the co-financing target of USD 772.500.000 over the next 8 years. Its legal setup allows for investors to subscribe to shares at any quarter on that period, which is expected to accelerate as the Fund builds track record. Also note that the fundraising target and associated growth rate are comparable to that experienced by other impact asset managers operating open-ended credit funds.</p>

	<p>Reflow of capital. How will reflow of capital to GEF be managed? Will reflow of capital be recycled into the FIF?</p>	<p>During the GEF investment period, the return on loans will be reinvested. The Fund will not distribute dividends to its investors.</p> <p>At the end of its eight-year investment period, the GEF's investment will be redeemed (i.e., the USD value of the shares held by the GEF will be paid to the GEF).</p>
	<p>Ability to fundraise. Clarmondial has been fundraising for the FSF since 2016. Food security funds are generally challenging to raise, and often need a few anchor investors to get the ball rolling. Given FSF long fundraising timeline, we suspect lack of private sector interest in this type of investment vehicle. We need more information on FSF fundraising history.</p>	<p>Please note that the Fund started operations in March 2021 with capital from an anchor investor. Further investors, mainly from the private sector, are performing due diligence on the Fund and are expected to invest in the coming quarters in part also subject to GEF's investment. Investor response has generally been very positive, as a result of the consultation process that took place prior to fund launch in Europe and North America and included a number of potential investors - especially institutional investors, which can deploy capital at a significant scale. This process was led by Clarmondial.</p> <p>While fundraising for new investment vehicles is indeed challenging, the interest among investors for funds that actively seek to generate a positive environmental and social impact continues grow. The main barriers are traditional investment criteria (e.g., requirements on track record and minimum fund size), which should be partially addressed with GEF's commitment. Other impact fund managers operating open-ended credit funds have experienced similar situation and results.</p> <p>The consultation process, and fundraising status and plan, have been provided to Conservation International. These documents cannot be disclosed in a public document due to legal and regulatory aspects.</p>

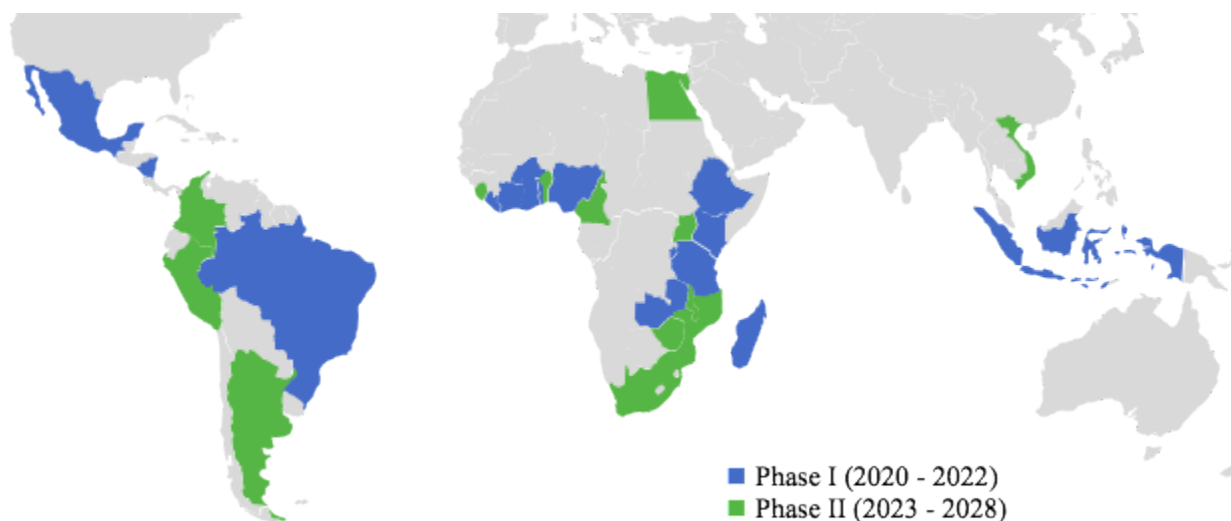
	Ability to source deals. How is the team's ability to source and originate investment deals? An extensive network and catchment area for deals is critical for a successful fund. Need an assessment of the team's ability to source deals.	Transactions will be sourced primarily through Value Chain Partners. The investment advisor, through its team based in Europe, Africa, and Latin America, has the capacity and network required to originate a strong, geographically diversified loan pipeline.
	Financial analysis. There is no financial analysis included. We need to see examples of fund compositions.	The fund model has been provided to Conservation International during their due diligence. This document cannot be disclosed in a public document due to legal and regulatory aspects.
	Team profiles. The most important aspect to assess prior to making a decision is the team. Limited team assessment is provided, and no team profiles are included.	An overview of the team is available - team profiles have been provided to Conservation International and reviewed during their due diligence.
Canada	<p>There is a significant gap in the project in terms of providing skills/knowledge around sustainable agricultural practices and being able to evaluating that those are the ones including the in project, specifically:</p> <p>It is not clear how local "aggregators" define or will ensure that the products they aggregate are sustainable or reduce negative externalities.</p>	<p>Please refer to the ESG Policy, in addition to the Monitoring Plan and other documents that address this point. Aggregators will be assessed on financial and non-financial (i.e., ESG) aspects prior to loan disbursement, as part of the investment monitoring, and at the end of the investment cycle. These include the type of product, how it is produced, and what kind of training is provided to farmers, as well as the aggregators' long term goals towards improvements of these aspects.</p>
	<p>It is not clear how farmers are acquiring skills/knowledge. To complete the logic of the outcomes, it is possible that the "goods and services" provided to farmers is referring to extension services that deliver information and training on sustainable agricultural practices that reduce negative externalities, but this is not spelled out. If this is not the case, there needs to be a better explanation of how farmers will acquire the skills to improve their production practices to improve biodiversity, restore land and reduce carbon emissions.</p>	<p>The understanding is correct. The loans provided by the Fund will enable aggregators (borrowers) to improve the provision of goods and services to the farmers they source from. Extension services (information and training) are delivered directly by the aggregators' staff or through third party technical assistance providers engaged by the aggregator (borrower).</p>

ANNEX C: Status of Utilization of Project Preparation Grant (PPG).
(Provide detailed funding amount of the PPG activities financing status in the table below:

<i>Project Preparation Activities Implemented</i>	<i>GEF/LDCF/SCCF Amount (\$300,000</i>		
	<i>Budgeted Amount</i>	<i>Amount Spent To date</i>	<i>Amount Committed</i>
PPG Budget During the PPG phase funds were used to complete the PPG requirements. The project document and CEO Endorsement template were completed and Clarmondial developed the Gender Mainstreaming Plan, Stakeholder Engagement Plan, and Accountability and Grievance Mechanism. Funds were utilized for consultant fees, securing investor co-financing, and preparing the CEO Endorsement package for submission.	300,000	300,000	0
Total	300,000	300,000	0

ANNEX D: Project Map(s) and Coordinates

Please attach the geographical location of the project area, if possible.



ANNEX E: Project Budget Table

Please attach a project budget table.

The project is not presenting an implementation budget since it falls under the Non-Grant Instrument window. The GEF funds will be invested in to the Food Securities Fund. The project does allocate funds for Project Management Costs and Monitoring and Evaluation. These follow standard CI-GEF requirements that are outlined in the M&E section of the CEO endorsement.

ANNEX F: (For NGI only) Termsheet

Instructions. Please submit an finalized termsheet in this section. The NGI Program Call for Proposals provided a template in Annex A of the Call for Proposals 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 of the Call for proposals. Termsheets submitted at CEO endorsement stage should include final terms and conditions of the financing.

Legal due diligence review in connection with the proposed investment was conducted by the CI Conservation Finance Division's legal team with support from Bonn Steichen & Partners in Luxembourg (Local Counsel?). The Fund is structured as a Luxembourg law governed special investment fund (fonds d'investissement sp?cialis?) and is organised as a public limited company (soci?t? anonyme). The Fund was incorporated on September 14, 2018, by a notarial deed submitted before Ma?tre Henri Hellinckx, notary resident in Luxembourg City. The Fund takes the form of an investment company with variable capital (soci?t? d'investissement ? capital variable). The Fund's articles of association indicate that the Fund shall be governed by the law dated 13 February 2007 regarding specialised investment funds, as amended from time to time (the ?SIF Law?) and are generally in line with what is considered to be market practice for special investment funds in Luxembourg. As a general conclusion, Local counsel confirmed that the structural, governance and contractual arrangements of the FSF did not identify any legal red flags based. Based on the legal analysis of Luxembourg counsel and CI's own legal and business due diligence review of the structural, governance and contractual arrangements of the Fund, CI has determined that the FSF as a SICAV-SIF, satisfies its technical and institutional criteria for NGI investments and the Food Securities Fund is reasonably likely to meet its stated objectives and outcomes.

Disclaimer:

The CI-GEF Project Agency has conducted a pre-liminary review and assessment of the proposed non-grant instruments (NGI). Additional due diligence of the NGI proposal will be conducted by the CI-GEF Project Agency during the PPG phase.

All investments are speculative in nature and involve substantial risk of loss. Much of the information and indicative terms submitted by the CI-GEF Project Agency is derived directly from information provided by the project proponent, which we believe is reliable/reasonable. CI does not warrant the completeness or accuracy of such information and does not provide any representations or warranties as to the success of financial returns to be generated by the NGI or whether the NGI would be deemed to be in line with market terms and conditions.

CI wishes to disclose to the GEF that CI Ventures is in the process of providing a loan to Clarmondial. Our potential loan to Clarmondial has not influenced our judgment in our review of the proposed investment.

Project/Program Title	The Food Securities Fund: A fund to finance sustainable supply chains at scale in Emerging Markets
Project/Program Number	10322
Project/Program Objective	The Food Securities Fund will improve rural livelihoods and achieve positive environmental outcomes by supporting sustainable agriculture production systems in emerging markets with a complementary source of credit, provided in partnership with companies committed to sustainable development in their sourcing areas.
Country [ies]	Global emerging markets, including but not limited to Burkina Faso, C?te d'Ivoire, Ghana, Indonesia, Madagascar, Nigeria, Zambia.
Agency presenting the Project	Conservation International

Project Financing	A. Sources of Co-financing, Name of Co-financier and type of co-financing				
	Sources of Co-financing	Name of Co-financier	Type of Co-financing	Investment Mobilized	Amount (\$)
	Other	USAID + DFC (agreement signed prior to CEO Endorsement)	Guarantee	Investment mobilized	37,500,000
	Various	Private sector investors (subscribed prior to CEO Endorsement)	Various	Investment mobilized	7,000,000
	Various	Private and public sector investors	Various	Investment mobilized	728,750,000
	Total Co-financing				773,250,000
	<p>?Investment Mobilized? refers to additional funding that will be deployed over GEF?s 8-year investment period to support the Food Securities Fund investment strategy, catalyzed by GEF?s investment. This includes equity mobilized from investors, as well as grant and non-grant funding provided to Clarmondial to support the delivery of the investment strategy. It is expected that, by the end of the GEF investment period in 2029, circa USD 750m will have been mobilized. In the initial year of the Food Securities Fund?s operations (i.e. by March 2022), the Food Securities Fund is expected to have mobilized at least USD 87.5 million in additional funding (i.e. USD 50m in investments, and USD 37.5m in guarantees). The guarantees provided by Value Chain Partners, typically at 10 ? 40% of the loan amount, estimated at USD 150m during the GEF investment period, were not considered as part of the investment mobilized, but as co-financing at project level.</p>				
	B. Indicative Trust Fund Resources Requested under the NGI Program				
	\$15,000,000 inclusive of Project Preparation Grant (PPG) and other costs.				
	Total Project Financing: sum of A+B = \$ 788,250,000				
Currency of the Financing	USD				

Currency risk	<p>Not applicable.</p> <p>The shares of the Food Securities Fund will be valued in USD.</p> <p>The Food Securities Fund will not take local currency risk. If the investment (loan agreement) is not denominated in USD, the Food Securities Fund will hedge the position.</p> <p>For currency hedging purposes, mostly futures will be purchased. The Fund is not planning to use swaps. Exact construction (e.g. ACC - advances on FX contracts related to exports in Brazil; or onshore OTC FX Future with a Certificate of Capital Importation in Nigeria) will be discussed with and arranged through commercial banks in each country for each loan as and when required.</p>
Co-financing ratio	<p>Every GEF 1USD mobilizes 52 USD.</p> <p>Every GEF 1USD mobilizes 43 USD of private sector financing.</p>
Financial additionality of GEF resources	<p>The Food Securities Fund addresses the growing, unmet, need for working capital in a manner that incentivizes continues improvement on social and environmental KPIs in a highly scalable way. Traditional, collateral-focused lending has failed to close the financing gap in the agriculture sector in emerging markets and is ill-suited to supporting the transition to sustainable supply chains. The Food Securities Fund mobilizes capital from institutional investors in an innovative, scalable, blended finance structure to strengthen responsible value chains by providing unsecured, rolling, season-long working capital loans to responsible SMEs, enabling them to increase their support to smallholder farmers.</p> <p>The Fund supports the long-term commitment of large corporates to their local suppliers and provides a mechanism to ensure transparency and accountability within value chains. It will trigger a demonstration effect in the agricultural and capital markets, showing that unsecured funding can be provided at affordable rates where there is a commitment to stronger value chains and third-party oversight.</p> <p>Support by the GEF constitutes a strong positive signal towards potential investors on the merits of such strategy and its goals. An investment of USD 15 million by the GEF improves the Fund's economies of scale and allows the financing of a larger portion of the current deal pipeline. It helps Clarmondial attract additional subscriptions to the Food Securities Fund, notably from leading private banks, insurance companies and pension funds, enabling a stronger launch and setting the foundations for a USD 750 million commitment target over 8 years. Also, increasing scale will allow a reduction of the Food Securities Fund's intermediation cost (i.e. the Fund's total expense ratio), making it even more attractive to investors, borrowers and partners.</p>

Use of proceeds

The Fund follows an efficient deal origination approach and investment strategy: it collaborates with large, established corporates in the food and agriculture sector ("Value Chain Partners" or "VCPs") that source from local companies in emerging markets ("Aggregators"). The Fund provides rolling debt financing in the form of unsecured senior loans, typically on a 12-month basis, to Aggregators (i.e. enters into loan agreements with SMEs in emerging markets, including cooperatives and processors).

Instead of relying on traditional collateral, the Fund will enter into risk-sharing arrangements with the VCPs, such as a partial first-loss guarantee regarding the financing provided by the Fund to the Aggregator. The Fund has an additional risk cover from the US International Development Finance Corporation (DFC), supported by the USAID Bureau for Resilience and Food Security, which covers a loan period of up to 6 years (i.e. including renewals) with a specific borrower. This enables the Fund to originate efficiently, and to provide additional, predictable, full season working capital that does not depend on collateral provided by the borrower and that continuously supports improvements on pre-agreed social and environmental impact areas.

The tenor has been discussed with potential borrowers, who confirm it matches their needs. Clarmondial has identified over USD 100m in pipeline for the Food Securities Fund under the proposed terms. The loans will be used to cover inter-seasonal working capital needs, especially those required by smallholder farmers prior to and during the harvest period. For example, this may be to advance improved seeds in the case of annuals, and technical assistance for pruning in the case of tree crops / perennials. Longer tenors may cause a mismatch with the quarterly liquidity offered to investors. However, longer tenors may eventually be considered subject to the overall composition of the portfolio.

Value Chain Partners (VCPs) will help Clarmondial originate transactions for the Food Securities Fund, by recommending their suppliers (Aggregators) that match the Fund's borrower investment criteria. When making a loan to an Aggregator, the Fund will negotiate a first loss guarantee with the VCP that introduced such Aggregator. Depending on the case, this first-loss guarantee will cover 10 to 40% of the loan (principal). If the Aggregator defaults on the loan, the VCP will compensate the Fund for part of its losses. Exact terms will be negotiated on each case along the lines of those of the USAID / DFC guarantee agreement (e.g. best effort recovery period, reimbursement upon recovery). Indicative terms sheets have been signed with Aggregators and VCPs. Typically, the Fund will not require that the guaranteed amount is readily available in a cash account, due the credit worthiness of the VCPs and the cost of such approach. The VCP first loss guarantee is a standard feature for the loans made by the Fund. Only in exceptional cases (and subject to the availability of collateral), can the Board of Directors can waive this requirement.

The agreement with USAID / DFC covers 50% of the remaining loss, *pari passu* with the Fund, after the VCP first loss coverage. For example, on a USD 1m loan with a 20% (USD 0.2m) first loss guarantee from the VCP, the Fund and USAID / DFC would each bear 40% (USD 0.4m) of the credit risk. When a loan is disbursed, the Fund registers it on the DFC Credit Management System. These multiple entries can add up to USD 37.5m in USAID / DFC exposure, i.e. this is the maximum payment by DFC if all deals fail. Renewed loans are counted only at original entry. Assuming average 25% first loss covered by the VCPs, and remaining 75% exposure divided between Fund and USAID / DFC, the USAID / DFC guarantee covers a portfolio of USD 100m. The guarantee covers only the loan principal, not interest payments. Claims will be honored following a 90-day period of reasonable recovery efforts by Clarmondial, and

Financing instruments	<p>The GEF will invest in Food Securities Fund single-class shares (i.e. equity) alongside public and private investors under the same terms & conditions. The additionality derives from the timing of the commitment ? the approval by the GEF by the end of 2019 had a significant impact in Clarmondial's ability to attract public and private investors at Fund launch.</p> <p>We deem this as the most efficient structure to mobilize private capital in Europe and the USA due to its simplicity, scalability, regulatory requirements, reduced administrative burden and lack of conflicts of interest.</p>
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Terms and conditions for the financing instruments

(a) Fund strategy: The Fund provides rolling debt financing of up to 12 months to Aggregators (i.e. SMEs in emerging markets including cooperatives and processors). Instead of depending on traditional collateral (fixed assets or produce), the Fund seeks a risk-sharing arrangement with the Value Chain Partners, such as a partial first-loss guarantee regarding the financing provided by the Fund to the Aggregator. The Fund has an additional risk cover from the US International Development Finance Corporation (DFC), supported by the USAID Bureau for Resilience and Food Security. This enables the Fund to originate more efficiently (i.e. working through the supply chains of large corporates), and to provide additional, full season working capital that does not depend on collateral provided by the borrower. The open-ended nature of the Fund also means that, as the Fund size increases and matures, the intermediation cost can be reduced, with benefits passed onto borrowers and investors.

The Fund will invest worldwide, directly or indirectly, into sustainable businesses in agriculture and land use-related sectors. The Fund will focus on providing relatively short-term financing to primary producers, directly and/or through their supply chain partners including traders, input providers, exporters, agents, and companies. These investments, whenever possible, shall match the full production cycle (e.g. planting, harvesting and trading) of local agricultural, fishery, and other natural resource-based production activities. The Fund seeks to invest in, and promote, responsible businesses in emerging, frontier and developing markets that demonstrate a substantive and lasting commitment to social and environmental best practices, as described by the ESG Policy, adherence to which will be assessed insofar as possible and practical during the analysis of investment opportunities and as part of the monitoring of the investment portfolio.

The prospectus states that the Fund will not invest more than 30% of its gross assets in any one investment, but the internal guidance is stricter: no more than 25% exposure per country, commodity, VCP or Aggregator. Also, the guarantee agreement with USAID / DFC forces the Fund into an allocation balance between country risk ratings and Feed the Future country priorities in order to optimize the usage of the guarantee. Integrity and the due diligence scope are assessed by the various investment governance bodies (Investment Advisory Committee, Investment Committee, Fund Manager) and both the Fund Manager (Vistra) and Central Administrator / Depositary (Citibank) are subject to AML / CFT regulations. Various activities are excluded from investment, as listed in the ESG Policy.

Credit analysis: investment criteria include financial and non-financial (ESG) components, in addition to the first loss guarantee by the VCP (which is typically an off-taker with trading history with the Aggregator). Standard requirements include (i) a suitable legal setup; (ii) annual financial statements for the previous 3 years of operation; (iii) no defaults on financial commitments during in the previous 3 years; (iv) adequate business size / volume and equity to absorb the proposed loan; (v) commitment to comply with the Food Securities Fund's ESG Policy. Clarmondial will perform off and on-site due diligence and also deploy its best efforts to evaluate the integrity of the borrowers' managers and shareholders, as well as any reputational risks associated with the proposed transaction.

Investment exits: as the Food Securities Fund provides working capital loans with a fixed tenor, it will not have to negotiate exits. Irrespectively, Clarmondial's team and the Fund's Board Members have negotiated exits from

Initial disbursement	USD 6.36 Million Satisfies the 1:7 co-financing requirement Satisfies GEF participation below 50% (at 47.6%)			
Subsequent disbursements	Additional Tranche payments conditional on raising Capital based on the table below.			
			GEF additional investment	GEF Total Investment
	Tranche 1	Next \$15 million capital raise:	\$2.14	\$8.50
	Tranche 2	Next \$15 million capital raise:	\$2.14	\$10.64
	Tranche 3	Next \$15 million capital raise:	\$2.17	\$12.82

Investment term and exit mechanism	<p>The GEF investment term 8 years from Initial disbursement (i.e., 01 October 2021 to 01 October 2029).</p> <p>Despite the commitment to remain invested in the Food Securities Fund for eight years, CI GEF can submit a redemption request at any quarter, like other investors (with 60 calendar days advance notice, as defined in the prospectus). The Fund is an open-ended fund that allows for new subscriptions and redemptions on a quarterly basis and has no lock up mechanism, other than a liquidity protection that protects investors by limiting redemption payments to 10% of the NAV per quarter. Shares are redeemed at the NAV per share published for the relevant quarter, without a discount. The Fund will manage its cash / liquidity levels to address redemption requests (and subscription applications) in an efficient manner - e.g., by not extending new loans or renewing outstanding ones. In the event that the total proceeds to be paid out of the assets of the Fund for the shares tendered for redemption on any Valuation Date exceed ten per cent (10%) of the total net assets of the Fund, the Fund may refuse to affect all of the redemptions concerned in full. In such circumstances, all of the relevant Redemption Requests will be redeemed on a pro-rata basis until the ten per cent (10%) limit is reached. Thereafter, any unfulfilled portion of the Redemption Requests will be carried forward and redeemed, on a pro-rata basis, if necessary, on each successive Valuation Date, until the outstanding Redemption Requests are discharged in full. During this process, Redemption Requests will be affected on any one Valuation Date up to the ten per cent (10%) limit or such other lower limit as the Fund may determine, having regard to the circumstances prevailing at that time including, but not limited to, the ability to generate sufficient Redemption Available Cash by, e.g., disposing of the Fund's assets. Until such time as all such outstanding Redemption Requests have been discharged in full, no further new Redemption Request will be processed on the relevant Valuation Date(s).</p>
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ANNEX G: (For NGI only) Reflows

Instructions. Please submit a reflows table as provided in Annex B of the NGI Program Call for Proposals and the Trustee excel sheet for reflows (as provided by the Secretariat or the Trustee) in the Document Section of the CEO endorsement. The Agencies is required to quantify any expected financial return/gains/interests earned on non-grant instruments that 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. Agencies are welcomed to provide assumptions that explain expected financial reflow schedules.

Item Data	Item Data
GEF Project Number	10322
Estimated Agency Board approval date	Approved by CI Investment Committee on 19 JAN 2021
Investment type description	Equity (single-class shares of the Food Securities Fund)

Expected date for start of investment	01 October 2021
Amount of investment (USD GEF funds)	USD 12,820,446 *
Amount of investment (USD co-financing)**	USD 735,750,000 in subscriptions to the Food Securities Fund + USD 37,500,000 guarantee by USAID / DFC
Estimated interest rate/return	5.0 % p.a. (target net return 5.0 ? 7.0% p.a.)
Maturity	8 years (01 October 2029)
Estimated reflow schedule	Single repayment at final repayment date
Repayment method description	Redemption of fund shares. Liquidity for full redemption will be managed based on short-term nature of the underlying assets (working capital loans with 9 to 12-month term).
Frequency of reflow payments	Single repayment
First repayment date	Please refer to final repayment
First repayment amount	Please refer to final repayment
Final repayment date	10 October 2029 (based on 01 October 2029 share price)
Final repayment amount***	USD 18,603,378
Total principal amount to be paid- reflowed to the GEF Trust Fund	USD 12,820,446 (100%)
Total interest/earnings amount to be paid-reflowed to the GEF Trust Fund***	USD 5,782,932 (5.0% p.a. over 8 years)

* Refers to the net amount invested in the Fund. Based on a USD 15,000,000 total commitment; USD 1,238,532 in agency fees (PPG and implementation); USD 300,000 for PPG phase; and PMC at USD 641,022.

** The guarantees provided by Value Chain Partners, typically at 10 - 40% of the loan amount, estimated at USD 150m during the GEF investment period, were not considered as part of the investment mobilized, but as co-financing at project level.

*** Calculation based on a 5.0% return p.a. over 8 years. Initial Investment of USD 6,360,000 on 01 OCT 2021, followed by three equal investments of USD 2,153,482 on 31 MAR 2022, 30 JUN 2022 and 30 SEP 2022. The target return is not a projection, prediction, or guarantee of future performance. There is no guarantee that the target return will be achieved. Actual results may differ materially as a result of factors beyond the control of the fund, its managers and advisers. The final repayment amount

and total interest/earnings amount to be paid-reflowed to the GEF Trust Fund also depends on the timing of the subsequent investments (i.e., additional tranche payments).

ANNEX H: (For NGI only) Agency Capacity to generate reflows

Instructions. The GEF Agency submitting the CEO endorsement request is required to respond to any questions raised as part of the PIF review process that required clarifications on the Agency Capacity to manage reflows. This Annex seeks to demonstrate Agencies' 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 is able to monitor the 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.