



**Part I: Project Information**

**GEF ID**

10933

**Project Type**

MSP

**Type of Trust Fund**

LDCF

**CBIT/NGI**

CBIT No

NGI No

**Project Title**

Net-Zero Adaptation Finance (NZAF)

**Countries**

Global

**Agency(ies)**

FAO

**Other Executing Partner(s)**

Winrock Solutions

**Executing Partner Type**

Private Sector

**GEF Focal Area**

Climate Change

**Sector**

AFOLU

**Taxonomy**

Focal Areas, Forest, Forest and Landscape Restoration, Climate Change, Climate Change Adaptation, Ecosystem-based Adaptation, Climate finance, Least Developed Countries, Climate resilience, Livelihoods, Innovation, Mainstreaming, Biodiversity, Forestry - Including HCVF and REDD+, Agriculture and agrobiodiversity, Land Degradation, Land Degradation Neutrality, Land Productivity, Land Cover and Land cover change, Carbon stocks above or below ground, Sustainable Land Management, Sustainable Agriculture, Influencing models, Demonstrate innovative approaches, Strengthen institutional capacity and decision-making, Convene multi-stakeholder alliances, Stakeholders, Type of Engagement, Partnership, Information Dissemination, Consultation, Participation, Private Sector, Large corporations, Financial intermediaries and market facilitators, Non-Grant Pilot, SMEs, Individuals/Entrepreneurs, Capital providers, Communications, Public Campaigns, Awareness Raising, Gender Equality, Gender results areas, Knowledge Generation and Exchange, Access to benefits and services, Gender Mainstreaming, Sex-disaggregated indicators, Beneficiaries, Gender-sensitive indicators, Capacity, Knowledge and Research

**Rio Markers**

**Climate Change Mitigation**

Significant Objective 1

**Climate Change Adaptation**

Principal Objective 2

**Biodiversity**

**Land Degradation**

**Submission Date**

12/22/2022

**Expected Implementation Start**

3/1/2023

**Expected Completion Date**

2/28/2026

**Duration**

36In Months

**Agency Fee(\$)**

77,670.00

**A. FOCAL/NON-FOCAL AREA ELEMENTS**

<b>Objectives/Programs</b>	<b>Focal Area Outcomes</b>	<b>Trust Fund</b>	<b>GEF Amount(\$)</b>	<b>Co-Fin Amount(\$)</b>
CCA-1	Reduce vulnerability and increase resilience through innovation and technology transfer for climate change adaptation	LDC F	817,580.00	4,210,000.00
<b>Total Project Cost(\$)</b>			<b>817,580.00</b>	<b>4,210,000.00</b>

## B. Project description summary

### Project Objective

The Net-Zero Adaptation Finance (NZAF) project is an innovative, global project proposed by Winrock International and FAO to increase integration of climate change adaptation into net-zero carbon projects. Primarily oriented towards the agriculture, forestry, and other land use (AFOLU) sector, the NZAF project is intended to foster the development and implementation of AFOLU projects, especially in the context of least developing countries (LDCs). The project creates an innovative screening tool (Outcome 1) that identifies areas where climate change adaptation can be integrated into net-zero carbon projects, accelerating the uptake of climate considerations in projects ? both to reduce climate impacts on carbon reduction projects and to increase adaptation benefits in the targeted areas. To incentivize adding climate change adaptation components, especially for implementing in the AFOLU sector in LDCs, Outcome 2 provides blended financing to assist projects in covering the costs and reducing the risks of integrating resilience and adaptation. Outcome 3 is oriented to generating best-practices reports and continuous improvement of Outcomes 1 and 2, as well as feeding into an upscaling strategy.

Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing(\$)	Confirmed Co-Financing(\$)
1. Tools, methodology support, and networks designed to generate a pipeline of AFOLU sector-oriented projects is created	Technical Assistance	<p>Outcome 1:</p> <p>A pipeline of AFOLU sector-oriented projects that are implemented in LDCs that have climate change adaptation benefits is identified</p> <p>Indicators/Targets:</p> <p>25 projects screened, 10 projects marked as mainstreamed</p>	<p>1.1 A tool for screening and mainstreaming adaptation in Net Zero project design is available</p> <p>1.2 Adaptation metrics and other key performance indicators for project developers are created</p>	LDC F	245,850.00	1,260,000.00

Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing(\$)	Confirmed Co-Financing(\$)
2. An innovative blended finance mechanism to incentivize the integration of climate risk management and incorporation of adaptation solutions by stakeholders across net zero project value chain is created	Investment	<p>Outcome 2:</p> <p>Increased access to blended financing for integration of adaptation within net-zero AFOLU initiative</p> <p>Indicator/Targets:</p> <p>? 10 AFOLU project developers are able to integrate climate resilience/risks into their projects through tailored incentives</p>	<p>2.1 Custom Technical Assistance (CTA), financial incentive, and Cost of Finance Buydowns (CFBs) are made available to project developers for eligible projects</p> <p>2.2 A Risk Mitigation Mechanism (RMM) is established</p>	LDC F	381,066.00	2,420,000.00

Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing(\$)	Confirmed Co-Financing(\$)
3. Theory of change is validated, broadened, and scope upscaled to other sectors, countries and types of projects	Technical Assistance	<p>Outcome 3:</p> <p>Future investment is scaled up through knowledge sharing and adaptive learning</p> <p>Indicators Targets:</p> <p>5 case studies generated; at least 10 expressions of interest received from financiers or project developers</p>	3.1 Best practices for integrating climate change adaptation into net zero AFOLU projects are identified	LDCF	119,701.00	150,000.00
<b>Sub Total (\$)</b>					<b>746,617.00</b>	<b>3,830,000.00</b>
<b>Project Management Cost (PMC)</b>						
			LDCF		70,963.00	380,000.00
			<b>Sub Total(\$)</b>		<b>70,963.00</b>	<b>380,000.00</b>
			<b>Total Project Cost(\$)</b>		<b>817,580.00</b>	<b>4,210,000.00</b>

Please provide justification

**C. Sources of Co-financing for the Project by name and by type**

<b>Sources of Co-financing</b>	<b>Name of Co-financier</b>	<b>Type of Co-financing</b>	<b>Investment Mobilized</b>	<b>Amount(\$)</b>
Other	Winrock	Grant	Investment mobilized	60,000.00
Other	Winrock	Grant	Recurrent expenditures	850,000.00
Private Sector	EarthShot Labs	Grant	Investment mobilized	300,000.00
Private Sector	EarthShot Labs	Grant	Recurrent expenditures	900,000.00
Private Sector	EarthShot Labs	In-kind	Investment mobilized	1,800,000.00
GEF Agency	FAO	Grant	Investment mobilized	300,000.00
<b>Total Co-Financing(\$)</b>				<b>4,210,000.00</b>

**Describe how any "Investment Mobilized" was identified**

Investment mobilized was identified in consultation with partners during Project Identification Form (PIF) and CEO Endorsement Request development in 2022. It totals USD 2.76 million and includes: i) USD 60,000 in grant financing from Winrock from investment into the WinRes tool investment; ii) USD 300,000 in grant financing from EarthShot Labs for investments in the further development of the WinRes tool; iii) USD 1,800,000 in grant financing from EarthShot Labs through the future pipeline of carbon projects for the Blended Finance Facility; and iv) USD 300,000 through FAO under the project Support Programme on Scaling up Climate Ambition on Land Use and Agriculture through NDCs and NAPs (SCALA). In addition, recurrent expenditures from Winrock, EarthShot Labs and FAO will cofinance the NZAF project for a total of USD 2,050,000. This corresponds to the mobilization of existing in-house expertise to support NZAF execution, as well as operations of the existing risk management infrastructure at EarthShot Labs. Note that additional cofinancing will be leveraged from project developers as they are onboarded into the project. These will be reported upon during the course of the project.

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

<b>Agency</b>	<b>Trust Fund</b>	<b>Country</b>	<b>Focal Area</b>	<b>Programming of Funds</b>	<b>Amount(\$)</b>	<b>Fee(\$)</b>	<b>Total(\$)</b>
FAO	LDC F	Global	Climate Change	NA	817,580	77,670	895,250.00
<b>Total Grant Resources(\$)</b>					<b>817,580.00</b>	<b>77,670.00</b>	<b>895,250.00</b>



**E. Non Grant Instrument**

NON-GRANT INSTRUMENT at CEO Endorsement

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Includes Non grant instruments? **No**

Includes reflow to GEF? **No**

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

PPG Required **true**

**PPG Amount (\$)**

50,000

**PPG Agency Fee (\$)**

4,750

<b>Agency</b>	<b>Trust Fund</b>	<b>Country</b>	<b>Focal Area</b>	<b>Programming of Funds</b>	<b>Amount(\$)</b>	<b>Fee(\$)</b>	<b>Total(\$)</b>
FAO	LDC F	Global	Climate Change	NA	50,000	4,750	<b>54,750.00</b>
<b>Total Project Costs(\$)</b>					<b>50,000.00</b>	<b>4,750.00</b>	<b>54,750.00</b>

## Meta Information - LDCF

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LDCF true

SCCF-B (Window B) on technology transfer false

SCCF-A (Window-A) on climate Change adaptation false

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Is this project LDCF SCCF challenge program?

true

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This Project involves at least one small island developing State(SIDS). false

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This Project involves at least one fragile and conflict affected state. false

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This Project will provide direct adaptation benefits to the private sector. true

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This Project is explicitly related to the formulation and/or implementation of national adaptation plans (NAPs). false

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This Project has an urban focus. false

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This Project covers the following sector(s)[the total should be 100%]:\*

Agriculture	50.00%
Natural resources management	50.00%
Climate information services	0.00%
Coastal zone management	0.00%
Water resources management	0.00%
Disaster risk management	0.00%
Other infrastructure	0.00%
Health	0.00%
Other (Please specify:)	0.00%
Total	100%

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This Project targets the following Climate change Exacerbated/introduced challenges:\*

Sea level rise false

Change in mean temperature true

Increased climatic variability true

Natural hazards true

Land degradation true

Coastal and/or Coral reef degradation false

Groundwater quality/quantity false

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## Core Indicators - LDCF

### CORE INDICATOR 1

Total

Male

Female

% for Women

Total number of direct beneficiaries

16,010

8,006

8,004

49.99%

### CORE INDICATOR 2

Area of land managed for climate resilience (ha)

5,400.00

### CORE INDICATOR 3

Total no. of policies/plans that will mainstream climate resilience

0

### CORE INDICATOR 4

Male

Female

% for Women

Total number of people trained

0

0

0

0%

To calculate the core indicators, please refer to [Results Guidance](#)

## OBJECTIVE 1

Reduce vulnerability and increase resilience through innovation and technology transfer for climate change adaption

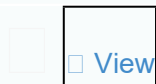
### OUTCOME 1.1

Technologies and innovative solutions piloted or deployed to reduce climate-related risks and / or enhance resilience



### OUTCOME 1.2

Innovative financial instruments and investment models enabled or introduced to enhance climate resilience



## OBJECTIVE 2

Mainstream climate change adaption and resilience for systemic impact

### OUTCOME 2.1

Strengthened cross-sectoral mechanisms to mainstream climate adaption and resilience



[View](#)

### OUTCOME 2.2

Adaptation considerations mainstreamed into investments



[View](#)

### OUTCOME 2.3

Institutional and human capacities strengthened to identify and implement adaptation measures



[View](#)

## OBJECTIVE 3

Foster enabling conditions for effective and integrated climate change adaption

### OUTCOME 3.1

Climate-resilient planning enabled by stronger climate information decision-support services, and other relevant analysis, as a support to NAP process and/or for enabling activities in response to COP guidance



[View](#)

### OUTCOME 3.2

Increased ability of country to access and/or manage climate finance or other relevant, largescale, pragmatic investment, as a support to NAP process and/or for enabling activities in response to COP guidance



[View](#)

## OUTCOME 3.3

Institutional and human capacities strengthened to identify and implement adaptation measures as a support to NAP process and/or for enabling activities in response to COP guidance



[View](#)

## Part II. Project Justification

### 1a. Project Description

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

#### **Least Developed Countries (LDCs) are extremely vulnerable to external shocks**

1. **Least Developed Countries (LDCs) are extremely vulnerable to economic and environmental shocks due to being highly exposed to natural hazards, having low adaptive and environmental management capacity,** maladapted governance systems, a lack of human, technical, and financial resources, and poverty-induced unsustainable natural resource use.
2. Since the 1990s<sup>[1]</sup>, LDCs have enjoyed steady economic growth. However, these economic, political, and environmental gains have been reduced, or in some cases reversed, since 2019<sup>[2]</sup> due to the COVID-19 pandemic and ensuing economic crisis. The looming economic and climate crises have direct impacts on LDC's ability to pursue economic, political, and environmental sustainability.

Figure 1 Map of LDCs; Source: United Nations Commission on Trade And Development (UNCTAD), 2022



3. **LDC economies continue to be highly reliant on the agriculture, food, and land-use (AFOLU) sectors as a critical source of food and nutrition security, income, and local private sector development.** The International Labour Organization, in their 2022 report *Least developed countries: crisis, structural transformation, and the future of work*, estimates that from 1990 ? 2020 the AFOLU sector has decreased in its contribution to the national Gross Domestic Product (GDP) of LDCs from 75 to 55 percent, still more than half of the national GDP for LDCs and twice the level of contribution noted in other developing countries. In 2022, on average, the AFOLU sectors contribute between 20% and 30% to LDCs' national GDPs (See Figure 2)<sup>[3]</sup>. For example, Comoros' rural population is reliant on the primary AFOLU sector for 80% of its food consumption<sup>[4]</sup> and 88% of Chad's populations is reliant on AFOLU sectors for food security<sup>[5]</sup>. Even Zambia - whose AFOLU sector contributed the least to national GDP - has 60% of its population reliant on AFOLU sectors for livelihoods and food security<sup>[6]</sup>.

4. **Despite advancements in agriculture and fishing that allow greater production with fewer laborers, the AFOLU sectors in LDCs show low productivity.** This stems from complex and interlinked sources, such as: a lack of latest-technology equipment distribution and supply, preponderance of small or individual enterprises, land degradation and deforestation, unsustainable agricultural practices, gender inequality in land tenure and access to finance, lack of worker training and training resources, climate variability and climate change and over-reliance on natural systems (for example rain-fed agriculture)<sup>[7]</sup>. Low productivity in the AFOLU sector means that most LDCs need import food to feed their populations and combat elevated levels of food insecurity<sup>[8]</sup> (see Figure 3 below). In addition, low productivity means that on an individual and national level, there is limited resilience and adaptive capacity to cope with projected climate change impacts<sup>[9]</sup>.



Figure 2 AFOLU Contributions to LDCs' GDPs, 2021; Source: World Bank, 2022

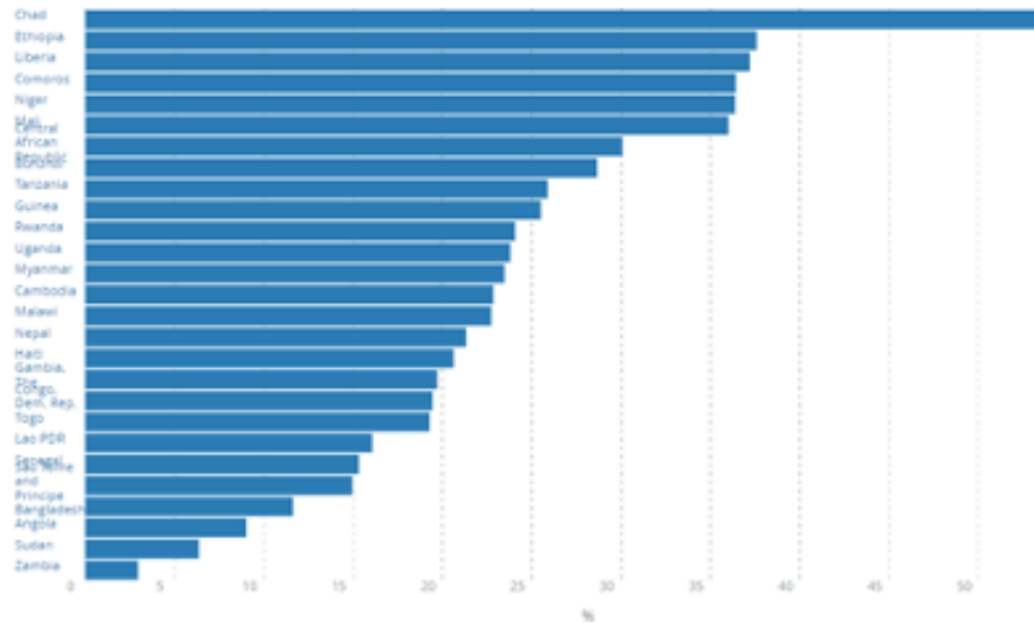
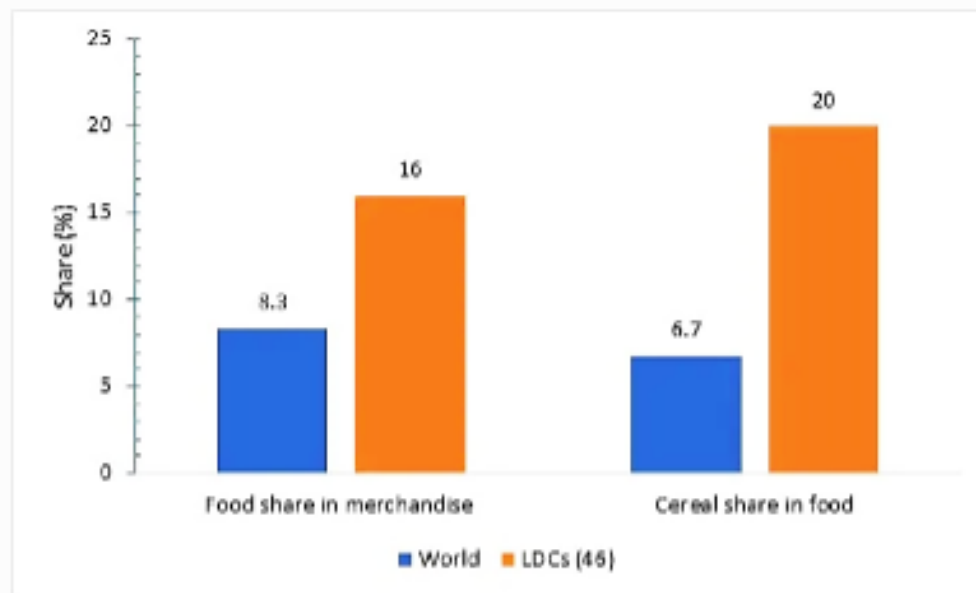


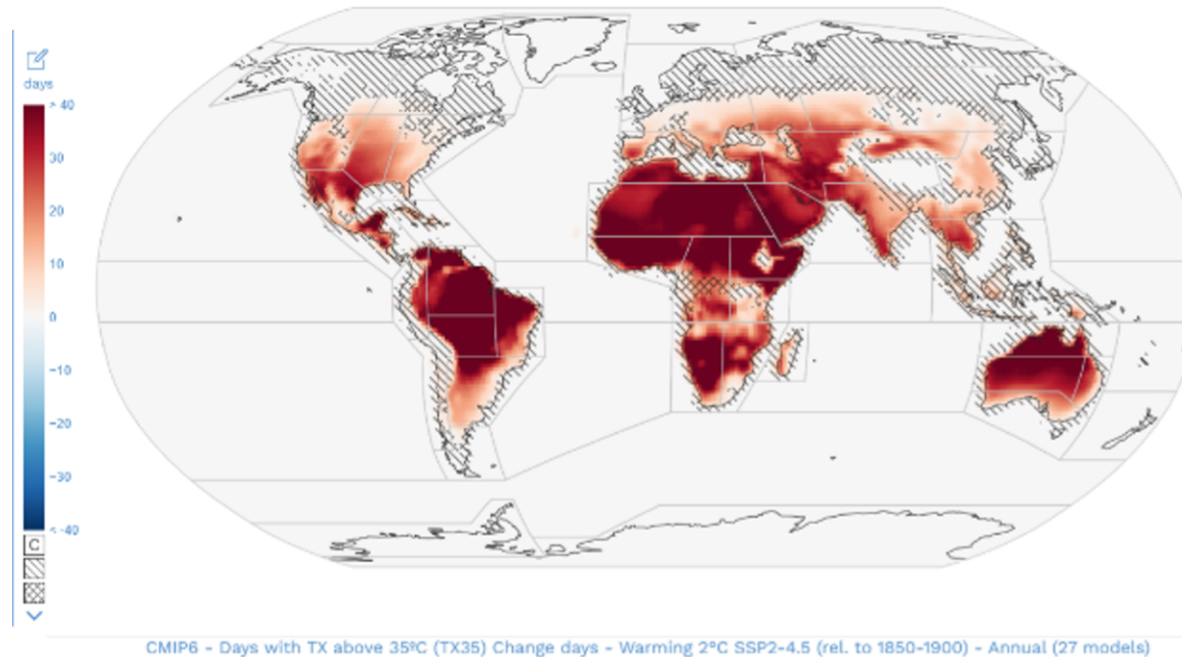
Figure 3 LDCs' food import dependency; Source: OECD, 2022



*Source: Commonwealth Secretariat (calculated using WITS data)*

5. **Despite contributing the least to climate change, LDCs are the most affected by and have the least capacity to adapt to climate change<sup>[10]</sup>.** As detailed in the IPCC's 6th assessment report, AR6, Working Group II, projections show that the frequency and intensity of extreme events, such as droughts and wildfires, and increasing precipitation variability will increase throughout the world by and beyond 2100<sup>[11]</sup>. While Nations agreed in 2015 to keep warming at or below 1.5 C°, AR6 projections show that warming may be closer to 2 or 2.5 C° by 2050<sup>[12]</sup>. LDCs' populations tend to be heavily reliant on natural systems for livelihood, food, shelter, and medicinal services. Continued warming is not only increasing surface temperatures, but also increasing precipitation variability, threatening to exacerbate systemic social and political tensions and environmental degradation. As seen in Figure 4 below, under a climate change scenario of 2 C°, most LDCs will be facing at least 30 days of temperatures above 35 C° annually - increasing the risk of crop failures, decreasing soil fertility and water availability, direct impacts on human and animal health and increasing food insecurity and morbidity rates<sup>[13]</sup>.

Figure 4 Projected number of days with temperatures above 35 C; Source: IPCC, 2022



6. **The AFOLU sector contributes 22% to total GHG emissions<sup>[14]</sup> globally, with agriculture the main contributor<sup>[15]</sup>.** As noted in the IPCC's 6th Assessment Report (AR6), AFOLU emissions are projected to increase in a business-as-usual approach, however, emissions can decrease with appropriate land use management<sup>[16]</sup>. In LDCs ? which contribute less than 1% to global GHG emissions<sup>[17]</sup> ? the AFOLU sectors often account for a substantial share of total emissions<sup>[18]</sup>. To ensure that LDC's GHG emissions are kept low while the countries continue to develop, transforming food and land use systems is essential<sup>[19]</sup>. In parallel, the AFOLU sector is where most adaptation actions need to take place in LDCs, since they are the most vulnerable sectors. There are therefore considerable opportunities for win-win solutions that combine both mitigation and adaptation actions in the AFOLU sectors. However, public and private investment in the AFOLU sectors is still lagging behind in LDCs, mostly due to the perceived risks of investment and the length of time required to demonstrate climate benefits. Innovative climate finance solutions are needed now to ensure that these opportunities are leveraged in the service of sustainability, adaptation and mitigation in LDCs.
  
7. **International carbon markets were established to help nations, and companies operating within them, to help keep global warming at or below 1.5 C?<sup>[20]</sup>. But financial resources to achieve that goal have yet to materialize to the levels expected.** Before COP 26, the

1997 Kyoto Protocol established that the private sector had an important role to play a role in GHG emission reductions<sup>[21]</sup>, and it is now recognized that public finance alone will not be sufficient to re-orient development pathways towards a sustainable climate future. Under the Kyoto Protocol, two types of markets were created: voluntary and regulatory (compliance); however, AFOLU-sector projects were restricted to reforestation and afforestation activities only<sup>[22]</sup>. Given that in the past 24 years international carbon markets have been restricted in their investments in the AFOLU-sector, it is not surprising that AFOLU-sector investments, especially in the context of LDCs, have lagged behind.

8. Developed countries at COP15 in Copenhagen 2009 set a goal to mobilise USD 100 billion annually by 2020 for climate action<sup>[23]</sup>. Data up until 2019 is available, showing that in 2019, approximately USD 79.6 billion had been mobilized<sup>[24]</sup>, up slightly from 2018 (78.3) and 2017 (71.1), with 65% flowing to mitigation, and 35% to adaptation. Of the amount for 2019, only 12% flowed to LDCs with a little more than 60% flowing to adaptation. International climate finance had reached USD 632 billion in 2020<sup>[25]</sup>. Finance for adaptation has increased by 53% reaching since 2010, reaching USD 46 billion in 2019/2020 compared to USD 30 billion in 2017/2018<sup>[26]</sup>. From 2008 ? 2019, the AFOLU sector only received 26% percent (USD 122 billion) of global climate financial flows and LDCs received less than third of the agriculture related public finance (USD 32 billion) between the same period (FAO, 2021). In terms of private finance flows, this sector is marginalized, with 85 percent allocated to renewable energy, 14 percent to low-carbon transport, and under 1 percent to all other sub-sectors, including AFOLU (World Bank, 2016). The financing gap for the AFOLU sectors therefore remains significant, providing scope for a more substantial role to be played by net zero financing given the emerging opportunities in this space.
9. **Despite the need for funding in climate adaptation, finance continues to be a significant barrier.** Only 5 percent of climate finance currently flows to adaptation initiatives in the AFOLU sectors, despite estimated financing needs of USD 300 billion<sup>[27]</sup> to USD 1.5 trillion<sup>[28]</sup> by 2030. Adding to the barriers faced by the AFOLU sector in securing climate finance is the impact COVID-19 has had, as health and other economic activities have been prioritized in COVID-19 recovery, and lending institutions are preparing for a debt crisis<sup>[29]</sup>.
10. **Despite challenges, opportunities exist.** A 2019 report found that the total financial risk from climate change faced by 215 companies out of the top 500 companies by market capitalization was over USD 1 trillion<sup>[30]</sup>. However, the same report also noted that the opportunities available in mitigating climate change totalled over USD 2.1 trillion<sup>[31]</sup>. For the agriculture sector alone, the potential profitability ratio came out to 1:213 (for every USD 1 dollar invested in climate change adaptation, USD 213 dollars? worth of benefit could be realized). However, private sector companies face numerous challenges when investing in the AFOLU sector. First, the sectors have higher operating and input costs when compared to other ?green? investments, such as clean energy<sup>[32]</sup>. Second, the private sector is less organized in the AFOLU sectors, particularly in LDCs where the private sector is mostly informal, and the transaction costs of investment are high. There are also limited financial instruments made available to the AFOLU sectors compared to others like energy, leading to an over-reliance on public grants and public funders. Interventions in those sectors are also perceived to be limited to small scale action and seen as financially risky,

potentially because of land fragmentation and land tenure issues. Additionally, the AFOLU sectors continue to be highly exposed to climate risks. As a result, most private sector climate finance flows go to sectors other than AFOLU (see Figure 5 below), while AFOLU sectors continue to rely on public aid and public finance.

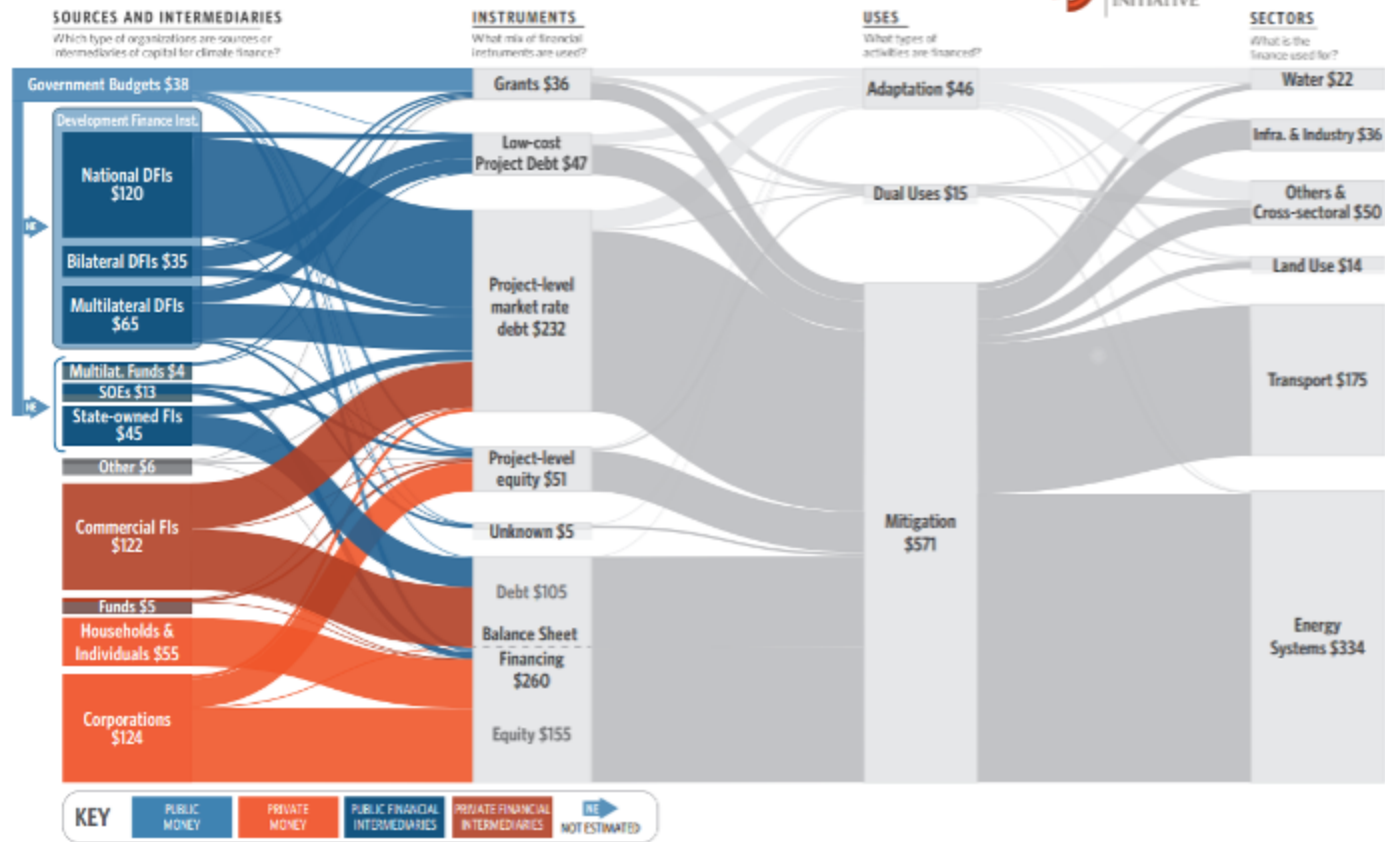
11. **AFOLU projects offer significant potential for carbon capturing and storage.** AFOLU projects can be implemented in the short term, and with the increased pressure on corporations to commit to climate action, the demand for verified emissions reductions is growing. With projected increases in voluntary carbon market (VCM) demand, average carbon prices could rise to \$20- 50/tCO<sub>2</sub>e by 2030 driving real investment in new projects to reduce emissions. With a further increase in demand by 2040, carbon credit prices would be expected to rise to \$50/tCO<sub>2</sub>e and more<sup>[33]</sup>. As the cost of using carbon credits rises, the potential for achieving removals from within their own supply chain (insetting) will become more attractive for food and agriculture corporations.
12. **While the interest and financing in carbon abatement projects is growing, screening for social and climate risks is not keeping pace with project development.** Most private sector carbon abatement projects - regardless of the sector - are not screened for climate or social risks, including social, cultural or climate maladaptation and/or increasing targeted communities' climate vulnerabilities. Without screening, the potential risks that a project can exacerbate and/or create can significantly compromise the economic case for developing nature-based carbon projects. This represents not only a missed opportunity for win-win solutions, but also a potential risk of social, economic harm and GHG emissions generation.

Figure 5 Climate Finance Flows 2019/2020; Source: Climate Policy Initiative, 2021

## LANDSCAPE OF CLIMATE FINANCE IN 2019/2020

Global climate finance flows along their life cycle in 2019 and 2020. Values are average of two years' data, in USD billions.

**632** BN USD ANNUAL AVERAGE



Source: Climate Policy Initiative

### Net-zero and the potential for win-win adaptation/mitigation benefits

13. **Net-zero initiatives** refer to efforts to balance emissions released in the atmosphere with emissions removed. In most net-zero situations, emissions generated from hard to target sectors (i.e. energy or transport) are offset by sinks and removals in other, easier and less costly sectors. Net-zero pledges and commitments are made by governments, sectors, or enterprises at any level and scale. Natural carbon sinks, like soils and forests, offer cost effective means of removing emissions, all being at different pace and timescale.

**14. In the last decade, especially after the Paris Agreement in 2015, net zero initiatives have grown steadily.** By 2021, more than a third of Standard & Poor's Global 1200 companies had set or committed to setting a science-based target, according to figures from the Science-Based Targets initiative, which has developed a standard for corporate net-zero target setting. Of those companies, 39 percent have also pledged to achieve net zero emissions. In 2016, just 13 companies had set or committed to a science-based target, which shows the rapid growth in companies adopting these standards. Corporations aligning themselves to their standards will be required to offset unabated emissions from removal projects (neutralization) as opposed to purchasing emission reduction offsets (compensation), which signals heightened demand for AFOLU projects while carbon capture technologies are still maturing. At the same time, calls for increased transparency in reporting on emissions reductions, including the most recent declarations arising from COP27 and the UN Secretary General High Level Expert Group<sup>[34]</sup>, highlight the need for verifiable climate benefits to discourage greenwashing.

15. These initiatives exist to help translate the concept of net-zero into practice. As more and more evidence indicates that the 1.5 C° target set by the Paris Agreement will not be met<sup>[35]</sup>, the need for net-zero initiatives has increased. In response, international organizations and national government are encouraging net-zero projects. For example, the UN-backed 'Race to Zero' is a campaign targeted at non-State actors, encouraging them to halve their emissions by 2030 and achieve net zero emissions by 2050 at the latest<sup>[36]</sup>. Many nations have enacted laws to achieve net zero emissions by 2050 by mandating targets, which encourages investments into technologies and policies to help achieve that goal.

**16. While national governments and international agreements are pushing net-zero targets, awareness has grown ? especially in the last decade ? of the role the private sector can and needs to play in rapidly deploying net-zero initiatives and projects<sup>[37]</sup>.** The UN Race to Zero initiative and the Glasgow Financial Alliance for Net Zero (GFANZ) estimated that 70% of decarbonization investments could be provided by the private sector<sup>[38]</sup>. Unfortunately, most net-zero investments focus on energy<sup>[39]</sup>. For most LDCs, the AFOLU sector's importance in their GDP necessitates investing in net-zero initiatives in this sector in the short- and medium- term (up to 2030). Given the UN and GFANZ estimates, the private sector has a critical role to play in helping LDCs reduce the AFOLU sector's GHG emissions.

**17. Despite the demonstrated importance of building a growing global portfolio of net-zero initiatives, emissions reduction project development in LDCs remains limited.** Considering all projects certified by Verified Carbon Standard (VCS), which accounts for 90% of issuances in the VCM, only 58 AFOLU projects (in various stages of execution) have been developed in 19 LDCs, with 31 of them currently generating annual emissions reductions of around 20 MtCO<sub>2e</sub>. In comparison, the total volume of AFOLU VCM issuances in 2020 was 57.25 MtCO<sub>2e</sub>. Furthermore, global VCM issuances in 2020 was 198 MtCO<sub>2e</sub> meaning that almost 9 times more voluntary carbon offsets were issued outside of the AFOLU sector in LDCs.

**18. Carbon removal initiatives in the AFOLU sector provide a distinct opportunity for delivering adaptation benefits in LDCs where they are most direly needed.** For example, the regeneration of forests and watersheds, using reforestation, afforestation or natural regeneration methods, provide both carbon sequestration benefits as well as adaptation benefits: these include improved land productivity, stabilization of soils against flooding and erosion, or continued productivity for cropland and livestock, water conservation and quality services, that underpin community resilience. An example of such an initiative is the Ecosystem-Based Adaptation project in the small island State of Comoros, which is implemented through GEF-LDCF and UNEP support, and which has conducted vast campaigns of watershed restoration in support of climate adaptation<sup>[40]</sup> and climate resilience. A final assessment of this project found that, while the strategies are effective in the short term, maintaining the ecosystem services would require financial incentives on an ongoing basis ? something that could have been provided through carbon financing. This demonstrates that while these types of initiatives are more frequently planned as adaptation projects, they do not typically result in the delivery of verified carbon credits. This is a missed opportunity in generating flows of finance and investment in AFOLU sector initiatives that provide win-win-win for private sector, community resilience and the global climate.

19. Another example is the use of agro-forestry in food value chains, which has significant potential for also delivering both adaptation and sequestration/carbon removal benefits. Enterprises with a net-zero mindset can invest in the production of food commodities using climate smart practices and agroforestry, linking private smallholder farmers with financial incentives to maintain soil cover on their farmland. This practice is being tested at various scales, including by Rabobank through the Acorn facility<sup>[41]</sup>; but also by EcoTierra and Viridis Terra International, two Canadian private sector companies who leverage carbon financing to support climate-smart, resilient agriculture. For example, the EcoTierra<sup>[42]</sup> Peru initiative has partnered with coffee grower cooperatives to reverse land degradation and restore degraded land by providing financial support for the renovation of aging farms and restoration of degraded land into agroforestry systems, allowing for the ?generation of carbon credits within two VCS-certified projects, while creating added value for coop members through sales of coffee and carbon credits. The increased income, which is also associated with improved climate risk management, supports farmers in their resilience to climate change.

**20. Scaling up AFOLU projects, particularly in LDCs, therefore provides an opportunity for corporations to diversify GHG reducing activities.** Yet, the need to rapidly deploy net-zero initiatives raises the risk that projects may not be properly vetted for risks or miss key adaptation benefits during development. If projects in the AFOLU sector are not properly screened for climate and social risks, the quality of project development is likely to be compromised, potentially leading to (i) higher climate vulnerability of farmer communities in LDCs, (ii) lack of confidence in carbon markets and in LDCs in particular and (iii) missed opportunities for maximizing potential for AFOLU sector in LDCs to absorb climate resilient investment flows from decarbonization efforts. On the other hand, if these projects are designed with adaptation considerations fully integrated, not only will the overall quality of AFOLU projects improve but climate adaptation and community resilience will also be enhanced and the climate finance gap for adaptation in LDCs will be reduced. Thus, net-zero initiatives present a unique opportunity to increase adaptation financing from the private sector.



## **Barriers**

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21. In an ideal scenario, private sector developers of net-zero initiatives would also factor in climate risks and the potential for generating win-win adaptation benefits. However, this is not occurring due to several barriers.

### ***Barrier 1: Limited knowledge to support integration of adaptation considerations in net-zero projects***

22. Since mitigation is the primary objective of net-zero AFOLU projects, climate risks along with adaptation and resilience strategies are rarely integrated into these initiatives, beyond being considered as co-benefits. There is currently also not a mandate or requirement for adaptation considerations in net-zero projects or carbon credits generated from these activities. Furthermore, carbon procurers do not have the appropriate tools available to screen and select net-zero projects that do integrate adaptation actions. The real value of adaptation mainstreaming is therefore often left untapped for project developers, who tend to focus on interventions with maximum mitigation and profitability potential, where the return-on-investment is highest and more readily measurable. Furthermore, this lack of knowledge about adaptation also carries a risk of maladaptation ? projects that are solely focused on the rapid achievement of mitigation benefits run the risk of adopting solutions that can create further problems. A case in point can be found in the vast programs of reforestation undertaken in the 1980s and 1990s in many LDCs using invasive species (e.g. Prosopis in semi-desert areas) or species that create water demand that is unsustainable (e.g eucalyptus in drylands) in a climate change scenario.
23. In some cases, unsuitable choices for emissions removals could actually lead to further emissions in the long run. For example, reforestation through fast-growing, mono species plantation would most likely not deliver much in adaptation benefits, carry harm to biodiversity, hamper adaptation potential from multi-use species, and lead to carbon leakage more quickly as fast-growing trees usually do not live as long as other species, and tend to be felled more often by vulnerable communities.
24. However, there are few tools available to support project developers in understanding, analysing and mainstreaming adaptation beyond a simple statement of net-zero objective, and in particular, no consensus on legitimate adaptation metrics that may be included in private investment performance indicators. This limited capacity is even more evident among project developers in LDCs due to the root causes explained in the above, despite the importance of climate action in the AFOLU sector.

### ***Barrier 2: Limited investment and financing opportunities for adaptation-oriented net-zero projects***

25. In addition, the AFOLU sectors in LDCs are generally perceived as having lower investment potential and higher economic risk when compared to other sectors such as mining, extraction, and energy. Bank lending therefore tends to be lower, with higher interest rates, making it less attractive for loan takers. As a result, projects that demonstrate adaptation benefits, or have the potential to do so, are currently not attracting adequate finance, and the adaptation investment potential therefore remains untapped.

26. Currently, limited opportunities remain available for project developers to access capital for AFOLU net-zero projects in LDCs, including for those that demonstrate significant adaptation and mitigation potential. Transaction costs for financial services are high, due to the high-risk nature of the agriculture and land use sectors, and tailored financial products for net-zero adaptation are absent or largely insufficient. This is partly due to the lack of AFOLU sector expertise and awareness of adaptation options within financial institutions. Further, there is currently no facility in place to provide concessional finance to project developers wanting to integrate adaptation into their net-zero initiatives.
- 2) **Baseline scenario and any associated baseline projects**
27. The baseline scenario and associated projects are described below. In the baseline, governments in LDCs have established relevant policies, plans and programmes in support of climate change actions in the agriculture and land-use sectors, including for net-zero project development. These include National Adaptation Plans and Programs, sectoral adaptation policies, dedicated budgetary allocations, and other frameworks.
28. Several investments by governments, private sector corporations and international development partners are promoting climate-smart approaches in the agriculture and land-use sectors worldwide and particularly in LDCs, where these sectors rank at the top for both adaptation and mitigation priorities. The proposed project will work closely with several relevant initiatives and stakeholders to build on their achievements and leverage or amplify their investments.

Table 1 Relevant FAO-led initiatives

<b>Initiative</b>	<b>Date</b>	<b>Budget</b>	<b>Summary</b>	<b>Synergies</b>
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<p><b>The Scaling up Climate Ambition on Land Use and Agriculture through nationally determined contributions and National Adaptation Plans (SCALA) programme</b></p>	<p>2021 ? 2025</p>	<p>Euro 20 million</p>	<p>SCALA responds to the urgent need for increased action to cope with climate change impacts in the agriculture and land use sectors. SCALA supports twelve countries in Africa, Asia, and Latin America (including 5 LDCs: Ethiopia, Cambodia, Uganda, Nepal, Senegal) to build adaptive capacity and reduce greenhouse gas emissions to meet targets set out in their National Adaptation Plans (NAPs) and nationally determined contributions (NDCs), as well as contribute to the Sustainable Development Goals (SDGs). FAO and the United Nations Development Programme (UNDP) are co-leading this 20</p>	<p>The proposed project will explore opportunities to use the climate resilience and net-zero guidance produced under SCALA to inform the screening tool being advanced under Output 1. Although the pipeline of projects that will be screened and potentially supported by NZAF will be demand-driven, existing networks established through SCALA will be built upon to raise awareness on the NZAF initiative and its various tools and opportunities.</p>
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million Euro programme (2021-2025) with funding from the German Ministry of Environment, Nature Conservation and Nuclear Safety (BMU) through its International Climate Initiative (IKI).

\* The programme emphasizes collaboration with the private sector actors to drive implementation of agriculture and land use priorities of the NDCs of 12 SCALA countries,

\*SCALA has established a Technical Assistance Facility for private sector engagement in NDC/NAP implementation through demand-led approaches based on countries?

		<p>national agriculture and land use sector priorities. The Technical Assistance Facility will give priority to an additional 12 LDCs.</p> <p>*In collaboration with World Business Council for Sustainable Development (WBCSD), SCALA programme has developed 'climate resilience and net zero guidance' (forthcoming) to help companies and public entities identify opportunities to meet NDC/NAP targets and commitments.</p>	
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<p><b>Knowledge for Investment (K4I) Initiative</b></p>	<p>Continuing</p>	<p>N/A</p>	<p>The FAO Investment Centre together with the Office of Climate Change, Biodiversity and Environment, is undertaking a project on increasing private sector investments in NDCs and National Adaptation Plans for low carbon and climate resilient agriculture. The study aims to develop recommendations for de-risking private sector investments to support climate change mitigation and adaptation actions relevant for equitable, climate resilient and nature positive agriculture and land use.</p>	<p>The proposed project will aim to build on lessons learned from this study to develop de-risking solutions to support the financial mechanism to be established under the project.</p>
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REDD+	Continuing	N/A	<p>In the context of the UN REDD Program, FAO works in collaboration with UNDP and UNEP to promote public-private partnerships to scale up investments on REDD+ implementation. FAO's support to countries is based on assessing the drivers of deforestation and forest degradation and finding opportunities for forest carbon conservation, management, and enhancement. FAO helps countries design and implement REDD+ mitigation actions, which offer both carbon and non-carbon benefits.</p>	<p>The proposed project will build on the experiences of this program and the financial and institutional innovation for reducing the risks of private sector investments in sustainable forestry. The project can also demonstrate how private sector can be a major player in REDD+ finance, notably by undertaking low-emission investments in land-based activities and sustainable forestry, assessing how activities may drive deforestation and forest degradation in each country, shedding light on how extraction practices (or those of PS suppliers) affect forests along its value chains.</p>
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Table 2 Relevant Winrock initiatives

Initiative	Description	Synergy
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<p><b>American Carbon Registry (ACR)</b></p>	<p>The American Carbon Registry, a wholly owned subsidiary of Winrock International, is among the top 3 global registries for the voluntary carbon market and provides exposure to several reputable project developers, carbon aggregators and private sector companies.</p>	<p>The proposed project will explore integration with ACR's project verification process as an additional consideration for project developers to help minimize climate risks and demonstrate climate adaptation benefits of their carbon projects that are situated in LDCs.</p>
<p><b>ONE-SL</b></p>	<p>The Offset National Emissions through Sustainable Landscapes (ONE-SL) project, funded by the U.S. Department of State and implemented by Winrock International, aims to develop enhanced understanding and capacity for successful implementation of nested jurisdictional Reducing Emissions from Deforestation and Forest Degradation (REDD+) programs among countries, project developers and commercial industry offset purchasers. Currently the ONE-SL project operates in Zambia, Cambodia, Colombia, Uganda and Kenya.</p>	<p>The proposed project will explore partnership opportunities with project developers and commercial industry offset purchasers that express interesting in participating in AFOLU projects in LDCs.</p>



<b>WinRes</b>	WinRes is a project screening tool developed by Winrock to help investors, corporations, and governments assess the resiliency impact of their investments. The tool uses climate models and social risk indicators to assess how the project's activities address projected climate impacts and vulnerabilities of the project's targeted population.	The proposed project builds on the existing WinRes tool. Firstly, the current WinRes tool is in Excel format, while the proposed project will make the spreadsheet into an online portal ? increasing the reach and impact of the tool. In addition, the proposed project will expand on the climate data and social risk indicators by linking to Internet-based or linked datasets that won't be able to be used until a change in software.
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Table 3 Relevant private sector initiatives

<b>Initiative</b>	<b>Description</b>	<b>Synergy</b>
<b>Acorn</b>	The Acorn platform is a carbon marketplace sponsored by Rabobank in collaboration with strategic partners like Microsoft that aims to provide a scalable solution to combat climate change, land degradation and increase food security. ACORN works with smallholder farmers who are interested in adopting agroforestry farming techniques and monetizes resulting carbon reductions called Carbon Reduction Units (CRUs). CRUs are sold to private sector organizations looking to meet their carbon reduction goals. ACORN guarantees that 80% of the value of CRUs are transferred to developers of the agroforestry project.	The proposed project will explore integration with ACORN's project verification process as an additional consideration for project developers to help minimize climate risks and demonstrate climate adaptation benefits of their carbon projects that are situated in LDCs.

<b>ClimateAI</b>	ClimateAI sells climate forecasting software to help with production planning. Clients of ClimateAI typically are organizations in the AFOLU sector that work directly with farmers. ClimateAI's software analyses production decisions of clients, screening the decisions using climate forecasting of the locale that the decision will be implemented in and predicting how the production decisions will interact with and be influenced by predicted climatic outcomes.	Methods and protocols of climate forecasting employed by ClimateAI may be used in the WinRes online platform.
<b>California Climate Action Reserve (CCAR)</b>	Launched in 2008, the California Climate Action Reserve (CCAR) is an offset registry for global carbon markets. To help the over 350 registered governments, private sector, and civil society organizations reduce GHG emissions, CCAR assists with ensuring environmental integrity and financial benefit of emission reduction projects. This is achieved by audits from third-party verification bodies using CAR's standards, issuing carbon credits, and tracking carbon credit transactions on a publicly accessible website.	Given California's importance in the global economy and adoption of standards internationally, CCAR standards may be utilized in development of WinRes' indicators.
<b>UNFCCC Carbon Offset Platform (COP)</b>	UNFCCC's COP portal is linked to the CDM; however, instead of nations purchasing CER credits, UNFCCC's COP portal is open to all stakeholders and members-of-the-public. Individuals or organizations that utilize UNFCCC's COP portal calculate their GHG emissions and then purchase CER credits from CDM projects.	The registry will be used to generate a potential pipeline of projects that could also benefit from integrating adaptation benefits.

<b>Verra Carbon Services</b>	Verra was founded in 2007 to provide quality assurance in voluntary carbon markets. To accomplish this goal, Verra has developed a carbon registry and manages global standards and frameworks for a carbon registration. To help governments, civil society, and private sector organizations meet their GHG reduction goals, Verra oversees several projects and initiatives, including the <b>VCS Program</b> ? a carbon credit program and world?s largest voluntary GHG program.	Verra?s carbon registry will be searched to identify potential projects to integrate the pipeline in Outcome 1.
<b>Earthshot Labs</b>	Earthshot is a private sector enterprise working to restore forests and remove carbon emissions using science, artificial intelligence and latest technology. They are currently implementing over 30 projects focusing on afforestation and reforestation and REDD+ approaches, monitoring environmental co-benefits as well as carbon and community resilience benefits.	Earthshot will be a key partner in this project by jointly developing the screening tool, leveraging their own risk assessment platform and processes. Earthshot have agreed to cofinance the project.

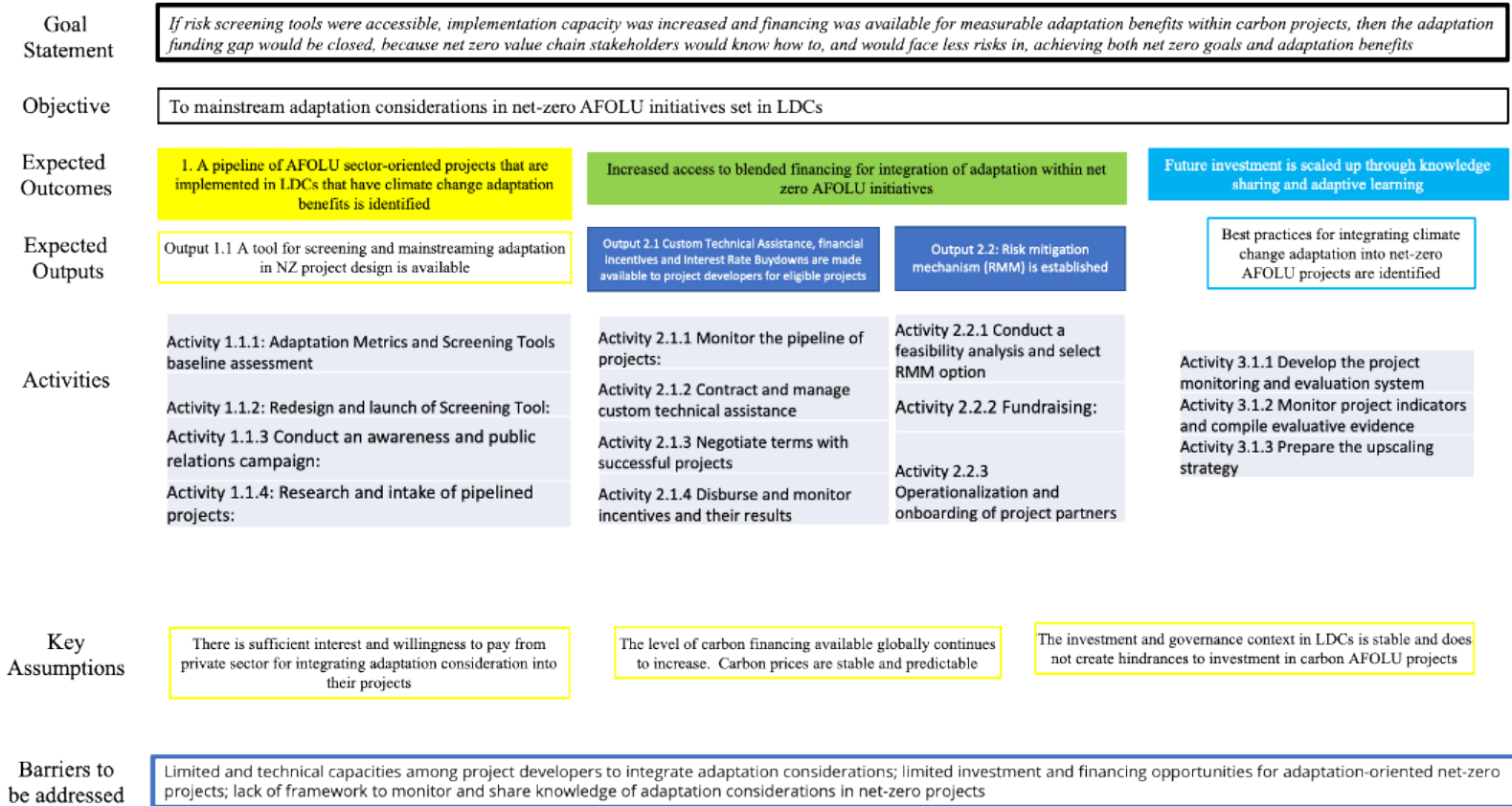
Table 4. Other initiatives

<b>Initiative name</b>	<b>Organization</b>	<b>Budget</b>	<b>Dates</b>	<b>Summary</b>	<b>Synergies</b>
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Adaptation Benefit Mechanism (ABM)	African Development Bank (ADB)	USD 2 m	2019 - 2023	ABM is a certification program managed by the ADB that will use fee-for-service to evaluate projects? adaptation benefits, with the idea of creating a registry of verified adaptation benefits. It is in a pilot phase until 2023.	Winrock will explore whether ABM methodologies and identified benefits can be incorporated into the screening tool and recommendations made to project developers.
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- 3) Proposed alternative scenario with a brief description of expected outcomes and components of the project and the project's Theory of Change
29. In the Business-as-Usual Scenario, adaptation finance continues to be marginalized, particularly within private sector investment flows, which are continuing to grow as companies become aware of opportunities. Mitigation projects in the AFOLU sectors would continue to be at risk from climate impacts and developing countries would continue to be vulnerable because of missed opportunities for co-investment.
30. The proposed theory of change for this project is based on the recognized need to maximize the adaptation potential of carbon inset/offset projects in order to begin to bridge the adaptation finance gap, as well as to reduce the risks to projects themselves. Therefore, there is a need to create tools and financial mechanisms to increase capacity and reduce the hurdles to integrating adaptation options into carbon projects. If risk screening tools were accessible, implementation capacity was increased and financing was available for measurable adaptation benefits within carbon projects, then the adaptation funding gap would be closed, because net zero value chain stakeholders would know how to, and would face less risks in, achieving both net zero goals and adaptation benefits.
31. The project's theory of change is outlined in the figure below.

Figure 6 NZAF ToC



32. The project's components, outcomes and outputs are described in more detail below. This project focuses on creating the conditions for accelerating uptake of adaptation benefits into mitigation projects by piloting different approaches in LDCs, with a focus on agriculture, forestry and other land use projects. Component 1 creates the tools, methodological support and networks designed to generate a pipeline of projects, increase awareness of opportunities and benefits, and support private sector proponents in their efforts. Component 2 creates an innovative blended finance mechanism to incentivize the integration of climate risk management and incorporation of adaptation solutions by stakeholders across net-zero project

value chain. Finally, Component 3 leverages lessons learned from these test cases to validate the theory of change, and broaden and upscale the scope to other sectors, countries and types of projects. The project intends to achieve three main outcomes in the following manner:

**Outcome 1: A pipeline of net-zero projects in the AFOLU sector in LDCs that have climate change adaptation benefits is identified**

33. In order to generate a steady pipeline of AFOLU projects, the project will use GEF funding to liaise with the various stakeholders in the net-zero projects value chain such as project developers, carbon financiers, corporations with net-zero goals etc. Project registries and certification provider such as Verra, ACR, Gold Standard and Plan Vivo will also be researched to access their pipeline of AFOLU projects being developed in LDCs.
34. GEF funding will be used to create and promote adoption of a tool to identify exposure to climate stressors, analyze their potential impacts and then recommend adaptation solutions, where applicable. This tool will not only screen climate projects for any risk and damage they themselves may incur from climate change, but also for the potential additional resilience and adaptation benefits they may deliver, as well as for potential maladaptation or ?emissions leakage?.
35. The tool will be created in coordination and collaboration with existing climate risk analysis service providers to leverage existing solutions, datasets, and infrastructure and, hence, deliver greater value from GEF funding. While including risk screening at the earliest stages of project development is optimal in providing planners and designers a fuller understanding of risks and a greater range of management options, the NZAF project will ensure that climate risk assessment and integration can also be undertaken as standalone assessments for projects that are already well advanced.

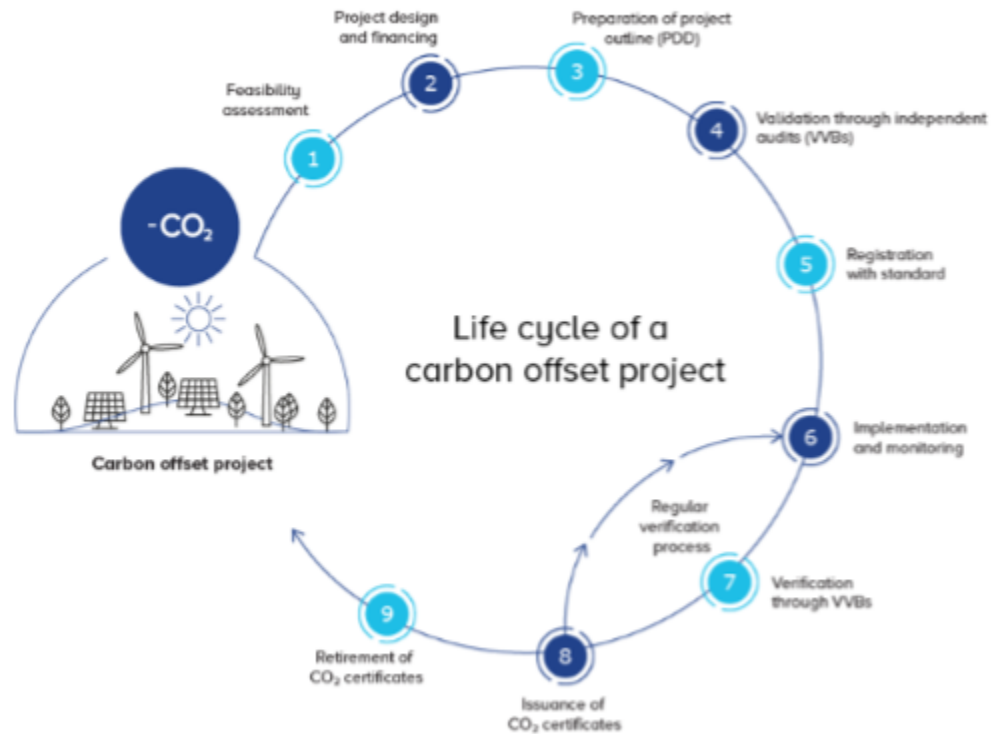
***Output 1.1: A tool for screening and mainstreaming adaptation in net zero project design is available***

36. A tool for screening and mainstreaming resilience and adaptation considerations in projects that produce carbon credits and interventions that reduce carbon in agriculture or natural commodity supply chains will be developed. This output builds on, and evolves from, the work undertaken by Winrock on the Resilience Investment Screen (WinRes), a tool that was first designed for global social impact firm Acumen under the framework of the Acumen Resilient Agriculture Fund (ARAF) project, which screens adaptation benefits and climate risks from agricultural investments. The purpose of WinRes is twofold: first, to screen and assess climate risks to the project and its business model, and second, to increase the project?s consideration of climate vulnerability in target communities ? both with a view of making recommended adjustments designed to reduce risk and maladaptation. Currently, WinRes? assessment captures the following in the context of agribusinesses and has been used in screening agricultural investments worth \$16 million.
37. WinRes was originally designed to assess 1) weather and climate change risks to the business model in its target location and how the business activity addresses these risks; 2) climate vulnerability of the target population and how the business model addresses those vulnerabilities by building the climate resilience of the community; and 3) any potential negative impacts of the investment that would exacerbate climate risks

or dilute investment benefits. In order to actively pursue design changes or investment strategies, private sector companies need to see the potential benefits of adaptation strategies prior to engaging. This is what ? beyond ensuring that no harm is done and that the project is viable ? will ensure long-term upscaling of this approach. Therefore, the WinRes tool now needs to be expanded into a more specified screening mechanism that aligns with carbon project development and that is designed to not only limit negative impacts but also identify opportunities.

38. To deliver this output, the WinRes tool will be redesigned and revised to identify any potential gaps or risk and resilience assessment needs that extend beyond Winrock?s current screening level assessment. The tool will be aligned with existing carbon project development processes and methods, such that the potential climate risk and resilience measures are considered from the outset if the project being screened is in the pre-development stage, but also allow for design changes if the project being screened is at a more mature state of development. Climate risk and resilience integration needs and entry points in the carbon offset project development and life cycle specific to AFOLU projects (see for example Figure 77 below) will be identified and built into the data input, analytical and output processes. The current level of integration of climate risk and resilience into approved voluntary carbon framework methodologies and tools relevant to the AFOLU sector will be taken into consideration while designing the tool. This includes building on the FAO?s Climate Resilience and Net-Zero guidance and Climate Risk Toolbox[43], the guidelines on monitoring, reporting and verification of mitigation actions in the AFOLU sector (FAO), and the latest knowledge on adaptation monitoring and resilience measurements including the FAO Resilience Index Monitoring Assessment Framework (RIMA) and the work conducted under the Adaptation Benefits Mechanism, which will be delivered under Output 3.1.
39. Feeding into the development of the screening tool, a technical review of existing and available adaptation metrics, adaptation benefits measures and other adaptation or resilience related performance indicators will be conducted, to create a menu of indicators that can be adopted by project proponents in all sectors. Importantly, these indicators will go beyond the traditional accounting of beneficiaries and provide a framework for proponents to delve into the locally specific and qualitative aspects of climate risk and climate resilience. Best practices in terms of adaptation results monitoring will be drawn upon, including from FAO and GEF past projects, for example, and work may be conducted in cooperation with the GEF Evaluation Office, the World Bank Adaptation Benefits Mechanism initiative, or with the Green Climate Fund Results Division. These indicators and Key Performance Indicators will serve to inform recommendations made to project proponents on design improvements for reduced risk and increased benefits.
40. As is normally observed, the level of detail will increase across the project development process - as the project development moves from high level pre-feasibility towards project design and financing. Part of the objective of mapping entry points will be to outline climate related data needs and resources, and to identify trade-offs across different approaches. These trade-offs may include increased cost, expertise needs, and time requirements, amongst others. Ultimately, the goal is to create a process and tool(s) that are fit for purpose, and ideally aligned with existing processes.

Figure 7 Carbon Offset Project Life Cycle; Source: ClimatePartner



41. The approach will differentiate climate information needs by AFOLU carbon project type. At each stage in the project life cycle, entry points, information needs, and resources will be identified. For example, during the project planning phase feasibility assessment it may be appropriate to consider climate risk assessment that accounts for 1) exposure of natural resources and people to different climate risks; 2) sensitivity of the resources, people, or species to climate exposure; and 3) adaptive capacity of the system to respond successfully to climate impacts which may consider access to resources, poverty, enforcement.



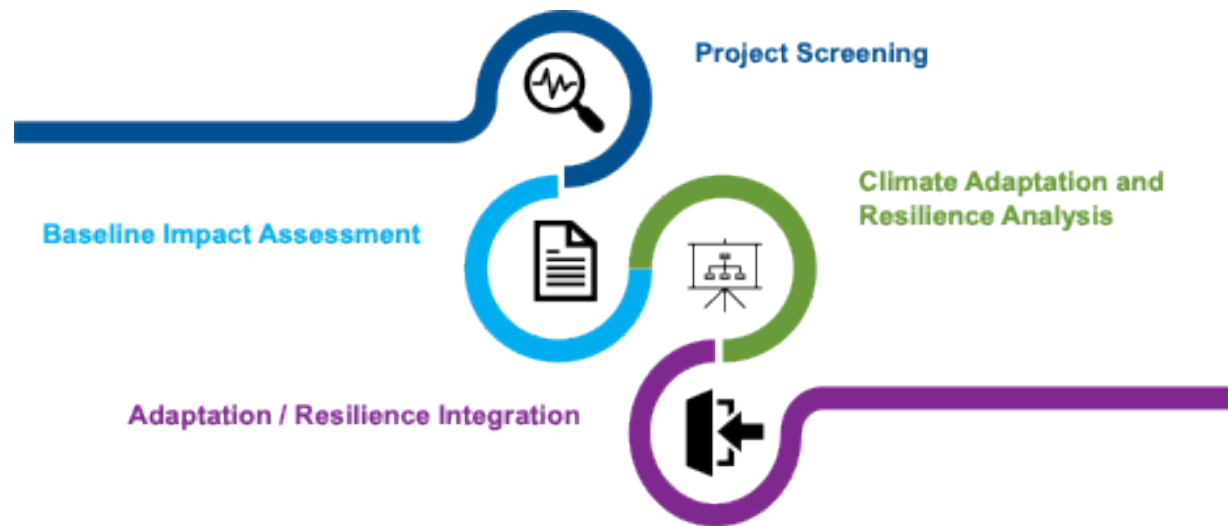
42. Based on the entry points assessment, the extent to which WinRes can be applied and modified to address climate integration needs across the project life cycle (Figure 7) will be assessed, as well as whether there are gaps or potential additional data/tools and resources required to support resilient projects and outcomes. Subsequently, modifications will be made to the tool such that it aligns with carbon project development stages, includes relevant information and resources at each stage.

43. The tool will be deployed as a semi-automated online platform that will leverage both human and artificial intelligence. For example, it may use methods and protocols developed by Climate AI or EarthShot Labs, leverage data from climateinformation.org, or the IPCC i.e. ClimateTech Providers (CPs) to generate project-specific climate risk assessments over different periods of time, that could be related to financial forecasts. It may also leverage expertise to assess climate risks and vulnerability of local communities in areas where the project is intended to deploy, all with a view of generating recommendations for reduced risk, increased Return on Investment and most importantly, increased climate benefits. The screening and training platform and tools will be housed and owned by WinRock and will be offered through the Software-as-a-Service (SaaS) model during operations phase.

44. Particular attention will be granted to projects run by women and youth-owned businesses, or projects that expect to generate specific adaptation benefits (or reduced risks) to women and youth in LDCs. All projects and proponents will be required to pass standard legal, fiduciary, gender and ESG requirements. A detailed list of eligibility and exclusion criteria will be developed during the first year of the project (for example, based on FAO's private sector strategy<sup>[44]</sup>).

45. The NZAF engagement process with the aforementioned pipeline will comprise of 4 stages as shown below in Figure 8:

Figure 8: Project engagement with NZAF



Stage 1. Project Screening

46. Project developers seeking to engage with NZAF would be required to make the following types of information available that would feed into the model as inputs:
- ? Geolocation information
  - ? Geospatial information
  - ? Project type
  - ? Business plan
47. After receiving the above inputs, the data gaps will be identified and suitable proxies built into the tool, or technical expertise will be used to fill those gaps.

Stage 2. Baseline Impact Assessment

48. Based on data inputs received during the project screening phase, the tool will determine exposure to current and projected climate stressors, both acute (e.g., floods, droughts, heatwaves) and chronic (e.g., temperature rise, increased precipitation). Where feasible, both likelihood and intensity of climate stressors will be identified, and stressors will be classified into high, medium and low risk categories. The tool will then determine the impact

of high and medium climate risks across four categories ? carbon, commodity, operational, and communities and ecosystems, as illustrated in Figure 9. Identified impacts will be categorized as High, Medium and Low.

Figure 9: Baseline impact assessment.



49. The above-listed impacts will be described quantitatively and/or qualitatively depending on (a) quality of input data and (b) impact variable being assessed. The scope of the assessment will be tailored to the size of the project ? so that the cost of assessment does not outweigh the value it may bring to the project, for instance.

Stage 3. Climate Adaptation and Resilience Analysis

50. Following the baseline impact assessment, NZAF will provide support for integrating adaptation solutions and strategies to counter potential medium to high impacts. For the high and medium impact category of risks, the NZAF tool will provide a menu of adaptation solutions supported by best-in-class literature and data applicable to the context of the project and access to an expert hotline. The project will develop training modules (standalone, online, pre-recorded materials) that will assist private sector developers in the design of projects and in the integration of adaptation recommendations into their projects at various entry points. The training modules will be related to the screening platform so that project developers can access a seamless suite of capacity building services from the same platform. For example, if a quantitative assessment of the performance of

adaptation measures in reducing risk or greenhouse gas emissions is required for a specific AFOLU sector, capability needs will be articulated and potential platforms or tools that provide the requisite information will be identified.

51. For only the high impact category projects, NZAF will provide direct technical assistance through engagement of adaptation experts who can help design custom adaptation solutions and provide analytical support such as understanding the cost-benefit analysis of a range of applicable adaptation solutions. This will be provided as part of the blended finance facility discussed in Outcome 2.

52. Outcome 1-related activities will differ during development stage, pilot stage and implementation stage. It is expected that the development stage will last from March 2023 to December 2023 (Year 1), the pilot stage will last from January 2024 to December 2024 (Year 2) and the operations stage will begin January 2025 onwards (Year 3 and thereafter).

53. During the pilot stage, the use of the tool will be available for free to interested project developers to encourage adoption, to build a pipeline of paying customers and also validate the design of the screening and analytical platform. Upon reaching implementation stage, the tool will be available for a fee that would be commensurate to the size of the project being screened (e.g. on \$/tCO<sub>2</sub> reduced and/or removed basis). The proceeds will be used to run and operate the platform on a continuous basis. Both the screening tools and training platform will serve as the entry point into the blended finance facility supported under Outcome 2. At the end of the proposed NZAF project, it is expected that at least 25 projects will have been identified and screened.

54. The screening tool will also be used to engage with procurers of carbon credits or low-carbon commodities, such as food and agriculture corporations with net zero commitments (i.e. procuring partners). Several of these companies have internal carbon pricing models that recognize the transition and market risks of a high-carbon supply chain. Such corporations will be ideal partners for the NZAF. The screening and analytical tool will help them identify vulnerabilities in the net zero projects from which they are considering procuring and the Blended Finance Facility (Outcome 2) will help defray those risks and ensure sustainability through better project outcomes and lower financing costs. Similar to the financial market transformation, it is intended that procuring partners will, over the medium term, recognize the inherent value of a climate resilient net zero project and hence will provided a premium contract (i.e. better carbon price). The internalization of the value of resilience will further lead to the incorporation of climate risk management and adaptation solutions within corporate net zero initiatives.

55. The main activities to be delivered with GEF support under this outcome include:

56. *Activity 1.1.1: Adaptation Metrics and Screening Tools baseline assessment.* Under this activity, the WinRock team will first conduct a state-of-the-art assessment of available screening tools, technologies and methodologies, to ensure harmonization and to build on existing platforms. This work will be done in partnership with FAO and other stakeholders such as Earthshot Labs.

57. *Activity 1.1.2: Redesign and launch of Screening Tool:* Based on the assessment above, the WinRock team will redesign the existing WinRes screening tool to account for particularities in the carbon project cycle. This will also include the definition and documentation of adaptation and resilience metrics and other Key Performance Indicators that will be included in the screening tool or as recommended modifications to project designs. The redesign of the tool will also involve creating automated processes using IT and AI, linking to existing global databases of climate data, to ensure seamless integration for project developers of various types. Pricing modalities and intellectual property will also be clarified at this stage. After a round of testing with hypothetical projects, the platform will be launched, together with the awareness raising and public relation campaign.

58. *Activity 1.1.3 Conduct an awareness and public relations campaign:* In order to generate a suitable pipeline of candidate projects, the Winrock team, together with members of the project steering committee will conduct an awareness-raising campaign that will include demonstration of the tool and its potential at various climate events, including for example meetings of the UNFCCC, carbon markets events, forestry forums, and other venues where potential project developers may be found. A list of events and a communication strategy including key messages, presentation decks, and printed materials will be developed at the start of the project to ensure consistency of messaging. The campaign will last the entire duration of the project.

59. *Activity 1.1.4: Research and intake of pipelined projects:* In parallel to the public campaign, targeted efforts and research will be mobilized to identify a pipeline of suitable projects. This will include conducting research and analysis of databases of projects such as ACR or Verra, but also holding bilateral discussions with project developers, carbon procurers and AFOLU stakeholders to ensure a pipeline of quality projects is identified.

***Outcome 2: Increased access to blended financing for integration of adaptation within net zero AFOLU initiatives***

60. Activities under Outcome 2 provide incentives in the form of reduced adaptation costs, financing costs as well as mitigated financial risks through the formation and deployment of a Blended Finance Facility (BFF). Blended finance is defined as “the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development”<sup>[45]</sup>. In the context of NZAF, this is very pertinent, because, as explained in previous sections there is a massive gap in private sector finance for adaptation. Convergence<sup>[46]</sup> has identified four archetypes of blended finance structures:

1. *Transaction is associated with a grant-funded technical assistance facility (TA Facility) that can be utilized pre- or post-investment to strengthen commercial viability and developmental impact (referred to as technical assistance funds in this primer) - This structure is most effective for addressing situations where the lack of technical know-how is a major barrier for unlocking interested developers and capital providers. TA Facilities can deliver high leverage as the cost of technical assistance is minute compared to overall project costs.*
  2. *Transaction design or preparation is grant-funded (including project preparation or design-stage grants) (referred to as design-stage grants in this primer) ? This structure is most effective in addressing situations where upfront costs pose a major barrier for behaviour change. As above, partial funding for upfront costs for design changes deliver high leverage because they tend to be a small part of overall project costs.*
  3. *Public or philanthropic investors provide credit enhancement through guarantees or insurance on below-market terms (referred to as guarantee / risk insurance in this primer) - This structure is most effective to address situations where perceived riskiness of an investment opportunity or an asset type act as a barrier for attracting commercial investors. A major advantage of this structure is that leverage ratios can be high over the lifetime of the structure, if the credit enhancement is not invoked more than expected.*
  4. *Public or philanthropic investors provide funds on below-market terms within the capital structure to lower the overall cost of capital or to provide an additional layer of protection to private investors (referred to as concessional capital in this primer) - This structure is most effective to address situations where low market returns under the business-as-usual scenario act as a barrier for attracting commercial rate capital. A drawback for this structure is that leverage ratios are lower.*
61. To overcome existing barriers to the mainstreaming of adaptation into net-zero projects, the proposed BFF builds on each of the four types of mechanism described above. Regarding the fourth mechanism, however, because private investment capital appears to be forming at a high pace due to the net zero movement, and because leverage is a key outcome, it is not recommended to provide concessional capital for investing alongside private investors. Instead, a Cost of Finance Buydown (CFB) mechanism will be used to deliver concessionality to existing capital providers.
62. Initial consultations with a broad range of project developers and carbon project stakeholders have shown that there is considerable interest in a BFF that provides hands-on technical assistance, financial incentives, concessional financing and risk mitigation. The design of NZAF's BFF is based on a fundamental principle in project and corporate finance that the cost of capital should reflect the inherent riskiness of the nature of investment. In other words, all else being equal, a project that faces fewer risks should have a lower cost of financing than a project that faces higher risks. This is

commonly achieved in the infrastructure sector through bond or debt rating, where bonds with higher rating attract lower interest rates and vice versa. However, the current state of project finance for net zero projects is very fragmented and adhoc, and such mechanisms do not yet exist. Hence, the proposed BFF is a crucial component in NZAF's strategy for achieving market transformation for the carbon finance market, by demonstrating over the medium-term the superior performance of climate resilient carbon projects vis-?-vis non-climate resilient ones. As a result of the resources deployed by the BFF, it is intended that over the long run the market will observe the inherent value of investing in climate-resilient carbon projects and will develop risk-adjusted pricing models that will deliver lower cost financing. These three first elements of the BFF (custom technical assistance, financial incentives and cost of finance buydowns) will be fully operationalized during the three years of project execution, but the fourth and final element (a risk mitigation mechanism) will only be developed for future operationalization.

***Output 2.1: Custom Technical Assistance, Implementation incentives and Cost of Finance Buydowns are made available to project developers for eligible projects***

63. The project under Output 2.1 intends to incentivize and deliver concessionality for net-zero AFOLU projects through a combination of custom technical assistance, implementation incentives and interest-rate buydowns to reduce financing costs and meet the costs of adaptation. These will be deployed once projects have completed the various screenings and assessments described under Outcome 1.

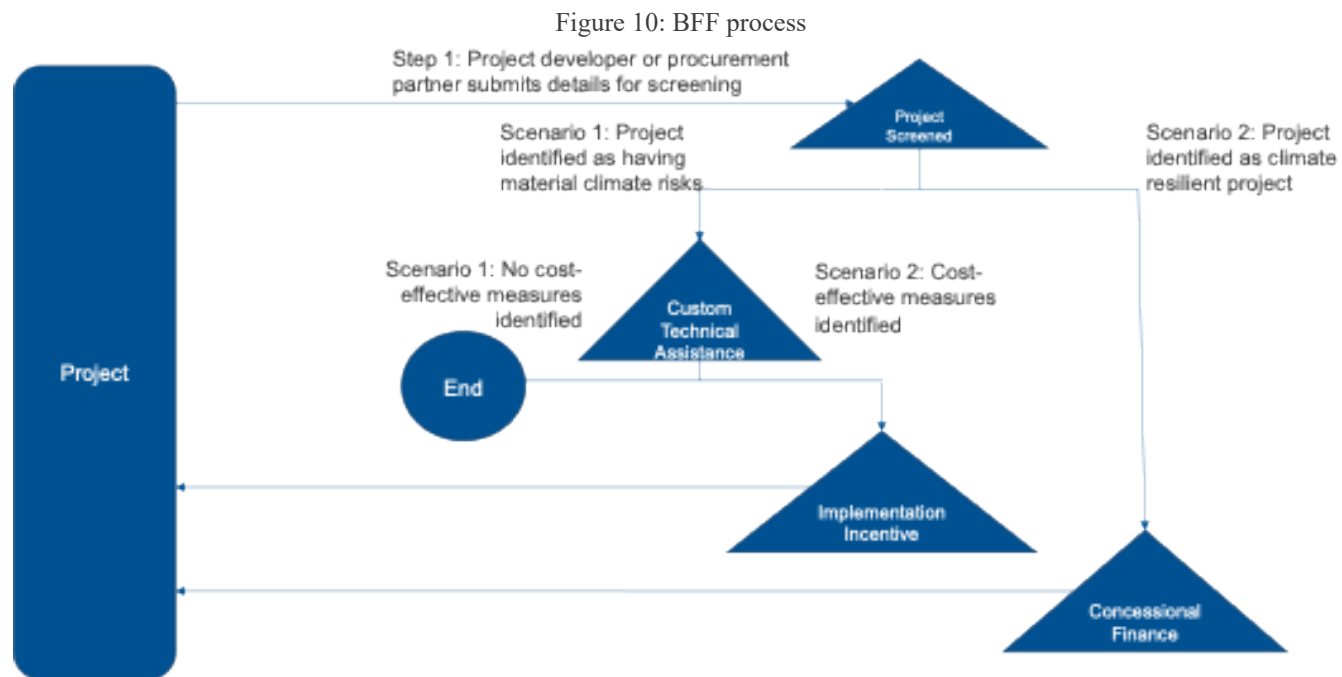
1. *Custom Technical Assistance*: Screened projects that are found to have high impact risks will have access to technical expertise. Empanelled technical experts with relevant geographical and technical expertise will be made available to help design custom adaptation solutions to counter high impact risks. Such experts will provide both technical know-how as well as conduct cost-benefit analysis to help with operational and financial decision-making.

2. *Adaptation Implementation Incentives*: Projects for which cost-effective adaptation measures are identified, and that integrate proposed adaptation measures into the project capital expenditure and operational plans, will receive financial incentives from the BFF to offset the additional cost and incentivize uptake of adaptation solutions. The incentive amount will be capped at 5% of the total estimated or actual project cost (depending on the project stage).

3. *Cost of Finance Buydown (CFB)*: The CFB is a mechanism that will help drive down cost of financing for climate-resilient projects. From an operational point of view, this means that if it is determined through the screening process that a project is not likely to face high impact risks (either because of lower exposure or good project design) and have demonstrated, positive impacts in terms of climate resilience, then the project will be supported to reduce its interest cost (thereby reducing cost of debt). The CFB support will be equal to reducing 5% of interest rate for a period of 5

years for an amount of debt capped at 60% total project cost (estimated or actual). It is recognized that several carbon projects do not carry debt at the project level. In such cases, the CFB amount will be sized to assumed level of debt equalling 60% of total project cost (estimated or actual).

64. For Output 2.1, the engagement process will begin with either project developers or procurement partners submitting their project for screening as described in Output 1.1. Initial screening steps will include not only project-based criteria but also proponent-based criteria to ensure due diligence. Only projects submitted through the screening platform who take on the screening tool recommendations for integration of adaptation/resilience considerations would be eligible to receive support from the BFF. Figure 10 illustrates the engagement of project's engagement with the Blended Finance Facility from the project developer or procurement partner's perspective.





### Case Study ? Developer X, Uganda

The following describes a hypothetical example of an agroforestry project in Uganda.

This project is proposed by Developer X and proposes the integration of agroforestry into 200 ha of coffee cultivation (acacia trees into arabica monoculture). In addition, the developer proposes an additional 400 ha of afforestation in adjacent degraded areas to support ecosystem services and local community resilience. The total investment required is \$200,000 for agroforestry and \$200,000 for afforestation for a total of \$400,000.

In the first stage, Developer X submits the project details for screening using the online platform and tool. The screening shows that there is a high risk and probability (50%) but that the acacia trees would be destroyed by drought in the next 5 years, and that the integration of acacia could pose a risk to the local biodiversity. Considering that a high-impact climate risk is identified, the project would not be eligible for CFB but the project developer can avail of Custom Technical Assistance to improve their design.

The project developer is matched with an expert consultant (paid by the BFF). The expert consultant ascertains that replacing acacia with coconut trees would be more cost effective over a 10-year performance period because increased cost of planting and maintaining coconut trees instead of acacia is balanced by the increased resilience (coconut trees being more resilient to droughts than acacia trees) and by the delivery of income diversification benefits through coconuts (if supported by TA to the community). The expert also determines that the incremental return on investment i.e. \$40,000 from choosing coconut trees over acacia trees is 2% below the project hurdle rate of 20%. However, with the provision of 5% i.e. \$20,000 Adaptation Implementation Incentive, the incremental return of investment would increase to 23%, which brings overall return on investment to slightly above the non-resilient scenario.

Therefore, Developer X decides to modify their project design and to resubmit the project. At this stage, the developer does not need to re-enter the pipeline through the screening tool, but to document the changes made to the design, and to integrate adaptation/resilience metrics. Upon submission of a statement of additionality, describing the details of adaptation measure integration, the BFF delivers the Adaptation Implementation Incentive. The incentive is disbursed after developer presents signed contracts for inputs and other material required for adaptation measure integration. During implementation of the project, Developer X will be required to report on the benefits and agreed key performance indicators.

65. Main activities under Output 2.1 are as follows:

66. *Activity 2.1.1 Monitor the pipeline of projects:* The incoming pipeline of projects, which will be built through Output 1.1, will be continuously monitored as projects enter the screening tool. This will include both quantitative and qualitative monitoring by the Winrock team, ensuring that

projects meet the basic requirements and eligibility criteria (LDCs, typology of projects, representation, gender and ESG, etc). This may also require conducting spot-checks of the automated screening tool to ensure its efficiency and effectiveness, and to maximize opportunities for the different types of projects and stakeholders. This activity generates information that will feed into the project's monitoring and evaluation system, upscaling strategy as well as information required to continually improve the screening tool and process.

67. *Activity 2.1.2 Contract and manage custom technical assistance:* The Winrock team, with support from FAO, will create a roster of technical experts and consultants who may be called upon during the analysis of projects. This will include developing terms of reference, profile descriptions, and running open calls for expertise at regular intervals to fill the technical needs of projects. Existing networks of experts, those that Winrock has previously worked with, or from the Global Adaptation Network, could be tapped. Winrock will also manage contracts, performance and payment of consultants who are assigned to the custom technical assistance portion of the BFF.

68. *Activity 2.1.3 Negotiate terms with successful projects:* Once projects agree to take on the additional adaptation/resilience components and additional costs are determined according to agreed methodologies, Winrock will negotiate financial and legal terms for delivering the financial incentives and cost of finance buydowns to the project, which will be documented through Term Agreements. This will ensure running due diligence on the projects as a whole to ensure they meet technical, fiduciary, legal, environmental, social, and finance requirements that align with the GEF and FAO policies. A list of exclusion criteria may also be developed to ensure projects that enter the pipeline meet basic conditions for eligibility.

69. *Activity 2.1.4 Disburse and monitor incentives and buydowns and their results:* On the basis of signed contracts and respectful of the agreed conditions, the financial incentives will be disbursed by Winrock. Winrock will also collect annual reports from all supported projects, and collate results according to the monitoring and evaluation plan. Indicators tracked will be specified in the Term Agreements, and will include performance, financial, and climate resilience/adaptation results. These will then be synthesized and analysed into case studies, reports and publications under Output 3.1.

-  
***Output 2.2: A Risk mitigation mechanism (RMM) is established***

70. As noted above, the first part of the BFF, which will become operational during the three years of project execution, is focused on projects submitted by developers, most of whom are expected to be relatively small. The first three elements of the BFF (TA, implementation incentives and CFB) will be developed and fully operational by year 2.

71. The fourth element of the BFF requires the creation, for future deployment, of a risk mitigation mechanism (RMM) that will act as an incentive for the increasing number of carbon funds and financial institutions i.e. financial partners (FP) that are looking to finance net zero projects to consider

climate risk management and adaptation integration as part of their due diligence and portfolio management processes. As described above, while the net zero finance marketplace is currently fragmented and ad hoc, it is increasingly seeing the involvement of large financial institution groups such as Axa, HSBC, Goldman Sachs, which is an indication the market is ripe for initiatives like NZAF which aim to bring technical sophistication and standardization to the net zero value chain. There is a need, however, to carefully assess the feasibility of the different risk mitigation mechanisms available, in terms of their applicability to the NZAF. The most common structures for risk mitigation are as follows:

Figure 11: Types of risk mitigation mechanisms, source *Global Impact Investing Network*

INSTRUMENT	DESCRIPTION
EQUITY	By taking the most junior equity position in the overall capital structure, the Provider takes first losses (but perhaps also seeks risk-adjusted returns); this includes common equity in structures that include preferred equity classes
GRANTS	A grant provided for the express purpose of covering a set amount of first-loss
GUARANTEES	A guarantee to cover a set amount of first-loss
SUBORDINATED DEBT	The most junior debt position in a distribution waterfall <sup>8</sup> with various levels of debt seniority (with no equity in the structure) <sup>9</sup>

72. In order to determine which structure makes sense for net zero finance, many questions need to be investigated, such as:
- ? the types of risks that need to be mitigated in order to attract the right capital (e.g. unproven business model or market, misperceived risk, lack of creditworthiness);
  - ? the level and type of risk mitigation required (permanent or temporary subsidisation and modalities thereof, etc. funded or unfunded guarantees, e.g. backed by cash reserves or commitments);
  - ? the types of investors covered and the eligibility criteria;
  - ? the different methods for calculating the level of risk protection required;
  - ? fees, prices, leverage ratios and triggers;
  - ? and more, depending on the type of instrument selected.

73. Overall, Output 2.2 will pave the way for Winrock to operate a blended finance vehicle going further, which will pull concessional money from donors, philanthropic actors and channels the money to de-risk and to incentivize financiers and investors. Because of the careful assessment and consultation process needed to operationalize the RMM, the project will use GEF proceeds to conduct an assessment and feasibility analysis of the different options, to support the operationalization of the selected instrument, and to raise funds for its capitalization. Considering the detailed and complex nature of questions indicated above, this will begin in the first year by engaging with various carbon finance stakeholders such as those listed below.

<b>Financial Partners</b>	<b>Multilateral, Regional and Bilateral Donors and Development Finance Institutions</b>	<b>Carbon Developers, Aggregators, Marketplaces, Aggregators and Service Providers</b>
HSBC, Pollination, Climate Asset Managers, Axa Group, Rabobank, Land Degradation Neutrality Fund, JP Morgan, Goldman Sachs, Mercuria	USAID, USD Development Finance Corporation, French Development Agency, AusAID, Asian Development Bank, African Development Bank	Climate Impact X, Architecture for REDD+ Transactions (ART), Emergent Ventures, ACORN, Gold Standard, Verra, Plan Vivo, Livelihood Funds, Earthworm, Terra Global, South Pole

Activities under this output will include:

74. *Activity 2.2.1 Conduct a feasibility analysis and select RMM option:* Winrock will hire an experienced financial consultant to conduct a carbon finance landscape study to determine the nature of the RMM. The findings of this report will be discussed with the Project Steering Committee and the GEF to get concurrence on the structure of the RMM and the fundraising approach to raise financial resources for the same. Once the optimal structure, modality and size of the RMM is determined and concurrence is received, the project will support efforts to raise funds from mission-aligned foundations, family offices and financial institutions. NZAF plans to operationalize at least part of the RMM during the operations phase that will start from January 2025 onwards.

75. *Activity 2.2.2 Fundraising:* Winrock, together with FAO and other members of the PSC, will engage in a fund-raising campaign to capitalize the RMM as needed, according to the agreed modalities created under Activity 2.2.1. This will include the creation of accounts, legal creation of the financial vehicles and agreement on reporting and monitoring modalities with contributors.

76. *Activity 2.2.3 Operationalization and onboarding of project partners:* While the modalities for engagement with the RMM and the FPs will be determined during the development phase, it is expected that the engagement with funding partners would again start with the project screening

process as described in Outcome 1. The RMM would then be deployed as an additional mechanism to encourage FPs to adopt recommended adaptation measures as in return they will get access to the investment risk reduction offered by the RMM.

77. The RMM and the CFB will not technically be mutually exclusive, but the two modalities are separated by a natural firewall because CFBs would be delivered to project developers, while RMM would be given to financiers. It is nonetheless possible that, for a particular project, a developer might get a CFB and a financier of the same project be given access to the RMM. Having said that, the processes for allocating CFBs and access to RMM will be undertaken separately and will be mutually exclusive. By the end of the project, it is expected that at least 20 projects will have received support through the BFF facility.

***Outcome 3: Future investment is scaled up through knowledge sharing and adaptive learning***

78. The purpose of this final outcome is to increase the number and type of carbon projects that include adaptation considerations in the longer term. This includes broadening the scope of countries and sectors covered, and raising awareness to also expand the scope of partnerships and cofinanciers involved. To support this strategy, the project will monitor its own results, and identify best practices for continued uptake by private sector.

***Output 3.1 Best practices for integrating climate change adaptation into net-zero AFOLU projects are identified***

79. The project will monitor its own results through its monitoring and evaluation system, which will include qualitative and quantitative reporting on all indicators and deliverables to ensure adaptive management. Examples of data monitored that will provide insights into an upscaling strategy include:

- ? number of projects submitted, screened, onboarded, and supported (pipeline management);
- ? number of expressions of interest received (developers and financiers ? for demand monitoring);
- ? typology, geography, and budget of projects supported; and
- ? results of projects supported (qualitative and quantitative, including gender and ESG results).

80. An independent evaluation will also be conducted upon completion to gather lessons learned. The contract between FAO and Winrock will specify the reporting arrangements. This will be important in terms of monitoring the long-term impacts of the project.

81. Feeding into this will be the awareness raising and public relations campaign deployed under Output 1.1, but also the explicit development of an upscaling strategy that will consider the following elements:

- ? demand (e.g. for specific types of projects);

- ? financiers appetite and risk aversion in LDCs and beyond;
- ? feasibility and effectiveness of NZAF processes, such as screening, negotiation, and monitoring
- ? feasibility of expanding the mechanism to beyond AFOLU or beyond LDCs and financing needs;
- ? financing, operational and maintenance expenditures; and
- ? sustainability.

82. *Activity 3.1.1 Develop the project monitoring and evaluation system:* This will include conducting an analysis of primary and secondary indicators to feed into the long-term deployment strategy, but also responsibilities and modalities for collecting and sharing information. Winrock will conduct this work with FAO during the inception phase of the project.

83. *Activity 3.1.2 Monitor project indicators and compile evaluative evidence:* Under this activity the project coordination unit will prepare annual reports summarizing achievements and challenges, lessons learned and outputs delivered, as well as progress across the suite of indicators monitored. Case studies, fact sheets, presentations, video capsules or other print materials will be developed to support awareness raising, lessons learning and upscaling. At the end of the project, the Terminal Evaluation will include lessons learned and recommendations for sustainability and upscaling.

84. *Activity 3.1.3 Prepare the upscaling strategy:* Towards the end of the project, Winrock will prepare a costed upscaling strategy that will highlight concrete steps to be taken to ensure continued operation, sustainability and improved/broadened reach of the BFF. This upscaling strategy will also be discussed by the Project Steering Committee.

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

85. This project is submitted to the LDC Fund under the Climate Change Adaptation Focal Area. The Project is one of the 10 selected initiatives under the Adaptation Innovation Challenge Programme (AICP) which was launched in 2019. In line with the requirements and eligibility criteria of the AICP, this project carries potential for replication, sharing of lessons learned at the global scale, and demonstrates adaptation de-risking potential for developing countries with private sector engagement.

86. In addition, due to the cross-cutting nature of the project, activities supported are expected to deliver important co-benefits under the climate change mitigation focal area, through GHG emission reductions, sequestration and/or removal arising from net zero initiatives that will benefit from the support of the financing facility. The amount of GHG emissions reductions carried by the projects that benefit from the financial mechanisms under Outcome 2 will be integrated in reporting, along with the adaptation benefits that materialize.

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

87. LDCs are among the most vulnerable countries to the effects and impacts of climate change, and their vulnerabilities are often compounded by fragile and conflict or post-conflict contexts, weak economies and the COVID-19 pandemic. Climate vulnerabilities in LDCs are inextricable from the heavy reliance on primary sectors, particularly among the rural and poorest populations in these countries. The high sensitivity of these sectors to climate and environmental stressors along with perceived lower economic gains and financial risks means that the private sector's appetite to invest in the agriculture and land-use sectors remains low.
88. Historically, carbon markets have been supplied with credits generated from projects in non-LDC developing countries. As such, mainstreaming adaptation considerations into net-zero projects in LDCs is unlikely to occur without the investment from the AICP.
89. The NZAF project builds on and is complemented by the efforts of several ongoing baseline initiatives that operates within the targeted scope and LDCs. The additional costs of adaptation for which the investment of the LDCF Challenge Program is required are summarized in the table below:

Output	Baseline	Additional cost
1.1 A tool for screening and mainstreaming adaptation in net zero project design is available	The WinRes tool has been developed by Winrock International and has been used already to screen a number of projects under the ARAF project. However, it is not aligned to the carbon project cycle, nor does it allow for screening of climate risks to projects and climate resilience benefits. It does not currently provide recommendations on how to integrate adaptation into project design.	The GEF will support the redesign and deployment of a more comprehensive tool, project screening of at least 25 projects in the AFOLU sector in LDCs, and the deployment of awareness raising campaigns to support the generation of a steady pipeline of projects.

2.1 Project developers are receiving financial incentives for adaptation mainstreaming	No such mechanism exists.	The GEF financing will be used to support the first ever CFB mechanism to support effective integration of adaptation and climate risk considerations into carbon project design. An estimated 5-10 projects will receive funding from the CFB during project execution (20 projects from the BFF globally), with more on a rolling basis after project end. Furthermore the GEF funds will also be used to operationalize a Risk mitigation mechanism to broaden the scope of projects.
3.1 Best practices for integrating climate change adaptation into net zero AFOLU projects are identified	There are no publicly available resources to share knowledge and best practices on upscaling net zero climate change adaptation into project development	The project will make publicly available the knowledge and experience gained by implementing WinRes and the financing facility. Given that there is no screening tool for climate change adaptation targeted at net zero projects, sharing best practices will disseminate this knowledge, helping to mainstream practices. Costs will be incurred by having to engage media personnel to help create multimedia resources for information dissemination.

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

90. The proposed project is fully aligned with the goal of the LDCF/SCCF Programming Strategy 2018-2022 and the objectives of the Adaptation Innovation Challenge Program, through its efforts to promote innovation and entrepreneurship to enhance adaptation and resilience in priority sectors. In response to the enhanced emphasis on private sector engagement in the LDCF strategy, the project is promoting a market-driven approach to integrate climate resilience in net-zero initiatives and to strengthen the capacities of project developers in LDCs on adaptation mainstreaming. The aligns with *LDCF Objective 1: Reduce vulnerability and increase resilience through innovation and technology transfer for climate change adaptation.*

91. This will be achieved by developing, testing, and rolling out the WinRes tool for adaptation screening in net-zero initiatives as well as by establishing a facility to finance private sector projects in LDCs. These innovative approaches will create incentives for net-zero project developers



to integrate adaptation considerations in their projects and businesses which will improve the climate resilience of AFOLU carbon projects and the communities, women, who are engaged in these initiatives.

7) Innovativeness, sustainability, potential for scaling up and capacity development

Innovation

92. There are two innovations embedded within the NZAF program. First, LDCF resources will be utilized to develop a tool that can be used by private sector corporations and carbon project developers to understand the climate risks, potential impact scenarios, scope of adaptation solutions and resilience benefits from within their carbon inset/offset project portfolio. Within this, multiple innovations will be leveraged, including the potential for use of IT and AI in the development of screening and project improvement tools.

93. Second, LDCF resources will support the establishment of a blended finance facility through which eligible projects will have access to custom technical assistance, adaptation implementation incentives, cost of finance buydowns (CFBs) and a risk mitigation mechanism (RMM). The CFB IRB will be tested and fully operationalized during project execution phase, while the RMM will be developed for later implementation. These two mechanisms have not been attempted before in the adaptation space, despite recent progress in developing blended finance for adaptation.

94. An additional innovation lies in the fact that the project will be led and maintained by a private non-profit organization, leveraging non-grant financial instruments from other funding sources for incentivizing and mobilizing private sector finance for adaptation.

Sustainability

95. The Net Zero Adaptation Finance initiative is designed to be financially sustainable through income generated from user fees that will be charged to private sector corporations, carbon aggregators and project developers that use WinRes to screen their carbon project portfolio for adaptation considerations. Fees will be costed proportionally to the amount of carbon emissions reduced or removed. Ultimately, through the project's upscaling and replication strategy, the screening platform and tools will be made available to a growing number of projects in various sectors and in diverse geographies.

96. There may be additional revenue earned through interest accrued on funds held in financial institutions although these are not considered as part of the financial model for the project.

Potential for scaling-up

97. The NZAF has tremendous potential for scaling up across various dimensions. In terms of geographic scale, the NZAF with other financial resources could expand service to other LDCs as well as non-LDCs where the potential is significant but hampered by lack of climate adaptation financing. The NZAF could also scale up by expanding the focus of carbon projects to project types beyond the ones typically found in the AFOLU sector.

Capacity development

98. The project supports capacity development of project developers and private sector actors, by supporting training along with awareness raising campaigns that encourage developers to integrate climate risks and resilience building measures in their projects at various stages.

8) Summary of changes in alignment with the project design with the original PIF

99. There have been some changes to the formulation of results statements between PIF and final submission. These are intended to streamline the intervention strategy of this medium-size project, ensure measurability of results and a stronger reflection of the project’s theory of change. They are summarized in the table below

Table 5 Project Design Changes

Outcome/Output/Indicator as per PIF	Outcome/Output/Indicator as revised	Explanation
<b>Outcome 1.1: Increased capacity on integration and screening of adaptation in net-zero/carbon projects</b>	Outcome 1: A pipeline of AFOLU sector-oriented projects implemented in LDCs are screened for potential climate risks and adaptation solutions and benefits are identified	Outcome 1.2 has been merged into Outcome 1.1. The refinement was intended to increase outcome statement accuracy and generate a SMART indicator.
<b>Outcome 1.2: Mainstreaming of adaptation considerations in project development and carbon credit procurement processes</b>		

<p>Indicators Outcome 1.1 and 1.2: ? WinRes web platform established</p> <p>? Number of project developers and procurement partners trained on WinRes</p> <p>? Number of partnerships established with project developers and procurement partners</p> <p>? Project area of land under climate resilient management (ha)</p>	<p># of projects screened</p> <p># of projects marked as mainstreamed</p>	<p>The original indicators were considered to be related to activities rather than outcome level results. A more suitable set of indicators were developed.</p>
<p><i>Output 1.1.1: WinRes platform designed and established</i></p>	<p>Output 1.1 A tool for screening and mainstreaming adaptation in NZ project design is available</p>	<p>The number of outputs was reduced in order to simplify the results framework, with the original outputs considered as activities under that output.</p>
<p><i>Output 1.1.2: WinRes training provided to net-zero adaptation project partners</i></p>		
<p><i>Output 1.2.1: Pipeline of carbon projects with verifiable adaptation and emissions reduction benefits</i></p>		
<p><i>Output 1.2.2: Partnerships established with project developers and procurement partners for use of WinRes</i></p>		
<p>Outcome 2: Increased financial flows to net-zero projects demonstrating adaptation benefits</p>	<p>Outcome 2. Access to a blended finance facility by various stakeholders in the net zero value chain will lead to integration of adaptation within net zero initiatives</p>	<p>Wording changes to improve accuracy</p>
<p>Indicators Outcome 2:  ? Credit Enhancement Facility established  ? Number of partnerships established for procuring of carbon</p>	<p>Indicator Outcome 2:  AFOLU project developers are able to integrate climate resilience/risks into their projects through tailored incentives and risk reduction mechanisms</p>	<p>Indicators changed to improve accuracy and alignment with the activities and outcome statement.</p>

Output 2.1: Financing needs and opportunities for project developers/selected projects identified	Output 2.1 Custom Technical Assistance, Adaptation Implementation Incentives and Cost of Finance Buydowns for incentivizing adaptation integration by project developers	New Output 2.1 combines PIF Outputs 2.1 and 2.3. Note that the credit enhancement facility and loans are no longer part of the scope of the project, given the impossibility of channelling such funds through FAO.
Output 2.2: Partnerships established with financial institutions and carbon inset/offset procurers		
Output 2.3: Establishment of a credit enhancement facility with financial institutions		
Output 2.4: Zero or low-interest loans provided to project developers to deliver adaptation-oriented emission reductions	Output 2.2 Establishment of a Risk Reduction Mechanism (RMM) for integration of climate risk management and adaptation measures in net zero financing	
Outcome 3: Program-wide impact monitoring, adaptive learning and knowledge sharing mechanisms developed and implemented	Outcome 3. Future investment is scaled up through knowledge sharing and adaptive learning	The outcome was reformulated to reflect the reason for program monitoring, adaptive learning and knowledge sharing.
	Indicators Outcome 3: ? Level of interest in upscaling expressed in volume of financing requests  ? Level of continued financing mobilized	Indicators were added to Outcome 3.
Output 3.1: Adaptation metrics and other key performance indicators for project developers identified and applied	Removed.	This output was transformed into an activity under Output 1.1
Output 3.2: Knowledge is captured and shared with relevant stakeholders (project developers, private sector corporations, etc.) to support adaptive learning and scaling up of future investment support.	Output 3.1 Best practices for integrating climate change adaptation into net zero AFOLU projects are identified  Indicator: # of reports generated	Changed for accuracy and to facilitate the development of SMART indicator.

Output 3.3: Project monitoring and evaluation and adaptive learning undertaken	Removed	This output was transformed into an activity under Output 3.1
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[1] [https://www.ilo.org/ilc/ILCSessions/110/reports/reports-to-the-conference/WCMS\\_844922/lang--en/index.htm](https://www.ilo.org/ilc/ILCSessions/110/reports/reports-to-the-conference/WCMS_844922/lang--en/index.htm)

[2] UN CDP. 2021. *The impact of COVID-9 on the LDC category*. Retrieved from: <https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/CDP-excerpt-2021-2.pdf>

[3] Data was pulled from the World Bank database, which combines both World Bank and OECD data on countries. Each AFOLU contribution for each LCD was put into an excel spreadsheet and the median value for all values was calculated.

[4] World Bank. 2019. *Towards a more united and prosperous Union of the Comoros*. Retrieved from: <https://openknowledge.worldbank.org/handle/10986/31787>

[5] *Six charts to understand Chad's food security crisis*. World Bank Blogs. June 9, 2022. Retrieved September 30, 2022, from <https://blogs.worldbank.org/african/afw-six-charts-understand-chads-food-security-crisis>

[6] Government of Zambia. 2022. *Third National Communication to the UNFCCC*. Retrieved from: [https://www4.unfccc.int/sites/SubmissionsStaging/NationalReports/Documents/1678320\\_Zambia-NC3-1-Third%20National%20Communication%20-%20Zambia.docx](https://www4.unfccc.int/sites/SubmissionsStaging/NationalReports/Documents/1678320_Zambia-NC3-1-Third%20National%20Communication%20-%20Zambia.docx)

[7] IPCC. 2014. *Climate Change 2014: Mitigation of Climate Change Contribution of Working Group III TO THE Fight Assessment Report of the Intergovernmental Panel on Climate Change*. Retrieved from: [https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc\\_wg3\\_ar5\\_chapter11.pdf](https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter11.pdf)

ILO. 2022. *The least developed countries: Crisis, structural transformation and the future of work*. A report of the Director-General. Retrieved from: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_844922.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_844922.pdf)

LDC Climate Change. 2019. *Delivering our climate-resilient future: Lessons from a global evidence review*. Retrieved from: [http://www ldc-climate.org/wp-content/uploads/2019/09/web\\_LDCevidencereview.pdf](http://www ldc-climate.org/wp-content/uploads/2019/09/web_LDCevidencereview.pdf)

[8] OECD. 2022 July 5. *The expanding threat to food security in least developed countries*. Retrieved September 30, 2022, from <https://oecd-development-matters.org/2022/07/05/the-expanding-threat-to-food-security-in-least-developed-countries/>. The OECD notes that the 2021 estimate of 276 million LCD citizens facing food insecurity has increased to 323 million people in 2022.

[9] UNCTAD. 2021. *Trade and Environmental Review 2021*. Retrieved from: [https://unctad.org/system/files/official-document/ditcted2020d3\\_en.pdf](https://unctad.org/system/files/official-document/ditcted2020d3_en.pdf)

Mbow et al. note in *Chapter 5: Food Security of the IPCC's special report on climate change and land* that increasing drought and rainfall variability will result in increasing crop unsuitability, reducing crop yields, which will reduce food security and incomes, increasing the rates of stunting and morbidity, resulting from increased poverty and food insecurity.

[10] IPCC. 2018. *Special Report: Global Warming of 1.5? C*. Retrieved from: <https://www.ipcc.ch/sr15/>

UNCTAD. 2021. *Smallest footprints, largest impacts: Least developed countries need a just sustainable transition*. Retrieved from: <https://unctad.org/topic/least-developed-countries/chart-october-2021>

[11] [https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC\\_AR6\\_WGII\\_SummaryForPolicymakers.pdf](https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC_AR6_WGII_SummaryForPolicymakers.pdf)

[12] [https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC\\_AR6\\_WGII\\_SummaryForPolicymakers.pdf](https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC_AR6_WGII_SummaryForPolicymakers.pdf)

[13] [https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC\\_AR6\\_WGII\\_SummaryForPolicymakers.pdf](https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC_AR6_WGII_SummaryForPolicymakers.pdf)

[14] IPCC. 2022. 6th Annual Report. Retrieved from: [https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC\\_AR6\\_WGIII\\_Full\\_Report.pdf](https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_Full_Report.pdf)

[15] Mbow, C. et al. 2021. *Chapter 5 Food Security*. In: *Climate Change and Land: an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems*. Retrieved from: [https://www.ipcc.ch/site/assets/uploads/sites/4/2021/02/08\\_Chapter-5\\_3.pdf](https://www.ipcc.ch/site/assets/uploads/sites/4/2021/02/08_Chapter-5_3.pdf)

FAO. 2019. FAOSTAT Analytical Brief 18 - *Emissions due to agriculture: global, regional, and country trends 2000 ? 2018*. Retrieved from: <https://www.fao.org/3/cb3808en/cb3808en.pdf>. FAO goes on to show that while GHG emissions from the AFOLU sector decreased by 21% from 2000 ? 2018, deforestation (74%) remained the main contributor to agriculture?s GHG emissions while reducing in scale, which was the primary driver of the AFOLU sector?s reduction in GHG emissions.

[16] [https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC\\_AR6\\_WGIII\\_Full\\_Report.pdf](https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_Full_Report.pdf)

IPCC. 2022. 6th Annual Report. Retrieved from: [https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC\\_AR6\\_WGIII\\_Full\\_Report.pdf](https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_Full_Report.pdf)

The IPCC goes onto explain that deforestation, for example, is highly unpredictable as it is dependent on development. Deforestation is affected by development, wildfires, ecological changes, rainfall variability, drought frequency and duration, and other land use changes. IPCC?s 2019 special report *Climate Change and Land*, explains that by 2015, ??Three-quarters of all ice-free land was affected by humane use, with 60-85% of forests, 70 ? 90% of other natural ecosystems, and nitrogen fertilizer increased nine-fold (pg. 40).

[17] UNCTAD blog post. 2021. ?Smallest footprints, largest impacts: Least developed countries need a just sustainable transition.? Retrieved from: <https://unctad.org/topic/least-developed-countries/chart-october-2021#:~:text=Despite%20recent%20increases%2C%20in%202019,9%25%20of%20the%20world's%20average.>

[18] IPCC. 2014. *Chapter 11: Agriculture, Forestry, and Other Land Use (ALOFU)*. Retrieved from:

[https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc\\_wg3\\_ar5\\_chapter11.pdf](https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter11.pdf)

[19] FAO. 2022. Chapter 1: Introduction. In *The state of Food Security and Nutrition in the World 2022*. Retrieved from:

<https://www.fao.org/3/cc0639en/online/sofi-2022/introduction.html>

[20] <https://unfccc.int/process-and-meetings/the-paris-agreement/the-glasgow-climate-pact/cop26-outcomes-market-mechanisms-and-non-market-approaches-article-6>

As explained by the UNFCCC, Article 6 established three instruments to help developing nations, and companies operating within them, have access to increased funding mechanisms to help mitigate GHG emissions. Instrument #1 is the establishment of an international carbon market that links emission reduction programs in one country to another, allowing them to trade emission reductions with one another. Instrument #2 is the creation of a credit markets that gives credits to a country for emission reduction activities that can be transferred to private company, which can then transfer those credits to a different company in a different country. Instrument #3 supports non-market-based activities that boosts cooperation between diverse stakeholders within a country.

[21] UNFCCC. Accessed October 2022. The Kyoto Protocol Mechanisms. Retrieved from: <https://unfccc.int/process/the-kyoto-protocol/mechanisms>

[22] Pinto, A., Magalhaes, M., & Ringler, C. (2009). *Forests and energy - food and agriculture organization*. fao.org. Retrieved October 3, 2022, from [https://www.fao.org/fileadmin/user\\_upload/rome2007/docs/Forests%20and%20energy.pdf](https://www.fao.org/fileadmin/user_upload/rome2007/docs/Forests%20and%20energy.pdf)

[23] Climate Finance Provided and Mobilised by Developed Countries: Aggregate Trends Updated with 2019 Data. Retrieved from: <https://www.oecd.org/env/climate-finance-provided-and-mobilised-by-developed-countries-aggregate-trends-updated-with-2019-data-03590fb7-en.htm>

[24] OECD. 2021. Climate Finance Provided and Mobilised by Developed Countries: Aggregate Trends Updated with 2019 Data. Retrieved from: <https://www.oecd.org/env/climate-finance-provided-and-mobilised-by-developed-countries-aggregate-trends-updated-with-2019-data-03590fb7-en.htm>

[25] Climate Policy Initiative. 2021. Global Landscape of Climate Finance 2021. Retrieved from: <https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2021/>

[26] Climate Policy Initiative. 2021. Global Landscape of Climate Finance 2021. Retrieved from: <https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2021/>

[27] UNEP. 2021. Adaptation Gap Report. Retrieved from: <https://www.unep.org/resources/adaptation-gap-report-2021>

[28] UN and GFANZ. 2021. *Net Zero Financing Roadmaps*. Retrieved from: <https://www.gfanzero.com/netzerofinancing>

[29] The [June 2022 World Bank Global Economic Prospects](#) reports projections to 2024 make the economic outlook similar to the 1970s: a period of stagflation in which supply-side disturbances fuel inflation with governments in advanced economies providing global financial assistance and highly vulnerable emerging markets in developing countries.

[30] CDP. 2019. Major risk or rosy opportunity: are companies ready for climate change? Retrieved from: [https://cdn.cdp.net/cdp-production/cms/reports/documents/000/004/588/original/CDP\\_Climate\\_Change\\_report\\_2019.pdf?1562321876](https://cdn.cdp.net/cdp-production/cms/reports/documents/000/004/588/original/CDP_Climate_Change_report_2019.pdf?1562321876)

This risk includes not only direct impacts to their supply chains but also the costs of compliance with a nation's climate change adaptation strategy and regulation.

[31] CDP. 2019. Major risk or rosy opportunity: are companies ready for climate change? Retrieved from: [https://cdn.cdp.net/cdp-production/cms/reports/documents/000/004/588/original/CDP\\_Climate\\_Change\\_report\\_2019.pdf?1562321876](https://cdn.cdp.net/cdp-production/cms/reports/documents/000/004/588/original/CDP_Climate_Change_report_2019.pdf?1562321876); page 5. CDP goes on to note on page 15 that agricultural companies when surveyed by CDP for opportunities they saw in adapting to climate change, with an estimated 379 out of 689 companies responding that they did not see or could not adapt to identified opportunities in climate change adaptation. This industry also reported while it is the most at risk from climate change, the adaptation risks seen in adapting to climate change were one of the lowest, approximately USD 500 million (pg. 22). Even more interesting is that opportunities, while one of the lowest for all sectors, could result in an estimated gain of USD 106.5 billion (pg. 23). This means that for every USD 1 dollar invested in agriculture to adapt to climate change could result in USD 213 dollars of benefit. While this is for agriculture alone, considering that the AFOLU sector contains industries such as fisheries and forestry, this could mean even greater benefit ratio if the costs stay the same or increase minimally. It should be noted that manufacturing, which could include forestry, did have one of the highest risk estimates from climate change impacts in the 2019 CDP report.

[32] Purkayasatha, D. and Khanna, N. 2022 April 13. Blog: ways to de-risk Climate Finance. Climate Policy Initiative blog post. Retrieved from: <https://www.climatepolicyinitiative.org/blog-ways-to-de-risk-climate-finance/>

[33] Winrock internal analysis

[34] <https://www.un.org/sites/un2.un.org/files/high-levelexpertgroupupdate7.pdf>

[35] UNEP. 2022. Emissions Gap Report 2022. Retrieved from: <https://www.unep.org/resources/emissions-gap-report-2022>

[36] Retrieved from: <https://racetozero.unfccc.int/join-the-race/>

[37] UN and GFANZ. 2021. *Net Zero Financing Roadmaps*. Retrieved from: <https://www.gfanzero.com/netzerofinancing>

[38] UN and GFANZ. 2021. *Net Zero Financing Roadmaps*. Retrieved from: <https://www.gfanzero.com/netzerofinancing>

[39] Loveday, J., Morrison, G.M., and Martin, D.A. 2022. Identifying Knowledge and Process Gaps from a Systematic Literature Review of Net-Zero Definitions. *Sustainability* **2022**, 14, 3057. Retrieved from: <https://doi.org/10.3390/su14053057>

UN and GFANZ. 2021. *Net Zero Financing Roadmaps*. Retrieved from: <https://www.gfanzero.com/netzerofinancing>

[40] <https://www.unep.org/explore-topics/climate-action/what-we-do/climate-adaptation/ecosystem-based-adaptation/ecosystem-14>

[41] <https://acorn.rabobank.com/en/>

[42] <https://www.ecotierra.co>

[43] <https://www.fao.org/3/cc2180en/cc2180en.pdf>

[44] FAO's private sector strategy lists the type of partnerships that the organization will not engage in and requires a screening process prior to engagement : activities inconsistent with UN Security Council Sanctions, Resolutions, Conventions, including the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) standards of the International Monetary Fund; activities that are complicit in human rights abuses; involved in the sale, manufacture or distribution of weapons, tobacco, gambling or pornography.

[45] <https://www.convergence.finance/blended-finance>

[46] <https://www.convergence.finan>

### **1b. Project Map and Coordinates**

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

1. The original project concept (PIF) noted that specific countries would be selected among the list of LDCs, in which to operate. However, the project preparation phase showed that pre-selection of countries was likely to lead to limitations, because of the small number of projects under development in LDCs in general, and the even smaller number of projects at the right stage of development to enter the NZAF pipeline once the tools and mechanisms would be established. Therefore, the design principle was changed to focus on identifying the tools and partners that would support the creation of a pipeline of projects in LDCs, rather than pre-identify countries. This makes the NZAF project and the BFF facility completely demand-driven, a condition of sustainability for the private sector, while at the same time respecting the parameters of the LDCF.

2. Furthermore, because the project will not fund on-the-ground activities, but rather will support companies who wish to do so, it was felt that the level of diligence required was best expended at the level of companies participating in the NZAF facility.

3. At this time, therefore, the NZAF project is global and targeted at all LDCs. LDCs specifically affected by the NZAF project will be determined as the pipeline is developed. Coordinates will be provided in PIRs once projects are on boarded into the financing instrument (Component 2) of the project.

### **1c. Child Project?**

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

N/A

### **2. Stakeholders**



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

Civil Society Organizations Yes

Indigenous Peoples and Local Communities Yes

Private Sector Entities Yes

If none of the above, please explain why:

Please provide the Stakeholder Engagement Plan or equivalent assessment.

1. Stakeholders identified during project development are project developers in the international development space, financial institutions involved in carbon markets and climate change mitigation project funding, and local AFOLU sector actors including where possible communities, smallholder farmers, small and medium enterprises, woman, youth and indigenous peoples. The Stakeholder engagement plan is detailed in Annex I2.
2. Consultations undertaken during this project development showed that there is considerable interest in the NZAF as a facility and mechanism for integrating adaptation into carbon pipelines. However, consultations also showed that many carbon project developers do not have the knowledge or resources to actively pursue these opportunities. A summary of consultations is provided in Annex I2.

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

Stakeholder Consultation foreseen in project Implementation<sup>[1]</sup>

Stakeholder Name	Stakeholder Type	Stakeholder profile	Consultation Methodology	Expected timing	Comments
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Project Developers	Direct beneficiary	Civil Society Organization	In person or online, bilateral discussions	Ongoing	Consultations to generate pipeline, and to support developers integration of the BFF facility depending on their stage in the project cycle.
Financiers	Direct beneficiary	Civil Society Organization	In person or online, bilateral discussions	Ongoing	Consultations to generate pipeline, and to support financiers integration of the BFF facility depending on their stage in the project cycle.
UNFCCC	Partner	International Government Institution/body	In person or online, bilateral discussions and through participation in the PSC	Ongoing	To support the awareness raising strategy
GEF	Partner	International Government Institution/body	In person or online, bilateral discussions and through participation in the PSC.	Ongoing	To support the awareness raising strategy
Project registries	Indirect Beneficiary	Other	In person or online, bilateral discussions	Ongoing	To help registered projects integrate climate adaptation

African Development Bank	Partner	International Government Institution/body	Online bilateral with proponents of the Adaptation Benefits Mechanism to discuss opportunities for collaboration on methodologies	Discussions during implementation will help define joint methodologies for adaptation metrics.	
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Select what role civil society will play in the project:

**Consulted only;**

**Member of Advisory Body; Contractor; Yes**

**Co-financier; Yes**

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

**Executor or co-executor; Yes**

**Other (Please explain)**

### 3. Gender Equality and Women's Empowerment

**Provide the gender analysis or equivalent socio-economic assesment.**

1. Table 6 below contains the Gender Action Plan explaining how the NZAF project will help contribute to gender mainstreaming and gender equality. Given that the NZAF project is global and a first-step enabling mechanism, gender mainstreaming will be achieved by embedding gender and social inclusion considerations into Outcome 1 screening activities. In particular, WinRes will screen against gender-differentiated climate risks, to ensure that projects are able to integrate these into their design. Gender-related adaptation metrics will also be developed under Output 3.1 and gender-specific design recommendations will be made for projects that run the risk of entrenching, contributing, or expanding gender inequalities.

2. Similarly, Component 2 ? the financial arm ? will ensure that the financial products made available to developers, after undergoing screening through WinRes, are gender mainstreamed. Gender mainstreaming will be conducted throughout the funding lifecycle to ensure that during project screening, development and implementation, gender equality is ensured and that funds are not being used for project deliverables that do not contribute to women?s empowerment. A set of gender-related adaptation and performance indicators will also be developed under Outcome 3. Particular attention will be paid to giving priority to projects proposed by women-run organizations, or that carry specific resilience building potential for women and other vulnerable groups in LDCs, such as youth, elderly or persons living with disabilities.

3. Due to the global and process-oriented nature of this project, gender mainstreaming takes on a less habitual pathway. For example, it is expected that projects supported through the BFF will meet gender and ESG standards, which will be made explicit during the initial phase of the project. Minimum requirements and objectives will be set and made public on the project website. Specific gender and social inclusion-related criteria will also be included in the screening tool, and recommendations to integrate adaptation will also include gender-disaggregated analysis (e.g. of vulnerability), recommendations and performance indicators. Thus, while this project does not have indicators that may be gender-disaggregated, the individual projects and funding partners that will be supported will be expected to carry gender-disaggregated indicators and targets.

Table 6. Gender Action Plan

Project activities to respond to the identified gaps	Indicators and Targets	Timeline	Responsibilities	Budget
1.1: A tool for screening and mainstreaming adaptation in Net Zero project design is available				

<p>Develop training material for project developers on integrating climate resilience and adaptation into AFOLU projects</p> <p>Development of gender-specific criteria to be integrated in screening tool</p>	<p>Gender mainstreaming in training material <i>Baseline: N/A; Target: women's perspectives and activities taken into account in 100% of training material developed.</i></p> <p><i>Baseline: None; Target: at least 5 gender-specific criteria integrated in screening tool</i></p>	<p>By Project year 1</p>	<p>Winrock</p>	<p>Integrated in regular budget Component 1</p>
<p>1.2 Adaptation metrics and other key performance indicators for project developers are created</p>				
<p>Develop adaptation metrics and KPI</p>	<p>Gender mainstreaming in adaptation metrics and development of gender-specific KPI for project developers and financiers to integrate into project design</p> <p><i>Baseline: None; Target: at least 5 gender specific adaptation metrics and 5 KPI focused on gender-specific issues</i></p>	<p>By Project year 1</p>	<p>Winrock</p>	<p>Integrated in regular budget Component 1</p>
<p>2.1 Custom Technical Assistance (CTA), financial incentives, and Cost of Finance Buydowns (CFBs) are made available to project developers for eligible projects</p>				
<p>Recruit and deploy technical consultants Deliver adaptation implementation incentives to developers</p>	<p>Number of women consultants recruited and deployed to support project developers; gender experts deployed to support gender-related adaptation considerations.</p> <p><i>Baseline: None; Targets: at least 40% of technical consultants recruited will be women, and gender experts deployed to support integration of gender-related adaptation considerations.</i></p>	<p>By end of project</p>	<p>Winrock</p>	<p>Integrated in TA budget Component 2</p>
<p>2.2 A Risk Mitigation Mechanism (RMM) is established</p>				

Assess risk mitigation mechanisms and develop a new RMM	Gender mainstreaming: integration of gender-related considerations in the RMM comparative analysis and assessment and ensure the proposed RMM integrates gender issues and gender-specific barriers.	By end of project	Winrock	Integrated in TA budget Component 2
3.1 Best practices for integrating climate change adaptation into net zero AFOLU projects are identified				
Document best practices	Documented gender-related best practices and factors of success  Baseline: None. Target: At least one fact sheet documenting gender-related best practices in the integration of adaptation/resilience concerns in AFOLU net -zero projects	By end of project	Winrock	Integrated in Component 3 budget

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

Yes

**Closing gender gaps in access to and control over natural resources;**

**Improving women's participation and decision making** Yes

**Generating socio-economic benefits or services or women** Yes

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

Yes

**4. Private sector engagement**

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

1. NZAF project is entirely reliant on existing private sector and net-zero carbon projects and proponents. Although it is operated by a non-profit organization, the NZAF initiative is intended as a market-based private sector mechanism. During the development and throughout the lifecycle of the NZAF project, the private sector has been and will continue to be heavily engaged, as beneficiaries and informants of future rounds of programming.
2. The project complies with FAO's [Strategy for Private Sector Engagement 2021 - 2025](#) that seeks to transform climate change adaptation by helping private sector actors invest into, and augment country-owned and country-led climate change adaptation action<sup>[1]</sup>.
3. The project further contributes to the implementation of the GEF's private sector engagement strategy (2020), with a particular focus on the three core elements of working with multi-stakeholder platforms to leverage sustainable business practices, working to crowd in private sector, and by providing a new entry point for the private sector into the GEF Partnership. Special care will be made to ensuring that the proper risk management strategies are in place when working with private sector proponents, including by establishing eligibility criteria and exclusion criteria on the basis of the GEF's Private Sector Engagement Strategy (2020) principle "to protect the GEF from association with companies and organizations that could negatively impact the GEF's reputation?". In addition, FAO and Winrock will not engage in processes or discussions that could translate into an unfair advantage or granting potential exclusivity to any company.

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<sup>[1]</sup> As defined in FAO's [Strategy for Private Sector Engagement 2021 - 2025](#)

## 5. Risks to Achieving Project Objectives

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

1. Risk management is a structured, methodical approach to identifying and managing risks for the achievement of project objectives. The risk management plan will allow stakeholders to manage risks by specifying and monitoring mitigation actions throughout implementation. Part A of this section focuses on external risks to the project and Part B on the identified environmental and social risks from the project.
  - 1) **Section A: Risks to the project**
  2. The non-environmental and social risks that the NZAF project faces are very few and are listed in Table 7 below. In general, the greatest risk facing the project would be a lack of program partners. Not acquiring enough financial support or awareness of the program would negatively

impact the ability of NZAF to deliver intended results. To date, this risk seems stable at a low level, as responses from potential financial and program partners have been productive and a network of project partners is already established.

Table 7. Risks to the project

Description of risk	Impact <sup>11</sup>	Probability of occurrence	Mitigation actions	Responsible party
No continuous signup of new projects for WinRes tool/no pipeline of projects is generated	H	Medium	An awareness campaign will be conducted for each year of the project to increase usage of the Screening tool. Winrock, FAO and partners will ensure the adequate publicization of the initiative at regular climate events.	Winrock, FAO
Changes in carbon markets and national financial policies in which projects are implemented	M	Medium	Changes in national financial policies, international legal agreements, trade frameworks and carbon prices, will be closely monitored by Winrock. An annual update of the financial model for this project will be prepared to ensure continued viability and feasibility.	Winrock, FAO
Financial risks (interest rate risks, currency risks, credit/default risk) and market fluctuation risks	M	Medium	Consideration of financial risks is an integral part of the design of blended facility, and part of the purpose of this project is to reduce financial risks to projects meeting the NZAF eligibility criteria. Project-specific financial risks will be analysed during implementation as part of the screening process. With regard to currency risks, the transactions of the financial mechanism are expected to be in USD.	Winrock



<p>Local, regional and/or global measures to contain impacts from pandemics (such as Covid-19) and their repercussions hampers the availability of technical expertise, engagement of stakeholders, and mobilisation of financing</p>	<p>M</p>	<p>Medium</p>	<p>To overcome concerns in mobilising the technical expertise to support project design and implementation, the project will work with technical expertise available nationally in pilot LDCs in order to minimise the impacts of limitations on mobility at the national and international levels.</p> <p>Technological alternatives to face-to-face consultations will be deployed, securing proper participation and engagement of all relevant stakeholder groups. Overall, given its nature, the NAZF project is little exposed to pandemic-induced risks. The main risk associated with Covid-19 is that the pipeline of carbon projects that NZAF was designed to cater to might be disrupted in case of widespread lockdown. However, NZAF being demand-driven, no countries or specific projects have been pre-selected at this stage ? this structurally increases the resilience of the NZAF intervention strategy in case of a pandemic resurgence, as NZAF will be able to serve carbon projects that do materialize despite a disrupted global context.</p>	
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2) **Section B: Environmental and Social risks from the project.**

**Environmental and Social Risk Classification:**    low risk XX    moderate risk    high risk

3. The NZAF project aims at increase integration of climate change adaptation into net-zero carbon projects primarily in AFOLU sector. In doing to it will develop a screening tool that identifies areas where climate change adaptation can be integrated into net-zero carbon projects, accelerating the uptake of climate considerations in projects. Given that the tool is global in scope and enabling, the environmental and social risks faced are minimal and for this reason the GEF project has been assessed low risk.
4. The project, however, will also put in place a funding mechanism to incentivise the inclusion of adaptation issues resulting from the application of the tool into project design. In particular, it is expected that blended financing will be provided to third parties to assist projects in covering the costs and reducing the risks of integrating resilience and adaptation. The project will develop an ESG policy, a gender mainstreaming plan

(incl. youth), stakeholder engagement plan, accountability and grievance mechanism and other safeguard documents for project financing under Outcome 2, in line with FAO, GEF and Winrock requirements. During the project screening phase the project will ensure that safeguards issues will be considered in financing activities and have been incorporated into the project design. Only projects marked as low risk will be financed. Each project screened will comply with FAO's ESM rules, as well as the relevant laws, policies, and legislations of the countries that the project is implemented. Furthermore, all projects financed will contribute to the countries' NDC goals in which they are implemented.

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[1] H: High; M: Moderate; L: Low.

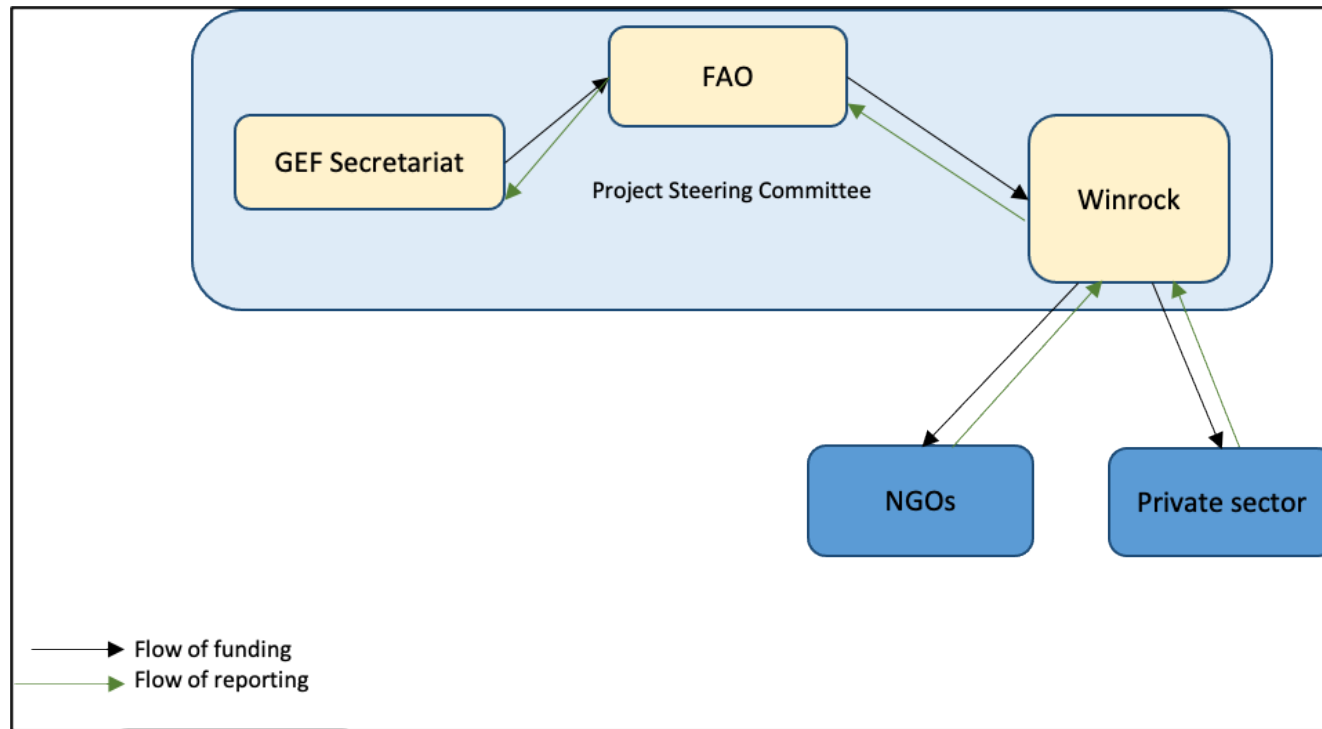
## **6. Institutional Arrangement and Coordination**

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

### **6.a Institutional arrangements for project implementation.**

1. Winrock International Institute for Agriculture Development (Winrock) will act as the lead executing agency and will be responsible for the day-to-day management of project results. FAO will provide oversight as GEF implementing agency as described below.
2. Agreements will be signed between FAO and Winrock, to serve as the Project's Executing Partner for the implementation of the Project's activities and ensure timely and effective implementation of all Project Components, and their component Outcomes, Outputs and Activities. Details of the agreements and the Executing Partner commitments will be included in the Terms of References prepared by FAO, in consultation with the Project's Executing Agency. These agreements will be supervised by FAO's Lead Technical Officer (LTO). The funds received by the service provider will be used to carry out proposed project activities ensuring alignment and conforming to the rules and procedures of FAO.
3. The project organization structure is as follows.

Figure 12 Project organization



4. FAO and Winrock will co-chair the Project Steering Committee (PSC) which will be the main governing body of the project. The PSC will meet bi-annually, approve annual work plans and annual budgets on a yearly basis, and will provide strategic guidance to the Project Coordinating Unit (PCU) and to all executing partners. Winrock will be responsible for implementation of Project activities and all day-to-day activities, with the Project Coordinating Unit reporting to the PSC.
5. Tentatively, the PSC will be comprised of representatives from FAO (BH, LTO, technical officers), Winrock (Director, Net Zero, and project advisors team), GEF Secretariat and UNFCCC (AFOLU team). A private-sector representative of the Glasgow Financial Alliance for Net Zero (GFANZ) will also be invited to participate.
6. The members of the PSC will each assure the role of a Focal Point for the project in their respective organizations. As Focal Points, the concerned PSC members will: i) technically oversee activities in their sector; ii) ensure a fluid two-way exchange of information and knowledge between their agency and the project; iii) facilitate coordination and links between the project activities and the work plan of their agency; and iv) facilitate

the provision of co-financing to the project. Members of steering committee has right to invite other entity to speak and contribute information to the PSC, including members of the Technical Advisory Committee.

7. The Project Coordinator (within Winrock) will be the Secretary to the PSC. The PSC will meet at least twice per year to ensure: i) oversight and assurance of technical quality of outputs; ii) close linkages between the project and other ongoing projects and programmes relevant to the project; iii) timely availability and effectiveness of co-financing support; iv) sustainability of key project outcomes, including up-scaling and replication; v) effective coordination of governmental partners work under this project; vi) approval of the six-monthly Project Progress and Financial Reports, the Annual Work Plan and Budget; and vii) making by consensus, management decisions when guidance is required by the Project Coordinator.
  
8. A Project Coordinating Unit (PCU) will be co-funded by the GEF grant and established within Winrock. The main functions of the PCU, following the guidance of the Project Steering Committee, are to ensure overall efficient management, coordination, implementation, and monitoring of the project through the effective implementation of the annual work plans and budgets (AWP/Bs). The PCU will include the following posts :
  - ? A Project Coordinator (see draft terms of reference in Annex L);
  - ? A Senior Climate Change Advisor;
  - ? A Senior Sustainable Finance expert; and
  - ? A Net-Zero Expert (Director level).
  
9. The Food and Agriculture Organization (FAO) will be the GEF Implementing Agency (IA) for the Project, providing project cycle management and support services as established in the GEF Policy. As the GEF IA, FAO holds overall accountability and responsibility to the GEF for delivery of the results. In the IA role, FAO will utilize the GEF fees to deploy three different actors within the organization to support the project (see Annex for details):
  - ? the Budget Holder (BH), in FAO Headquarters, will provide oversight of day-to-day project execution;
  - ? the Lead Technical Officer(s), drawn from across FAO will provide oversight/support to the projects technical work in coordination with government representatives participating in the Project Steering Committee; and
  - ? the Funding Liaison Officer(s) within FAO will monitor and support the project cycle to ensure that the project is being carried out and reporting done in accordance with agreed standards and requirements.
  
10. FAO responsibilities, as GEF agency, will include:
  - ? administrating funds from GEF in accordance with the rules and procedures of FAO;

- ? overseeing project implementation in accordance with the project document, work plans, budgets, agreements with co-financiers, Operational Partners Agreement(s) and other rules and procedures of FAO;
- ? providing technical guidance to ensure that appropriate technical quality is applied to all activities concerned;
- ? conducting at least one supervision mission per year;
- ? reporting to the GEF Secretariat and Evaluation Office, through the annual Project Implementation Review, the Mid Term Review, the Terminal Evaluation, and the Project Closure Report on project progress; and
- ? financial reporting to the GEF Trustee<sup>[1]</sup>.

#### **6.b Coordination with other relevant GEF-financed projects and other initiatives.**

11. Due to the innovative private sector nature of the project, coordination will be mostly undertaken with projects outside of the GEF partnership. Please refer to the Baseline scenario section for a description of coordination with other relevant initiatives. In addition to these, the NZAF project will endeavour to coordinate and share knowledge with the other participants in the GEF Challenge Program for Adaptation, including in particular those establishing blended finance instruments or operating in the AFOLU sector, with whom synergies may be leveraged:

- ? The Grameen /Credit Agricole Foundation project - Indicators Framework for Climate Adaptation and Biodiversity Conservation Finance for Smallholders To Leverage Private and Public Finance. With this project, coordination will be established to harmonize adaptation metrics.
- ? The Sustainable Rice Initiative and World Business Council for Sustainable Development project ? Public-Private Blended Finance Facility for Climate Resilient Rice Landscapes, to discuss applicability of various financial instruments to the AFOLU sector.
- ? The WRI? Coalition for Climate Resilient Investment project, from which a list of suitable proponents and partners may be extracted and who can play a part in disseminating project results.

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<sup>[1]</sup> It should be noted that the identified Operational Partner(s) or OP, results to be implemented by the OP and budgets to be transferred to the OP are non-binding and may change due to FAO internal partnership and agreement procedures which have not yet been concluded at the time of submission of this funding proposal.

#### **7. Consistency with National Priorities**





Activity 2.2.3 Operationalization and onboarding of project partners	A fact sheet on the RMM	5,000																	
<b>3. Future investment is scaled up through knowledge sharing and adaptive learning</b>																			
<i>3.1 Best practices for integrating climate change adaptation into net zero AFOLU projects are identified</i>																			
Activity 3.1.1 Develop the project monitoring and evaluation system	A M&E framework document	5,000																	
Activity 3.1.2 Monitor project indicators and compile evaluative evidence	annual project reports	5,000																	
Activity 3.1.3 Prepare the upscaling strategy	An upscaling strategy	25,000																	
<b>TOTAL</b>		420,000																	

## 9. Monitoring and Evaluation

### Describe the budgeted M and E plan

1. The project results, as outlined in the project results framework Annex A1, will be monitored regularly, reported on annually and assessed continuously during project implementation to ensure the project effectively achieves its results. Monitoring and evaluation activities will follow FAO and GEF's policies and guidelines for monitoring and evaluation. The M&E system will also facilitate learning, replication of the project's results and lessons which will feed the project's knowledge management strategy.

### Monitoring Arrangements

2. Project oversight will be carried out by the PSC, FAO-GEF Coordination Unit and relevant technical units in FAO headquarters. Oversight will ensure that: i) project outputs are produced in accordance with the project results framework and leading to the achievement of project outcomes; ii) project outcomes are leading to the achievement of the project objective; iii) risks are continuously identified and monitored and appropriate mitigation strategies are applied; and iv) agreed project global environmental and adaptation benefits are being delivered.



3. The FAO-GEF Coordination Unit and HQ Technical Units will provide oversight of GEF financed activities, outputs and outcomes largely through the semi-annual project progress reports, annual PIRs, periodic backstopping and annual supervision missions.
4. Project monitoring will be carried out by the PMU. Project performance will be monitored using the project results matrix, including indicators (baseline and targets) and annual work plans and budgets. At project inception, the results matrix will be reviewed to finalize identification of: i) outputs; ii) indicators; and iii) any missing baseline information and targets. A detailed M&E plan, which builds on the results matrix and defines specific requirements for each indicator (data collection methods, frequency, responsibilities for data collection and analysis, etc.) will also be developed during project inception by the M&E Officer appointed at the PMU, and reviewed and approved by the PSC, and FAO.

<b>M&amp;E Activity</b>	<b>Responsible Parties</b>	<b>Timeframe</b>	<b>GEF Budget (USD)</b>
Inception Workshop	PMU	Within two months of agreements signature	None (virtual)
Project Inception Report	PMU	Within two weeks of inception workshop	None
Project Progress Reports (PPRs)	PMU, LTO, BH	Annually	None
Project Implementation Review reports (PIRs)	PMU, LTO, BH, FLO	Annually in July	None
Meetings of the Project Steering Committee	PSC	Bi-annually	None (virtual)
Project monitoring	PMU	Ongoing	None
Terminal Evaluation	The BH will be responsible to contact OED within six months prior to the actual completion date (NTE date). OED will manage the independent terminal evaluation of this project.	To be launched within six months prior to the actual project completion date	40,000
Terminal Report	PMU, BH, LTO	Two months before the end date of the project	7,000
<b>Total Budget</b>			<b>67,000</b>

5. Specific reports that will be prepared under the M&E program are: i) project inception report; ii) Annual Work Plan and Budget (AWP/B); iii) Project Progress Reports (PPRs); iv) annual Project Implementation Review (PIR); v) technical reports; vi) co-financing reports; and vii) Terminal report. In addition, assessment of the relevant LDCF core indicators will be required at final project evaluation.
6. **Project Inception report.** It is recommended that the PMU prepare a draft project inception report in consultation with the FAO Lead Technical Officer (LTO), the FAO Budget Holder (BH), and other project partners. Elements of this report should be discussed during the project inception workshop and the report subsequently finalized. The report will include a narrative on the institutional roles and responsibilities and coordinating action of project partners, progress to date on project establishment and start-up activities and an update of any changed external conditions that may affect project implementation. It will also include a detailed first year AWP/B, a detailed project monitoring plan. The draft inception report will be circulated to the PSC for review and comments before its finalization, no later than one month after project start-up. The report should be cleared by the FAO BH, LTO, the FAO-GEF Coordination Unit, and will be uploaded in FAO's Field Program Management Information System (FPMIS) by the FAO BH.
7. **Results-based Annual Work Plan and Budget (AWP/B).** The draft of the first AWP/B will be prepared by the PMU in consultation with the joint FAO Project Task Force and reviewed at the project inception workshop. The inception workshop inputs will be incorporated, and the PMU will submit a final draft AWP/B within two weeks of the Inception Workshop to the BH. For subsequent AWP/B, the PMU will organize a project progress review and planning meeting for its review. Once comments have been incorporated, the BH will circulate the AWP/B to the LTO, the FAO-GEF Coordination Unit, for comments/clearance prior to uploading in FPMIS by the BH. The AWP/B must be linked to the project's Results Framework indicators so that the project's work is contributing to the achievement of the indicators. The AWP/B should include detailed activities to be implemented to achieve the project outputs and output targets and divided into monthly timeframes and targets and milestone dates for output indicators to be achieved during the year. A detailed project budget for the activities to be implemented during the year should also be included together with all monitoring and supervision activities required during the year. The AWP/B should be approved by the PSC and uploaded on the FPMIS by the FAO BH.
8. **Project Progress Reports (PPR):** PPRs will be prepared by the PMU based on the systematic monitoring of outcome indicators identified in the project's Results Framework (Annex A1). The purpose of the PPR is to identify constraints, problems or bottlenecks that impede timely implementation and to take appropriate remedial action in a timely manner. PPRs will also report on projects risks and implementation of the risk mitigation plan. The Budget Holder has the responsibility to coordinate the preparation and finalization of the PPR, in consultation with the PMU, FAO LTO, and FAO FLO. After LTO, BH, and FLO clearance, the FLO will ensure that project progress reports are uploaded in FPMIS in a timely manner.

9. **Annual Project Implementation Review (PIR):** The PMU (in collaboration with the BH and the LTO) will prepare an annual PIR covering the period July (the previous year) through June (current year) to be submitted to the FAO-GEF Coordination Unit Funding Liaison Officer (FLO) for review and approval no later than (check each year with GEF Unit but roughly end June/early July each year). The FAO-GEF Coordination Unit will submit the PIR to the GEF Secretariat and GEF Evaluation Office as part of the Annual Monitoring Review report of the FAO-GEF portfolio. PIRs will be uploaded on the FPMIS by the FAO-GEF Coordination Unit.
10. **Technical reports:** Technical reports will be prepared by national, international consultants and partner organizations under LoAs as part of project outputs and to document and share project outcomes and lessons learned. The drafts of any technical reports must be submitted by the PMU to the FAO BH, who will share it with the FAO LTO. The LTO will be responsible for ensuring appropriate technical review and clearance of said report. The BH will upload the final cleared reports onto the FPMIS. Copies of the technical reports will be distributed to project partners and the Project Steering Committee as appropriate.
11. **Co-financing reports:** The FAO BH, with support from the PMU, will be responsible for collecting the required information and reporting on co-financing as indicated in the Project Document/CEO Request. The PMU will compile the information received from the executing partners and transmit it in a timely manner to the FAO LTO and BH. The report, which covers the period 1 July through 30 June, is to be submitted on or before 31 July and will be incorporated into the annual PIR. The format and tables to report on co-financing can be found in the PIR.
12. **Terminal report:** Within two months before the end date of the project, and one month before the Terminal Evaluation, the PMU will submit a draft Terminal report to the FAO BH, and LTO. The main purpose of the Terminal report is to give guidance at ministerial or senior government level on the policy decisions required for the follow-up of the project, and to provide the donor with information on how the funds were used. Accordingly, the Terminal report is a concise account of the main products, results, conclusions and recommendations of the project, without unnecessary background, narrative or technical details. The target readership consists of persons who are not necessarily technical specialists but who need to understand the policy implications of technical findings and needs for insuring sustainability of project results.

### **Evaluation provisions**

13. The GEF evaluation policy foresees that all medium and large-size projects require a separate **terminal evaluation**. Such evaluation provides:
  - i) accountability on results, processes, and performance;
  - ii) recommendations to improve the sustainability of the results achieved;
  - iii) lessons learned as an evidence-base for decision-making to be shared with all stakeholders (government, execution agency, other national partners, the GEF and FAO) to improve the performance of future projects. The Budget Holder (BH) will be responsible to contact OED within six months prior to the actual completion date (NTE date). OED will manage the independent terminal evaluation of this project and will be responsible for quality assurance. Independent external evaluators will conduct the terminal evaluation of the project taking into account the GEF Guidelines

for GEF Agencies in Conducting Terminal Evaluation for Full-sized Projects. OED will provide technical assistance throughout the evaluation process ? in particular, it will give quality assurance feedback on: selection of the external evaluators, terms of reference (TOR) of the evaluation, draft and final report. OED will be responsible for the quality assessment of the terminal evaluation report, including the GEF ratings. After the completion of the terminal evaluation, the BH will be responsible to prepare the management response to the evaluation within four weeks and share it with national partners, GEF, OED and the FAO-GEF CU.

## **Disclosure**

14. The project will ensure transparency in the preparation, conduct, reporting and evaluation of its activities. This includes full disclosure of all non-confidential information, and consultation with major groups and representatives of local communities. The disclosure of information shall be ensured through posting on websites and dissemination of findings via knowledge products and events. Project reports will be broadly and freely shared, and findings and lessons learned made available.

## **10. Benefits**

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

1. Specified in Section 1.A, the NZAF project is premised on generating a pipeline of net-zero carbon climate change adaptation projects primarily in the AFOLU sector to be implemented in LDCs. Component 1 identifies climate change adaptation gaps in project planning with Component 2 providing bridge funding for the project if need is identified in the screening process of Component 1.
2. The NZAF incentivizes project implementation in LDCs which are not the primary targets for adaptation funding and in the AFOLU sector, which has seen a decrease in adaptation funding. It is expected that with more projects being implemented in LDCs, targeted at the AFOLU sector, livelihoods are expected to improve with the additional support via technical expertise, funding resources, and other benefits of that specific intervention. With improved livelihoods, decrease in food insecurity and increase in household climate change resilience is expected as additional financial resources can help access goods and services that aid climate change adaptation and increase resilience.

## **11. Environmental and Social Safeguard (ESS) Risks**

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

**Overall Project/Program Risk Classification\***

<b>PIF</b>	<b>CEO Endorsement/Approval</b>	<b>MTR</b>	<b>TE</b>
<b>Low</b>	<b>Low</b>		

**Measures to address identified risks and impacts**

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

N/A

**Supporting Documents**

Upload available ESS supporting documents.

<b>Title</b>	<b>Module</b>	<b>Submitted</b>
<b>Risk Certification 718502-2</b>	<b>Project PIF ESS</b>	
<b>ESS checklist</b>	<b>Project PIF ESS</b>	

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

Outcome/Output	Indicator	Baseline	Mid-Term Target	Final Target	Means of verification	Assumptions	Responsible for data collection
<b>1. A pipeline of AFOLU sector-oriented projects that are implemented in LDCs that have climate change adaptation benefits is identified</b>	# of projects screened, # of projects marked as mainstreamed	<b>0 projects are screened</b>	<b>10 projects are screened</b>	<b>25 projects are screened</b>	Analysis of project registries; website statistics	Project databases and ideas are made available and project developers are interested	Winrock
1.1 A tool for screening and mainstreaming adaptation in NZ project design is available	Availability of a publicly accessible screening platform	An excel version of the screening tool exists with only partial functionality	The automated online screening tool is published, and an initial set of projects are screened	The full version of the screening tool is completely operational	Online tool website and # of clicks	Project developers can access and use the technology	Winrock
<b>2. Increased access to blended financing for integration of adaptation within net zero AFOLU initiatives</b>	AFOLU project developers are able to integrate climate resilience/risks into their projects through tailored incentives and risk reduction mechanisms	<b>No project developer receives incentives for integration of CC risk/resilience</b>	<b>At least 5 projects demonstrate effective integration of CC risks and resilience through tailored incentives</b>	<b>At least 10 projects demonstrate effective integration of CC risks and resilience through tailored incentives</b>	Winrock Reports; edited project designs and letters of agreement demonstrating additionality	A sufficient number of projects are successfully screened and meet eligibility criteria	Winrock

2.1 Custom Technical Assistance, financial incentives and Interest Rate Buydowns are made available to project developers for eligible projects	# of projects that received financing in the form of IRB; Funds disbursed by type of instrument	No projects have received any incentives	at least 75,000 in tailored incentives are disbursed	At least 150,000\$ worth of incentives are disbursed	Financial records, letters of agreements, project reports	The amount of financing available covers the cost of required changes	Winrock
Output 2.2: Risk mitigation mechanism (RMM) is established	# of RMM operational	No mechanism is developed	A study and comparative analysis of RMM options is developed by mid-term	A mechanism is formally created and operationalized, and fundraising is underway	Project Reports; studies; consultation notes; fundraising agreements	There is continued interest in a RMM among carbon financiers	Winrock
<b>3. Future investment is scaled up through knowledge sharing and adaptive learning</b>	Availability of an upscaling strategy	<b>No upscaling strategy is available</b>	N-A	<b>An upscaling strategy based on lessons learned is published, and at least 3 case studies are disseminated</b>	<b>Public records, website and publications</b>	There is continued private sector demand as evidenced by expressions of interest in joining the BFF and screening demands	Winrock
3.1 Best practices for integrating climate change adaptation into net zero AFOLU projects are identified	# of reports, case studies and lessons generated	No reports	One case study is generated	At least 5 reports, case studies, presentations and public documents are available documenting best practices and achievements	Website and publications	At least 3 projects reach completion and deliver lessons	Winrock, FAO

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

N/A

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

PPG Grant Approved at PIF:			
<i>Project Preparation Activities Implemented</i>	<i>GETF/LDCF/SCCF Amount (\$)</i>		
	<i>Budgeted Amount</i>	<i>Amount Spent to date</i>	<i>Amount Committed</i>
Travel (International)	6,800	0	0
Contracts (HACT Assessment + Translation)	10,700	8,653	0
Consultants (GEF Project Design Expert)	27,500	4,950	4,171
Salaries Professional (Financial management/analyst)	5,000	0	0
<b>Total</b>	<b>50,000</b>	<b>13,603</b>	<b>4,171</b>

**ANNEX D: Project Map(s) and Coordinates**

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

N/A: see Section 1b.

**ANNEX E: Project Budget Table**

**Please attach a project budget table.**



FAO Cost Categories	Unit	No. of units	Unit cost	Outcome 1		Outcome 2		Outcome 3		M&E	PMC	Total GEF	Winrock	FAO support services	Total GEF
				1,1	Total	2,1	2,2	Total	3,1						
<b>5011 Salaries professionals</b>															
Project Coordinator	working day	142	500	-	-	-	-	-	-	-	70 963	70 963	70 963		70 963
<b>5011 Sub-total salaries professionals</b>				-	-	-	-	-	-	-	70 963	70 963	70 963	0	70 963
<b>5012 GS Salaries</b>															
													0		0
<b>5012 Sub-total GS salaries</b>				-	-	-	-	-	-	-	-	-	0	0	0
<b>5013 Consultants</b>															
Consultants - AFOLU Climate adaptation and resilience Specialists	working day	79	600	47 318	47 318							47 318	47 318		47 318
Consultants - web design programmer	working day	55	600	33 000	33 000							33 000	33 000		33 000
Consultants - AFOLU Climate Adaptation and Resilience Specialists	working day	106	500			52 867		52 867				52 867	52 867		52 867
Consultant - Adaptation Finance Risk Mitigation expert	working day	62	600				37 000	37 000				37 000	37 000		37 000
Consultant - awareness raising and communications	working day	34	500						17 010			17 010	17 010		17 010
Consultant - NZ Expert/Director Level)	working day	178	600	52 844	52 844	47 733		47 733	5 977		5 977	106 554	106 554		106 554
Consultant - Sr Climate change Advisor	working day	178	600	52 844	52 844	47 733		47 733	5 977		5 977	106 554	106 554		106 554
Consultant - Sr Sustainable Finance Expert	working day	178	600	52 844	52 844	47 733		47 733	5 977		5 977	106 554	106 554		106 554
															0
<b>Sub-total international Consultants</b>				238 850	238 850	196 066	37 000	233 066	34 942	-	34 942	506 858	506 858	-	506 858
<b>Sub-total national Consultants</b>															0
<b>5013 Sub-total consultants</b>				238 850	238 850	196 066	37 000	233 066	34 942	-	34 942	506 858	506 858	0	506 858
<b>5650 Contracts</b>															
Implementation incentives	lump sum	1	25 000			25 000		25 000				25 000	25 000		25 000
CFB	Lump sum	1	123 000			123 000		123 000				123 000	123 000		123 000
Terminal Evaluation	Lump Sum	1	40 000							40 000		40 000	40 000	40 000	40 000
Terminal report	Lump Sum	1	7 000							7 000		7 000	7 000	7 000	7 000
															-
<b>5650 Sub-total Contracts</b>				-	-	148 000	-	148 000	-	-	47 000	-	148 000	47 000	195 000
<b>5021 Travel</b>															
Travel for awareness-raising & knowledge management	Lump Sum	1	15 580	7 000	7 000			8 580		8 580		15 580	15 580		15 580
<b>5021 Sub-total travel</b>				7 000	7 000	-	-	8 580	-	8 580	-	15 580	15 580	0	15 580
<b>5023 Training</b>															
Public Awareness workshops and meetings	meeting	14	1 243					17 535		17 535		17 535	17 535		17 535
Editing, Printing, Translation of project reports and website	Lump Sum	1	11 644					11 644		11 644		11 644	11 644		11 644
<b>5023 Sub-total training</b>				-	-	-	-	29 179	-	29 179	-	29 179	29 179	0	29 179
<b>5024 Expendable procurement</b>															
													0		0
<b>5024 Sub-total expendable procurement</b>				-	-	-	-	-	-	-	-	-	0	0	0
<b>6100 Non-expendable procurement</b>															
															0
															0
<b>6100 Sub-total non-expendable procurement</b>				-	-	-	-	-	-	-	-	-	0	0	0
<b>5028 GOE budget</b>															
															0
															0
<b>6300 Sub-total GOE budget</b>				-	-	-	-	-	-	-	-	-	0	0	0
<b>TOTAL</b>				245 850	245 850	344 066	37 000	381 066	72 701	-	72 701	47 000	70 963	47 000	817 580

<b>SUBTOTAL Comp 1</b>	<b>245 850</b>
<b>SUBTOTAL Comp 2</b>	<b>381 066</b>
<b>SUBTOTAL Comp 3</b>	<b>72 701</b>
<b>SUBTOTAL Comp 4</b>	<b>-</b>
<b>SUBTOTAL Comp 5</b>	<b>-</b>
<b>M&amp;E Budget</b>	<b>47 000</b>
<b>Subtotal</b>	<b>746 617</b>
<b>Project Management Cost (PMC)</b>	<b>70 963</b>
<b>TOTAL GEF</b>	<b>817 580</b>

**ANNEX F: (For NGI only) Termsheet**

Instructions. Please submit an finalized termsheet in this section. The NGI Program Call for Proposals provided a template in Annex A of the Call for Proposals that can be used by the Agency. Agencies can use their own termsheets but must add sections on Currency Risk, Co-financing Ratio and Financial Additionality as defined in the template provided in Annex A of the Call for proposals. Termsheets submitted at CEO endorsement stage should include final terms and conditions of the financing.

N/A

**ANNEX G: (For NGI only) Reflows**

Instructions. Please submit a reflows table as provided in Annex B of the NGI Program Call for Proposals and the Trustee excel sheet for reflows (as provided by the Secretariat or the Trustee) in the Document Section of the CEO endorsement. The Agency is required to quantify any expected financial return/gains/interests earned on non-grant instruments that will be transferred to the GEF Trust Fund as noted in the Guidelines on the Project and Program Cycle Policy. Partner Agencies will be required to comply with the reflows procedures established in their respective Financial Procedures Agreement with the GEF Trustee. Agencies are welcomed to provide assumptions that explain expected financial reflow schedules.

N/A

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

Instructions. The GEF Agency submitting the CEO endorsement request is required to respond to any questions raised as part of the PIF review process that required clarifications on the Agency Capacity to manage reflows. This Annex seeks to demonstrate Agencies' capacity and eligibility to administer NGI resources as established in the Guidelines on the Project and Program Cycle Policy, GEF/C.52/Inf.06/Rev.01, June 9, 2017 (Annex 5).

N/A