Net-Zero Adaptation Finance (NZAF)

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

Taxonomy
Focal Areas, Climate Change, Climate Change Adaptation, Least Developed Countries, Mainstreaming adaptation, Climate resilience, Innovation, Community-based adaptation, Private sector, Ecosystem-based Adaptation, Climate finance, Influencing models, Demonstrate innovative approache, Stakeholders, Partnership, Type of Engagement, Private Sector, Financial intermediaries and market facilitators, Individuals/Entrepreneurs, Capital providers, SMEs, Communications, Beneficiaries, Gender Equality, Gender results areas, Participation and leadership, Capacity Development, Knowledge Generation and Exchange,

Awareness Raising, Access to benefits and services, Gender Mainstreaming, Sex-disaggregated indicators, Gender-sensitive indicators, Capacity, Knowledge and Research, Knowledge Exchange, Learning

Sector
AFOLU

Rio Markers
Climate Change Mitigation
Climate Change Mitigation 1

Climate Change Adaptation
Climate Change Adaptation 2

Duration
36 In Months

Agency Fee($)
77,670.00

Submission Date
3/10/2022

A. Indicative Focal/Non-Focal Area Elements

Programming Directions	Trust Fund	GEF Amount($)	Co-Fin Amount($)
CCA-1	LDCF	817,580.00	4,935,000.00
	Total Project Cost ($)	**817,580.00**	**4,935,000.00**

B. Indicative Project description summary

Project Objective

To mainstream climate change adaptation and resilience measures in net-zero initiatives in LDCs

Project Component	Financing Type	Project Outcomes	Project Outputs	Trust Fund	GEF Amount($)	Co-Fin Amount($)

Project Component	Financing Type	Project Outcomes	Project Outputs	Trust Fund	GEF Amount($)	Co-Fin Amount($)
1. Capacity development of net-zero project developers and procurement partners on adaptation mainstreaming	Technical Assistance	Outcome 1.1: Increased capacity on integration and screening of adaptation in net-zero/carbon projects Outcome 1.2: Mainstreaming of adaptation considerations in project development and carbon credit procurement processes Indicators: ? WinRes web platform established ? Number of project developers and procurement partners trained on WinRes ? Number of partnerships established with project developers and procurement partners ? Project area of land under climate resilient management (ha)	Output 1.1.1: WinRes platform designed and established Output 1.1.2: WinRes training provided to net-zero adaptation project partners Output 1.2.1: Pipeline of carbon projects with verifiable adaptation and emissions reduction benefits Output 1.2.2: Partnerships established with project developers and procurement partners for use of WinRes	LDCF	350,000.00	2,400,000.00

Project Component	Financing Type	Project Outcomes	Project Outputs	Trust Fund	GEF Amount($)	Co-Fin Amount($)
2. Establishing financial incentive mechanisms for investments in adaptation-oriented net-zero projects	Investment	Outcome 2: Increased financial flows to net-zero projects demonstrating adaptation benefits Indicators: ? Credit Enhancement Facility established ? Number of partnerships established for procuring of carbon credits/providing concessional finance to the facility ? Direct beneficiaries (project developers) of zero or low-interest loans for adaptation integration	Output 2.1: Financing needs and opportunities for project developers/selected projects identified 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	LDCF	343,255.00	1,986,364.00

Project Component	Financing Type	Project Outcomes	Project Outputs	Trust Fund	GEF Amount($)	Co-Fin Amount($)
3. Knowledge management and effective project monitoring and evaluation	Technical Assistance	Outcome 3: Program-wide impact monitoring, adaptive learning and knowledge sharing mechanisms developed and implemented	Output 3.1: Adaptation metrics and other key performance indicators for project developers identified and applied. 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 3.3: Project monitoring and evaluation and adaptive learning undertaken.	LDCF	50,000.00	100,000.00
			Sub Total ($)		**743,255.00**	**4,486,364.00**

Project Management Cost (PMC)		
LDCF	74,325.00	448,636.00
Sub Total($)	**74,325.00**	**448,636.00**
Total Project Cost($)	**817,580.00**	**4,935,000.00**

Please provide justification

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

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Investment Mobilized	Amount($)
Private Sector	Rabobank	Loans	Investment mobilized	1,200,000.00
Private Sector	12Tree	Equity	Investment mobilized	800,000.00
Private Sector	ACORN	Other	Investment mobilized	2,400,000.00
GEF Agency	FAO	Grant	Recurrent expenditures	300,000.00
Private Sector	Winrock International	In-kind	Recurrent expenditures	235,000.00
			Total Project Cost($)	**4,935,000.00**

Describe how any "Investment Mobilized" was identified

While we recognize that many carbon projects are equity-financed, with the proliferation of climate funds, increased interest by financial institutions in lending to natural climate solutions, the carbon project development sector will increasingly incorporate standard project finance structures that involve no-recourse, limited-recourse or full-recourse project debt in combination with equity financing. Hence, investment mobilized was calculated using typical debt-equity ratios for project finance transactions (i.e. 60% debt & 40% equity) applied to $2,000,000 of project value that will be supported through the credit enhancement and interest rate buydowns offered by the NZAF using the Bridge Finance Facility (BFF). Details of the BFF are described in section 2 (3). Loan cofinancing will come from Rabobank and potentially other actors (e.g. Root Capital) to be confirmed during PPG. Likewise, equity financing will be provided by 12Tree and other stakeholders to be confirmed during PPG (e.g. Carbon Impact Capital). These actors have been identified based on preliminary discussions and corporate relations. Other co-financing includes, carbon credit revenue generated by carbon projects supported by NZAF through the use of WinRes and/or the BFF and is projected to be $2,400,000 over a 10-year period through ACORN and potentially other actors (e.g. Nestle, McCormick) that will be confirmed during PPG. Winrock?s contributions refers to additional project management costs (PMC) incurred by Winrock during the life of the project including the project preparation phase.

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

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount($)	Fee($)	Total($)
FAO	LDCF	Global	Climate Change	NA	817,580	77,670	895,250.00
			Total GEF Resources($)		**817,580.00**	**77,670.00**	**895,250.00**

E. Project Preparation Grant (PPG)

PPG Required **true**

PPG Amount ($)

50,000

PPG Agency Fee ($)

4,750

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount($)	Fee($)	Total($)
FAO	LDCF	Global	Climate Change	NA	50,000	4,750	**54,750.00**
			Total Project Costs($)		**50,000.00**	**4,750.00**	**54,750.00**

Meta Information - LDCF

LDCF true
SCCF-B (Window B) on technology transfer false
SCCF-A (Window-A) on climate Change adaptation false

Is this project LDCF SCCF challenge program?
true

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. true

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

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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

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

Agriculture	**80.00%**
Natural resources management	**20.00%**
Climate information Services	**0.00%**
Costal 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%**

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
Costal and/or Coral reef degradation false
GroundWater quality/quantity true

Core Indicators - LDCF

CORE INDICATOR 1	Total	Male	Female	% for Women
Total number of direct beneficiaries	21,600	10,800	10,800	50.00%

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	3

CORE INDICATOR 4		**Male**	**Female**	**% for Women**
Total number of people trained	2,160	1,080	1,080	50.00%

Part II. Project Justification

1a. Project Description

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

Food and land-use systems provide the backbone of rural economies worldwide, supporting the livelihoods of millions, particularly in the least developed countries (LDCs). These systems provide a critical source of food security, nutrition and income as well as an important opportunity for local private sector development. However, the agriculture and land use sectors, in LDCs especially, are often characterized by low productivity. Subsistence farmers in these countries are often locked in poverty traps that force them to continue with their unstable practices. This precarious situation contributes to the erosion of the natural resource base while increasing both human and ecological vulnerability, including potential conflicts over scarce resources.

The effects of climate change and variability pose a significant threat to food systems worldwide and their ability to provide food and employment to a growing population. Smallholders whose livelihoods depend on the food and land use sectors are at the forefront of these impacts and often possess limited capacities to cope with increasing climate risks and hazards. The negative impacts of climate change are already being felt, including the shifting of agroecosystem boundaries, increases in pests and diseases and invasive crops along with more frequent extreme weather events. Substantial investments in adaptation will be required to maintain current yields and to achieve production and food quality increases to meet a growing demand. However, finance is a significant barrier, with only 5 percent of climate finance flowing to adaptation despite the need for adaptation financing estimated to be as much as $300 billion by 2030 (Climate Policy Initiative, 2019).

According the latest Adaptation Gap Report 2021, new approximations of the estimated costs and financial needs for adaptation from developing countries indicate higher values than previously reported, with agriculture being the number one sector in terms of finance needs. While international adaptation finance has been increasing up to 2019, future finance flows are projected to stabilize or even decline as a result of the COVID-19 pandemic and the need to prioritize health and other economic needs along with a looming debt crisis. Furthermore, adaptation finance remains largely driven by public funding and if the adaptation financing needs are to be met, significant private sector investments will be required. However, there is an urgent need for scaling up public finance to overcome investment barriers currently perceived by private sector. This is particularly true for private sector investments in LDCs and the AFOLU sectors where risks are higher and revenues considered low.

Public climate finance flowing to the agriculture and land use sectors amounted to 26% percent (122 billion USD) of the global climate finance flows between 2008-2019. LDCs further received less than third of the agriculture related public finance (32 billion USD) 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 the net zero financing given the emerging opportunities in this space.

Globally, food systems are a major contributor to climate change and in LDCs where domestic GHG emissions remain low, emissions from AFOLU-sector often account for a substantial share of total GHG emissions. Transforming food and land use systems is therefore essential in order to meet the targets set out in the Paris Agreement. Given the limitations in public climate finance ? both international and domestic and particular for adaptation actions ? it remains critical to further engage the private sector in bridging the climate finance gap and incentivize private investments in the AFOLU sector. With the recent adoption of the Article 6 rules under the UNFCCC, COP26 in Glasgow has reaffirmed that marked-based mechanisms are expected to play an important role in meeting the 1.5 degree target of the Paris Agreement. However, risks and uncertainties still concern the carbon markets, particularly with regards to afforestation and other AFOLU-sector projects, which were previously excluded or limited in the compliance market under the Kyoto Protocol.

The agriculture and land-use sectors are both a key sink and source of global GHG emissions. As such, they are considered to be important opportunities for greenhouse gas (GHG) reductions and removals by private sector companies ??especially by food and agriculture-based companies looking to meet their net-zero targets through natural climate solutions (NCS). However, targeting these sectors as major sources of GHG reductions and removals involves significant challenges because they also face severe climate impacts and lack of access to financing. In comparison with other sectors, AFOLU initiatives are often more vulnerable to climate risks and hazards, both chronic (rising sea-levels, increasing salination of fresh water sources, increasing temperatures, changing water cycles) and acute (increasing incidence and intensity of extreme weather events such as hurricanes, heat waves droughts). However, despite the substantial risks from climate impacts and high sensitivity, most AFOLU projects are not screened for climate risks, nor the potential of maladaptation or increasing communities? climate vulnerabilities, which can significantly compromise the economic case for developing nature-based carbon projects.

These risks are further amplified in LDCs where there is high sensitivity and low capacities to adapt to the effects of climate change. At the same time, carbon project development in LDCs remain limited. Per Winrock?s research using publicly-available data, out of all projects certified by Verified Carbon Standard (VCS), which accounts for 90% of issuances in the Voluntary Carbon Markets (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 $MtCO_2e$. In comparison, the total volume of AFOLU VCM issuances in 2020 was 57.25 $MtCO_2e$ or almost 3 times the amount from LDCs. Furthermore, global VCM issuances in 2020 was 198 $MtCO_2e$ i.e. almost 9 times more voluntary carbon offsets were issued outside of the AFOLU sector in LDCs (Taskforce on Scaling Voluntary Carbon Markets, 2021).

Scaling up AFOLU projects, particularly in LDCs, therefore provides an opportunity to respond to the demand for insetting/offsetting from corporations looking to meet their net-zero goals in future.

However, if net-zero initiatives in the AFOLU sector are not properly screened for the risks mentioned above, the quality of carbon project development is likely to be compromised, which could lead to (i) higher climate vulnerability of farmer communities in LDCs, (ii) lack of confidence in VCM and in LDCs in particular and (iii) missed opportunity for maximizing potential for AFOLU sector in LDCs to absorb climate resilient investment flows from decarbonization efforts.

According to Swiss Re (2020), major risks to nature-based carbon removal projects that could lead to reversals include natural hazards (wildfires, storms), environmental changes and hazards (floods, droughts), global warming related ecosystem degradation, land-use change, wetlands vulnerable to sea-level rise and increased storm frequency/intensity. All these risks are influcned by climate change and can be further exacerbated if AFOLU carbon projects do not take into consideration such risks.

On the other hand, if WinRes helps identify these risks and these projects are subsequently 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, the decarbonization or net-zero movement presents a unique opportunity to increase adaptation financing from the private sector.

Private finance catalysed through this project will be advanced to achieve adaptation priorities of least developed countries, particularly in the agriculture and land use sectors. For example, the majority of the 17 LDCs that submitted their new and updated NDCs until December 2021 have prioritised specific adaptation actions around cropping, agri food value chain improvement and livestock management. Some core adaptation actions that are priority across majority of LDCs are (NDC review, 2022): i) grazing land management (including sylvopastoral systems); ii) climate-tolerant crops and short-cycle varieties; iii) on-farm soil and nutrient management; iv) improved post-harvest practices and storage; and v) value addition and market diversification.

2) Root causes and barriers

The root causes and barriers for building net-zero projects with adaptation considerations are tied to the limited experience as well as technical and institutional capacity for participating market-based mechanisms in LDCs. Historically, the roll-out of carbon projects such as under the Clean Development Mechanism (CDM) and Reducing Emissions from Deforestation and forest Degradation (REDD+) has lagged behind in LDCs compared to project development in emerging economies which have supplied the bulk of carbon credits to both the compliance and voluntary carbon markets. As a result, project developers in LDCs have limited experience and technical capacity to enter, operate and comply within the carbon market. In addition, the institutional frameworks in LDCs, including for monitoring, reporting and verification (MRV) systems are often insufficient while law enforcement remains inadequate to ensure effective implementation in the land use sectors.

In addition, the agriculture sectors in LDCs are generally perceived as having low investment potential compared to other sectors such as mining, extraction and energy. Bank lending also tends to be low with high interest rates due to risks facing these sectors, especially their sensitivity to climate change. Nonetheless, since carbon projects in the AFOLU sector are targeting mitigation outcomes, appropriate responses to reduce climate risks and impacts while building resilience are generally not, or only partly,

considered in the implementation. Further, AFOLU projects often have limited revenue beyond that generated from carbon credits which tends to make these projects less profitable compared to projects focusing on renewable energy for instance. Finally, projects that demonstrate adaptation benefits or have the potential to do so, are currently not attracting increased finance, and the adaptation investment potential therefore remains untapped.

Barrier 1: Limited integration of adaptation considerations in net-zero projects ? linked to Component 1.

Since mitigation (GHG emission reduction and/or removal) is the primary objective of net-zero AFOLU projects, climate risks along with adaptation and resilience strategies are rarely integrated into these initiatives, beyond considered as co-benefits. There is currently also not a demand 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, which integrate adaptation actions. The real value of adaptation mainstreaming is therefore often left unaccounted for as project developers generally focus on interventions with maximum mitigation potential, where the return-of-investment is highest in terms of carbon credits. As a result, there is limited motivation among project developers to integrate adaptation and resilience into net-zero initiatives and few also have the capacities to do so. In addition, there is currently limited tools and resources available to support project developers in mainstreaming adaptation and going beyond a net-zero objective. 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 ? linked to Component 2. 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 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 root causes mentioned above but also 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. As a result, there is both limited investment and limited engagement of local private sector, banks and financial institutions to invest in adaptation-oriented net-zero projects in LDCs.

Barrier 3: Limited knowledge about the means for measuring and monitoring adaptation considerations in net-zero projects ? linked to Component 3. While adaptation outcomes are generally considered as co-benefits of AFOLU projects, currently there is no framework in place to support carbon procurers in screening for adaptation benefits or to share knowledge among project developers on ways to integrate measures for adaptation impacts. As a result of this, information and lessons learnt are not communicated or shared among key stakeholders in ways that could otherwise contribute to scale up adaptation actions and finance through net-zero initiatives in LDCs.

To address the above-mentioned barriers, the Net-Zero Adaptation Finance (NZAF) program will be established to overcome these challenges and pilot transformative carbon projects that deliver

adaptation impacts. The project?s scope is global and will focus on agriculture and land-use projects in 2-3 LDCs with the aim that activities can be replicated and scaled up by project developers in other LDCs as well as non-LDCs.

3) **the baseline scenario and any associated baseline projects**

The baseline scenario and associated baseline 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. Several investments by governments, private sector corporations, and international development partners are promoting climate-smart approaches in the agriculture and land- sectors worldwide and particularly in LDCs where these sectors rank at the top for both adaptation and mitigation priorities.

Private sector and the voluntary carbon market

As of 2021, more than a third of S&P Global 1200 companies have 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. In 2016, just 13 companies had set or committed to a science-based target, which shows the rapid growth in companies adopting these standards (The State of Net Zero, Greenbiz, 2022). 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. Therefore, whilst carbon capture and storage (CCS) will be important removal activities in the long term (after 2030), AFOLU projects offer significant supply at lower cost in the short to medium term (up to 2030). And with the increased pressure on corporations to commit to climate action, the demand for VCM is expected to grow. With projected increases in VCM demand, average VCM prices could rise to $20- 50/tCO2e 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 in excess of $50/tCO2e (Taskforce of Scaling Voluntary Carbon Markets, 2021). 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.

However, while the demand for VCM is rising, the focus remain on mitigation including in terms of finance and investments. As such, there is still a gap in targeted financing for adaptation outcomes that holds the potential to catalyze and accelerate investments in agriculture and land-use net-zero initiatives. The project will work closely with a number of relevant initiatives and stakeholders to build on their achievements and leverage or amplify their investments. These are listed in the below.

Relevant FAO-led initiatives

Initiative	Linkages with the NZAF project

The Scaling up Climate Ambition on Land Use and Agriculture through nationally determined contributions and National Adaptation Plans (SCALA) programme 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 to build adaptive capacity and reduce greenhouse gas emissions in order 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 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, 5 (Ethiopia, Cambodia, Uganda, Nepal, Senegal) of which are LDCs. *SCALA has established a Technical Assistance Facility for private sector engagement in NDC/NAP implementation through demand-led approaches based on countries? national agriculture and land use sector priorities. The Technical Assistance Facility will give priority to an additional 12 LDCs. *In collaboration with World Business Council for Sustainable Development (WBCSD), SCALA programme will produce 'climate resilience and net zero guidance' to help companies and public entities identify investment opportunities to meet NDC/NAP targets and commitments.	The project will coordinate and explore synergies with this project in particular related to supporting climate resilient, local private sector development in the agriculture and land-use sectors of least developed countries. . The proposed project will explore opportunities to use the Climate Resilience and Net Zero guidance produced under SCALA to inform the WinRes tool being advanced under the project.
Within its Knowledge for Investment (K4I) Initiative, 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	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.

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.	The proposed project will build on the experiences of this project and the financial and institutional innovation for reducing the risks of private sector investments in sustainable forestry. The project can also demonstrates how private sector can be a major player in REDD+ finance, notably by undertaking low-emission investments in land-based activities and sustainable forestry, assess how activities may drive deforestation and forest degradation in a given country, shedding light on how extraction practices (or those of PS suppliers) affect forests along its value chains.
FAO?s **Hand-in-Hand Initiative (HIHI)**[1] aims to accelerate agricultural transformation and sustainable rural development through ?matchmaking? between priority countries with greatest needs and funding sources; a geospatial platform to support informed targeting of investments; an innovation data lab; and a monitoring and evaluation dashboard. The HIHI approach has proven to be a useful model for coordinating integrated rapid response to COVID-19 impacts on food systems. LDCs are a top priority HIHI and pilot countries are therefore expected to be covered under the HIHI. [1] https://www.fao.org/hand-in-hand/en/	The proposed project will seek opportunities to build on data generated by the HIHI platform and coordinate with its investments in agricultural transformation.

Relevant Winrock initiatives

American Carbon Registry (ACR) 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.	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.

ONE-SL 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.	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.

Relevant Private Sector Initiatives

ACORN 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.

3) the proposed alternative scenario with a brief description of expected outcomes and components of the project;

The project's alternative scenario is to create tools, commercial and financial incentives for mainstreaming climate risk considerations and adaptation outcomes in net-zero initiatives in the agriculture and land-use sectors. NZAF will engage both project developers in selected LDCs as well carbon credit procurers to enhance resilience in net-zero projects. More specifically, the NZAF program will build upon Winrock?s expertise in working with: (a) private sector corporations on their net-zero initiatives; (b) development of tools for measuring and augmenting resilience efforts in the food and agriculture sectors; and (c) bringing integrity to the design and functioning of carbon marketplaces through the American Carbon Registry (ACR).

The NZAF program will employ two strategies to mainstream climate adaptation in net-zero initiatives:

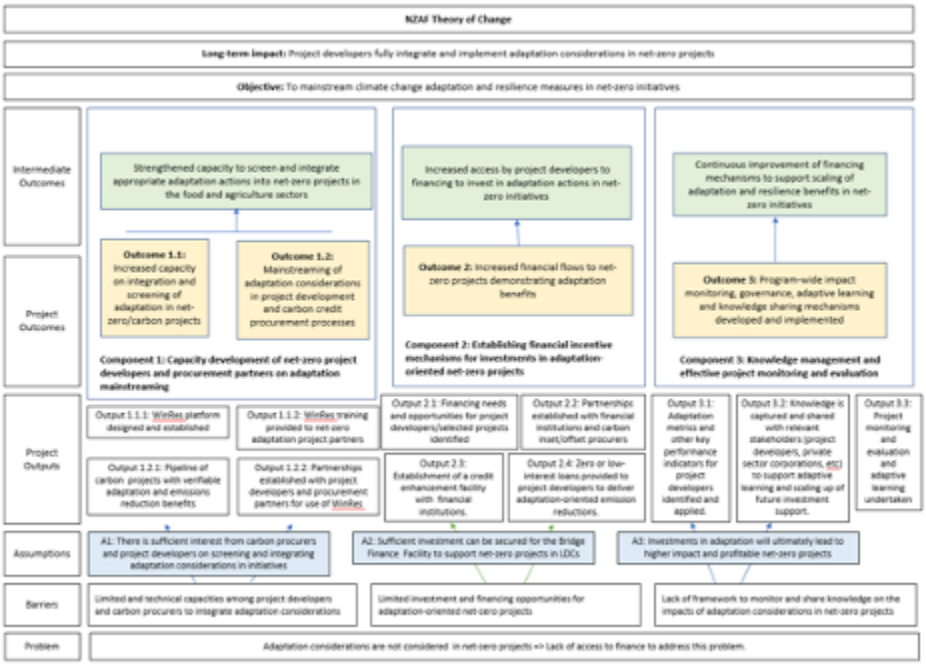
(1) Capacity development of net-zero project developers and procurement partners on adaptation mainstreaming

(2) Establishing financial incentive mechanisms for investments in adaptation-oriented net-zero projects

The NZAF program design and implementation strategy would involve the following key private sector partnerships: a. Financial partners (FPs) - for implementing a bridge finance facility; and b. Procuring

partners (PPs) - private sector clients of the NZAF, such as companies directly procuring, or carbon marketplaces that help aggregate, carbon reductions on behalf of clients.

The proposed theory of change for NZAF project builds upon the assumption that there is a need to improve access to tools and resources for assessing the adaptation potential of carbon inset/offset projects as well as provide better access to affordable and flexible financing available to carbon project developers for adaptation integration. Further it assumes that if procurers of carbon emissions reductions/removals offer better terms for adaptation-oriented projects, there will be increased mainstreaming of adaptation considerations and climate finance flows mobilized for net-zero goals of the private sector. The project's theory of change is outlined in the figure below.



Please note that pilot countries will be selected during the PPG phase. The selection process of LDCs will involve pre-identification of potential pilot countries based on climate vulnerability, existing and pipeline carbon projects, representativeness of a diversity of agroecosystems and global coverage. This desk analysis will then be refined through stakeholder consultations with financial partners and country representatives to gauge interest and potential for collaboration. The project?s components, outcomes and outputs are described in more detail below.

Component 1: Capacity development of net-zero project developers and procurement partners on adaptation mainstreaming

Outcome 1.1: Increased capacity on integration and screening of adaptation in net-zero/carbon projects

Under Outcome 1.1 the project will advance the development of an innovative tool called the Winrock Resilience Investment Screen (WinRes), which was created in late 2017 via collaboration between

Winrock and the global social impact firm, Acumen. WinRes is designed to assess how specific investments increase the resilience of communities to climate change impacts. In partnership with Acumen Resilient Agriculture Fund, WinRes has helped screen agriculture investments worth around $16 MN, to date. Currently, WinRes?s assessment captures the following in the context of agribusinesses:1) Climate change and weather 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 under consideration that would exacerbate climate risks that could outweigh, or dilute benefits identified in the previous two sections.

Output 1.1.1: WinRes platform designed and established

Output 1.1.2: WinRes training provided to net-zero adaptation project partners

Based on the above, Output 1.1.1 seeks to modify the WinRes tool towards a more specified screening, targeted at carbon projects. Activities under this Outcome will also include stakeholder consultations while designing this new version and the operating platform through which it will be utilized by third parties. This process will also draw upon FAOs Climate Resilience and Net Zero guidance to inform WinRes tool. The guidance is developed in collaboration with companies and will help agri-businesses invest in climate solutions and NDC commitments and can provide an entry point to inform the assessment questions in WinRes and engage with investors.

Once the WinRes tool is designed and an operating platform is established, Output 1.1.2 will seek to train market actors including project developers and procurement partners on its use.

Outcome 1.2: Mainstreaming of adaptation considerations in project development and carbon credit procurement processes

In parallel with Outcome 1.1, Outcome 1.2 will seek to engage with project developers and procurement partners to integrate the use of WinRes to understand climate risks, impact on community-level resilience and potential for maladaptation of carbon projects. In order to ensure a steady pipeline of projects (Output 1.2.1), the project will pursue strategic partnerships with project developers and procurement partners within selected LDCs (Output 1.2.2). These strategic partnerships may also involve linking with Component 2 to provide commercial and financial incentives for early movers.

Output 1.2.1: Pipeline of carbon projects with verifiable adaptation and emissions reduction benefits

Output 1.2.2: Partnerships established with project developers and procurement partners for use of WinRes

Component 2: Establishing financial incentive mechanisms for investments in adaptation-oriented net-zero projects

Outcome 2: Increased financial flows to net-zero projects demonstrating adaptation benefits

Under Outcome 2 and in order to incentivize carbon projects that take into consideration climate risks and climate adaptation considerations, the project will collaborate with procurement partners to apply the WinRes screening as part of their standard due diligence processes (Outcome 2.1). Procurement partners (PPs) will commit to providing tangible benefits to projects that pass the screen such as receiving higher priority during project selection and/or receiving premium terms from prices from PPs. Price premiums paid by PPs will be relative to projects that do not screen or relative to generally available market terms for similar removal projects. Considering that the application of the WinRes tool will lead to procurement of more climate-resilient and low-risk carbon credits, the private sector would find it consistent to provide better terms in line with existing commercial practices that use risk-adjusted pricing methods. The reputation value of procuring higher quality credits should be another motivating factor for procurement partners to provide better terms to such projects.

The optimum capital structure for project financing typically includes both debt and equity (or their variants), with more debt than equity because the former is typically cheaper than the latter. In such layered capital structures, each capital provider is compensated appropriately for risks allocated to them. However, per conversations with carbon market stakeholders it is clear that most carbon projects are equity financed, which as per conventional understanding of project financing, is a highly inefficient capital structure. Among the reasons why this is the case, are that (a) lending institutions are inadequately trained to understand the risk profile of carbon projects and provide appropriate financing terms and (b) project developers are unable to justify absorbing high-cost debt, sometimes more expensive than sources of equity. In order to help the carbon market mainstream adaptation while also progress up the financing maturation curve, the project will also establish a mechanism called the Bridge Finance Facility (BFF) to provide concessional debt financing to project developers who commit to developing carbon projects that score above a certain level when subjected to a WinRes screen (Outputs 2.3 and 2.4). The BFF will consist of three sub-components (all terms are indicative and will be finalized during PPG stage):

1. The **bridge loan fund or BLF** (capitalized and operated by financial partners (FP)) will provide financing on the following terms:
? Limited recourse development loan subject to FPs? due diligence;
? Principal moratorium of maximum 3 years;
? Maximum loan tenor of 10 years; and
? Market rates applicable for projects located in non-LDCs.

2. The **credit enhancement fund or CEF** (operated by Winrock) will offer the following terms:
? First-loss guarantee for up to 20 percent of losses incurred by FPs for loans made for projects located in LDCs; and
? Guarantee fee of up to 2 percent of loan value paid upfront by FPs to Winrock at the time of loan disbursement.

The 2% guarantee fee levied on partner FPs will benefit NZAF in the following ways (i) to reduce moral hazard risks as is understood in the finance sector i.e. the existence of a fee will ensure that FPs

are conducting proper due diligence to understand the risks of lending to a project and not automatically price in a 20% capital loss from financed projects, and (ii) to help ensure that the CEF can continue to serve its mission through continuous recapitalization (if revenue is greater than actual losses covered). From a macro perspective, the monitoring and evaluation of the CEF will add to the global understanding of the value of credit enhancement in helping mobilize private sector financing for adaptation and also to document how in the long-run such structures lead to reduction in perceived and/or real risks for development-oriented projects.

3. The **interest rate buydown fund or IRBF** (administered by Winrock) will reduce interest rates for projects located in LDCs by paying an upfront amount to FPs such that project developers will receive discounted-rate loans, thereby incentivizing them to prioritize LDC projects. Concessionality, if needed for non-LDC projects, will be brought in through non-LDCF sources.

The above three sub-components will be implemented directly with the FPs and in coordination with the project developers that receive debt financing. The CEF will be designed to convince partner FPs to earmark sufficient capital and set terms of project finance in line with the terms described above. The CEF, through provision of the first-loss guarantees, will allow partner FPs to adjust the risk-adjusted returns that financial institutions expect from loans made to identified carbon projects. More specifically, FPs will consider the protection of 20% of principal losses in their risk-scoring methodologies and the resulting lower risk score will allow them to provide concessional financing to project developers.

Once a project developer and a climate-resilient carbon project is identified, the partner FP will determine lending terms. The IRBF will be used to reduce the risk-adjusted interest rate further to a point where the project demonstrates higher profitability and better debt service coverage ratios such that both the project developer and the FP are further de-risked. We currently anticipate reducing interest rates by an average of 5%, which should significantly improve debt serviceability.

Post-implementation data analysis, through loan monitoring and VCM benchmarking, should reflect the inherent value of climate-resilient carbon projects through lower default and higher profitability indicators. As the perceived and real risks from climate resilient carbon projects are reduced, the need for credit enhancements or interest-buy downs will reduce over time.

The exact design of the BFF will be determined after extensive consultation with financial sector entities as well as project developers, and will be attuned to the needs and requirements of those two stakeholder groups. Beyond the initial funding from the LDCF for the BFF, NZAF will continue to approach other donor institutions and impact investors to scale-up the mechanism to continue its mission and objectives beyond the life of the LDCF resources.

Output 2.1: Financing needs and opportunities for project developers/selected projects identified

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

Component 3: Knowledge management and effective project monitoring and evaluation

Outcome 3: Program-wide impact monitoring, adaptive learning and knowledge sharing mechanisms developed and implemented

Under Outcome 3.1, the project will develop and implement harmonized program-wide impact monitoring, adaptive learning and knowledge sharing mechanisms. Activities under Output 3.2 will be aligned with the WinRes tool?s risk categories and indicators. Currently, the WinRes tool follows the Green Climate Fund (GCF) Results Measurement Framework, particularly the Adaptation Impact Indicators, as a foundation and is specifically designed to measure climate risk for agriculture SMEs. Using GEF funding, the WinRes tool will be modified to be applicable to carbon projects with functionality to provide climate risk and climate adaptation guidance for various socio-economic and climate risk contexts across LDCs. Similarly, the results management framework and the impact indicators will also be attuned to the requirements of GEF and LDCF. These and other lessons and knowledge generated from the NZAF will captured and distilled as part of Output 3.2. Finally, Outcome 3.3 covers the project?s Monitoring and Evaluation (M&E) activities, including reporting and the organization of the mid-term and end-of-project evaluations.

Output 3.1: Adaptation metrics and other key performance indicators for project developers identified and applied.

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 3.3: Project monitoring and evaluation and adaptive learning undertaken.

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

This project will primarily deliver adaptation benefits by contributing to increase financial flows towards carbon projects with demonstrated resilience benefits. Due to the cross-cutting nature of the project, activities supported will also be expected to deliver important co-benefits under the climate change mitigation focal area, through GHG emission reductions, sequestration and/or removal.

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

LDCs are among the most vulnerable countries to the effects and impacts of climate change, and often compounded by fragile and conflict contexts, which have been further exacerbated by the COVID-19 pandemic. These vulnerabilities are often tied to the strong dependence on the food and agriculture sectors, particularly among the rural and poorest populations in these countries. However, the reliance on sectors that are highly sensitive to climate and environmental stressor along with low economic

gains (compared to other sectors) means that the appetite to invest in the agriculture and land-use sectors remains low. And while climate action in the agriculture sectors generally rank as a top priority across the LDCs, the rationale for investing in adaptation and resilience measures is often perceived as too risky. Historically, the carbon markets were also supplied with credits generated from projects in non-LDC developing countries whereas the conditions and limited experience have resulted in low carbon project development in LDCs. As such, mainstreaming adaptation considerations into net-zero projects in LDCs are unlikely to occur without the investment from the LDCF Challenge Program.

The NZAF project builds on and is complemented by the efforts of several ongoing baseline initiatives that operates within the targeted scope and possible pilot LDCs (see section 1.2). The use of LDCF seed funding will target the margin between the current baseline investments and a sustainable and project development scenario that integrates adaptation measures and promotes innovative financing to enhance the sustainability and scaling of adaptation-oriented net-zero initiatives.

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

The proposed project is fully aligned with the goal of the LDCF/SCCF Programming Strategy 2018-2022, through its efforts to promote innovation and entrepreneurship as a means 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 at a critical moment where carbon markets are resurrecting and to strengthen the capacities of project developers in LDCs on adaptation mainstreaming. The project?s alignment with the first objective of the LDCF strategy and consequent adaptation benefits are outlined below.

LDCF Objective 1: Reduce vulnerability and increase resilience through innovation and technology transfer for climate change adaptation. LDCF resources will be used in a catalytic and complementary manner to enhance the resilience of the agriculture and land-use sectors along with the livelihoods that depend on them, through innovations in project development. This will be achieved by introducing, testing and rolling out the WinRes tool for adaptation screening in net-zero initiatives as well as by establishing facility to finance transformative project development in pilot 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 in particular, who are engaged in these initiatives. More specifically, the project estimates to reduce vulnerability and increase resilience of 16,000 people and 5,400 across selected project sites (to be determined during PPG) in pilot LDCs.

In addition, the proposed project will contribute to green and resilience recovery from the Covid-19 pandemic. Indeed, LDCs are particularly vulnerable to compound risks from climate change and the Covid-19 pandemic, including from the economic fallout due to disrupted economic sectors and access to markets. As stressed by the GEF, the most vulnerable countries require ?urgent access to long-term, affordable finance to implement climate-resilient recovery measures that will avoid emissions and climate-vulnerability lock-in for decades to come?. By developing and implementing innovative mechanisms to facilitate funding of climate adaptation in LDCs, the proposed project will directly support resilience building and sustainable recovery not only from Covid-19 , but also from future pandemics.

7) innovation, sustainability and potential for scaling up.

Innovation

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 marketplaces to understand the climate risks, resilience benefits and potential for maladaptation from within their carbon inset/offset project portfolio. Second, LDCF resources will support the establishment of an innovating financing mechanism called the ?Bridge Finance Facility?. Through this facility, eligible projects (i.e. those that pass the WinRes screen and the FP due diligence) will have access to an upfront project development non-recourse loan secured only by project assets including the premium procurement contract. To incentivize project development in LDCs and to increase affordability for project developers, part of the grant funds will be used for interest buydowns if the projects are located in LDCs. Similarly, to increase FP activity in LDCs, another part of LDCF funds will be used create a credit enhancement fund for backstopping losses incurred from projects located in LDCs.

Sustainability

The NZAF program will be established to be financially sustainable through income generated from user fees that will be charged to procurement partners i.e. private sector corporations, carbon aggregators and carbon marketplaces, that use WinRes to screen their carbon project portfolio for adaptation considerations. User fees will be charged according to the level of service provided to procurement partners. Broadly speaking there will be two types of service levels (i) Winrock analyses the carbon project/s under consideration, inputs data into WinRes and generates report and (ii) The procurement partners inputs data into WinRes and generates report and Winrock provides second-party assurance services. In both cases, fees would be set to take into account the volume of projects being assessed. There may be additional revenue earned through interest accrued on funds held in accredited financial institutions although this is currently not considered as part of the financial sustainability.

Another source of financial sustainability of NZAF will be through the use of guarantee fees paid by participating financial institutions for accessing credit enhancements provided by NZAF, such a loan loss reserve. The fees will go toward operating costs of the program and any surplus amounts will be deposited into ring-fenced accounts held with acceptable financial institutions in no-to-low risk treasury products.

Potential for scaling-up

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 agricultural sector.

1b. Project Map and Coordinates

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

The selection of pilot LDCs will be confirmed during PPG. The selection process of LDCs will involve pre-identification of potential pilot countries based on climate vulnerability, existing and pipeline

carbon projects, representativeness of a diversity of agroecosystems and global coverage. This desk analysis will then be refined through stakeholder consultations with financial partners and country representatives to gauge interest and potential for collaboration.

2. Stakeholders

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

Indigenous Peoples and Local Communities

Civil Society Organizations

Private Sector Entities Yes

If none of the above, please explain why:

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

As part of the PIF design process, stakeholder consultations have been held with the private sector entities ? i.e. potential project developers (12Tree), procurement partners (ACORN) and financial partners (Rabobank) - about the value proposition of the NZAF, both for Component 1 and Component 2 (as described in Part II section 3). Successful development and implementation of the NZAF, including the precise design and implementation details of WinRes and the BFF, hinge on effective stakeholder engagement, as outlined the in the below.

The NZAF will undertake a multi-stakeholder engagement process during both project preparation and implementation phase. For the project preparation phase, stakeholder engagement will be undertaken for three purposes ? raising awareness of climate risks and climate adaptation benefits, receiving input for NZAF design and conducting business development. In certain cases, engagement with the same set of stakeholders could yield positive outcomes across multiple purposes.

Key Stakeholder	Relevant Roles and Engagement
Project developers	Project developers are potential adopters of the WinRes tool as a service to ensure their projects are considering climate risk concerns and including relevant adaptation measures. They will be consulted during PPG phase for finalizing WinRes design and to identify early adopters during implementation phase through bilateral talks.
Financial institutions	Financial institutions are essential partners for capitalizing and implementing the BFF to finance projects that pass through the WinRes screen. Financial institutions are also important stakeholders for mainstreaming of adaptation concerns through increased awareness and capacity-building. They will be consulted during the PPG phase for raising their capacity to understand climate risk and climate adaptation benefits, getting input for design of the BFF and identifying potential early partners through bilateral talks.

National governments	National governments are important partners for the implementation of GEF-funded projects and will be consulted to ensure alignment with their NDCs and to get their buy-in for potential projects identified within those countries. Consultations will be conducted through bilateral meetings.
Civil society organizations & non-profit institutions	CSOs and NGOs will be consulted through email information requests or bilateral talks on a variety of issues related to environmental and social safeguards including indigenous peoples? rights to ensure integrity of the NZAF.
Multilateral institutions	Multilateral institutions will be consulted through email information requests or bilateral to ensure that the NZAF design and implementation plan leverages of any complimentary programmatic or financial initiatives to maximize the impact.

3. Gender Equality and Women's Empowerment

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

It is widely understood that women face a greater incidence of negative impacts from climate change, although the exact impact is highly dependent on the local socio-economic, cultural and climatic context. However, adaptive capacity is inextricably linked to socio-economic stability and environmental protection and LDCs are the most poorly performing across most indicators that track those dimensions. More than half of the 700 million inhabitants of the LDCs are women and they represent 83% of workers in agriculture (UNCTAD). Hence with the focus of the NZAF on LDCs and land-use sector, it follows that a high proportion of direct beneficiaries will be women. Since NZAF aims to increase awareness of climate risks, facilitate climate adaptation and avoid maladaption while improving AFOLU-related carbon project economics, the project will increase women?s adaptive capacity.

The project will follow the guidance and recommendations of both the GEFs and FAOs Policy on Gender Equality and the GEF Gender Implementation Strategy, and will draw upon the relevant policies adopted in the pilot countries, to be selected during the PPG phase.

In particular, full alignment with GEF?s Gender Policy (2017) will be ensured through the gender analysis to be conducted during the PPG phase as well project implementation. This will indicatively include conducting a baseline analysis of the mainstreaming of gender aspects (esp. climate vulnerability of women) into existing carbon screening tools and financial instrument. A gender analysis of the WinRes tool will also be performed. These analyses will lead the formulation of recommendations to further integrate the special climate vulnerabilities of women into the WinRes tool, thereby ensuring that the increased financial flows for net-zero adaptation to be leveraged under Component 2 will duly benefit women. Under Component 3, best practices and knowledge exchange will, *inter alia*, focus on the assesment of the gender benefits (Output 3.2). For example, gender will be fully mainstreamed into the adaptation metrics to be developed under Output 3.1, as well as in the M&E framework under Output 3.3.

In addition, the project will integrate Winrock's gender equity and social inclusion (GESI) concerns, which are the core of its? development programs. This includes a minimum set of standards to promote GESI into the programming. For instance, while not all activities will have an explicit GESI focus, all activities should be designed to be accessible to marginalized groups. In addition, specific activities will be needed to enable the program to meet the specific needs of vulnerable groups. When GESI is a cross-cutting theme and the program doesn?t have GESI-specific objectives or activities, activities will consider enhancement of GESI-related outputs and outcomes. In line with the GESI Policy, monitoring and evaluation plans will also incorporate GESI responsive data collection methods, indicators and expected results.

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

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

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

generating socio-economic benefits or services for women. Yes

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

Yes

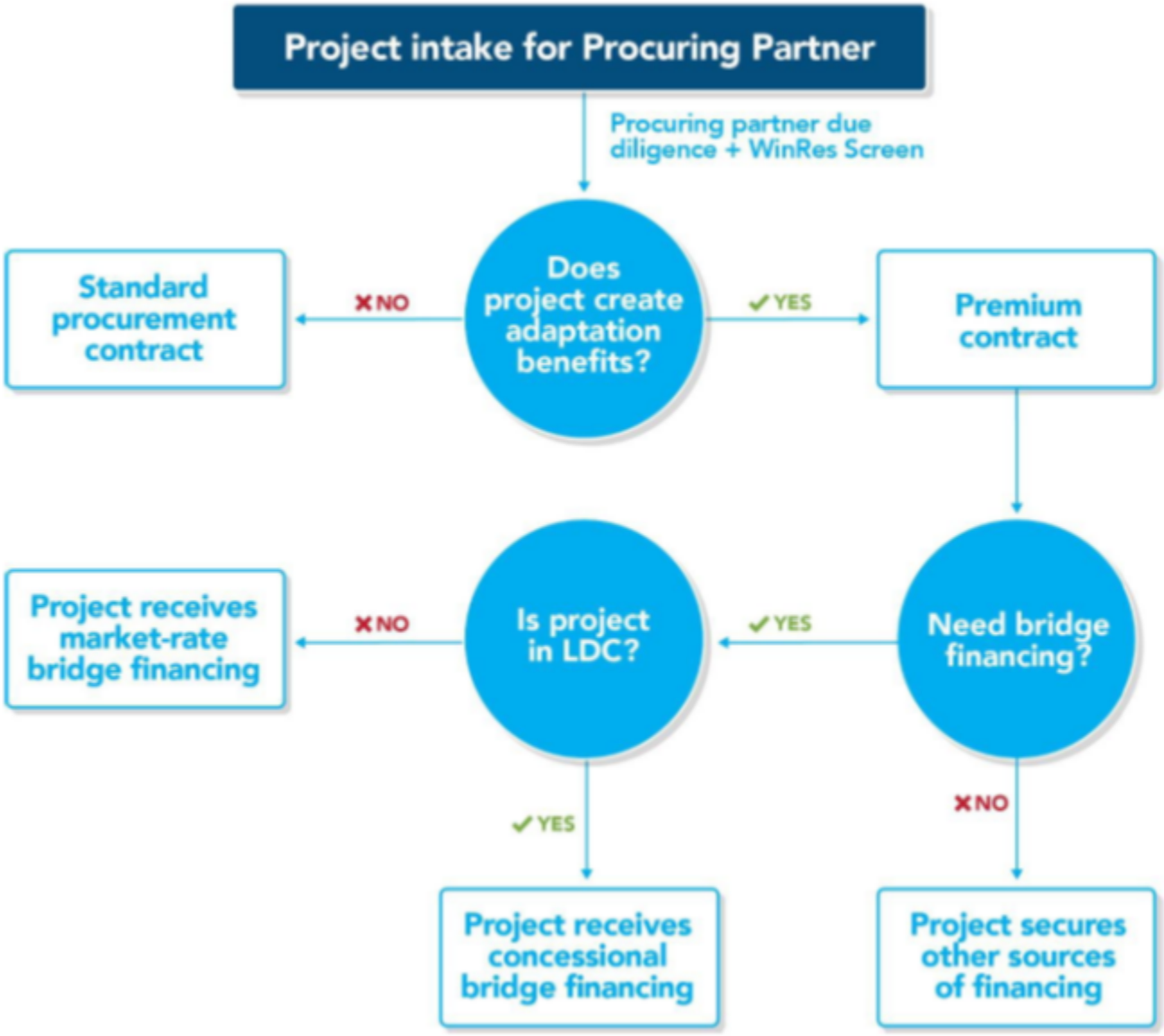
4. Private sector engagement

Will there be private sector engagement in the project?

Yes

Please briefly explain the rationale behind your answer.

The NZAF is envisioned to be highly integrated with private sector actors involved in the voluntary carbon market (VCM), which is an important pathway to meeting science-based climate change mitigation goals. It is on the basis of strategic private sector engagement that a combination of tools (WinRes), commercial incentives (better procurement contracts) and financial incentives (BFF) will help ensure that climate finance flows into the VCM will be climate resilient and also optimize for climate adaptation co-benefits. Below is a diagram that shows NZAF?s private sector engagement process.



For example, the ACORN platform (as described in Part I, section 2), a potential procurement partner, has expressed interest in exploring how the WinRes tool may improve its project selection process to ensure that the resulting carbon reduction units (CRUs) are climate resilient and underlying projects have been optimized for climate adaptation opportunities. If ACORN were to partner with the NZAF as a procurement partner, their engagement process would unfold as depicted in the above diagram.

Furthermore, the NZAFs approach aligns with FAO?s private sector engagement strategy (2021-2025), which aims to strengthen strategic partnerships with businesses, as well as scale up and steer all private efforts to support innovation, promote investments, mobilize scientific expertise, and generate data to achieve sustainable development goals based on shared resources, networks, knowledge and technologies. The approach also builds on the SCALA programme?s Private Sector Strategy (2022),

which aims to catalyze the private sector in delivering climate solutions aligned with the NDCs and NAPs across agriculture and land use sectors.

5. Risks to Achieving Project Objectives

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

acceptable).

Description of risk	Impact	Probability of occurrence	Proposed mitigation actions
1) The project is unable to make the necessary deals to secure financing and engage intermediaries	High	Low	? Initial discussions with potential partners and financiers have been positive. The project will continue to tap into Winrock?s partners? networks to mobilize potential financiers and intermediaries. Lessons learned from other similar funds including the Landscape Resilience Fund will be taken into account.
2) Unable to identify eligible counterparts and pipeline of viable projects	High	Low	? The initial scoping and discussions held with partners and other value chain actors have identified potential counterparts and potential projects to be financed. More detailed analysis will be conducted during project preparation and implementation, accompanied with technical assistance to ensure that the necessary capacity is built among potential counterparts and intermediaries.
3) Political risks, changes in trade policy and regulatory environment	Moderate	Moderate	? The project will carefully observe the political, policy and regulatory environment in the selected pilot countries during project preparation and implementation, and political risks will be considered in the design of the financial mechanism. Potential political risks will also be. considered when selecting the pilot countries
4) Market risks, price fluctuations	Moderate	Moderate	? Market risks and price fluctuations will be considered in the design of the financial mechanism. Lessons learned from other carbon market initiatives will also be taken into account.
5) Financial risks (interest rate risks, currency risks, credit/default risk)	Moderate	Moderate	? Consideration of financial risks is an integral part of the design of the financial mechanism and will be analysed in detail during project implementation. With regard to currency risks, the transactions of the financial mechanism are expected to be predominantly in USD.

6) Weather events such as droughts, floods, cyclones	High	High	? Natural fires, crop losses and other impacts due to weather events are likely and may significantly impact the durability and profitability of the project?s investments. The project will put in place measures to mitigate such risks, such as through crop insurance or by making sure that investments are climate-proof. These measures will be identified during project preparation and implementation.
7) Climate change	High	High	? Climate change is expected increase the likelihood, frequency and intensity of extreme weather events and will lead to reduced crop yields in some areas. The project?s activities are designed to address these climate risks. A more detailed climate risk analysis is provided in the section below.
8) Legal and compliance	Moderate	Moderate	? Necessary legal and compliance analysis will be conducted as part of project implementation and establishment of the financial mechanism.
9) The project is unable to find procurement partners to provide tangible benefits to projects that pass the screen	Moderate	Low	? The initial scoping and discussions held with potential procurement partners have yielded positive signals about providing tangible benefits to carbon projects that are climate resilient. More detailed engagement will be conducted during project preparation and implementation, accompanied with technical assistance to ensure that procurement partners understand the commercial and reputational benefits from procuring climate-resilient carbon credits, and consequently reflect that value accretion in procurement terms.
10) 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	Moderate	Moderate	? The 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 and prioritise work with locally-rooted organisations in order to minimise the impacts of limitations on mobility at the national and international levels. Technological alternatives to face-t-face consultations will be deployed, securing proper participation and engagement of all relevant stakeholder groups. ? Pilot LDCs will be selected based on the fact that climate adaptation and agriculture are government priorities. It is therefore unlikely that re-orientation of financing is going to materialise in the coming biennium.

6. Coordination

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

The Food and Agriculture Organization of the United Nations (FAO) will be the GEF implementing agency of the project. Winrock will be the executing agency and will be contracted by FAO. During the PPG process, an operational capacity assessment will be conducted of Winrock to determine a suitable implementation modality.

A Project Steering Committee (PSC) will be established to provide strategic guidance and take decisions related to the project implementation including approval of project plan, budget and revisions. The PSC will meet twice a year, or more frequently as necessary. Although the PSC members will be detailed during PPG, it is envisaged that the GEF be invited to PSC meetings so as to engage and closely follow the progress of this innovative project. A Project Management Unit (PMU) will be housed within Winrock. The PMU will be tasked with the day-to-day management of the project activities, as well as with financial and administrative reporting.

The LDCF project will also build on and align with GEF frameworks by upscaling best practices of GEF projects and adaptation initiatives globally. Further to that, the proposed project will draw on the existing and planned investments of relevance in the targeted pilot countries once identified. Close coordination with these initiatives will ensure the project?s impact at scale while avoiding potential duplication of effort.

The proposed project will leverage on projects funded by GEF and LDCF as a baseline and build upon good lessons and practices within the thematic scope. Such projects include;

The Landscape Resilience Fund (LRF) is an independent Swiss foundation funded by the LDCF/SCCF and implemented by South Pole and World Wide Fund for Nature (WWF). The LRF supports the most vulnerable people in rural landscapes to effectively adapt to climate change by providing knowledge to and investing in small and medium enterprises (SMEs) that target adaptation and resilience through sustainable land management. The fund accompanies SMEs on their pathway to financial profitability through an approach of three funding windows: a landscape window connects local stakeholders and their projects, identifies opportunities in value chains, and mitigates social and environmental risks; pre-investment funding builds investment-readiness for SMEs; soft loans to SMEs help scale effective adaptation business models.

The Public-Private Blended Finance Facility for Climate-Resilient Rice Landscapes. Supported through the LDCF/SCCF Challenge Program and implemented by Partners to the Sustainable Rice Platform (SRP), this project aims to catalyze public and private financing for climate-resilient rice landscapes, value chains and livelihoods. The project will support the design of a new blended finance facility to catalyze public and private sector investment to scale-up adaptation and resilience-building in rice landscapes across Asia. Furthermore, the project is expected to contribute to (i) increased access by producers, value chain actors and governments to financing to invest in climate-resilient rice landscapes, (ii) strengthened capacity to develop and fund high impact resilient rice landscapes

investment projects with verifiable adaptation benefits, (iii) enhanced technical capacities among the local private sector, and smallholder farmers and farmer groups, to transition to resilient rice production landscapes, and (iv) continuous improvement of financing mechanisms to support scaling of adaptation and resilience benefits in rice landscapes and value chains.

The Net-Zero Nature-Positive-Accelerator Integrated Program proposed under the GEF-8 Programming Directions. The NZNP Accelerator IP is expected to support countries to develop and implement integrated solutions to reach the long term goals of the Paris Agreement. Actions supported by this IP will include (i) investments in new technologies (iii) investments in nature-based solutions across all sectors. Taken together, these intervention can support the implementation of effective decarbonization strategies.

The Sustainable Forest Management Impact Program on Dryland Sustainable Landscapes (DSL-IP) seeks to avoid, reduce, and reverse further degradation, desertification, and deforestation of land and ecosystems in drylands, through the sustainable management of production landscapes. This foresees the restoration, sustainable management and protection of drylands in view of environmental, economic and social benefits for a quarter of the world's population depending on resilient dryland landscapes for food and livelihoods. The USD 104 million funding under the GEF-7 funding cycle, along with over 800 million in co-financing, will assist 11 countries (several being LDCs) located across Africa and Asia in fostering resilience of production systems in drylands, promoting restoration and rehabilitation, and improving livelihoods through a comprehensive landscape approach.

7. Consistency with National Priorities

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

Yes

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

While pilot countries have yet to be identified, the net-zero projects in the selected LDCs will be determined and aligned based on national priorities ? both for mitigation and adaptation actions in the agriculture and land-use sectors ? as outlined in the National Determined Contributions (NDCs). Further, in addition to selecting projects in LDCs which have set NDC priorities relevant to net-zero initiatives, the project will also ensure alignment with other relevant national documents, namely the National Adaptation Plan (NAP) and National Adaptation Programme of Action (NAPA) and the priority actions identified for the relevant sectors and thematic areas.

Across the 46 LDCs, countries are catching up to formulate their net-zero targets. Thirty seven out of 46 LDCs are currently in the discussion stage/ proposal stage for establishing long term net-zero targets. (Net Zero Tracker, 2022). Out of all new/updated NDCs submitted by Least Developed Countries (LDCs), 95% include adaptation in the agricultural sectors. 78% also include mitigation in the agriculture sector, 100% in the land use, land use change and forestry sectors (LULUCF) and 52% in the AFOLU sectors (Crumpler, et al, 2021).

8. Knowledge Management

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

Knowledge management is an integral part of the NZAF project and is addressed under Component 3. The project will develop and record lessons learned, elaborate cutting-edge training modules to train project developers, carbon procurers and other relevant partners including financial providers, to use and integrate adaptation considerations into net-zero initiatives and provide finance as well as to monitor and record project results.

The project will also take initiatives to disseminate best practices and lessons learned, training, and knowledge materials and guiding document through workshop p, seminar, conference, and electronic and print media for the wider impact. Institutional and human capacity building through comprehensive training will be an important part of this project?s components which will foster knowledge-based development and vulnerability reduction in the pilot projects. The aim is that best practices will be scaled out, disseminated, and possibly replicated to other carbon projects both in LDCs and beyond.

Finally, the project will enable targeted stakeholders at the national, regional and local level to have access to improved knowledge and tools through further development of WinRes as well as the partnerships formed (including in terms of best practices for catalyzing private sector investments), peer-to-peer learning, systematic long-term approaches to capacity building, as well as the collection, management and dissemination of useful information.

9. Environmental and Social Safeguard (ESS) Risks

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

Overall Project/Program Risk Classification*

PIF	CEO Endorsement/Approval	MTR	TE
Low			

Measures to address identified risks and impacts

Provide preliminary information on the types and levels of risk classifications/ratings of any identified environmental and social risks and potential impacts associated with the

project (considering the GEF ESS Minimum Standards) and describe measures to address these risks during the project design.

Environmental and Social Risk Identification ? Screening Checklist

Annex 1: Trigger questions

	Question	YES	NO
1	Would this project: ●result in the degradation (biological or physical) of soils or undermine sustainable land management practices; or ●include the development of a large irrigation scheme, dam construction, use of waste water or affect the quality of water; or ●reduce the adaptive capacity to climate change or increase GHG emissions significantly; or ●result in any changes to existing tenure rights[1][1] (formal and informal[2][2]) of individuals, communities or others to land, fishery and forest resources?		X
2	Would this project be executed in or around protected areas or natural habitats, decrease the biodiversity or alter the ecosystem functionality, use alien species, or use genetic resources?		X
3	Would this project: ●Introduce crops and varieties previously not grown, and/or; ●Provide seeds/planting material for cultivation, and/or; ●Involve the importing or transfer of seeds and or planting material for cultivation or research and development; ●Supply or use modern biotechnologies or their products in crop production, and/or ●Establish or manage planted forests?		X
4	Would this project introduce non-native or non-locally adapted species, breeds, genotypes or other genetic material to an area or production system, or modify in any way the surrounding habitat or production system used by existing genetic resources?		X

5	Would this project: ? result in the direct or indirect procurement, supply or use of pesticides[3][3]: ? on crops, livestock, aquaculture, forestry, household; or ? as seed/crop treatment in field or storage; or ? through input supply programmes including voucher schemes; or ? for small demonstration and research purposes; or ? for strategic stocks (locust) and emergencies; or ? causing adverse effects to health and/or environment; or ? result in an increased use of pesticides in the project area as a result of production intensification; or ? result in the management or disposal of pesticide waste and pesticide contaminated materials; or ? result in violations of the Code of Conduct?		X
6	Would this project permanently or temporarily remove people from their homes or means of production/livelihood or restrict their access to their means of livelihood?		X
7	Would this project affect the current or future employment situation of the rural poor, and in particular the labour productivity, employability, labour conditions and rights at work of self-employed rural producers and other rural workers?		X
8	Could this project risk overlooking existing gender inequalities in access to productive resources, goods, services, markets, decent employment and decision-making? For example, by not addressing existing discrimination against women and girls, or by not taking into account the different needs of men and women.		X

	Would this project: ???have indigenous peoples* living outside the project area? where activities will take place; or ???have indigenous peoples living in the project area where activities will take place; or ???adversely or seriously affect on indigenous peoples? rights, lands, natural resources, territories, livelihoods, knowledge, social fabric, traditions, governance systems, and culture or heritage (physical? and non-physical or intangible?) inside and/or outside the project area; or ???be located in an area where cultural resources exist? * FAO considers the following criteria to identify indigenous peoples: priority in time with respect to occupation and use of a specific territory; the voluntary perpetuation of cultural distinctiveness (e.g. languages, laws and institutions); self-identification; an experience of subjugation, marginalization, dispossession, exclusion or discrimination (whether or not these conditions persist).		X
9	?The phrase "Outside the project area" should be read taking into consideration the likelihood of project activities to influence the livelihoods, land access and/or rights of Indigenous Peoples' irrespective of physical distance. In example: If an indigenous community is living 100 km away from a project area where fishing activities will affect the river yield which is also accessed by this community, then the user should answer "YES" to the question. ?Physical defined as movable or immovable objects, sites, structures, group of structures, natural features and landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic or other cultural significance located in urban or rural settings, ground, underground or underwater. ?Non-physical or intangible defined as "the practices, representations, expressions, knowledge and skills as well as the instruments, objects, artifacts and cultural spaces associated therewith that communities, groups, and in some cases individuals, recognize as part of their spiritual and/or cultural heritage"		

[1] [1] Tenure rights are rights to own, use or benefit from natural resources such as land, water bodies or forests

[2] Socially or traditionally recognized tenure rights that are not defined in law may still be considered to be ?legitimate tenure rights?.

[3] Pesticide means any substance, or mixture of substances of chemical or biological ingredients intended for repelling, destroying or controlling any pest, or regulating plant growth.

Supporting Documents

Upload available ESS supporting documents.

Title	Submitted
Risk Certification 718502-2	
ESS checklist	

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

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

Name	Position	Ministry	Date

ANNEX A: Project Map and Geographic Coordinates

Please provide geo-referenced information and map where the project intervention takes place