



Innovative use of financial instruments for Biodiversity Conservation and Restoration in Latin America and the Caribbean

Review PIF and Make a recommendation

Basic project information

GEF ID

11324

Countries

Regional

Project Name

Innovative use of financial instruments for Biodiversity Conservation and Restoration in Latin America and the Caribbean

Agencies

IADB

Date received by PM

10/6/2023

Review completed by PM

11/29/2023

Program Manager

Avril Benchimol Dominguez

Focal Area

Biodiversity

Project Type

FSP

GEF-8 PROJECT IDENTIFICATION FORM (PIF) REVIEW SHEET

1. General Project Information / Eligibility

a) Does the project meet the criteria for eligibility for GEF funding?

b) Is the General Project Information table correctly populated?

Secretariat's Comments

Yes, with the following changes to be made: change ?Region? to LAC

Project should be single FA: BD only.

10/26

Yes. Now only requesting \$ from BD-2-2.

Additional GEF Comment:

PPO In General Project Information, the Agency (IADB) is understandably mentioned as the executing partner / Administrator of funds while it is a guarantee. However, in section ?Coordination and Cooperation with Ongoing Initiatives and Projects?, the answer is ?NO? to the question ?Does the GEF Agency expect to play an execution role in this project?. Please ask the Agency to amend in either part, so the answer will be consistent in both sections.

GEF Additional Comments 11/28

Cleared.

Agency's Comments

Thank you for your comment. Both comments were addressed in the General Project Information table.

Agency's comment 14 November 2023:

- The answer to the question "Does the GEF Agency expect to play an execution role on this project?" was changed to YES to be consistent with the role IDB is expected to play as administrator of the funds.

2. Project Summary

Does the project summary concisely describe the problem to be addressed, the project objective and the strategies to deliver the GEBs or adaptation benefits and other key expected results?

Secretariat's Comments

The amount requested from GEF should justify the GEBs delivered: the core indicators are in our view underestimated. Please increase GEBs or else reduce the amount requested from GEF.

Please only request funding under biodiversity focal area, remove international waters.

Footnote 1: we suggest including in the main text the eligibility of subnational governments.

Footnote 2: the footnote extends the use of GEF funding for SLBs. This financial product is different from the convertible guarantees and would require a different termsheet and rationale. The GEF recommends focusing on the convertible risk instruments for debt for nature swaps in this regional facility; this footnote and any additional references to using GEF funding for SLBs should be deleted from this proposal.

In Executing Partner Type: CTF are not private sector entities. Include NGO here.

The Project should only align with BD Focal Area. Please delete IW. The estimated area of Marine Protected Areas to receive support from the mechanism should be reported under GEF's Core Indicator 2: "Marine Protected Areas created or under improved management".

The PIF document should include language similar to the suggested text below to outline the concurrence steps to be used during implementation.

On concurrence, the following text should be located in PIF section Project Outline, Section B, NGI (only): Justification of Financial Structure, and repeated again in Annex G.3, Agency Eligibility to Administer Concessional Finance. Suggested text: "This project will be implemented with limited delegation of investment authority to the implementing agency as described in the [GEF Blended Finance Global Program and Non-Grant instrument policy update GEF/C.63/12](#). This project will implement the concurrence mechanism outlined in Option 2 of the [Operational Modalities for PPPs \(GEF/C.42/Inf08\)](#). As described, Option 2 of the Operational Modalities establishes a concurrence step from the GEF CEO for each investment of the facility prior to implementation/disbursement. After CEO endorsement of this project and during implementation, the implementing agency will present each proposed investment with

documentation of global environmental benefits, reflows and other financial aspects, and alignment with the CEO endorsed project. " For reference, IADB has conducted this concurrence process in the following prior projects: GEF ID 4959; GEFID 5388; GEF ID 5754 and GEF ID 9277.?

10/26

1. Cleared.
2. Cleared
3. Yes.
4. Yes. Thanks for the explanation, it is okay to be within SLB principles and support SLB framework for countries but funding for SLB itself from this project should not be considered. No GEF financing shall be devoted to that 2.2.3 Output; this should be fully financed by co-financing of US\$ 1 M by IDB.
5. We have executing partner type as ?CSO?. Please revise to CSO.
6. And 7. After internal conversations with PPO we suggest leaving the following language: ? This project will be implemented with limited delegation of investment authority to the implementing agency as described in the GEF Blended Finance Global Program and Non-Grant instrument policy update GEF/C.63/12.? You can keep the examples of previous delegation of authority. However, no further language should be provided regarding concurrence at this Stage. The guidelines on how to achieve concurrence are being prepared by the GEF Secretariat; the guidelines will provide the format to be followed to seek concurrence from CEO.

Please delete the following as the operational details of the Agency approval process or the GEF -Agency coordination are to be described in the GEF Sec Guidelines:

?As described, Option 2 of the Operational Modalities establishes a concurrence step from the GEF CEO for each investment of the facility prior to implementation/disbursement. After CEO endorsement, at Quality and Risk Review (QRR) Stage of the IADB internal approval process for each individual sub-project, IADB will send to GEFSEC each proposed investment with evidence that all selection criteria are met, documentation of the selected CTF for the transaction, estimated conservation savings and GEBs, reflows and relevant financial aspects, and alignment with the CEO endorsed project. GEFSEC?s review of investments must be conducted expeditiously and provide concurrence within one business week to allow IADB to complete decisions against deadlines. While IADB makes all efforts to close all issues before QRR, in some cases final details of conservation commitments and financial penalties are negotiated by governments past the end of the QRR and final versions are included as part of the terms of the policy triggers for the effectiveness of the guarantee. In these cases, IADB will inform GEFSEC of any substantial changes. Ahead

of CEO endorsement, IADB and GEFSEC will agree on a template to submit the subprojects for concurrence.?

GEF Additional Comments 11/28

4 and 5 were cleared

6. Please delete in page 33: ~~Templates for CEO concurrence will be described in NGI Guidelines to be published by GEF Secretariat?~~ after ~~This project will be implemented with limited delegation of investment authority to the implementing agency as described in the GEF Blended Finance Global Program and Non-Grant instrument policy update GEF/C.63/12~~

In Page 55: as per review provided in October please delete ~~This project will implement the concurrence mechanism outlined in Option 2 of the Operational Modalities for PPPs (GEF/C.42/Inf08). As described, Option 2 of the Operational Modalities establishes a concurrence step from the GEF CEO for each investment of the facility prior to implementation/disbursement. After CEO endorsement, at Quality and Risk Review (QRR) Stage of the IADB internal approval process, IADB will send to GEFSEC each proposed investment with evidence that all selection criteria are met, documentation of the selected CTF for the transaction, estimated conservation savings and GEBs, reflows and relevant financial aspects, and alignment with the CEO endorsed project. GEFSEC's review of investments must be conducted expeditiously and provide concurrence within one business week to allow IADB to complete decisions against deadlines. While IADB makes all efforts to close all issues before QRR, in some cases final details of conservation commitments and financial penalties are negotiated by governments past the end of the QRR and final versions are included as part of the terms of the policy triggers for the effectiveness of the guarantee. In these cases, IADB will inform GEFSEC of any substantial changes. Ahead of CEO endorsement, IADB and GEFSEC will agree on a template to submit the subprojects for concurrence.~~

Agency's Comments

Thank you very much for your comments.

- The GEBs were re-calculated and the amount increased. The changes are reflected in the core indicators table and in the text throughout the document. A description of the calculation method is added below the core indicators table.
- As requested, we removed International Waters as focal area.
- The eligibility of subnational governments was included in the main text in the Project Summary and Project Rationale sections.
- About the use of SLBs: Among the new debt instruments for sustainability, DFNCs are better framed within SLBs. This is important because we need to follow principles that are consistent with those in the capital markets for nature-related transactions. Although there are

no specific guidelines for DFNC yet, the consensus is that until the process of adapting existing guidelines is finalized (the IDB is part of this initiative), DFNCs should follow ICMA's SLB principles. This is the reason why we included one SLB framework per country as an output. We do acknowledge that DFNC have certain particularities and those are well reflected in the different outputs of this project (i.e., CTFs). Moreover, please note that in some countries, the optimal liability management will not be to repurchase long-term debt but could also entail to buy short-term debt to improve liquidity positions. In these circumstances, conservation savings will also accrue and will be duly computed.

- Regarding the executing partner: The executing partner type was adjusted to "Other" because "NGO" is not included among the available options. Please find the changes in the General Project Information Table in the PIF.

- Regarding the concurrence mechanisms: Thank you for the suggested text, which we adjusted to: "This project will be implemented with limited delegation of investment authority to the implementing agency as described in the GEF Blended Finance Global Program and Non-Grant instrument policy update GEF/C.63/12. This project will implement the concurrence mechanism outlined in Option 2 of the Operational Modalities for PPPs (GEF/C.42/Inf08). As described, Option 2 of the Operational Modalities establishes a concurrence step from the GEF CEO for each investment of the facility prior to implementation/disbursement. After CEO endorsement, at Quality and Risk Review (QRR) Stage of the IADB internal approval process for each individual sub-project, IADB will send to GEFSEC each proposed investment with evidence that all selection criteria are met, documentation of the selected CTF for the transaction, estimated conservation savings and GEBs, reflows and relevant financial aspects, and alignment with the CEO endorsed project. GEFSEC's review of investments must be conducted expeditiously and provide concurrence within one business week to allow IADB to complete decisions against deadlines. While IADB makes all efforts to close all issues before QRR, in some cases final details of conservation commitments and financial penalties are negotiated by governments past the end of the QRR and final versions are included as part of the terms of the policy triggers for the effectiveness of the guarantee. In these cases, IADB will inform GEFSEC of any substantial changes. Ahead of CEO endorsement, IADB and GEFSEC will agree on a template to submit the subprojects for concurrence." This text was included in in PIF section Project Outline, Section B, NGI (only): Justification of Financial Structure, and repeated in Annex G.3, Agency Eligibility to Administer Concessional Finance and in the section on coordination with other initiatives, as requested by GEFSEC.

- We would also like to thank you for the helpful examples of projects where the concurrence mechanism was applied in the past. For completeness' sake we wanted to state that projects with GEFID 5754 and GEFID 9277 are however applying in advance delegated authority as agreed through the CEO endorsement.

Agency's comment 14 November 2023:

Thank you for your comments.

4. It is clarified in the description of output 2.2.3. and in the justification section of table B "Indicative Project description summary" that the SLB Framework will be financed by IDB TC or governments' budget and no GEF funds will be used to finance these activities.

5. Executing partner was changed to CSO.

6. On the concurrence mechanism, we adjusted the text in the PIF as requested by GEFSEC.

Agency's comments December 1, 2023:

The text was deleted on pages 33 and 55 as requested.

3 Indicative Project Overview

3.1 a) Is the project objective presented as a concise statement and clear?

b) Are the components, outcomes and outputs sound, appropriate and sufficiently clear to achieve the project objective and the core indicators per the stated Theory of Change?

Secretariat's Comments

Yes, with some clarifications needed. The proposed project is well aligned with the BD focal area priorities and has a strong potential to become an important revenue source for biodiversity conservation in the LAC region, particularly as an instrument to contribute to the financing of national Protected Area systems in the region. The project indicates support to goals A, B, and D of the Global Biodiversity Framework, and multiple targets, with particular relevance to Targets 1, 2, 3, and 19.

Address following comments;

The GEF Sec suggests reinforcing the aspects of aspect (ii) of the project objective: 'introducing very powerful incentives to timely achieve conservation commitments?'. Outputs should describe why incentives are needed and why the convertibility of the GEF instrument could help address these barriers. Please also mention in this section how bond structuring can also include performance clause and penalties in case conservation outcomes are not reached.

Component 1.1: Consider changing the 'or' to 'and' in the following sentence 'LT financing available for PA creation **or** effective management?'. If not, please explain why there is OR instead of AND.

There should be one outcome under Component one with: at least # 3 bond issuances that serve the DFNC purposes.

Output 1.1.2: 'estimated 5.6 M ha [?] **or** improved management for conservation. This suggestion is to align this component with the Project Objective (i) enabling LT

financing for conservation [?] **and** sustainable management. If not, please explain why there is OR instead of AND.

Outcome 2: we suggest including the word conservation management in the Outcome 2.2 since many of the outputs will deliver that goal. As per comment in section 2 footnote 2, please erase outcome 2.2.3 on SLB.

Outcome 3: one case study per country? Please clarify.

In relation to Component 3, please, provide a justification for the difference in the co-financing for this component. Given, that the proposed activities, knowledge management and MRV system, are directly related to overall project management, it is expected to have proportionality in the GEF investment and the co-financing.

10/26

1. Yes. In section Please delete ? GEF PERFORMANCE BASED GRANT is equivalent to a coupon step down clause ? and use ?GEF risk mitigation instrument is equivalent [?]? Outcome 1.1 Output 1.1.1..

2. No. the title of the Outcome 1.1 has not changed (still OR effective management) and the estimated results are still 5.6M ha in the text. Please review the texts throughout for consistency.

3. Yes

4. Not answered - This is the sentence on page 22, first paragraph. Please revise with revised environmental benefits target.

5. Yes ? SLB can continue to be part of the proposal but will be funded with Co-financing from IDB and not from grants from the GEF.

6. Yes

7. Yes

8. Additional comments: after this section please respond YES to :
Coordination and Cooperation with Ongoing Initiatives and Project.
Does the GEF Agency expect to play an execution role on this project?

YES

If so, please describe that role here. Also, please add a short explanation to describe cooperation with ongoing initiatives and projects, including potential for co-location and/or sharing of expertise/staffing

Additional comment: please add to the Selection Criteria: the need to have a LoE ahead of the sovereign bond issuance, to be submitted ahead of the CEO concurrence.

GEF Additional Comments 11/28

Cleared: there are two data points missing in this table. please add.

| | | | | |
|--|------------------------------|---|---------------------------------------|--------------------------------------|
| Size of Bond/Loan issuance | US\$500 M | US\$656M | US\$150M | US\$364M |
| Maturity | 15 years | 18.5 years | 15 years | 20 years |
| Credit enhancement | DFC Political Risk Insurance | IDB partial credit guarantee and DFC Political Risk Insurance | IDB and TNC partial credit guarantees | DFC Political Risk Insurance and TNC |
| Rating without Credit Enhancement | Caa1 | Caa1 | Baa2 | Baa2 |
| Rating with Credit Enhancement | Aaa2 Moody's | Aaa2 Moody's | Aa1/Aa2 Moody's | Aaa2 Moody's |
| Old Debt Coupon | 6.625% and 7% | Yields at around 17% | 6.5% Eurobond and 8% Domestic bond | |
| New Debt Coupon | 6.07% (Treas+200 bps) | 6.9% | 4.90% | 6.10% |



| | | | | |
|--|---|--|---|--|
| Total Savings | almost 1% | US\$1.6B | US\$50M | US\$189M debt stock reduction plus US\$200M total debt service reduction over 20 years |
| Conservation savings | | US\$450M | US\$50M | US\$180M |
| CTF funding | US\$5M / year | US\$12M / year | US\$ 1.5M/ year (on average) | US\$4.2M / year |
| Endowment | Endowment to grow to US\$88M (est.) by 2038 | US\$100M endowment to grow to US\$227M (est.) by 2041. | US\$17M endowment to grow to US\$27M (est.) by 2037. | US\$23.5 M endowment to grow to US\$92 M (est.) by 2041 |
| MPAs created or under improved management | 30% MPAs | New 11,500 square mile (30,000 sqkm) marine reserve La Hermandad | Aspirational goal of 30% of ocean area under protection by 2030 | 30% of ocean area under protection by 2026. |

| | | | | |
|-----------------------------------|------------------------------|---|---------------------------------------|--------------------------------------|
| Size of Bond/Loan issuance | US\$500 M | US\$656M | US\$150M | US\$364M |
| Maturity | 15 years | 18.5 years | 15 years | 20 years |
| Credit enhancement | DFC Political Risk Insurance | IDB partial credit guarantee and DFC Political Risk Insurance | IDB and TNC partial credit guarantees | DFC Political Risk Insurance and TNC |
| Rating without Credit Enhancement | Caa1 | Caa1 | Baa2 | Baa2 |
| Rating with Credit Enhancement | Aaa2 Moody's | Aaa2 Moody's | Aa1/Aa2 Moody's | Aaa2 Moody's |
| Old Debt | 6.625% and 7% | Yields at around 17% | 6.5% Eurobond and 8% Domestic bond | |
| Coupon | | | | |
| New Debt | 6.07% (Treas+200 bps) | | | |
| Coupon | | 6.9% | 4.90% | 6.10% |

3/2023

Page 15



| | | | | |
|--|---|--|---|--|
| Total Savings | almost 1% | US\$1.6B | US\$50M | US\$189M debt stock reduction plus US\$200M total debt service reduction over 20 years |
| Conservation savings | | US\$450M | US\$50M | US\$180M |
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| PAs created or under improved management | 30% MPAs | New 11,500 square mile (30,000 sqkm) marine reserve La Hermandad | Aspirational goal of 30% of ocean area under protection by 2030 | 30% of ocean area under protection by 2026. |

Agency's Comments

Thank you very much for your comments.

- The comments on powerful incentives, bond structuring and the justification for convertibility are addressed in the "Project Description" section under outcome 1.1.
- Regarding Output 1.1: We include indicators for PA creation and PA effective management, but we haven't identified the countries yet. As a result, PA creation OR PA effective management may apply, or both: We are hence changing it to AND/OR. Since we also included restored areas in the core indicators, the output now reads as follows: "Estimated 15,9M ? 37,7M hectares of terrestrial and/or marine PA created and/or under improved management for conservation and sustainable use and/or land restored."
- We included a new output reflecting that at least 3 guaranteed instruments will be issued. Please note that the new debt that serves the DFNC purpose can be either a bond or a loan, and that is the reason we are referring to it as the "Guaranteed Instrument". In this

new output we explain how bond structuring can include performance clause and penalties in case conservation outcomes are not reached.

- Regarding the suggestion to include the word "conservation management" in Outcome 2.2, we assume the comment refers to Outcome 2.1 because 2.2 refers to DMOs capacity (Debt management institutional framework and capacities improved). We have included the word "conservation management" in Outcome 2.1. Environmental governance strengthened for conservation management, sustainability and biodiversity protection.
- Regarding the suggestion to delete outcome 2.2.3 on SLB framework, please see the answer provided to the GEFSEC comments in the Project Summary section, regarding the importance of having this output.
- Output 3.1.2. We clarify that it is one case-study per country.
- Regarding the co-financing in component 3: We increased the co-financing to a total of US\$280,000 which includes resources and in-kind contributions by IADB employees that haven't been accounted for previously.

Agency's comment 14 November 2023

Thank you for your comments

1. Outcome 1.1, Output 1.1.1.: The term "GEF performance-based grant" was replaced with "GEF risk mitigation instrument".
2. Outcome 1.1. The title and estimated results have been adjusted.
4. GEBs were adjusted to reflect updated estimations.
5. SLB Framework will be financed by IDB TC or government's budget.
8. Additional comment: Regarding the answer to the question "Does the GEF Agency expect to play an execution role on this project?" was changed to YES to be consistent with the role IDB is expected to play as administrator of the funds. Regarding the selection criteria, the criteria to provide an LoE ahead of the CEO concurrence was included.

Agency's comments December 1, 2023:

The missing data points were added as requested.

3.2 Are gender dimensions, knowledge management, and monitoring and evaluation included within the project components and appropriately funded?

Secretariat's Comments

Yes. PPO may provide additional comments here. The very strong section on gender output 2.1.5 should be mentioned in the sections about gender.

10/26

PPO comment on Gender: Please reflect gender dimensions in the following Outputs 2.1.3 (aspects relating to access to finance and participation) and 3.1.1. Please ensure that Output 2.1.5 will inform/strengthen the reflection of gender perspectives in relevant outputs and activities. Please ensure also that the Gender Action Plan is budgeted and will be reported on.

Please address these comments directly under Outputs 2.1.3; 3.1.1 and 2.1.5.

GEF Additional Comments 11/28

Cleared. Can you please add your response in the review sheet in Section D. of the PIF Gender Equality and Women's empowerment of the document i.e. As described under output 2.1.5, IDB will cover the gender analysis and Action Plan with GEF Agency fees. The Plans will be reported on during project implementation in the PIRs, midterm and final evaluations. We reflected Gender Dimensions in 2.1.3 and 3.1.1. and described under 2.1.5 that the Action Plans will integration gender perspectives and gender responsive measures in all relevant outputs, and particularly in relation to the Establishment and / or Strengthening of Conservation Trust Funds and aspects related to access of finance and equal participation as well as the guidance on how to implement DFNCs.?

Agency's Comments

Thank you for your comment. However, when 'Yes' is selected, there is no dedicated space to include content. Please advise where we should include this information.

Agency's comment 14 November 2023:

Thank you or your comments

- On the budget and reporting for the Gender Action Plan: As described under output 2.1.5, IDB will cover the gender analysis and Action Plan with GEF Agency fees. The Plans will be reported on during project implementation in the PIRs, midterm and final evaluations. We reflected Gender Dimensions in 2.1.3 and 3.1.1. and described under 2.1.5 that the Action Plans will integration gender perspectives and gender responsive measures in all relevant outputs, and particularly in relation to the Establishment and / or Strengthening of Conservation Trust Funds and aspects related to access of finance and equal participation as well as the guidance on how to implement DFNCs.

Agency's comments December 1, 2023:

The text was included in Section D. of the PIF as requested, in the Stakeholder Section, since the Gender Section does not provide an option to add text, when "Yes" is selected.

3.3 a) Are the components adequately funded?

b) Are the GEF Project Financing and Co-Financing contributions to PMC proportional?

c) Is the PMC equal to or below 5% of the total GEF grant for FSPs or 10% for MSPs? If the requested PMC is above the caps, has an exception (e.g. for regional projects) been sufficiently substantiated?

Secretariat's Comments

Yes. But the GEF Sec suggests either increasing GEBs or reducing the amount requested from GEF for components 1 and 2.

No. We suggest having co-financing in the MRV component (right now only GEF funded). This MRV component is similar to one would expect in the PMC component and we need to follow practices at the GEF. The Project Document mentions additional Guarantors that may be mobilized. This should be included in the co-financing contributions, if this would only materialize at the time of the concurrence of each project, you could add a footnote explaining that this co-financing would come at project level and co-financing letters for the co-guarantors would be submitted then.

N/A

10/26

1. Yes. Make sure the updated GEBs are reflected throughout the text in the proposal.

2.

1) For M&E co-financing, rationale for requesting co-financing under M&E is that the GEF M&E budget will only cover the additional M&E effort that would be required for IADB as an agency to meet GEF requirements for M&E, and all other M&E activities shall be co-financed. For such a huge regional facility, would \$100,000 be enough for the monitoring and evaluation? Please justify.

2) Please have 0 financing of the GEF for the output on SLB 2.2.3

For the footnote, do you mean "please provide justification" part in the "indicative project overview"? Perhaps better to divide the second sentence into two to emphasize the additional capital/resource mobilization per each investment.

GEF Additional Comments 11/28

Cleared.

Agency's Comments

- Regarding the indicators and GEBS: Please note that we re-assessed and re-calculated the GEBS and the new expected total amount of land/ocean protected/restored/under improved management is between 15,9M Ha and 37,7M Ha. The methodology to justify these target levels is explained below the core indicators table.

- Regarding the co-financing in component 3: as mentioned before, we increased the co-financing to a total of US\$280,000, which includes resources and in-kind contributions by IADB employees that haven't been accounted for previously. Please note that the potential contributions from other guarantors are included in the total co-financing of US\$640 M of component 1. In this sense, there will be no co-financing available from these sources for component 3 and IDB will cover co-financing for the latter with other resources. Thank you for your guidance on how to present the co-financing at CEO endorsement, which will be helpful at the CEO endorsement preparation stage. We included an explanation in the justification section below the indicative project overview explaining that at CEO endorsement stage, the IADB will present a letter declaring its intention and willingness to use IADB ordinary capital for this facility and leverage resources from other donors and that the letters confirming the co-financing will be presented at the stage of concurrence for each sub-project, as suggested.

Agency's comments November 14, 2023:

Thank you for your comments.

1. GEBS were updated throughout the document.
2. On M&E: As part of IDB's M&E requirements as GEF implementing agency and to ensure high quality reports and appropriate coordination and integration of information for a regional facility of that size, IDB is requesting to increase the funding for M&E from US\$ 100,000 to US\$ 180,000 to cover independent evaluation consultancies to be hired for the midterm and final evaluation. Periodic M&E of the project goals, objectives and impact is one of the key responsibilities of Conservation Trust Fund (CTF) and will be financed with the savings generated through the DFNC and channeled to the CTF to administrative budget resources.
3. It is clarified that SSLB frameworks will be financed with government's budget or through IDB's issuers support program.
4. In the Indicative project overview section, in the part "please provide justification" the additional capital/resource mobilization per each investment is emphasized.

4 Project Outline

A. Project Rationale

4.1 SITUATION ANALYSIS

a) is the current situation (including global environmental problems, key contextual drivers of environmental degradation, climate vulnerability) clearly and adequately described from a systems perspective?

b) Are the key barriers and enablers identified?

Secretariat's Comments

a) Yes. Additional comments below:

Please describe, within the barriers section and current situation why additional resources are needed to justify objective (ii) of the project (introduce powerful incentives to achieve conservation commitments). Barrier 2 hints at the lack of incentives in general, but experience in setting up the CTFs (and their needs of financing upfront) are key. IDB shared those needs based on their experience in similar transactions. More broadly, please relate to lessons learned in CTFs by REDLAC. These aspects are key in justifying convertibility of GEF risk mitigation instrument. Please also include the penalties that can be built into the Bond documents to incentivize compliance.

Barrier 3: inadequate institutional capacity should include references to including NGOs, indigenous communities etc. Please refer to the extensive experience of REDLAC and lessons learned.

10/26

1. Yes

2. Yes

Please revise the numbering for the footnotes, now all footnotes have two numbers.

GEF Additional Comments 11/28

Cleared.

Agency's Comments

Thank you for your comments.

- Under barrier 2, we included more details and lessons learned from the REDLAC report on the challenges for CTFs in fund raising capital for conservation measures, the importance of endowments, the challenge of high debt levels, how CTFs can play a role in debt restructuring based on their experience and the importance of CTFs as institutions independent from government control. Further justifications for the convertibility are also addressed in the "Project Description" section under outcome 1.1. We also included more content on how CTFs play an important role in conservation finance in general and in the context of DFNC transactions in the project rationale section, referencing the REDLAC report.

- Regarding your comment to incentivize compliance: In the paragraph where we explain how the IDB supports LAC countries, we mention that the new debt is sustainability-linked and includes step-up/step-down clauses, and we reference section "NGI financial structure" for a detailed description of the incentives mechanism.

- Regarding barrier 3, we included further references to involving a diverse stakeholder group including indigenous people and community-based organizations and we referenced the CTF survey conducted in 2020.

Agency's comments November 14, 2023:

Thank you for your comments.

- Footnotes numbering was revised.

4.2 JUSTIFICATION FOR PROJECT

a) Is there an indication of why the project approach has been selected over other potential options?

b) Does it ensure resilience to future changes in the drivers?

c) Is there a description of how the GEF alternative will build on ongoing/previous investments (GEF and non-GEF), lessons and experiences in the country/region?

d) are the relevant stakeholders and their roles adequately described?

Secretariat's Comments

Please articulate how this approach is better than other conservation approaches: although this is embedded throughout the document and the different examples, it needs to be clearly stated in this section. The sustainability of funding during the life of the bond and beyond its maturity thanks to the endowment funding aspect are key. A paragraph describing BAU scenario is missing from this version. Please include

Please articulate a paragraph in which you explain how this project builds on ongoing/previous experiences: this includes PFP, but also should link to the experience of GEF funding CTF throughout the region as well as other on-going investments in the project target area.

We suggest linking this paragraph to the Selection Criteria of projects under the facility and the fact that IDB will need to review specific ongoing investments in a given country when seeking concurrence of the CEO for each underlying project.

10/26

1. How this DFNC would work better than traditional grants, or other conservation financing (consider this as BAU scenario) in terms of sustainability of funding etc. We would suggest to have the table on previous debt for nature debt restructuring transactions in this section, so as to show how increased funding for conservation is secured. Additionally, please add here that the convertibility of GEF funding can add up to US\$ 40 M in grant financing of guarantees are not called and convertibility

2. There was a BAU section in a previous submission. It would be good to have it here. We are trying answer the following: what is the BAU scenario without this facility specifically? Without this facility, would still IDB/other actors (DFC, TNC..) still support DFNCs?

3. Ok. Please state clearly in this section: ? , it will be in line with international best practices and will take into account lessons learnt from REDLAC. New CTFs, if any, will be encouraged to join REDLAC?

4. Not answered

GEF Additional Comments 11/28

Cleared.

Agency's Comments

- Regarding the BAU scenario, in Barrier 1 we describe the current investments in NbS and the financing gap.

- Regarding your comment on describing how DFNCs are better suited than other conservation approaches, we highlight that the savings will be channeled to a CTF which ensures a solid execution mechanism for the use of conservation resources in the paragraph where we explain how the IDB support LAC countries. We explain that the CTF will provide grants for conservation or restoration activities via an annual grant award program and will capitalize an endowment to ensure long-term sustainability of the project.

- Regarding your comment on description of previous experiences, the extensive and catalytic experience of the GEF in supporting CTFs was included as added value in the project justification. We also included references to the lessons learned and experiences with Project Finance for Permanence approaches including "Costa Rica por Siempre" (Forever Costa Rica), Bhutan for Life, ARPA for Life, Great Bear Rainforest, Heritage Colombia or Peru's Natural Legacy. Regarding your comment on the linkages with the selection criteria, we explain in the project justification that, when scoping projects, existing CTFs that have already been supported and meet the required governance standards and technical requirements of the project will be preferred as vehicles for management of DFNC savings. In the case that a new CTF needs to be created, it will be in line with international best practices and will take into account lessons learnt from REDLAC. New CTFs, if any, will be encouraged to join REDLAC. To account for existing experiences and lessons learned, selection criteria 7 in the project description section for sub-projects now reads as follows: "have an adequate governance structure in place (or be willing to create one) for a successful channeling of conservation resources through a CTF or other similar mechanism, based on international guidance. In the case that a new CTF needs to be created, it will be in line with international best practices and will take into account lessons learnt from REDLAC. New CTFs, if any, will be encouraged to join REDLAC."

Agency's comments November 14, 2023:

Thank you for your comments.

1. 3 scenarios are described in order to illustrate why DFNCs were chosen over other conservation financing alternatives: 1) BAU: traditional financing (loans and grants); 2) recent DFNC supported by IDB, highlighting the advantages with respect to BAU scenario; and 3) DFNC with support from this facility and what the GEF value added with respect to scenario (2) is. Regarding the convertibility feature of GEF funds and a table with recent DFNCs, both were included in this section as suggested by GEFSEC.
2. We reviewed previous versions submitted to the GEF and we don't know which previous BAU section you are referring to. Maybe you are referring to the paragraphs included now in the "Justification of Financial Structure" Section to illustrate the GEF additionality.
3. This specific text you are quoting was already stated explicitly in this section. Could you please clarify what you are referring to? Thank you.
4. We understand you are referring to the question on how this project builds on on-going investments. If so, we have included a paragraph that is referenced to the "Coordination and Cooperation with Ongoing Initiatives and Project" and "Selection Criteria" Sections. We included among the Selection Criteria that when seeking concurrence of the CEO for each underlying project, the IDB will review specific ongoing investments in a given country was included to ensure alignment between specific ongoing investments and those supported by the facility.

5 B. Project Description

5.1 THEORY OF CHANGE

a) Is there a concise theory of change that describes the project logic, including how the project design elements will contribute to the objective, the expected causal pathways, and the key assumptions underlying these?

b) Are the key outputs of each component defined (where possible)?

Secretariat's Comments

A). Yes, please include comments on Components provided in previous section 3 in this section as well. Namely, there should be an output that includes number of bonds issued; delete output 2.2.3 etc

Component 1:

Please ensure that throughout the document it is clear the buyback existing debt results in better terms and conditions of financing from the issuing country thanks to credit enhancement and lengthening of the maturity, (countries can be worried about the indebtedness aspect)

Outcome 1.1. Output 1.1.1: the text that starts from ?the proceeds of such a debt instrument until the end? should be in the section of Justification of the Financial Structure of the NGI and not here. In this section we suggest providing a brief description of the estimate of the US\$ 111 M that come from the PCG of IDB and also the double role of the GEF funds that generate additional savings per its use as credit enhancement and then its potential convertibility. In the section to be added of additional bond issuances please include a table with recent similar transactions as shown in the table below

In this Output 1.1.1 section (that should be in the NGI financial structure justification) we suggest having a range of potential savings starting at [US\$ 111 M] but that could go higher based on the exercise with precedent transactions. That higher range of savings could help make the case for the larger than usual support of the GEF for this project and also for higher GEBs.

Output 1.1.2: GEBs need to be revised up if the amount is US\$ 43 M. The last paragraph in this section ?to guarantee success in the designation [?] should be part of component 2 and output 2.1.1 or output 2.1.2.

Component 2 ?The policy reform program [?] should mention its alignment with GBF.

Output 2.1.1 ?IDB and other partners? please include again here the inclusive aspect of the governance structure of CTFs with indigenous communities, P Sector etc included. The last paragraphs of Output 2.1.1 should be referenced in the Policy Requirements section of the document where Stakeholder Engagement is a requirement.

Output 2.1.2 includes a section that is relevant for Knowledge Management. Please reference that in the Policy Requirements section.

Output 2.1.3: please include reference to ECLAC as you did in previous sections. The Secretariat would like clarifications of the meaning of ?finally in some limited cases

[?] IDB would consider projects where savings of DFNC are channeled through regional initiatives?

Output 2.1.4: should clearly state that recipients of the training include MoE of the countries.

Output 2.1.5 is kept for the Policy requirements section on gender. Please enhance that section referring /repeating this component.

Please include MoE as part of the 2.2.1 and 2.2.2 components

Please delete 2.2.3 output.

Please delete approval of sub-projects of the facility in this section since it has been introduced in two other sections of the document.

10/26

Please provide answers for existing comments below.

1. 2.1.2, 2.1.5: Confirm KM, gender components wouldn't have separate section for description. Keep them in the project description as suggested in Gender section comments.

2. 2.2.3 ? This component can be kept but must be financed with co-financing from IDB only.

GEF Additional Comments 11/28

Cleared.

Agency's Comments

Thank you for your comments.

-We clarify throughout the document that the DFNC improves the debt profile, and that the debt stock remains unchanged or might even be reduced if repurchased debt is trading below par.

- Component 1:

- A new Output (**Output 1.1.1**. One sustainability-linked bond/loan per country that serves the DFNC purposes) was included.

-Output 1.1.1 (now Output 1.1.2):

- o As suggested, part of the text that was in this output was moved to the section of Justification of the Financial Structure of the NGI.
- o A range of potential savings was included; resources mobilized to the CTF are estimated between US\$ 111 M (assuming 20% savings generated through the DFNC) and US\$147M (assuming 30% savings generated through the DFNC).
- o A brief description of the methodology to estimate the expected savings, the role of the credit enhancement and the performance-based grant is included.

- o A table with the results of recent similar transactions is included in this output. The GEFSEC suggested we include these examples in the new output (1.1.1.) about additional bond/loan issuances, but we believe it fits better under output 1.1.2.

-Output 1.1.2 (now output 1.1.3):

- o GEBs were re-calculated and the new expected total amount of land/ocean protected/restored/under improved management is between 15,9M Ha and 37,7M Ha. The methodology to justify these target levels is explained below the core indicators table.
- o As suggested, the last paragraph in this section was moved to output 2.1.1.

- Component 2:

-The alignment of the policy reform program with GBF is mentioned.

-Output 2.1.1:

- o The inclusive aspect of the governance structure of CTFs with indigenous communities, private sector, etc. is included here.
- o The relevant paragraphs are referenced in the Policy Requirements section of the document where Stakeholder Engagement is a requirement.

-Output 2.1.2: The GEFSEC suggested that we reference the relevant paragraphs in the Other Requirements section of the document where Knowledge Management is a requirement. However, there is no dedicated space in this section to include content. Please advise where we should include this information.

-Output 2.1.3:

- o Reference to REDLAC was included.
- o The last paragraph was adjusted to clarify its meaning in response to the GEFSEC's comment.

-Output 2.1.4: it was clarified that recipients of the training include government officials from the MoF and MoE.

-Output 2.1.5: The GEFSEC suggested that we repeat the content under gender output 2.1.5 in section C, Gender Equality and Women's Empowerment. However, in the portal when 'Yes' is selected, there is no dedicated space to include content. Please advise where we should include this information.

-Output 2.2.1. This output does not include MoEs because it refers to the institutional strengthening of the Debt Management Office (DMO) of the MoF. A capacity assessment methodology designed to specifically evaluate DMO's institutional capacity in the LAC region is used for this purpose. It is not designed to evaluate MoEs institutional capacity.

-Output 2.2.2: It was clarified that one of the workflows is the Conservation Working Group led by the MoE and that representatives of both ministries participate in both working groups to ensure coordination and policy coherence.

-GEFSEC requested that we delete **output 2.2.3**. However, in the answers provided to the GEFSEC's comments in the Project Summary section, we explain why it is necessary to have this output.

-Approval of sub-projects of the facility was deleted from this section since it has been introduced in two other sections of the document.

Agency's comments November 14, 2023:

Thank you for your comments:

1. We confirm that all these aspects are integrated in the project description.

2. It is clarified that SSLB frameworks will be financed with governments' budget or through IDB's issuers support program.

5.2 INCREMENTAL/ADDITIONAL COST REASONING

Is the incremental/additional cost reasoning properly described as per the Guidelines provided in GEF/C.31/12?

Secretariat's Comments

Yes.

Agency's Comments

5.3 IMPLEMENTATION FRAMEWORK

a) Is the institutional setting, including potential executing partners, outlined and a rationale provided?

b) Comments to proposed agency execution support (if agency expects to request exception).

c) Is there a description of potential coordination and cooperation with ongoing GEF-financed projects/programs and other bilateral/multilateral initiatives in the project area

d) Are the proposed elements to capture and disseminate knowledge and learning outputs and strategic communication adequately described?

Secretariat's Comments

Please include the concurrence mechanism here:

Please include the concurrence mechanism here: This project will be implemented with limited delegation of investment authority to the implementing agency as described in the [GEF Blended Finance Global Program and Non-Grant instrument policy update GEF/C.63/12](#). This project will implement the concurrence mechanism outlined in Option 2 of the [Operational Modalities for PPPs \(GEF/C.42/Inf08\)](#). As described, Option 2 of the Operational Modalities establishes a concurrence step from the GEF CEO for each investment of the facility prior to implementation/disbursement. After CEO endorsement of this project and during implementation, the implementing agency will present each proposed investment with documentation of global environmental benefits, reflows and other financial aspects,

and alignment with the CEO endorsed project. " For reference, IADB has conducted this concurrence process in the following prior projects: GEF ID 4959; GEFID 5388; GEF ID 5754 and GEF ID 9277.?

Please mention that ahead of CEO endorsement the GEF Sec and Agency will agree on a template to submit the subprojects.

Selection Criteria for projects under the facility, and should be explained here.

Please refer to the multiple outputs that ensure coordination and good governance of each project as explained in the Project Rationale section.

Please refer to the outputs on KM and learning as described in the Component sections.

Please add potential coordination and cooperation with REDLAC.

10/26

1. Please mention that the templates for CEO concurrence will be described in NGI Guidelines to be produced by GEF Secretariat. Please only include the following language here: ? This project will be implemented with limited delegation of investment authority to the implementing agency as described in the GEF Blended Finance Global Program and Non-Grant instrument policy update GEF/C.63/12.?

Please delete: ? This project will implement the concurrence mechanism outlined in Option 2 of the Operational Modalities for PPPs (GEF/C.42/Inf08). As described, Option 2 of the Operational Modalities establishes a concurrence step from the GEF CEO for each investment of the facility prior to implementation/disbursement. After CEO endorsement, at Quality and Risk Review (QRR) Stage of the IADB internal approval process, IADB will send to GEFSEC each proposed investment with evidence that all selection criteria are met, documentation of the selected CTF for the transaction, estimated conservation savings and GEBs, reflows and relevant financial aspects, and alignment with the CEO endorsed project. GEFSEC?s review of investment must be conducted expeditiously and provide concurrence within one business week to allow IADB to complete decisions against deadlines. While IADB makes all efforts to close all issues before QRR, in some cases final details of conservation commitments and financial penalties are negotiated by governments past the end of the QRR and final versions are included as part of the terms of the policy triggers for the effectiveness of the guarantee. In these cases, IADB will inform GEFSEC of any substantial changes?10/26

1. Please mention that the templates for CEO concurrence will be described in NGI Guidelines to be produced by GEF Secretariat. 1-Please only include the following language here: ? This project will be implemented with limited d1- elegation of investment authority to the implementing agency as described in the GEF Blended Finance Global Program and Non-Grant instrument policy update GEF/C.63/12.?

Please delete: ? This project will implement the concurrence

mechanism outlined in Option 2 of the Operational Modalities for PPPs (GEF/C.42/Inf08). As described, Option 2 of the Operational Modalities establishes a concurrence step from the GEF CEO for each investment of the facility prior to implementation/disbursement. After CEO endorsement, at Quality and Risk Review (QRR) Stage of the IADB internal approval process, IADB will send to GEFSEC each proposed investment with evidence that all selection criteria are met, documentation of the selected CTF for the transaction, estimated conservation savings and GEBs, reflows and relevant financial aspects, and alignment with the CEO endorsed project. GEFSEC's review of investment must be conducted expeditiously and provide concurrence within one business week to allow IADB to complete decisions against deadlines. While IADB makes all efforts to close all issues before QRR, in some cases final details of conservation commitments and financial penalties are negotiated by governments past the end of the QRR and final versions are included as part of the terms of the policy triggers for the effectiveness of the guarantee. In these cases, IADB will inform GEFSEC of any substantial changes?

2. Yes

3. Yes

4. Yes

5. The cooperation with REDLAC potential should start during project preparation and CEO endorsement should have the concrete plan on specific engagements.

GEF Additional Comments 11/28

Please see GEF Sec Comments in Question 2: there is still wording that hasnt been deleted in page 55.

All the rest cleared

Agency's Comments

Thank you for your comments.

- The concurrence mechanism was included in the "Coordination and Cooperation with Ongoing Initiatives and Project section" (as well as under the Justification of Financial Structure and in Annex G.3. as requested) and we mentioned that GEFSEC and IADB will agree on a template to submit the subprojects ahead of CEO endorsement. We would also like to thank you for the helpful examples of projects where the concurrence mechanism was applied in the past. For completeness? sake we wanted to state that projects with

GEFID 5754 and GEFID 9277 are however applying in advance delegated authority as agreed through the CEO endorsement.

- Selection criteria for projects under the facility are described at the beginning of this section.
- The multiple outputs included under Component 2 to ensure coordination and good governance of each project are mentioned in this section.
- As suggested, we include a brief description of the outputs on KM and learning in this section.
- Potential cooperation with REDLAC was included at the end of the section.

GEF Agency's comments November 14, 2023:

Thank you for your comments: :

- On the concurrence mechanisms, the text was adjusted in this section as requested by the GEFSEC.
- It was clarified that IDB will develop concrete plans for engagement at the facility and country-specific level to ensure cooperation with REDLAC.

Agency's comments December 1, 2023:

The wording on page 55 was deleted as requested.

5.4 a) Are the identified core indicators calculated using the methodology included in the corresponding Guidelines (GEF/C.54/11/Rev.01)?

b) Are the project's indicative targeted contributions to GEBs (measured through core indicators)/adaptation benefits reasonable and achievable?

Secretariat's Comments

The proposed targets for the core indicators are underestimated, with values adding only to 5.6 million hectares of terrestrial and/or marine PAs created or under improved management for conservation and sustainable use. Given the proposed amount of GEF financing and the vision for the Regional Facility these numbers need to be substantially revised. Please, provide an estimated range for total of the Protected Areas indicators (for example, 5.6 million hectares to 20 million hectares).

Also, we recognize significant emphasis on the restoration activities in the proposal but there are no targets proposed for the restoration objectives. Can this be added with conservative assumption in this stage? Otherwise, the target should be included in the CEO endorsement and mentioned accordingly under the core indicator table.

The number of beneficiaries is not ideal, the beneficiaries should not be only restricted to the government officials and CTF staff, but also those communities that would benefit from conversation activities. Please increase.

10/26

1. Cleared
2. Cleared
3. Yes

Agency's Comments

- Please note that we re-assessed and re-calculated the GEBs and the new expected total amount of land/ocean protected/restored/under improved management is between 15,9M Ha and 37,7M Ha. The methodology to justify these target levels is explained below the core indicators table.

- In the ambitious scenario, we have included 187,000 Ha of restored land based on preliminary conversations with one potential beneficiary country. This is a conservative assumption and will be revised at CEO endorsement stage.

- Regarding the number of beneficiaries disaggregated by sex, a methodology to estimate the number of people that would benefit from conversation activities is provided below the core indicators table and is based on the best available data at this time. These estimations will be revised once the countries are selected, and the location of PAs is known.

5.5 NGI Only: Is there a justification of financial structure and use of financial instrument with concessionality levels?

Secretariat's Comments

This section should explain clearly the financial structure of the DFNC first and then the financial features of the GEF instrument. To that aim we suggested re-locating some sections under Component 1 here (please see recommendations on that earlier in the document).

The features of the convertibility of the GEF instrument should be explained in a similar fashion as this is done in the termsheet. Please mention again that each project will need to seek to comply with selection criteria (as described).

Please include the financial additionality sections under Outcome 1.1 Output 1.1.1 that starts with "The proposed financial structure enhances the use of GEF Funds [?]" and next paragraph "to better understand the additionality of GEF funding [?]"?

The PIF should also explain clearly to allow management and Council review, how the investment screening process will be conducted by IDB and the executing agency partners to ensure all investments align with the approved project objectives.

The PIF should explain how this concurrence mechanism helps advance the regional project objectives

10/26

1. Yes
2. Yes
3. Ok
4. Not answered?
5. The language is the same from other section, please describe here how this modality would help IDB to advance regional objectives (better negotiation with countries, regional KM opportunity etc.).
6. Additional comment please delete footnote 2. "Because GEF funds are non-reimbursable in the event of default, the IDB will process this Project as an Investment Grant." This is internal procedure of the IA, as discussed. The NGI is a convertible risk mitigation product.
7. Additional comments from external financial experts: AGFE suggested having a clearer justification for bigger funding and more details on the operationalization of the facility. Although these will be full clarified in the full project document in CEO endorsement, we suggest including the following under the selection criteria:

"IADB will seek concurrence from GEFSEC in each proposed investment by submitting investment proposals documenting that all selection criteria are met, documentation of the selected CTF for the transaction, conservation conditions that need to be met for converting GEF guarantee into a conservation grant; the calendar/sequencing of GEF grant disbursement to the CTF, estimated GEBs for each investment, reflows and relevant financial aspects, Letter of Endorsement and all necessary additional information in alignment with the CEO endorsed project."

GEF Additional Comments 11/28

Cleared.

Agency's Comments

- As suggested, we moved some sections under Component 1 here to clearly explain the financial structure of the DFNC and the financial features of the GEF instrument.
- The convertibility feature of the GEF instrument is explained along the same lines of the termsheet.
- We mention in this section that each project will comply with all selection criteria, the process IDB will follow to verify fulfillment of the conditions, and it is specified that this evidence will be provided in the concurrence document.
- The financial additionality sections, originally included under Output 1.1.1, was moved to this section.
- Regarding the concurrence mechanisms, it will ensure high alignment with GEBs and biodiversity and conservation objectives at a regional level.

GEF Agency's comments November 14, 2023:

Thank you for your comments:

4. IDB's screening process to determine eligibility of countries is included at the end of the 'Selection Criteria' Section. CTFs' screening process of specific conservation projects is included in the 'Justification of Financial Structure' Section where we explain the role of CTFs as executing agencies.

5. Regarding the modality of the concurrence mechanisms, apart from the fact that it will ensure high alignment with the GEBs, it will support a timelier agreement with selected countries under the facility on details of the transaction including conservation commitments -as countries will know that the transaction also depends on GEF CEO concurrence at IDBs Quality and Risk Review Stage, which could help to accelerate negotiations on core aspects of the project. This was also included in section on 'Coordination and Cooperation with Ongoing Initiatives and Project' where it is stated that this facility will follow the GEF concurrence mechanism.

6. As suggested, Footnote 2 was deleted.

7. A clearer justification for bigger funding was included at the beginning of the 'Project description' Section (second paragraph) and more details on the operationalization of the facility. The suggested paragraph was included at the end of the Selection Criteria Section.

5.6 RISKS

a) Are climate risks and other main risks relevant to the project described and addressed within the project concept design?

b) Are the key risks that might affect the project preparation and implementation phases identified and adequately rated?

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

Secretariat's Comments

Climate risk- Please explain very briefly what "disaster clause in financial instruments mean?"

Environmental and Social: The ESS risk has been classified as "low", and the justification given is "Container with no E&S impacts and direct risks". Specific projects under the container will follow the requirements of the ESPF and will have their own ESIC and ESRR when / if applicable?. Please, elaborate on how the requirements of the IDB ESPF are applied to PA creation and management, particularly in regards to needs do resettlement and IPLCs rights.

Fiduciary: financial management and procurement: please disclose what CFA acronym means

Stakeholder engagement: why is this risk moderate? The whole purpose of CTFs is to address this; please address

Other: please include the risk of Default to Bondholders and the risk of over indebtedness and how these two risks are mitigated. The second (over indebtedness) is a concern for our audience.

10/26

Additional comment. The project overall ESS risk is classified as low, and IADB attached the Environmental and Social Safeguards Screening checklist. However, the "Risks to Project Preparation and Implementation" section (page 36) said Environment and social risk as "moderate" mentioning about social conflicts on land ownership and rights. 1) Please make these consistent and correct. Also 2) Please provide a plan to address this social conflict on land ownership and rights of the project through ESPS during the PPG stage or ahead of concurrence.

GEF Additional Comments 11/28

PPO ready to clear if for 1) Agency to classify as Moderate since E&S remains uncertain; the PIF and CEO endorsement is what will remain on record for our Council members; subproject ratings later on in the process will not be reflected in PIF. Please change to Moderate

For 2) the text addressed PPO comments.

Agency's Comments

- Climate risk: we explained what a disaster clause means.
- Environmental and Social risk: we explained how the IDB ESPF are applied to PA creation and management, particularly regarding needs for resettlement and IPLCs rights.

- Fiduciary risk: it was clarified that CFA stands for "Conservation Finance Alliance"
- Stakeholder engagement risk: the risk rating was revised to "Low" and the corresponding justification was provided.
- Other risks: the risk of default to bondholders and the risk of over indebtedness were included.

GEF Agency's comments November 14, 2023:

Thank you for your comments:

1. There is no inconsistency between the Environmental and Social Safeguards Screening and the "Risks to Project Preparation and Implementation" section, because in the first case the Facility risk was assessed and in the second case, the expected risk of future country-specific projects is assessed:
 - ? The E&S Screening Filter was applied at the Facility level. Because at this stage the Facility is just an umbrella for future country-specific projects (neither countries nor CTFs have been identified yet), there are no E&S impacts and direct risks at the Facility level. Hence, the project overall ESS risk is classified as low. Specific projects under the Facility will follow the requirements of the ESPF and will have their own ESIC and ESRR when / if applicable (please see explanation in the E&S Screening Filter).
 - ? In the "Risks to Project Preparation and Implementation" Section, we assess expected risks for country-specific projects, which is expected to be moderate due to potential social conflicts on land ownership and rights.
2. In the "Risks to Project Preparation and Implementation" section, further details of the expected actions to address this social conflict on land ownership and rights of the project through ESPS ahead of concurrence are included.

Agency's comments December 1, 2023:

The E&S risk rating was changed to medium/moderate in the PIF, and the annexed filter was adjusted accordingly.

5.7 Qualitative assessment

a) Does the project intend to be well integrated, durable, and transformative?

b) Is there potential for innovation and scaling-up?

c) Will the project contribute to an improved alignment of national policies (policy coherence)?

Secretariat's Comments

a) and b) Yes. These have been explain throughout the document

c) the project will contribute to alignment and collaboration between MoF and MoE in the selected countries.

10/26

Cleared.

Agency's Comments

Yes, we confirm the alignment and collaboration between MoF and MoE.

6 C. Alignment with GEF-8 Programming Strategies and Country/Regional Priorities

6.1 Is the project adequately aligned with focal area and integrated program strategies and objectives, and/or adaptation priorities?

Secretariat's Comments

Please only request funding under biodiversity focal area, remove International waters (IW). Given that the DFNC is based in sovereign debt, the investments to support biodiversity conservation and restoration should be done at the national level. To be eligible for IW, the PIF should consider how the supported PAs and MPAs are part of a broader regional context, accounting for migrating species and shared resource uses among neighboring countries. It should further consider how this use of innovative financing would support national and regional efforts to develop sustainable blue economies, including sustainable fisheries. For example, could the PIF consider other metrics for impact, including the GEF fisheries indicator? Alignment with IW would also show how investments from the project's innovative financing are supporting past IW regional investments in transboundary watersheds and large marine ecosystems, especially the Caribbean Large Marine Ecosystem (CLME) and the sustainable resource management plans developed under the Transboundary Diagnostic Analysis-Strategic Action Program (TDA-SAP) approach.

Additionally, if receiving IW funding, then the KM strategy needs to include engagement in IW: LEARN activities. Lastly, for the requested amount of GEF financing, targeting a minimum of three countries seems very low compared to the number of countries GEF IW regional projects typically support.

10/26

Cleared.

Agency's Comments As requested, we removed International Waters as focal area and we are only requesting funding under the Biodiversity focal area.

6.2 Is the project alignment/coherent with country and regional priorities, policies, strategies and plans (including those related to the MEAs and to relevant sectors)

Secretariat's Comments

The alignment/coherent with country NBSAP shall be addressed in the concurrence when countries are identified. Please include this information will come when requesting concurrence.

10/26

Cleared.

Agency's Comments The alignment with NBSAPs is already included explicitly in the selection criteria 3 and 4 of countries. We will explain this alignment in the concurrence documentation.

6.3 For projects aiming to generate biodiversity benefits (regardless of what the source of the resources is - i.e. BD, CC or LD), does the project clearly identify which of the 23 targets of the Kunming-Montreal Global Biodiversity Framework the project contributes to and how it contributes to the identified target(s)?

Secretariat's Comments Yes. Further detail will come by each submission under the concurrence mechanism.

Agency's Comments

7 D. Policy Requirements

7.1 Is the Policy Requirements section completed?

Secretariat's Comments

Yes, with some comments, namely on Gender, Stakeholder engagement and ESS.

PPO ready to clear if ESS classified as Moderate, since E&S remains uncertain; the PIF and CEO endorsement is what will remain on record for our Council member; subproject ratings later on in the process will not be reflected in PIF. Please change to Moderate

Agency's Comments

Agency's comments December 1, 2023:

The E&S risk rating was changed to medium/moderate in the PIF, and the annexed filter was adjusted accordingly.

7.2 Is a list of stakeholders consulted during PIF development, including dates of these consultations, provided?

Secretariat's Comments

Although we understand each specific project will have its own list of engagement, one of the components/outputs of your project is stakeholder engagement and under that component, please list the usual stakeholders you plan to engage in each country. In this section, please refer back to that component and list the stakeholders you intend to involve in each country. I would check the boxes of all the types of stakeholders that you will consult (right now all checked NO for Indigenous/CSO/private sector).

10/26

PPO Stakeholder engagement: Agency states that no stakeholders have been consulted yet due to the fact that the countries are not identified and selected yet. Taken this under consideration, the agency should provide a more detailed overview of planned stakeholder engagement and consultations during project development, including details on how, when and who they will consult.

11/28 Additional Comments

Cleared

Agency's Comments

We checked no for all types of stakeholders because the question is in past tense and stakeholders haven't been consulted yet due to the fact that the countries are not identified and selected yet. Stakeholders will be consulted once the country is identified, following the stakeholder engagement plan and the Stakeholder Advisory Committee's recommendations described in outputs 2.1.1. and 2.1.2.

GEF Agency's comments November 14, 2023:

Thank you for your comments:

Further details on how, when and who will be consulted were included in output 2.1.1. Please note that one of the requirements of output 2.1.1 is to have, for each country a robust stakeholder engagement plan (SEP) to outline the best suited activities and processes to support genuine, accessible, and transparent involvement in planning exercises, project design, issue resolution and project support. It will detail how stakeholders will be identified and will present a range of targeted strategies and activities to encourage full participation by as many stakeholders as possible.

8 Annexes

Annex A: Financing Tables

8.1 Is the proposed GEF financing (including the Agency fee) in line with GEF policies and guidelines? Are they within the resources available from (mark all that apply):

STAR allocation?

Secretariat's Comments N/A

Agency's Comments

Focal Area allocation?

Secretariat's Comments

Please request amount only from BD. Final amount requested should be proportional to the GEBs generated.

10/26

Cleared.

Agency's Comments As requested, we removed International Waters as focal area and we are only requesting funding from the Biodiversity focal area. GEBs were re-calculated and the amount increased. The changes are reflected in the core indicators table and in the text throughout the document.

LDCF under the principle of equitable access?

Secretariat's Comments N/A

Agency's Comments
SCCF A (SIDS)?

Secretariat's Comments N/A

Agency's Comments
SCCF B (Tech Transfer, Innovation, Private Sector)?

Secretariat's Comments N/A

Agency's Comments
Focal Area Set Aside?

Secretariat's Comments N/A

Agency's Comments
8.2 Is the PPG requested within the allowable cap (per size of project)? If requested, has an exception (e.g. for regional projects) been sufficiently substantiated?

Secretariat's Comments N/A

Agency's Comments
8.3 Are the indicative expected amounts, sources and types of co-financing adequately documented and consistent with the requirements of the Co-Financing Policy and Guidelines?

Secretariat's Comments Yes, except for the potential co-guarantors.

Agency's Comments Please note that the potential contributions from other guarantors are included in the total co-financing of US\$640 M of component 1. In this sense, there will be no co-financing available from these sources for component 3 and IDB will cover co-financing for the latter with other resources.

Annex B: Endorsements

8.4 Has the project been endorsed by the country? (ies) GEF OFP and has the OFP at the time of PIF submission name and position been checked against the GEF database?

Secretariat's Comments N/A. LoE will be required for each subproject.

Agency's Comments Yes, we will provide a LoE for each sub-project.

Are the OFP endorsement letters uploaded to the GEF Portal (compiled as a single document, if applicable)?

Secretariat's Comments N/A

Agency's Comments

Do the letters follow the correct format and are the endorsed amounts consistent with the amounts included in the Portal?

Secretariat's Comments N/A

Agency's Comments

8.5 For NGI projects (which may not require LoEs), has the Agency informed the OFP(s) of the project to be submitted?

Secretariat's Comments

[PLEASE ADVISE HOW THIS WILL HAPPEN: we will need an LOE under each project]

Each project under this facility will need, at the time of the CEO concurrence a LoE; we suggest including a selection criterion to make sure this aspect is covered.

11/28 Cleared.

Agency's Comments

We will provide a LoE for each sub-project.

GEF Agency's comments November 14, 2023:

Thank you for your comments.

The criteria to provide a LoE ahead of the CEO concurrence was included.

Annex C: Project Location

8.6 Is there preliminary georeferenced information and a map of the project's intended location?

Secretariat's Comments N/A

Agency's Comments

Annex D: Safeguards Screen and Rating

8.7 If there are safeguard screening documents or other ESS documents prepared, have these been uploaded to the GEF Portal?

Secretariat's Comments

Yes.

10/26

PPO Additional comments: The project overall ESS risk is classified as low, and IADB attached the Environmental and Social Safeguards Screening checklist. However, the "Risks to Project Preparation and Implementation" section (page 36) said Environment and social risk as "moderate" mentioning about social conflicts on land ownership and rights. 1) Please make these consistent and correct. Also 2) Please provide a plan to address this social conflict on land ownership and rights of the project through ESPS during the PPG stage. If this is not possible unless the project has been identified, the Safeguard Screening Documents will be required to be provided ahead of concurrence.

11/28 Additional Comments:

PPO ready to clear if for Agency to classify as Moderate, since potential E&S remain uncertain; the PIF and CEO endorsement is what will remain on record for our Council member; subproject ratings later on in the process will not be reflected in PIF. Please change to Moderate

Agency's Comments

GEF Agency's comments November 14, 2023:

Thank you for your comments.

1. There is no inconsistency between the Environmental and Social Safeguards Screening and the "Risks to Project Preparation and Implementation" section, since in the first case the Facility risk was assessed and in the second case, the risk of the country-specific projects is assessed:
 - The E&S Screening Filter was applied at the Facility level. Given that at this stage the Facility is just an umbrella for future country-specific projects (neither countries nor CTFs have been identified yet), there are no E&S impacts and direct risks at the Facility level. Hence, the project overall ESS risk is classified as low. Specific projects under the Facility will follow the requirements of the ESPF and will have their own ESIC and ESRR when / if applicable (please see explanation in the E&S Screening Filter).
 - In the "Risks to Project Preparation and Implementation" Section, we assess expected risks for country-specific projects, which is expected to be moderate due to potential social conflicts on land ownership and rights.
2. In the "Risks to Project Preparation and Implementation" section, further details of the expected actions to address this social conflict on land ownership and rights of the project through ESPS ahead of concurrence are included.

GEF Agency's comments December 1, 2023:

The E&S risk rating was changed to medium/moderate in the PIF, and the annexed filter was adjusted accordingly.

Annex E: Rio Markers

8.8 Are the Rio Markers for CCM, CCA, BD and LD correctly selected, if applicable?

Secretariat's Comments

BD markers. If CCM Rio Markers are applicable, please select.yes

10/26

Cleared.

Agency's Comments Thank you for your comment. We have already selected ?significant objective 1? for CCM Rio Marker

Annex F: Taxonomy Worksheet

8.9 Is the project properly tagged with the appropriate keywords?

Secretariat's Comments

yes

Agency's Comments

Annex G: NGI Relevant Annexes

8.10 Does the project provide sufficient detail (indicative term sheet) to take a decision on the following selection criteria: co-financing ratios, financial terms and conditions, and financial additionality? If not, please provide comments. Does the project provide a detailed reflow table to assess the project capacity of generating reflows? If not, please provide comments. Is the Partner Agency eligible to administer concessional finance? If not, please provide comments.

Secretariat's Comments

Termsheet comments:

Please mention that there will be at least 3 countries in the Countries section
Financial additionality of GEF financing (as explained in the PIF) should be in this section instead of the current wording.

In the terms and conditions of the financing instrument mention that GEF guarantee will be 1st loss to the bondholders; IDB PCG would be in that respect ?senior? to GEF funding during the life of GEF guarantee before Convertibility Event.

10/26

1. Cleared
2. Cleared
3. Cleared
4. Please include project ID in the termsheet (11324).
5. Additional comment: please add a section in the termsheet with the selection criteria described in the document. The selection criteria here shall include the requirement of submission of a LOE ahead of concurrence by the GEF CEO

11/28 Additional Comments:

All cleared.

Agency's Comments

- The countries? field was adjusted to indicate that ?at least 3 LAC countries? will be supported.
- Financial additionality of GEF financing is explained in a similar fashion to that in the PIF.
- In the terms and conditions of the financing instrument it was clarified that the GEF guarantee will be 1st loss to the bondholders and that IDB PBG would be in that respect ?senior? to GEF funding during the life of GEF guarantee before Convertibility Event.

GEF Agency?s comments November 14, 2023:

Thank you for your comment:

4. and 5. The project ID and a section with the selection criteria (including the requirement of submission of a LOE ahead of concurrence by the GEF CEO) were included in the termsheet.

9 GEFSEC Decision

9.1 Is the PIF and PPG (if requested) recommended for technical clearance?

Secretariat's Comments Please address comments before technical clearance.

Agency's Comments

9.2 Additional Comments to be considered by the Agency at the time of CEO Endorsement/ Approval

Secretariat's Comments

Agency's Comments

Review Dates

| | PIF Review | Agency Response |
|---|-------------------|------------------------|
| First Review | 10/6/2023 | |
| Additional Review (as necessary) | 11/1/2023 | |
| Additional Review (as necessary) | 11/18/2023 | |
| Additional Review (as necessary) | 12/29/2023 | |
| Additional Review (as necessary) | 12/1/2023 | |