

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

Edit and Submit CEO Endorsement

## Basic project information

**GEF ID**

10322

**Countries**

Global

**Project Name**

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

**Agencies**

CI

**Date received by PM**

4/8/2021

**Review completed by PM**

**Program Manager**

Avril Benchimol Dominguez

**Focal Area**

Multi Focal Area

**Project Type**

## PIF

### CEO Endorsement

#### Part I ? Project Information

#### Focal area elements

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

#### Secretariat Comment at CEO Endorsement Request

Yes, Table A is consistent with the approved PIF.

Output 1.2.3: developing countries are ?included?; perhaps substitute by ?targeted? since the mission of the fund is in emerging and developing countries?

June 2<sup>nd</sup> Comments Addressed

Additional comment please change Expected Completion Date 06/29/2021 and expected implementation Date to accommodate new timeline, as discussed with CI over the phone.

#### Agency Response

##### CI-GEF Response 05/25/2021:

Addressed in the ProDoc and CEO Endorsement.

ProDoc: Paragraph 83, Output 1.2.3, Appendix I: Project Results Framework, Output 1.2.3, Appendix II: Project timeline, Output 1.2.3, GMP Appendix I: Gender Mainstreamed Results Framework, Output 1.2.3

CEO Endorsement: Table B, page 2, Project Description Summary, Output 1.2.3, Output 1.2.3, Annex A, Output 1.2.3

#### Project description summary

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

## Secretariat Comment at CEO Endorsement Request

Table B is quite similar to the PIF, however, numerical outputs are no longer being shown. These outputs are shown in the section Project Outcomes and Outputs.

Please document the change in commercial strategy of the fund which no longer includes the US Feeder.

Please include wording on risk sharing mechanism with VCPs in the description/summary.

**June 2nd Comments Addressed**

## Agency Response

### **CI-GEF Response 05/25/2021:**

Numerical outputs have been added to Table B of the CEO Endorsement.

US Feeder explanation added to the beginning of PART II, under changes from PIF ? second paragraph from the top of the CEO Endorsement

Organizational structure. Since the PIF submission, the Food Securities Fund has replaced its Central Administrator and Depository. 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.

VCP de-risking was mentioned several times. For example, on Section 3 of the ProDoc, and blended finance approach of the CEO Endorsement.

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

Secretariat Comment at CEO Endorsement Request Yes.

## Agency Response

### **Co-financing**

**4. Are the confirmed expected amounts, sources and types of co-financing adequately documented, with supporting evidence and a description on how the breakdown of co-financing was identified and meets the definition of investment mobilized, and a**

**description of any major changes from PIF, consistent with the requirements of the Co-Financing Policy and Guidelines?**

**Secretariat Comment at CEO Endorsement Request**

The co-financing is exactly the same as at the PIF level, however, Table D is simplified to just two categories. We would request that the table further discloses and provides the split between co-financing at CEO endorsement (US\$ 9M and USAID contribution) and the rest to be raised over 8 years as described in the co-financing letter. In confidential investment documents provided to the GEFSEC, additional financial commitments/expectations to the Food Security Fund are documented. Because the fundraising is on-going, the project proposes tranche funding from the GEF financing which will be matched as co-financing is secured.

This approach is described in the Alternative Scenario section and in the termsheet. Please also include the side letter for multiple disbursements in the documents to be reviewed.

Additionally, co-guarantees from VCP should be mentioned in the paragraph that follows Table D. We understand that co-financing is not part of the investment mobilized but is co-financing at project level. Please mention that important aspect in that section.

**June 2nd: comments not addressed in co-financing table: please split \$9M from the rest. Also please update numbers based on last news from one of the Donors. Please update co-financing letter with new amounts.**

**I did not see clarification on VCP under table C Sources of Co-financing. The wording used in the termsheet ?The guarantees provided by Value Chain Partners, 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? should also include the range [10-40]% Guarantee expected.?**

**Agency Response**

**CI-GEF Response 05/25/2021:**

Co-financing adjusted and also included in the risk table. VCP guarantee comment added to the paragraph below table C in the CEO Endorsement.

**GEF Resource Availability**

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

Secretariat Comment at CEO Endorsement Request Table D illustrates the strong financing and co-financing, with strong leverage of private sector investors in the Food Security Fund. However, Table D uses one category for all funding ?multi-focal area.? Please address.

Agency Response

**CI-GEF Response 05/25/2021:**

Addressed

**Project Preparation Grant**

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

Secretariat Comment at CEO Endorsement Request

Annex C reports that the full PPG allotment has been utilized. Please provide a brief summary of the activities conducted using the PPG and the result and decision making after the legal DD of the fund.

Throughout the document (including termsheet) several activities were deemed to be established/achieved during DD: but those sections need to be updated with the findings/results of DD.

(i.e. ? for avoidance of doubt, CI will complete its legal dd before GEF CEO endorses investment in the Fund [?]? in termsheet)

June 2<sup>nd</sup> AB: Addressed partially.

**For the comment:** " Throughout the document (including termsheet) several activities were deemed to be established/achieved during DD: but those sections need to be updated with the findings/results of DD.(i.e. ? for avoidance of doubt, CI will complete its legal dd before GEF CEO endorses investment in the Fund [?]? in termsheet)

**This wording is still in the termsheet see ?terms and Conditions for the financing instruments paragraph b.**

## Agency Response

### CI-GEF Response 05/25/2021:

PPG utilization included

#### Summary of Due diligence:

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.

For a more detailed discussion of the legal due diligence, please see Section IM Section 6, Legal Due Diligence Review and Analysis.

#### Core indicators

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

#### Secretariat Comment at CEO Endorsement Request

The core indicator table is not properly filled out with values for CEO endorsement, or there are substantial changes from the PIF. Please populate the table and justify any changes.

Please also note that in the text sometimes you refer to 2.1 M ha of tropical agricultural land but in the core indicator section we do not find that number.

In the Appendix X under the section III "Overall Methodology for Documenting Progress on GEF Core Indicators and GEBs" it is unclear how each expected GEB has been assessed. The methodology used and the calculation to assess the expected GEBs should be clearly and fully presented. Please complete the information provided accordingly for all the GEBs.

In particular the estimate of GHG emission mitigation is very low and it should be calculated over a 20 years period (not 8 as indicated in the Portal). In addition, the Ex-ACT tool should not be used selecting 1 year for both the implementation phase and the capitalization phase. Please revise the calculation accordingly and provide the Ex-ACT tool. In addition, please note that the anticipated years of accounting should not be before 2021 and amend accordingly.

June 2<sup>nd</sup> AB: Addressed for the 2.1 M.

However, on GEBs: Not addressed. We understand that the investment horizon is limited but the trees continue to grow after this horizon and the sustainable practices put in place are not supposed to all stop right after the project. This is why we expected a calculation of the GHG emissions mitigated over a period of 20 years. The Ex-ACT tool provided can't be accepted as such: it only includes afforestation/reforestation, the period considered is only 1 year and its overall result is different from the estimated core indicator in the Portal entry. Please provide only one clear document for the calculation over a 20 years period. It doesn't need to be the ex-act tool if the Agency consider another methodology more appropriate and aligned with the IPCC guidelines. It can be the document "GEF GEB Model 24 May 2021" based on a 20 years period. At this stage, 3 documents are uploaded, none of them give the results reported in the project description, and we don't understand how the uploaded document "GEF carbon FSF 30Apr2021" is used for the calculation.

#### Agency Response

(PH comments) In the Appendix X under the section III "Overall Methodology for Documenting Progress on GEF Core Indicators and GEBs" it is unclear how each expected GEB has been assessed. The methodology used and the calculation to assess the expected GEBs should be clearly and fully presented. Please complete the information provided accordingly for all the GEBs.

In particular the estimate of GHG emission mitigation is very low and it should be calculated over a 20 years period (not 8 as indicated in the Portal). In addition, the Ex-ACT tool should not be used selecting 1 year for both the implementation phase and the capitalization phase. Please revise the calculation accordingly and provide the Ex-ACT tool. In addition, please note that the anticipated years of accounting should not be before 2021 and amend accordingly.

**CI-GEF Response 05/25/2021:**

Please see the revised Pro Doc Appendix X attached. The ESG Policy has been submitted as attachments to the ProDoc.

Note that the GEF investment horizon in the Fund is assumed to be 8 years. The Food Securities Fund will provide loans with a term of 9-12 months. These loans can be renewed indefinitely, subject to financial and non-financial (impact) considerations. The Food Securities Fund will only consider lending to existing businesses, and the loans are expected to help them expand operations and improve practices. The GHG impact will thus depend on:

The GHG impact will thus depend on:

- ? Type of agricultural practices, sourcing area and location of the borrowers, and expected changes (i.e., as inputs to the Ex-ACT tool).
- ? The number of Food Securities Fund borrowers and their affiliated sourcing areas. This depends on the amount of capital available to the Fund.
- ? The number of renewals in the Fund's portfolio. The Fund's ability to create impact will increase over subsequent loan cycles. However, if the borrower is no longer interested in the loan, or if it does not perform, then it will be removed from the Food Securities Fund portfolio.

Please see an attached excel file that simulates the potential Food Securities Fund's portfolio over the 8-year GEF investment period (June 2021 ? June 2029).

This simulation is based on conservative estimates from various sources (World Bank, FAO, etc.). It considers that only certain activities will generate restoration and GHG benefits. We have used an adjustment factor to account for the increase in sourcing area over subsequent loan cycles.

The actual impact of each loan will be calculated upon termination of the loan, or its renewal discussions. Note that the first loan was made in March 2021, so baseline data has been collected but such calculation has not taken place yet.

We have been in regular contact with the FAO Ex-ACT team since 2019 and expect to organize an advanced training session to ensure proper use of the tool.

Furthermore, we have asked them if it would be possible to collaborate on a version of the tool better suited to monitoring a credit fund portfolio.

The values in the final PIF (submitted in November 2019) have the same core indicators as in the CEO Endorsement: 100,000 ha of land restored; 2,000,000 area of land under improved practices; 700,000 direct beneficiaries; 1,000,000 tCO<sub>2</sub>e in greenhouse gas emissions mitigated.

The figure of 2.1 million hectares refers to the cumulative target of 100,000 hectares of land restored and 2,000,000 hectares under improved practices.

## **Part II ? Project Justification**

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

#### Secretariat Comment at CEO Endorsement Request

Yes, there is a strong narrative on the challenges for the environment and food security.

We would recommend repeating the wording on the de-risking mechanism and partnerships throughout the document on project justification (and also Section 3 Project strategy of ProDoc).

The ProDoc and the termsheet include wording that expand the use of loans for ? investments in infrastructure and other aspects of value chains, including temperature controlled storage, marketing agencies and weather collection information?; this is new and represents a deviation from what was approved at PIF and from project justification. Also, please explain how and if GEF money will be used for these investments.

June 2nd Partially addressed

WE would welcome clearer description of the VCP and de-risking mechanism in the overall description of the project - this is a key structuring feature of the transaction and we do not get to read it until very late in the document.

The second comment has been addressed

#### Agency Response

##### **CI-GEF Response 05/25/2021:**

De-risking and partnerships ? these are mentioned several times. For example, on Section 3 of the ProDoc, and in (bullet point (c) blended finance approach) of the CEO Endorsement.

The clause that referred to ?investments in infrastructure (?)? was removed from the prospectus to avoid confusion. The single references in the ProDoc and in the Term Sheet were deleted. There was no reference in the CEO Endorsement.

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

## Secretariat Comment at CEO Endorsement Request

Yes. The lack of adequate financial services and working capital for under-served communities challenged by food security is well documented.

## Agency Response

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

## Secretariat Comment at PIF/Work Program Inclusion

Yes. There is a good description of how the proposed Food Security Fund will address financing gaps in the rural sector and help foster sustainable agriculture, along with changes to the financing tranches since the PIF.

The actual operations on the ground leading to GEBs remain unclear, especially on restoration. In the alternative scenario, please elaborate further on the expected land-based operations generating the GEBs which are estimated in the core indicator section of the Portal.

-

PH: While the project draws trust fund resources from BD, LD, CCM, the only environmental outcome mentioned in the Outcomes and outputs is the restoration of at least 100,000 hectares of degraded lands. We understand that KPIs will work to ensure best practice and mitigate environmental impact, but through the outcomes/outputs the project should clearly demonstrate how it will generate Global Environmental Benefits, particularly for climate mitigation and biodiversity.

Reference is made elsewhere in the CER about how the project will ?ensure that important initiatives including High Conservation Value (HCV) and High Carbon Stock (HCS) mapping are integrated into the strategy,? and ?foster climate smart agriculture and sustainable land management,? etc. Including outputs that are as explicit as these in terms of improvements to environmental management would strengthen the case for GEB generation.

June 2nd 2021

Addressed

---

## Agency Response

(PH comments) The actual operations on the ground leading to GEBs remain unclear, especially on restoration. In the alternative scenario, please elaborate further on the expected land-based operations generating the GEBs which are estimated in the core indicator section of the Portal. While the project draws trust fund resources from BD, LD, CCM, the only environmental outcome mentioned in the Outcomes and outputs is the restoration of at least 100,000 hectares of degraded lands. We understand that KPIs will work to ensure best practice and mitigate environmental impact, but through the outcomes/outputs the project should clearly demonstrate how it will generate Global Environmental Benefits, particularly for climate mitigation and biodiversity. Reference is made elsewhere in the CER about how the project will ensure that important initiatives including High Conservation Value (HCV) and High Carbon Stock (HCS) mapping are integrated into the strategy, and foster climate smart agriculture and sustainable land management, etc. Including outputs that are as explicit as these in terms of improvements to environmental management would strengthen the case for GEB generation.

#### **CI-GEF Response 05/25/2021:**

The actual operations on the ground will be carried out by the borrowers (Aggregators). Overall, they 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 Fund (i.e., timing of the inflows of investment, including from the GEF).

The borrowers 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.

This has been further explained in new paragraphs in the ProDoc (paragraph 45, page 15-16) and CEO Endorsement (page 18, first paragraph).

Additional information on how the project's outputs support generation of the GEBs has been added to the ProDoc and CEO Endorsement as well. See the revised description of Outcome 1.2 in the CEO Endorsement (pages 20 ? 21) and in the Pro Doc (paragraph 80, pages 30 ? 31), and in Appendix X as well as the ESG Policy ? the latter two documents describe the process for integrating environmental information including on HCV and HCS.

An additional outcome target has been added to the Results Frameworks in the Pro Doc and CEO Endorsement, i.e. Outcome 1.2 Target 3.

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

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

Yes. Alignment with BD, LD, CCM, and FOLUR program are documented. The Food Securities Fund is aligned with private sector approaches of the FOLUR program.

[PH: There is very good alignment with the FOLUR program, particularly in overlap with focal countries. While this information is mostly found in other parts of the CER, it would make sense to include it in this section as it is specifically about alignment with both focal areas and impact programs.](#)

-

Some discussion should also be included on how the project plans to coordinate with Agency and Gov't leads executing FOLUR projects in countries where overlap exists.

- What is an example of a non-food crop that would be included (para 79)?
- Para 81 states that the fund may move in to agroforestry but previously agroforestry was listed as one of the potential practices to be supported. Do they mean just forestry?

#### Additional Comments

Page 31 of the prodoc doesn't appear with the changes suggested in the use of the term 'sustainable' that they said they did. The ProDoc doesn't match the Portal.

Also, Page 30 Outcome 1.2 seems to be missing a word

#### Agency Response

(PH comments): There is very good alignment with the FOLUR program, particularly in overlap with focal countries. While this information is mostly found in other parts of the CER, it would make sense to include it in this section as it is specifically about alignment with both focal areas and impact programs. Some discussion should also be included on how the project plans to coordinate with Agency and Gov't leads executing FOLUR projects in countries where overlap exists. What is an example of a non-food crop that would be included (para 79)? Para 81 states that the fund may move in to agroforestry but previously agroforestry was listed as one of the potential practices to be supported. Do they mean just forestry?

#### **CI-GEF Response 05/25/2021:**

The ProDoc and CEO Endorsement have been amended to better reflect the alignment with the FOLUR program, including potential coordination with Agency and Government leads executing FOLUR projects in relevant countries. See paragraph 149 of the ProDoc on page 56 and page 32 of the CEO Endorsement.

Please see amendments to the reference to non-food crops (now paragraph 81 page 31) in the ProDoc and page 21 in the CEO Endorsement).

The reference to agroforestry has been changed to forestry in the CEO Endorsement on page 22 and page 38 in 'Replicability and Potential for Scale Up' and in the Pro Doc paragraph 129 page 49 in 'Replicability and Potential for Scale Up', paragraph 11 page 3 and, paragraph 60 page 20 and in paragraph 83 page 32.

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

Secretariat Comment at CEO Endorsement Request

Yes. Example pipeline of projects in several different regions are presented. Geographic focus is at times Sub Saharan Africa but in other sections, the proposal discusses 20 countries.

Nevertheless see comment on Risks section on baseline risks.

Agency Response

**CI-GEF Response 05/25/2021:**

a) core indicators uploaded

b) For legal and regulatory reasons, the Fund was advised to treat as confidential such detailed information on investment processes. The GEB targets and methodology are detailed in the ESG Policy and in other PRODOC sections.

c) The figure is conservative, as many of the companies (Value Chain Partners) have not collected or considered this information before. Also, because the investment pipeline is under development.

The FSF loan may help to maintain good practices or extend them. If it is extending with reforestation / agroforestry introduction, the GHG increments will be relatively low over the GEF investment period (biomass growth is not huge in most of these places, unless we consider very fast-growing species like bamboo, miscanthus etc.). While FSF expects to renew loans over multiple years, they do not yet have visibility on how many will be renew ? and the Fund will only get meaningful GHG footprint where the loans are renewed for many years.

In some cases, FSF may contribute to improved practices in crops where there is a high mitigation potential such as rice (methane, nitrous oxide), but the error margins may be reasonably high given the current science base. In some cases, FSF may contribute to improved land cover in forest margins or maintenance of forest cover in threatened areas (i.e., contributions to avoided deforestation / degradation) but we would like to be conservative on these estimates (e.g., maintaining cashew landscapes in west Africa maintains both below & above ground soil carbon pool).

Greenhouse gas emissions (GHGs) mitigated is based on the FAO EX ACT tool, specifically using the EX-ACT 7.2 Excel calculation framework. In the ?Description? tab, the continent, climate, moisture regime, dominant regional soil type characteristics are selected given the anticipated loan portfolio. Both the implementation phase and the capitalization phase are 1-year terms. The ?Cropland? and ?Inputs? tabs are completed with the relevant information using estimates on prevailing and expected improved practices. However, the emissions associated with running a facility and any improved energy management systems at a facility

level were not included. Note that the Fund will require reporting on energy consumption and source at the borrower's local facility / facilities on all transactions as part of its ESG Policy. In some cases, the agricultural system is not (yet) covered by the FAO EX ACT tool in its current version, in this case relevant scientific literature will be considered to estimate the likely GHG impact. An excel spreadsheet is attached that summarizes the expected GHG impact based on information from comparable projects (including relevant FAO Ex ACT case studies).

d) GEB Section updated

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

Secretariat Comment at CEO Endorsement Request

Please address the following comments:

- a) The proposed estimates for core indicators are noted in section 6, however they should be uploaded to the core indicator table in Portal for the CEO endorsement column.
- b) The CEO endorsement request does not include extensive documentation on the methodology for GEB estimates. We found some documentation in a separate Annex X, labeled confidential. Please clarify why Annex X needs to be confidential.
- c) For core indicator 6, GHG emissions, a target of 1 million tons is reported, and the FAO EX ACT tool is cited. Please provide the EX ACT spreadsheet and clarify why the GHG target seems low for 2 million hectares under SLM.
- d) Part of the project benefits are expected to be delivered by the access to 'good and services' pre harvest; the link between these and environmental soundness (and GEBs) is weak throughout the document.

[PH: Per point three above, it's a bit difficult to see how the project outputs and outcomes will generate the GEBs referenced.](#)

-

[SW: 1.2.3 ? Is the idea to work with developed countries too? The wording of this outcome implies this. It would be good to count the number of LDCs and SIDS included in the portfolio.](#)

**As per Comments on Core indicators, this section needs to be addressed once the comments of the Focal Area Specialist are addressed.**

Agency Response

(PH comments): Per point three above, it's a bit difficult to see how the project outputs and outcomes will generate the GEBs referenced. 1.2.3 ? Is the idea to work with developed countries too? The wording of this outcome implies this. It would be good to count the number of LDCs and SIDS included in the portfolio.

**CI-GEF Response 05/25/2021:**

Please see the revised section on project outcomes and outputs on paragraphs 76-80 of the Pro Doc, on similar additions in the CEO Endorsement (pages 19 ? 21), and on the revised ProDoc Appendix X. Please also see revisions to the ProDoc paragraph 113.

1.2.3 ? no, the idea is only to work in developing and emerging economies. This has been amended.

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

**Secretariat Comment at CEO Endorsement Request**

The innovative financial structuring is novel and potentially highly rewarding. If the model can be validated through successful investments and management, the model could have potential for scaling.

On the replicability and scalability section (s), please explain how the US feeder is no longer part of the structure and how do you think this will (or will not) affect the financing ratios.

[The focus on the aggregators to reach small holder farmers is a very innovative approach.](#)

[As this project is providing de-risking finance, further details should be provided on the strategy to encourage the investment of commercial financing that would be key to replication and scaling](#)

[Addressed](#)

**Agency Response**

(PH comments) The focus on the aggregators to reach small holder farmers is a very innovative approach. As this project is providing de-risking finance, further details should be provided on the strategy to encourage the investment of commercial financing that would be key to replication and scaling.

**CI-GEF Response 05/25/2021:**

Note that the Food Securities Fund provides commercial finance in a manner that can be replicated and scaled. The innovations of the Food Securities Fund are that it can provide a different type of finance that is not typically available - i.e., pre-harvest / full season unsecured (un-collateralized) working capital loans. The Food

Securities Fund is able to do this in part because its loans are de-risked by business partners (value chain partners) to the aggregators (borrowers).

During the first years of operation, the Food Securities Fund is supported by a guarantee from the US Development Finance Corporation (DFC), subsidized by USAID, in order to prove the investment strategy and establish a track record. The Fund intends to demonstrate over time that public sector guarantees are not required for this type of financing.

We believe that the investment mechanism is clearer since the last round of amendments, and no further changes to the ProDoc and CEO Endorsement are required.

**Organizational structure.** Since the PIF submission, the Food Securities Fund has replaced its Central Administrator and Depository. 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.

#### **Project Map and Coordinates**

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

#### Secretariat Comment at CEO Endorsement Request

Yes, a map of potential priority investment landscapes is provided, however geo-referencing is not possible at this stage.

#### Agency Response

##### **Child Project**

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

#### Secretariat Comment at CEO Endorsement Request

N/A

#### Agency Response

##### **Stakeholders**

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

Secretariat Comment at CEO Endorsement Request

Yes. The stakeholder engagement plan, shown in Annex VII, is extensive and complete. Documentation of PPG engagement is extensive. We recommend for implementation phase a greater acknowledgement and planning to address the impacts of the COVID-19 pandemic on stakeholder engagement.

In the CEO endorsement section, on CSOs, please add additional wording since what is written appears to be insufficient (and the reality is a well elaborated CSO engagement).

June 7th 2021.

Comments addressed.

Agency Response

**CI-GEF Response 05/25/2021:**

Text added to the Pro Doc:

- ? Page 45 Table 3 (second page of the table that starts under paragraph 116 Risk Assessment and Mitigation)
- ? Paragraph 117 on page 47
- ? Reference to COVID-19 in paragraph 158, page 59 in the section on Knowledge Management
- ? Comment on COVID-19 added to Section V of Annex VII: page 115

Text added to the CEO Endorsement:

- ? Risk assessment and mitigation planning
- ? COVID-19 related impacts, risks and mitigants
- ? Reference to COVID-19 , last paragraph in section on Knowledge Management

**Gender Equality and Women's Empowerment**

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

Secretariat Comment at CEO Endorsement Request

Yes. Attention to gender issues has been documented with special attention to stakeholder engagement of women owned farms and businesses and identifying those as potential future investments.

The core indicators nevertheless mention a split in gender beneficiaries (50% male/50% women) which undermine the effort the project does on Gender issues and mainstreaming. We suggest improving the indicator since several outputs that are solely focusing on women (or provide indicators that, at base line show lower women participation and target of 50/50 makes sense). We suggest using the outputs 1.4 (and gender indicators) in the Framework to complement this section.

June 7th 2021.

Comments addressed.

#### Agency Response

##### **CI-GEF Response 05/25/2021:**

We have removed the core indicator parenthesis on gender (50% women ? 350,000 women benefitting). Within 1.4.1 we have indicators specifically on women. We strive for gender equality, but the baseline and targets will differ from borrower to borrower, so specific conditions will be discussed for each loan.

#### **Private Sector Engagement**

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

#### Secretariat Comment at CEO Endorsement Request

Yes private sector partners are the intended beneficiaries as well as investors in the fund.

The CEO endorsement package should include (or reference to the adequate annex) the engagement of different stakeholder partners (a list, as provided in the ProDoc) would be desirable.

June 7th 2021.

Comments addressed.

#### Agency Response

##### **CI-GEF Response 05/25/2021:**

stakeholder engagement list included.

## **Risks to Achieving Project Objectives**

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

### Secretariat Comment at CEO Endorsement Request

1. Yes, risk is well documented in Section 5; however the risks table is different in the prodoc (table 3) than in CEO endorsement. Please consistency.

2. The risks Section needs to include more details on COVID-19 impacts and mitigants (only the ProDoc-table 3- has a short paragraph on risk-which is missing in the CEO endorsements Risk Section). As per guidance provided by GEF Sec, a thorough review of COVID-19 risks for the project is needed. We suggest having a specific section on it.

**June 7th 2021.**

**Comments addressed.**

3. The project document mentions 'ramp-up' phase several times but no explanation is given on the duration of that phase, or other phases. In the Risk Section, this is the second risk. We would appreciate further clarity in this section (and other relevant sections, such as the termsheet) on the different durations/reasons for the phases of the Fund.

4. We suggest including that the GEF deploys money on tranches as a mitigation measure of the 1st risk.

5. We suggest including the grievance mechanism as a mitigant of disputes.

6. Please include climate risk screening as STAP reviews these screening. The key questions on STAP's guidance to consider during review:

- i. Has the sensitivity to climate change, and its impacts, been assessed?
- ii. 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?
- iii. Have resilience practices and measures to address projected climate change and its impacts been considered? How will these be dealt with?

iv. What technical and institutional capacity, and information, will be needed to address climate risks and resilience enhancement measures?

from the

STAP's <https://www.stapgef.org/sites/default/files/documents/GEF%20AGENCY%20RETREAT%20Mar-Apr%202020.pdf>

5. The project document identifies a risk of financing unsustainable land use change. Since the project document states paragraph 44 of prodoc as its loans are conditional to good environmental practices? we do not see how this can be a Medium risk the language to the extent possible, it will be ensured that Borrowers have policies and practices in place to discourage land use change? is some what contradictory with the strong focus on ESG of this project (where there are environmental covenants).

6. The high risk identified as inadequate baselines? (Significant) needs better mitigation strategy since all GEF core indicators require baselines. Please elaborate.

#### Agency Response

##### **CI-GEF Response 05/25/2021:**

(1) The risk tables in the CEO Endorsement and the ProDoc (paragraph 116, pages 44 ? 46) have been amended so that they are the same.

(2) A short section on COVID-19 risks, impacts and mitigants has been added to the CEO Endorsement and ProDoc:

Text added to the Pro Doc:

? Page 45 Table 3 (second page of the table that starts under paragraph 116 Risk Assessment and Mitigation)

? Paragraph 117 on page 47

? Reference to COVID-19 in paragraph 158, page 59 in the section on Knowledge Management

? Comment on COVID-19 added to Section V of Annex VII: page 115

Text added to the CEO Endorsement:

? Risk assessment and mitigation planning

? COVID-19 related impacts, risks and mitigants

? Reference to COVID-19, last paragraph in section on Knowledge Management

(3) Explanation on ramp-up phase added to ProDoc (paragraph 55) and CEO Endorsement (risks table).

(4) Comment added to risk table in the ProDoc and CEO Endorsement.

(5) Comment added to risk table in the ProDoc and CEO Endorsement.

(6) Climate risk screening ? included.

(7) Risks to financing unsustainable land use change ? we have amended this to low (?L?) from medium (?M?). Please see CEO Endorsement and page 46 of the Pro Doc.

(8) See the added text on inadequate baselines. This has been changed to low (?L?) from significant (?S?). See page 46 of the Pro Doc and the CEO Endorsement.  
Thank you for the feedback.

#### **Coordination**

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

#### Secretariat Comment at CEO Endorsement Request

CI is the GEF Implementing Agency, but the GEF requires to have Clarmondial as EA. Please amend and correct throughout document.

Please add a short narrative on coordination with other relevant GEF financed projects (which seems to be in the ProDoc).

#### Agency Response

**CI-GEF Response 05/25/2021:**

Updated EA to Clarmondial

#### **Consistency with National Priorities**

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

#### Secretariat Comment at CEO Endorsement Request

Yes

#### Agency Response

## **Knowledge Management**

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

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

. The knowledge management plan is somewhat limited. According to GEF policies, every project needs to have KM component. It will be required from PPO that CI, and Clarmondial plan KM activities and budget them. This will be critical for scaling of the financial model. Please confirm and elaborate a section.

June 7th 2021.

Comments addressed.

### **Agency Response**

**CI-GEF Response 05/25/2021:**

KM section has been updated in ProDoc and CEO Endorsement. The budget for KM activities is USD 40.000.

### **Environmental and Social Safeguard (ESS)**

**Are environmental and social risks, impacts and management measures adequately documented at this stage and consistent with requirements set out in SD/PL/03?**

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

No. The project has been classified as Category C although a big section of risks are at this stage TBD (see Section 4 of the ProDoc); please explain how you reach that conclusion.

For the risks that remain in TBD, how and when they will be assessed? Some of them need to be in place at the EA level before CEO endorsement.

The Accountability and grievance mechanisms needs to be in place before start of project activities, this should be ready by CEO endorsement. Please complete section.

June 7th 2021.

Comment not addressed nor responded. Please elaborate based on the comments provided above.

Agency Response  
**Monitoring and Evaluation**

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

Secretariat Comment at CEO Endorsement Request  
Yes.

1.2 ? One of the fundamental indicators is land ?under sustainable farming practices?. Sustainable is a word that can get used so much to the point of being meaningless. In this case, will the land fully be ?sustainable? and how will that be defined? Perhaps it would be better described as ?under improved environmental practices?? We would note that sustainability would include issues such as farm location that may not be within the control of the project and the project is enough removed from the implementation that ensuring a comprehensive set of practices is not possible. This is not a request to change sustainable everywhere, but when it?s what the indicator hinges upon it is important to make sure that there is a clear definition.

Additional Comments June 7th 2021: there are missing indicators in the results framrework, please see comments below

**Agency Response**

(PH comment) 1.2 ? One of the fundamental indicators is land ?under sustainable farming practices?. Sustainable is a word that can get used so much to the point of being meaningless. In this case, will the land fully be ?sustainable? and how will that be defined? Perhaps it would be better described as ?under improved environmental practices?? We would note that sustainability would include issues such as farm location that may not be within the control of the project and the project is enough removed from the implementation that ensuring a comprehensive set of practices is not possible. This is not a request to change sustainable everywhere, but when it?s what the indicator hinges upon it is important to make sure that there is a clear definition.

**CI-GEF Response 05/25/2021:**

Several changes have been made throughout the Pro Doc and CEO Endorsement to clarify the language and reflect this comment ? including modification of the Results Framework to ?under improved environmental practices?.

**Benefits**

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

Secretariat Comment at CEO Endorsement Request

Yes.

Agency Response

Annexes

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

Secretariat Comment at CEO Endorsement Request

No. Please see below.

On appendices provided. The dates in appendices of re-submission dates to GEF should be updated to 2021 (currently 2020). As requested by several council members we need bios of the team in Investment Advisory (Clarmondial), but also members of all other committees: Impact Advisory Board, Valuation Advisory Committee.

**Additional comments June 7th 2021**

The Project Result Framework should include all the expected GEBs.

Agency Response

CI-GEF 0412/2021: CI-GEF has attached a document with questions and responses from upstream reviews. Summary of responses is below. These responses link to the Project Document, Confidential Appendices X, XI, XII, XIII and the Confidential CI Investment Memo (IM). There are two versions of the Investment Memo, one with track changes showing where upstream comments were addressed and a clean version.

Q1: The Food Securities Fund SICAV-SIF is structured as a Luxembourg law governed special investment fund (fonds d'investissement sp?cialis?) and is organized as a public limited company (soci?t? anonyme). 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 specialized 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.

The AIFM is the regulated financial entity with obligations for fund management and investment decision making. The AIFM however, it is not the subject matter expert in the agriculture field that is the focus of the Fund. Thus, Clarmondial, an unregulated entity has the necessary knowledge and expertise relationships that are closely tied to the success of the Fund and plays a crucial role as investment advisor to the AIFM. None the less, its role is purely advisory as a service provider to the AIFM with respect to the Fund. While this structure may seem atypical for mainstream investment funds, these structures are not uncommon in niche alternate investment spaces where expertise in SME investments, climate impact and commodities may not be common among mainstream investment fund managers. This conclusion was further confirmed in conversations with the other investors (Terra Silva Partners and the Rockefeller Foundation), the AIFM and with the Custodian bank. Therefore, in these niche investment spaces, consultancies and investment advisors that may not necessarily be regulated financial entities themselves, play a crucial role that helps regulated financial entities and fund managers manage investment risk for these types of specialized funds. CI's due diligence process for NGI investments helps us assess fiduciary risks, in line with CI and GEF policies and prepare a risk mitigation plan. As explained in the Investment Memo, the structural, governance and contractual arrangements of the FSF were reviewed by Luxembourg counsel who did not identify any legal red flags based on such review. Based on the legal analysis of Luxembourg counsel and our 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.

Q2. The VCP first-loss guarantee covers the initial loss on non-performing loans / overdue repayments. Losses that exceed the VCP guarantee are equally divided between USAID and the Food Securities Fund. The VCP's first loss guarantee covers the first 10-40% of the individual loans, as agreed with each respective VCP, covering for loss of the principal amount. Recruitment and retention of VCP's is therefore an important component for the success of the FSF as these guarantee mechanisms de-risk the investments made into the FSF by investors like CI/GEF. With these guarantee facilities, losses are partially covered therefore the Fund's shares lose less value if there are losses due to defaulting farmer loans. Further, the USAID DCA facility will cover up to 50% of the principal loan loss for eligible loans. Once the monies are recovered, the reverse order applies: first the Fund and USAID are equally refunded, then the VCP. Clarmondial will support the AIFM in the recovery efforts on non-performing loans. Clarmondial will negotiate with borrowers in default and liaise with the guarantee providers (VCPs and USAID). If required, in addition to the legal advice of Allen & Overy, Clarmondial will engage local legal service providers and additional support (especially if the loan agreement includes collateral).

Q3. CI received advice from Bonn Steichen & Partners (?BSP?), a Luxembourg law firm who reviewed the various fund documents and provided a legal due diligence

memo summarizing their review. As a general conclusion, BSP confirmed that no major red flags were identified in their review of the different legal documents.

Q4. The structure of the Fund with a regulated fund manager (Vistra) and non-regulated investment advisor not domiciled in Luxembourg (Clarmondial) is not usual for specialized impact investment funds. While Clarmondial is a Swiss entity, they could be sued in Luxembourg courts and a Luxembourg judgement could be enforced in a Swiss court. A Swiss court may not recognize and enforce a foreign judgement if it comes to the conclusion that the foreign decision is contrary to public policy. From a Swiss perspective, public policy comprises both substantive aspects (e.g. in cases of judgements for punitive damages/for usurious interest rates) and procedural aspects (e.g. in cases of a violation of the defendant's right to be heard/right to a fair process). As both countries are part of the European Union, it is unlikely that Luxembourg judgements would offend Swiss public policy on procedural and substantive aspects as well. CI's due diligence process for NGI investments helps us assess fiduciary risks, in line with CI and GEF policies and prepare a risk mitigation plan. Based on our discussions with Luxembourg and Swiss counsel, we determine that the risk that a judgement would not be enforced against Clarmondial is minimal. As explained in the Investment Memo, the structural, governance and contractual arrangements of the FSF were reviewed by Luxembourg counsel who did not identify any legal red flags based on such review. Based on the legal analysis of Luxembourg counsel and our own legal and business due diligence review (which included specific queries with Swiss counsel on this foreign judgment issue) of the structural, governance and contractual arrangements of the Fund, CI has determined that the FSF as a SICAV-SIF with Clarmondial playing an investment advisor role, satisfies its technical and institutional criteria for NGI investments and the Food Securities Fund is reasonably likely to meet its stated objectives and outcomes.

Q5. Despite the commitment to remain invested in the Food Securities Fund for eight years, CI as an investor can submit a redemption request at any quarter like other investors (with 60 calendar days advance notice, as defined in the prospectus). The FSF 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. Thus, 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 effect 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 effected 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).

Q6. CI is part of the Impact Advisory Board and the GEF is also invited to participate. The IAB does not have investment responsibility, it is correct that only the AIFM and its Board have ultimate investment approval and responsibility. The IAB is an advisory role reviewing proposed fund investments from an impact perspective and providing inputs on ESG aspects to be considered in specific transactions. Please see Section 5 of the ProDoc and Appendix VIII FSF ESG Policy and Implementation.

Q7. The Food Securities Fund will invest in landscapes that generate GEBs. CI-GEF funding will be earmarked as per the side letter for landscapes with high global environmental benefit. CI will seek representation in the Clarmondial FSF Investment Committee. See IM Section 3.3 FSF Investment Process and Roles

The side letter has not been negotiated yet as it is negotiated once we have all feedback from the CI investment committee. The side letter will specify that the CI/GEF funds are earmarked for investments in landscapes with high global environmental benefit that generate the impact required by the GEF. If an investment does not meet that criteria, the fund cannot use the CI/GEF funds to on-lend. The earmark requirement also limits renewal of loans if the underlying lender doesn't meet requirements, then the Fund can't continue to use GEF fund for that loan.

Q8. Separate loan from CI to Clarmondial is no longer being discussed. If any such situation should arise, CI will seek written consent from the GEF.

Q9. The US feeder fund structure is no longer applicable. While Clarmondial, as the investment advisor is not a regulated entity and is not based in Luxembourg, ultimate liability lies with the Fund manager, Vistra. Further, Clarmondial is required to abide by the terms of the advisory services agreement and the Fund's investment policy, compliance and regulatory requirements. Fund management risk is mitigated by the Vistra's role as Fund manager under the relevant regulatory regime for investment funds of this type in Luxembourg. Vistra is an experienced, regulated entity with the appropriate level of internal policies and infrastructure necessary to ensure the Fund operates appropriately, including established and operating investment and valuation committees. CI's due diligence process for NGI investments helps us assess fiduciary risks and prepare a risk mitigation plan. As explained in the Investment Memo, the structural, governance and contractual arrangements of the FSF were reviewed by Luxembourg counsel who did not identify any legal red flags based on such review. Based on the legal analysis of Luxembourg counsel and our 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.

See Section IM Section 6, Legal Due Diligence Review and Analysis and response above in #3

Q10. See Section IM Section 6, Legal Due Diligence Review and Analysis. CI's due diligence process for NGI investments helps us assess fiduciary risks and prepare a risk mitigation plan. As explained in the Investment Memo, the structural, governance and contractual arrangements of the FSF were reviewed by Luxembourg counsel who did not identify any legal red flags based on such review. Based on the legal analysis of Luxembourg counsel and our 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.

Q11. Vistra as External AIFM is responsible for portfolio management, risk management, and marketing and valuation. In the context of its portfolio management functions, the External AIFM notably has the power to make or purport to make investment or divestment decisions, subject to the final validation of such investment/divestments decisions by the Fund. Clarmondial as investment advisor provides support to Vistra in monitoring and in assessing the risks incurred by the Fund with respect to certain investments (including, without limitation, market risks, credit risks, liquidity risks, counterparty risks and operational risks), as may be requested from time to time.

Vistra as Fund manager has ultimate responsibility (as they make investment and divestment decisions) for oversight on all matters, including compliance on environmental and social standards, but Clarmondial will do initial due diligence to determine capacity (business and ESG) and compile ESG reports for the Fund manager. Further, the periodic ESG audit will review compliance with ESG requirements. Screening for anti-money laundering and other compliance issues will happen at the initial due diligence by Clarmondial but also further both with Vistra as AIFM and Citibank as depositary and administrator before investments are approved and funds are paid to FSF borrowers. CI's due diligence process for NGI investments helps us assess fiduciary risks and prepare a risk mitigation plan. As explained in the Investment Memo, the structural, governance and contractual arrangements of the FSF were reviewed by Luxembourg counsel who did not identify any legal red flags based on such review. Based on the legal analysis of Luxembourg counsel and our 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.

See IM, Section 3.3 FSF Investment Process and Roles) and Section 6 (Legal Due Diligence Review and Analysis) and response above in #2.

Q12. The Fund and the investors can bring actions against the different service providers based on contractual obligations.

SIF Law provides that the depositary shall be liable towards the investors in the Fund for any loss suffered by them as a result of the depositary's failure to perform its obligations or as a result of an improper performance thereof.

Vistra as the Fund manager has ultimate responsibility for the Fund. Vistra's liability towards the Fund under the alternative investment fund management agreement is limited to cases of gross negligence, wilful misconduct or consequences of any breach by the Fund manager of the alternative investment fund management agreement. A contractual liability claim for damages, to be brought by the Fund against Vistra, would in these cases be the remedy of choice. The courts of the city of Luxembourg have exclusive competence for any disputes arising from the alternative investment fund management agreement. Investors in the Fund, pursuant to Luxembourg case law, will not be permitted to directly bring any liability claim against the Fund manager, unless they are able to demonstrate having suffered a personal damage that can be clearly distinguished from any damage actually or possibly incurred by the Fund itself. However, while individual investors cannot bring claim directly under the services contract, they still benefit from a successful action by the Fund, since the Fund will have money from any award which would be distributed to investors (in accordance with distribution procedures).

Since it is the Fund, acting through its board of directors, that is contractually bound to the Fund manager, a potential contractual liability claim against the Fund manager, as well as a possible initiative to terminate the alternative investment fund management agreement, lies with the Fund. Investors however still have the possibility of bringing tort claims (actions en responsabilité délictuelle) against Vistra, by demonstrating damage suffered, a fault committed and a causal link between the damage and the fault.

Also, with respect to the investment advisor's liability towards the Fund and the Fund manager under the investment advisory agreement is limited to cases of gross negligence or wilful misconduct by the investment advisor. A contractual liability claim for damages, to be brought by the Fund and/or the Fund manager would in these cases be the remedy of choice. The courts of the city of Luxembourg enjoy exclusive competence for any disputes arising from the investment advisory agreement, pursuant to article 21 of the investment advisory agreement. Investors in the Fund should, pursuant to Luxembourg case law, not be admitted to directly bring any liability claim against the investment advisor, unless they are able to demonstrate having suffered a personal damage that can be clearly distinguished from any damage actually or possibly incurred by the Fund itself.

See Section IM Section 6, Legal Due Diligence Review and Analysis and response above in #3

## **Project Results Framework**

Secretariat Comment at CEO Endorsement Request Yes: An indicator on BD is missing from section ?Indicators? at the top of the table. I would suggest using the same wording in that ?indicators section? as the GEBs indicators, when relevant.

### **Agency Response**

(PH comment); No, the Project Result Framework should include all the expected GEBs.

### **CI-GEF Response 05/25/2021:**

The Results Framework has been amended to include the GEB on GHGs. Please refer to Outcome 1.3 Indicator 3 and Outcome 1.3 Target 3.

Please also see the revised explanation in the CEO Endorsement section on Project Outcomes and Outputs and in the ProDoc paragraphs 76 - 80.

Furthermore, the indicators in the Results Framework have been amended:

? Change from area of land under sustainable agricultural practices to ?under improved environmental practices?.

Split the land area indicator into land under improved environmental practices (2m ha) and area of land restored (now indicator f).

### **GEF Secretariat comments**

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

Yes.

### **Agency Response**

#### **Council comments**

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

Could not identify if any comments were submitted or responded to.

**Additional Comments June 7th 2021: addressed.**

### **Agency Response**

**STAP comments**

Secretariat Comment at CEO Endorsement Request

Could not identify if any comments were submitted or responded to.

**Additional Comments June 7th 2021.**

**I just saw the STAP table copy passed but no responses to it. Please provide**

Agency Response

**Convention Secretariat comments**

Secretariat Comment at CEO Endorsement Request Could not identify if any comments were submitted or responded to.

Agency Response

**Other Agencies comments**

Secretariat Comment at CEO Endorsement Request N/A

Agency Response

**CSOs comments**

Secretariat Comment at CEO Endorsement Request N/A

Agency Response

**Status of PPG utilization**

Secretariat Comment at CEO Endorsement Request

Not well documented. Please add a short summary and conclusions of the legal DD that conclude that GEF concerns were assessed and addressed.

**Additional Comments June 7th 2021: addressed.**

Agency Response

**CI-GEF Response 05/25/2021:**

PPG utilization included.

(included in term sheet) 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.

For a more detailed discussion of the legal due diligence, please see Section IM Section 6, Legal Due Diligence Review and Analysis.

#### **Project maps and coordinates**

Secretariat Comment at CEO Endorsement Request Yes.

#### **Agency Response**

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

Secretariat Comment at CEO Endorsement Request

**Additional Comments June 7th 2021. Not addressed in red below:**

Comments to the TS:

- Co-financing: please split the co-financing for what is available at CEO endorsement US\$ 9 M (+37.5 M of USAID) and what is to be raised. Please also include a line of the [10-50%] commitment of VCPs at project level. Although that number may not be part of the investment mobilized it should be part of the structure. **Not addressed, we still have the big figure with the real co-financing split (US\$ 7 M without Rockefeller). Please address. VCP language is included but please include the [10-50]% range of guarantee in the language.**
- Please state the tenor [8 years] in the termsheet, in a separate line. Could not find it. **Addressed**

A

- VCP exposure between 10-50%; in some sections the range is between 10-40% please make consistent. **Addressed**
  
- As per some Council reviewers, please include considerations on exiting the fund at maturity. **Not addressed please include; the content of your answer to question 5 in the termsheet as a separate section standing for the exit mechanism.** "Q5. Despite the commitment to remain invested in the Food Securities Fund for eight years, CI as an investor can submit a redemption request at any quarter like other investors (with 60 calendar days advance notice, as defined in the prospectus). The FSF 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. Thus, 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 effect 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 effected 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)."
  
- Eligible instruments: the proposal mentions working capital loans only but there is section in the termsheet that says "the fund is allowed to invest in various asset classes [for cash management and greater flexibility in the recovery of the loans? please explain. This section should be for the instruments the fund will provide the borrowers. On cash management, please provide a brief explanation on investment policy (limits to asset concentration, maturity, liquidity, and use of derivatives if appropriate).- **Not addressed**
  
- The ProDoc (paragraph 61) and the termsheet include wording that expand the use of loans for "investments in infrastructure and other aspects of value chains, including temperature controlled storage, marketing agencies and weather collection information?"; this is new and represents a deviation from what was approved at PIF and from project justification. Also, please explain how and if GEF money will be used for these investments.- **Addressed**

- Ramp-up phase: the prodoc and termsheet briefly refer to ramp up periods but it is unclear what that period would be and how long. Please provide additional details. **Details provided in parenthesis (half a line) are not enough (i.e., the first quarters of the Fund[?]). Please explain the different phases of the Fund -ramp- up vs investment period etc and how long this could take (some quarter is vague, you can include considerations until when a certain volume is achieved).**
- Clarmondial ?professional and personal contributions? also had a monetary investment that Clarmondial will exit soon. Please provide details on that (it strengthens the commitment of Clarmondial). **Addressed**
- Initial disbursement: please amend Satisfies GEF **participation** below 50%. **Addressed**

Collateral: inconsistencies. The ProDoc and CEO endorsement refer to Clarmondial loans as unsecured (even in the illustration of additionality of funding and other sections). However the document also mentions that collateral may be required. Please clarify and make consistent. **Not Addressed; - see in termsheet "Only in exceptional cases (and subject to the avail ability of collateral). There are still inconsistencies throughout. Please consistency.**

#### **Additional comments**

- **In the initial disbursement section of the termsheet, please modify the percentage we represent after donor dropped out.**
- **Please modify co-financing since Donor dropped out.**

#### **Agency Response**

##### **CI-GEF Response 05/25/2021:**

Co-financing updated in term sheet.

Tenor is at 8 years.

VCP exposure consistent throughout TermSheet.

Considerations on exiting the fund at maturity included.

Eligible instruments section updated. Confirm that GEF funds will not be used for infrastructure.

Ramp up phase: The GEF will support the Food Securities Fund by being an early investor, providing capital to the Fund during its ramp up period (i.e., the first quarters of the Fund investment operations, when its size is not sufficient to ensure financial viability or significant portfolio diversification). The Fund has an innovative blended finance structure and seeks to mobilize institutional capital at scale through effective de-risking from public (e.g., USAID / DFC) and private (i.e., VCP first loss guarantees) sources Initial disbursement updated.

Added "significant" to the contributions of Clarmondial.

Collateral: We cannot find inconsistencies in the ProDoc, CEO Endorsement or Term Sheet, There are only 2 references to the Fund accepting collateral, both in the Term Sheet: ?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.? Later, related to this point, ?If required, in addition to the legal advice of Allen & Overy, Clarmondial will engage local legal service providers and additional support (especially if the loan agreement includes collateral).?

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

Secretariat Comment at CEO Endorsement Request

Reflow table is provided and aligned with Termsheet.

**Additional comments**

= Change dates in the reflow table that refer to June 2029 as maturity date since we wont disburse funds until then.

Agency Response

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

Secretariat Comment at CEO Endorsement Request

Yes.

Agency Response

**GEFSEC DECISION**

**RECOMMENDATION**

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

Secretariat Comment at CEO Endorsement Request

**Review Dates**

**Secretariat Comment at  
CEO Endorsement**

**Response to  
Secretariat  
comments**

<b>First Review</b>	<b>5/12/2021</b>
<b>Additional Review (as necessary)</b>	<b>6/8/2021</b>
<b>Additional Review (as necessary)</b>	
<b>Additional Review (as necessary)</b>	
<b>Additional Review (as necessary)</b>	