GEF-8 WORLD BANK PCN STAGE/GEF DATA SHEET

TABLE OF CONTENTS

General Project Information

Project Title	
IFC/GEF Green Global Supply Chain Decarbonization Platform	
Region	GEF Project ID
Global	11326
Country(ies)	Type of Project
Global	FSP
GEF Agency(ies):	GEF Agency ID
World Bank	
Executing Partner	Executing Partner Type
International Finance Corporation (IFC)	Others
GEF Focal Area (s)	Submission Date
Multi Focal Area	9/18/2023
Project Sector (CCM Only)	
Technology Transfer/Innovative Low-Carbon Technologies	
Taxonomy	
Pollution, International Waters, Focal Areas, Chemicals and Waste, Best Available Technology / Best Environmental Practices, Eco-Efficiency, Waste Management, Industrial Waste, Hazardous Waste Management, Climate Change, Least Developed Countries, Climate Change Adaptation, Climate finance, Private sector, Innovation, Climate Change Mitigation, Technology Transfer, Renewable Energy, Financing, Energy Efficiency, Commodity Supply Chains, Integrated Programs, Sustainable Commodities Production, Knowledge Generation, Capacity, Knowledge and Research, Learning, Nutrient pollution from Wastewater, Nutrient pollution from all sectors except wastewater, Influencing models, Deploy innovative financial instruments, Demonstrate innovative approache, Convene multi-stakeholder alliances, Stakeholders, Type of Engagement, Partnership, Communications, Awareness Raising, Behavior change, Private Sector, Capital providers, Individuals/Entrepreneurs, Project Reflow, Financial intermediaries and market facilitators, SMEs, Large corporations, Non-Grant Pilot, Gender Equality, Gender Mainstreaming, Gender-sensitive indicators, Beneficiaries, Emissions, Mercury, Coal Fired Power Plants, Coal Fired Industrial Boilers	
Type of Trust Fund	Project Duration (Months)
GET	240
GEF Project Grant: (a)	GEF Project Non-Grant: (b)
917,431.00	13,761,468.00
Agency Fee(s) Grant: (c)	Agency Fee(s) Non-Grant (d)
82,569.00	1,238,532.00
Total GEF Financing: (a+b+c+d)	Total Co-financing
16,000,000.00	150,600,000.00

PPG Amount: (e)	PPG Agency Fee(s): (f)
0.00	0.00
PPG total amount: (e+f)	Total GEF Resources: (a+b+c+d+e+f)
0.00	16,000,000.00
Project Tags	
CBIT: No NGI: Yes SGP: No Innovation: No	

Project Summary

Provide a brief summary description of the project, including: (i) what is the problem and issues to be addressed? (ii) what are the project objectives, and if the project is intended to be transformative, how will this be achieved? iii), how will this be achieved (approach to deliver on objectives), and (iv) what are the GEBs and/or adaptation benefits, and other key expected results. The purpose of the summary is to provide a short, coherent summary for readers. The explanation and justification of the project should be in section B "project description".(max. 250 words, approximately 1/2 page)

IFC proposes to collaborate with GEF to create the first-of-its-kind Global Supply Chain Decarbonization Platform to tackle the challenge of Scope 3 emissions by creating a new mechanism to finance green solutions for suppliers in global value chains, at scale. IFC proposes to pilot this new structure first in the Textiles Apparel and Footwear, catalyzed by a US$75 million IFC own-account investment, and by leveraging IFC's relationships and decades-long sector track record to secure financial participation by some of the largest global brands and multinationals.

The IFC/GEF financing facility will allow IFC will provide long term loans to manufacturers, suppliers or third parties (such as aggregators, service providers or funds who can bundle multiple suppliers for the global multi-national brand[1][1] ("the Client")) in emerging markets to make climate-related investments. Unique to this platform, the Brand is expected to provide a 15% first loss guarantee ("FLG") from its own balance sheet to IFC to help mitigate the potential risk of the portfolio. Due to the perceived risk associated with the newness of this structure, lack of track record of performance of prospective borrowers under this approach, and their overall lack of comfort with providing a higher level of contribution to suppliers who also serve other brands, it was determined that additional GEF resources will be critical and needed to provide an additional layer of risk mitigation as subordinated lending (estimated at this stage to be 10-20%).

With this potential combined FLG and subordinated lending, IFC will then be able to offer terms and conditions to the borrowing entities that would not be possible in the absence of this risk-sharing structure. These terms may include more attractive loan and security terms, which are anticipated to catalyze additional sustainability investments. In the absence of GEF, the risk mitigation impact of the brand's support alone is likely to

be insufficient to overcome the barriers preventing larger scale uptake of decarbonization solutions by the suppliers.

The proposed project is designed with three interlinked, independent but complementary components which will support the ultimate objective of helping Brands decarbonize their supply chains and reduce hazardous chemical and waste in their operations.

The unique financing structure, backed by combined funding from GEF, IFC and the Brand, would enable eligible factories to upgrade and retrofit their operations to be more energy, water and chemical efficient. In parallel technical advisory would support supplier factories on capacity building and knowledge sharing, specifically aimed to support supplier transition on chemicals use away from chemicals known to be hazardous to human health towards more sustainable alternatives. Investments in decarbonization will lead to greener, cleaner production often at lower total cost while producing important co-benefits from reduced greenhouse gas emissions and reduced mercury emissions resulting from the reduction or elimination of onsite coal usage and reduction in purchase of grid-provided electricity where coal is an important contributor to sector emissions.

The implementation structure would be underpinned by an M&E and KLM component that would aggregate lessons learned, disseminate information across geographies to ensure that learning is captured and maintain linkages with local and international stakeholders, including key Textile and Apparel groups where IFC and GEF have engaged and which are expected to provide critical dissemination channels for other Brands and Suppliers. This component would also collaborate on gender-responsive solutions, including gender disaggregated data collection at the supplier factory level.

Component 1: Create First-of-its-kind Global Decarbonization Financing Facility for Textile and Apparel Suppliers

Outcome 1.1. Deploy at least US$163.7 million in financing for at least 30 supplier factories to upgrade and decarbonize manufacturing processes, including reducing energy, water and material use and switching from predominantly fossil-based electricity generation to renewable power.

Outcome 1.2. Achieve a co-financing leverage at the Platform portfolio level of at least 1:10 (GEF to total Platform size). Depending on the financial structure appropriate to the transaction, the leverage ratios may be higher on certain individual transactions.

Component 2: Mitigate the use of hazardous chemicals in supplier factories and offset future buildup of hazardous chemicals and waste in the environment.

Outcome 2.1. Provide targeted Technical Assistance. Activities will support the identification and assessment of specific opportunities for chemical reduction in production of textiles for participating Platform Suppliers, including examination of safe disposal at end of life for certain equipment that accumulate hazardous materials.

Outcome 2.2. Provide capacity building and knowledge management support to move Suppliers towards Preferred chemicals list. Disseminate outcomes from supplier factories engagements, including dissemination of knowledge, tools, and engage in partnerships with key stakeholders in country based of industry led initiatives, and shall implement training sessions to increase awareness of solutions at supplier level.

Outcome 2.3. Work with Brand client to have suppliers adopt and maintain Preferred Chemical List. The list represents safer alternatives for manufacturing and offers a more proactive approach to sustainable chemicals management, and one that can be open-sourced to benefit the entire supply chain. The Preferred list includes clearance for approximately 1,300 of the highest-use chemicals.[9]

Outcome 2.4. Undertake efforts to include chemical reduction investments in future potential loans.

The Project Brand partner has adopted a Screened Chemistry approach examines chemicals used to manufacture our products against specific health and environmental impacts, allowing identification of better alternatives and areas for innovation. IFC will work towards inclusion of these alternatives, where identified and agreed, as part of future lending projects.

Table 3. Chemical and Waste Metrics

Indicative Metric	**Target**
Number of chemicals on the. Preferred Chemical List, which encourages brand our suppliers to use safer alternatives in their manufacturing	~1,300
Number of factories using Preferred Chemical List and reporting chemical use	~100

Component 3: Monitoring Evaluation, KLM & Project Management

This component will be financed by IFC and will provide technical assistance and capacity building for supplier factories, and overall knowledge management activities intended to strengthen the linkages between the supplier factories and the wider Textile and Apparel industry in order to disseminate lessons learned and spur replication. This component will also be response for M&E tracking, reporting and components such as gender disaggregated data collection and stakeholder engagement for the supplier factories. Consistent with IFC's reporting obligations to GEF, these results and progress monitoring will be reported through the PIF to GEF.

Output 3.1 Comprehensive Logframe to track the joint activities of investment and advisory platform, including gender responsive initiatives at the supplier factory level.

Output 3.2 Targeted technical assistance and capacity building for loan recipients.
Note that this TA component is distinct from the more comprehensive support offered under C2. This will specifically target resource efficiency improvements, including the incorporation of renewable energy and

will be offered on an as-needed basis and will be complementary to the wider Advisory engagement with the Global Brand that has already engaged potential supplier factories on decarbonization opportunities.

Output 3.3 Supplier factories agree to work with IFC on gender-equality specific programming, including capacity building and training. This component will also track and coordinate with existing textile-specific IFC gender programs, including Better Work and GRIP (see Gender section, p. 28), in Textiles to bring Supplier Factories under C1 and C2 into direct gender responsiveness work to benefit women as employees and managers.

Output 3.4 Creation of a suite of knowledge products, summarizing lessons learned from the program, disseminated through selected high-impact industry channels.

This knowledge plan will seek to address the following specific areas, with workplans and deliverables under each sub-component and will be refined prior to CEO Endorsement:

Address persistent barriers of lack of information and lack of awareness at supplier level on options and technologies to reduce carbon emissions and address chemical reduction opportunities, including through:

- Implement a series of workshops (4-6)
- Design information dissemination activities via multiple media channels (independently and in coordination of key stakeholders implementing relevant programs, such as Fashion Pact, UNFCCC, global industry groups (such as SAC and Apparel Impact Institute), and country-level associations, such as BGMEA, and via efforts of other global Brands, via:
  - In-person events
  - Peer-to-peer learning
  - Web-based activities
- Designate a KM lead to oversee implementation of full program, and ensure consistency in KM activities linked to implementation progress

Formalize process for internal collection of KM efforts and materials, including utilization of project and institution web-based platforms (as well as country-level project sites such as IFC PACT Bangladesh) for dissemination.

Capture and create new knowledge products from early implementation experience

- Document and create client and technology case studies (target 4-6) t
- Support and promote actions of early adopters

Strategically share and dissemination lessons from implementation with broader community of practice, and key stakeholders:

- Efforts shall include both direct project outreach
- Partnerships with relevant stakeholder entities (including brands, global NGOs and industry groups, country specific groups, key bilateral and multilateral entities, etc) to ensure that lessons from implementation are broadly shared externally

Utilization of relevant GEF operational focal point platforms, where appropriate and engaging with the GEF SEC to support KM sharing and dissemination.

---

[1] IFC is in advanced negotiations with several global multinationals for this concept, but as this funding is not yet secure the names of the potential clients are not included.

Indicative Project Overview

Project Objective

Scope 3 emissions, or the indirect greenhouse gas emissions that occur across an entire value chain, from raw material extraction to distribution, are among the most extensive and challenging to mitigate. Significantly reducing these emissions is critical to achieving sustainability goals but to date there have been no compelling solutions capable of aggregating sustainability improvements across a diverse and fragmented supply chain. Almost a third of the world's emissions come from processes associated with manufacturing and over 80 percent of those emissions are attribute to supply chain activities. Pressure is growing on many companies to make more significant inroads into the carbon emissions from their supply chains. For global corporates this has presented a difficult challenge, as the supply chain activities are associated with the production of their goods and therefore part of their global environmental footprint, but the companies rarely direct own or control the production methods by which the emissions are produced. This challenge has made many multinationals, particularly those in the Manufacturing sector, keen to find innovative and actionable solutions. In answer to this challenge, IFC proposes to collaborate with GEF and a global, multinational Brand Client to pilot the first Supply Chain Decarbonization Platform to provide long-term, green-linked loans to manufacturers, suppliers or third parties across emerging markets. This initial US$163+ million platform, piloted first in the Textile and Apparel sector where Scope 3 emissions exceeds 95% of the total emissions, will aim to demonstrate a new financing structure capable of catalyzing and aggregating decarbonization investments. Simultaneously, leveraging the aggregated access provided by the financing structure, IFC/GEF will use this opportunity to systematically move participating supplier factories to safer chemical alternatives in production, in line with the GEF-supported conventions and lay the groundwork for safer chemical use to be a necessary eligibility condition of working with Global Brands. This Chemicals & Waste engagement, which will implemented in parallel to the financing structure, will be additional to the expected mercury savings expected to be generated by operational decarbonization upgrades that will be implemented as part of Component 1. Gender-specific engagement for the Decarbonization Platform will be designed along the strategic pillar of Expanding and Enabling Economic Opportunities for women and will be implemented by through a gender responsive M&E framework that will include gender disaggregated metrics for supplier engagements. IFC will engage through collaboration and coordination with two active gender-based IFC programs currently operating at supplier factories in Textiles and Apparel. These programs are both IFC-run and IFC-staffed and are currently active in the majority of countries included under the Program's initial pipeline. Due to the perceived risk associated with the newness of this structure, lack of track record of performance of prospective borrowers under this approach, and their overall lack of comfort with providing a higher level of contribution to suppliers who also serve other brands, GEF resources are critical to derisk the Platform and ensure its success. GEF resources will be complemented by a unique and innovative feature to this platform, a 15 percent first loss guarantee from the Global Brand's own balance sheet to help mitigate the potential risk of the subprojects that comprise the facility.

Project Components

Component 1: Create First-of-its-Kind Global Supply Chain Decarbonization Financing Facility for selected Textile and Apparel Factories in partnership with Global Brand to encourage supplier factory participation

Component Type	Trust Fund
Investment	GET
GEF Project Financing ($)	Co-financing ($)
13,761,468.00	150,000,000.00

Outcome:

Mobilize Financing for supplier factories in Textile and Apparel sector to decarbonize.

Outcome 1.1. Deploy at least US$163.7 million in financing for at least 30 supplier factories to upgrade and decarbonize manufacturing processes, including reducing energy, water and material use and switching from predominantly fossil-based electricity generation to renewable power.

Outcome 1.2. Achieve a co-financing leverage at the Platform portfolio level of at least 1:10 (GEF to total Platform size). Depending on the financial structure appropriate to the transaction, the leverage ratios may be higher on certain individual transactions.

Output:

Supplier factories upgrade their energy efficiency processes, add renewables and reduce emissions.

Performance metrics from factories that have used decarbonization financing are shared throughout industry channels, demonstrating the value of this type of platform

Additional Brands begin to experiment with this type of financing platform to address their own supply chain initiatives which can be implemented in advance of mandatory supply chain requirements

Component 2: Mitigate the use of Hazardous Chemicals in supplier factories and offset future buildup of hazardous chemicals in the environment

Component Type	Trust Fund
Technical Assistance	GET
GEF Project Financing ($)	Co-financing ($)
917,431.00	300,000.00

Outcome:

Outcome 2.1. Provide targeted Technical Assistance. Activities will support the identification and assessment of specific opportunities for chemical reduction in production of textiles for participating Platform Suppliers, including examination of safe disposal at end of life for certain equipment that accumulate hazardous materials.

Outcome 2.2. Provide capacity building and knowledge management support to move Suppliers towards Preferred chemicals list. Disseminate outcomes from supplier factories engagements, including dissemination of knowledge, tools, and engage in partnerships with key stakeholders in country based of industry led initiatives, and shall implement training sessions to increase awareness of solutions at supplier level.

Outcome 2.3. Work with Brand client to have suppliers adopt and maintain Preferred Chemical List. The list represents safer alternatives for manufacturing and offers a more proactive approach to sustainable chemicals management, and one that can be open-sourced to benefit the entire supply chain. The Preferred list includes clearance for approximately 1,300 of the highest-use chemicals.

Outcome 2.4. Undertake efforts to include chemical reduction investments in future potential loans.

The Project Brand partner has adopted a Screened Chemistry approach examines chemicals used to manufacture our products against specific health and environmental impacts, allowing identification of better alternatives and areas for innovation. IFC will work towards inclusion of these alternatives, where identified and agreed, as part of future lending projects.

---

[1] The Screened Chemistry program is shared in the industry and with the ZDHC Foundation, which is working on adopting the program as part of the ZDHC Aspirational Chemical Management level.

Output:

Supplier factories accept and implement adherence to clean chemicals initiatives with reference to Minamata Convention and Montreal Protocol

Supplier factories begin to incorporate safer chemical alternatives

M&E

Component Type	Trust Fund
Technical Assistance	GET
GEF Project Financing ($)	Co-financing ($)
	300,000.00

Outcome:

M&E, KLM and gender dimensions of the project will be tracked alongside the investment. Please note per IFC's standard policy, M&E frameworks are not budgeted separately but embedded into the projects costs. As such the M&E budget is reflected as zero, but costs are covered from IFC's own account fees and the fees from GEF as the Executing Agency.

Output 3.1 Comprehensive Logframe to track the joint activities of investment and advisory platform, including gender responsive initiatives at the supplier factory level.

Output 3.2 Targeted technical assistance and capacity building for loan recipients.
Note that this TA component is distinct from the more comprehensive support offered under C2. This will specifically target resource efficiency improvements, including the incorporation of renewable energy and will be offered on an as-needed basis and will be complementary to the wider Advisory engagement with the Global Brand that has already engaged potential supplier factories on decarbonization opportunities.

Output 3.3 Supplier factories agree to work with IFC on gender-equality specific programming, including capacity building and training. This component will also track and coordinate with existing textile-specific IFC gender programs, including **Better Work and GRIP** (see Gender section, p.

28), in Textiles to bring Supplier Factories under C1 and C2 into direct gender responsiveness work to benefit women as employees and managers.

Output 3.4 Creation of a suite of knowledge products, summarizing lessons learned from the program, disseminated through selected high-impact industry channels.

Output:

Coordination with IFC gender programs, including Better Work and GRIP, in Textiles to bring Supplier Factories under C1 and C2 into direct gender responsiveness work to benefit women as employees and managers.

Raise awareness of innovative new financing platform among selected industry channels

IFC/GEF hold Knowledge events, including industry presentations detailing experience with the Platform (see p. 33 for initial KL/M plan)

M&E activities track and account for carbon emission reduction and improved performance at participating factories

Component Balances

Project Components	GEF Project Financing ($)	Co-financing ($)
Component 1: Create First-of-its-Kind Global Supply Chain Decarbonization Financing Facility for selected Textile and Apparel Factories in partnership with Global Brand to encourage supplier factory participation	13,761,468.00	150,000,000.00
Component 2: Mitigate the use of Hazardous Chemicals in supplier factories and offset future buildup of hazardous chemicals in the environment	917,431.00	300,000.00
M&E		300,000.00
Subtotal	**14,678,899.00**	**150,600,000.00**
Project Management Cost		
Total Project Cost ($)	**14,678,899.00**	**150,600,000.00**

Please provide justification

IFC does not require PMC for this project. Per IFC Blended Finance governance standards, IFC commits to invest GEF funding and offset the costs of supervision, management and exit from the Agency fee.

Coordination and Cooperation with Ongoing Initiatives and Project

Does the GEF Agency expect to play an execution role on this project?

Yes

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

Due to its oversize importance for developing countries' economic growth and job creation potential as well as its high environmental footprint and importance for gender issues, textile, apparel and footwear sectors is a sector of high importance to IFC.

IFC's Global Trade Supplier Finance Program (GTSF) provides post shipment supplier financing to EM suppliers that sell products to several leading global brands (e.g. Nike, Puma, Levi's, Ralph Lauren, PVH and others) on open account terms. GTSF purchases and discounts invoices accepted for payment by pre-approved buyers. By leveraging commercial strength of brands, GTSF enables access to competitive short term financing solutions for suppliers, many located in IDA17 countries. GTSF can further improve the sustainability of supply chains, by offering sustainability linked pricing that connects receivables discount rates to the environmental and social (E&S) performance of suppliers themselves- providing a positive incentive for continued improved supplier performance. GTSF funding can be complimented by IFC advisory that works directly with suppliers, helping them to reduce emissions, achieve greater energy and resource efficiency, improve gender equality, address social concerns, etc.

Furthermore, IFC has successfully implemented multiple country-level and/or brand-specific Advisory engagements to identify and help implement climate friendly initiatives in their supply chain and has provided climate and sustainability linked shirt term financing packages direct to several companies selling into global textile value chains. As an increasing number of global brands have now committed to reduce the GHG emissions of their supply chains (i.e., Scope 3 emissions) as part of their overall corporate sustainability commitments, this offer has high relevance as brands begin to appreciate the interventions needed to meet 2030 goals and even more stringent 2050 net zero targets and for suppliers seeking long term finance for deeper decarbonization investments at attractive terms.

This new supply chain program will benefit from and will complement several additional programs underway specifically focused on addressing sustainability challenges in the textile and apparel sector specifically the UNFCCC Fashion Industry Charter for Climate Action (of which IFC is a signatory), The Fashion pact, the Global Fashion Summit, programs of the Sustainable Apparel Coalition, and complementary efforts by other bilateral and multilateral partners. This shall include benefits from the awareness raising and capacity building efforts designed to overcome barriers at the supplier level to help generate additional pipeline and for efforts to address imperfect information barriers to share lessons from experience to support replication and scale up. One of the major themes highlighted in the McKinsey State of Fashion report is the issue of 'tackling greenwashing'- as brands much show that they are making meaningful and credible changes. IFC's engagement with sustainability leaders will demonstrate a replicable solution to addressing the greening supply chain challenges faced by many other global brands seeking to move the supplier base along a more sustainable low carbon path.

Core Indicators

Indicator 6 Greenhouse Gas Emissions Mitigated

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO_2e (direct)	3000000	0	0	0

Expected metric tons of CO_2e (indirect)	0	0	0	0

Indicator 6.1 Carbon Sequestered or Emissions Avoided in the AFOLU (Agriculture, Forestry and Other Land Use) sector

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO_2e (direct)	3,000,000			
Expected metric tons of CO_2e (indirect)				
Anticipated start year of accounting	2024			
Duration of accounting	15			

Indicator 6.2 Emissions Avoided Outside AFOLU (Agriculture, Forestry and Other Land Use) Sector

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO_2e (direct)				
Expected metric tons of CO_2e (indirect)				
Anticipated start year of accounting				
Duration of accounting				

Indicator 6.3 Energy Saved (Use this sub-indicator in addition to the sub-indicator 6.2 if applicable)

Total Target Benefit	Energy (MJ) (At PIF)	Energy (MJ) (At CEO Endorsement)	Energy (MJ) (Achieved at MTR)	Energy (MJ) (Achieved at TE)
Target Energy Saved (MJ)				

Indicator 6.4 Increase in Installed Renewable Energy Capacity per Technology (Use this sub-indicator in addition to the sub-indicator 6.2 if applicable)

Technology	Capacity (MW) (Expected at PIF)	Capacity (MW) (Expected at CEO Endorsement)	Capacity (MW) (Achieved at MTR)	Capacity (MW) (Achieved at TE)

Indicator 9 Chemicals of global concern and their waste reduced

Metric Tons (Expected at PIF)	Metric Tons (Expected at CEO Endorsement)	Metric Tons (Achieved at MTR)	Metric Tons (Achieved at TE)
0.01	0.00	0.00	0.00

Indicator 9.1 Solid and liquid Persistent Organic Pollutants (POPs) removed or disposed (POPs type)

POPs type	Metric Tons (Expected at PIF)	Metric Tons (Expected at CEO Endorsement)	Metric Tons (Achieved at MTR)	Metric Tons (Achieved at TE)

Indicator 9.2 Quantity of mercury reduced (metric tons)

Metric Tons (Expected at PIF)	Metric Tons (Expected at CEO Endorsement)	Metric Tons (Achieved at MTR)	Metric Tons (Achieved at TE)
0.01			

Indicator 9.3 Hydrochloroflurocarbons (HCFC) Reduced/Phased out (metric tons)

Metric Tons (Expected at PIF)	Metric Tons (Expected at CEO Endorsement)	Metric Tons (Achieved at MTR)	Metric Tons (Achieved at TE)

Indicator 9.4 Number of countries with legislation and policy implemented to control chemicals and waste (Use this sub-indicator in addition to one of the sub-indicators 9.1, 9.2 and 9.3 if applicable)

Number (Expected at PIF)	Number (Expected at CEO Endorsement)	Number (Achieved at MTR)	Number (Achieved at TE)

Indicator 9.5 Number of low-chemical/non-chemical systems implemented, particularly in food production, manufacturing and cities (Use this sub-indicator in addition to one of the sub-indicators 9.1, 9.2 and 9.3 if applicable)

Number (Expected at PIF)	Number (Expected at CEO Endorsement)	Number (Achieved at MTR)	Number (Achieved at TE)

Indicator 9.6 POPs/Mercury containing materials and products directly avoided

Metric Tons (Expected at PIF)	Metric Tons (Expected at CEO Endorsement)	Metric Tons (Achieved at MTR)	Metric Tons (Achieved at TE)

Indicator 9.7 Highly Hazardous Pesticides eliminated

Metric Tons (Expected at PIF)	Metric Tons (Expected at CEO Endorsement)	Metric Tons (Achieved at MTR)	Metric Tons (Achieved at TE)

Indicator 9.8 Avoided residual plastic waste

Metric Tons (Expected at PIF)	Metric Tons (Expected at CEO Endorsement)	Metric Tons (Achieved at MTR)	Metric Tons (Achieved at TE)

Indicator 11 People benefiting from GEF-financed investments

	Number (Expected at PIF)	Number (Expected at CEO Endorsement)	Number (Achieved at MTR)	Number (Achieved at TE)
Female	120,000			
Male	30,000			
Total	**150,000**	**0**	0	**0**

Explain the methodological approach and underlying logic to justify target levels for Core and Sub-Indicators (max. 250 words, approximately 1/2 page)

CI 6 – GHG Emissions. Core indicators related to GHG emissions, energy and water savings would be calculated using upfront bottom-up engineering calculations for each supported investment, considering the specific technologies, processes, and measures being implemented and the baseline situation of the supplier implementing the decarbonization solutions.

Calculations and benchmarks from IFC's past investments/advisory engagement in decarbonization and resource efficiency measures across a similar supplier base will be leveraged as required. IFC's calculations have been based on assumptions for the initial facility for approximately 30 Suppliers, each receiving loans of US$5 million.

- Each supplier assumed to use approximately US$800K for onsite renewable energy (RE) investments (~1MW installation), and
- Each supplier using the remaining US$4.2 million for energy efficiency related interventions, including equipment replacement, cleaner production, green buildings etc)
- EE investments are estimated to have average payback periods of up to 4 years.
- Annual GHG emissions savings from RE/supplier factory would average 1,000 tCO_2 based on IFC assumptions on country, and direct and electricity fuel mix
- Annual GHG emissions savings for EE/supplier is calculated at 5,500 tCO_2 utilizing above assumptions
- Annual Mercury emissions reduced (feeding into CI 9 Chemicals of global concern and their waste reduced (thousand metric tons))
- The expected lifetime GHG savings from RE projects is assumed to be 20 years; EE projects are assumed to be 16 years.

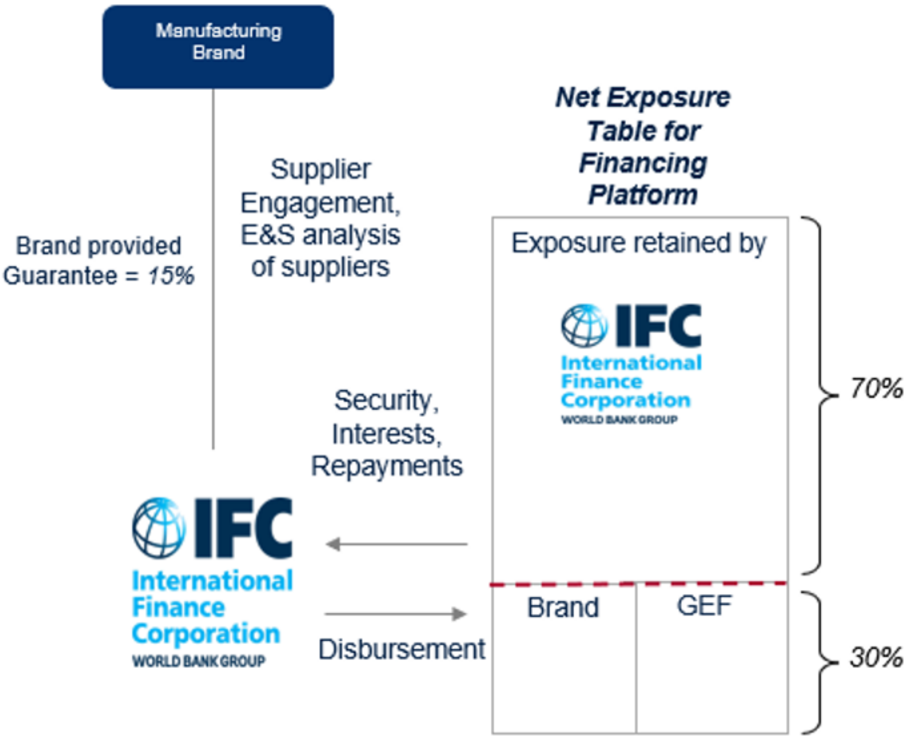
CI 9. Chemicals of Global Concern. For core indicators related to Chemicals and Waste, initial calculations are based on mercury emission reductions related to the phased out/replacement of coal-fired power. In most countries, coal fired power plants remain the largest unregulated source of mercury emissions, accounting for up to have of all national mercury emissions. In many existing supplier factories, baseload power remains coal dominated. Energy efficiency retrofits and the replacement of renewable sources of fuel will offset these emissions. Estimates of mercury offset are calculated using an assumption of 0.016 mg of Mercury per KwH of energy produced.

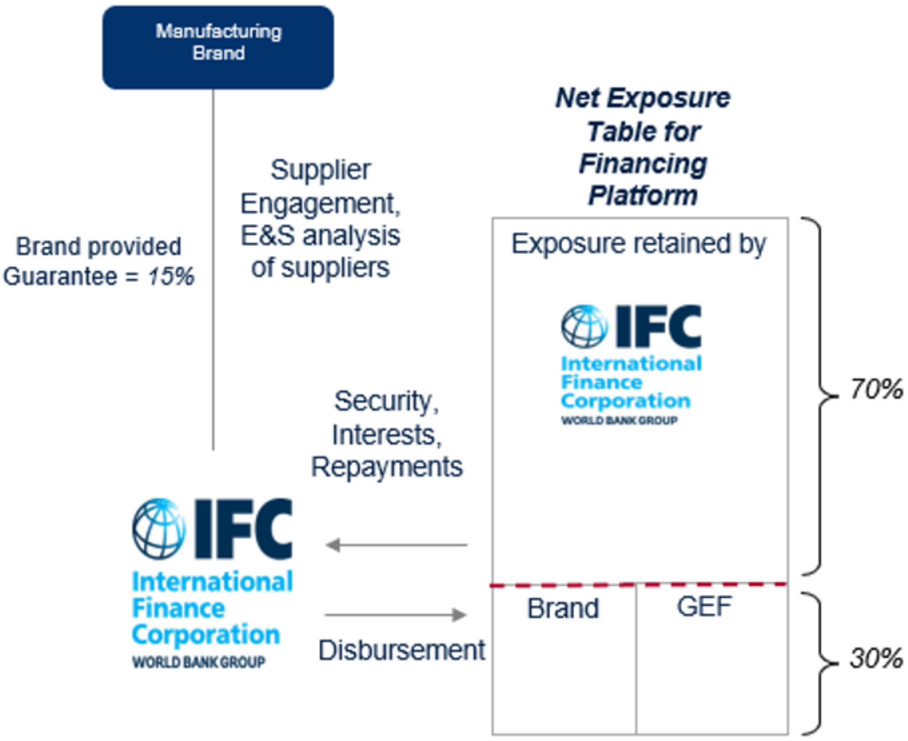
Initial calculations on beneficiaries, disaggregated by gender are based on an average factory size of approximately 5,000 workers and based on the industry average that 80 percent of employees are women. This is fairly consistent across the Textile and Apparel industry, but these assumptions would be validated prior to CEO Endorsement.

NGI (only): Justification of Financial Structure

Please describe the financial structure and include a graphic representation. This description will include the financial instrument requested from the GEF and terms and conditions of the financing passed onto the Beneficiaries.

PROPOSED PROJECT NGI INVESTMENT STRUCTURE - IFC/GEF DECARBONIZATION PLATFORM


Manufacturing Brand
Net Exposure Table for Financing Platform
Supplier Engagement, E&S analysis of suppliers
Brand provided Guarantee = 15%
Exposure retained by
IFC International Finance Corporation WORLD BANK GROUP
70%
Security, Interests, Repayments
IFC International Finance Corporation WORLD BANK GROUP
Brand
GEF
Disbursement
30%


Manufacturing Brand
Net Exposure Table for Financing Platform
Supplier Engagement, E&S analysis of suppliers
Brand provided Guarantee = 15%
Exposure retained by
IFC International Finance Corporation WORLD BANK GROUP
70%
Security, Interests, Repayments
IFC International Finance Corporation WORLD BANK GROUP
Brand
GEF
Disbursement
30%

-

GEF Amount:	US$15 million from GEF **(US$13.7million for Investments)[1][2]**
Other investors:	US$75 million (IFC), US$11.25-US$15 million global brand contribution[2][3]
Total Financing:	Approx. US$163.7 million, depending on the final level of co-financing from loan recipients.
Use of Funds:	**Funds will be lent either directly or through third party aggregators/providers/funds to enable decarbonization investments by suppliers to global brands in the textile apparel and footwear space.** Blended Concessional Finance from GEF will support the acceleration of decarbonization of supply chains among suppliers, manufacturers, including small-medium-sized enterprises (SMEs), for resource efficient investments that will result in energy and/or water savings, with potential additional benefits to be realized from the reductions of hazardous chemicals, waste and materials. All blended finance transactions will be in-line with the DFI Enhanced Principles for Blended Concessional Finance and processed per IFC's standard investment services and blended finance governance.
Duration:	**20 years;** with a rolling active investment period based on expected potential financing tenor, that would allow IFC to recycle funds to repurpose for additional engagements to widen the existing project or potentially expand the corporate and supply chain decarbonization offering to other manufacturing or service sectors within GEF-8 program directions. Further details on the initial pilot investment will be presented at CEO Endorsement stage.
Sectors/activities:	Manufacturing, with an emphasis on investments and models that can support SMEs in the textile apparel and footwear sector. Specific priority targets for investment in the textile chain will be (i) textile production (dyeing, finishing) and (ii) assembly which together account for more than 50% of Brand supply chain (Category 1) Scope 3 emissions.
Geographies:	Global with priority in Bangladesh, Pakistan, Sri Lanka, India, Vietnam, Cambodia, and secondarily for suppliers in other textile hubs, including but not limited to Egypt, Turkey, Mexico, Kenya and Ethiopia.
Instruments:	Subordinated Debt-like products
Reflows:	Any funding that is cancelled, unutilized or reflowed during the active investment period may be redeployed by the Facility using the same agreed eligibility and instrumentation outlined above and in accordance with Financial Procedures Agreement.

Proposed Investment Structure

IFC proposes a pilot US$75 million IFC financing facility, through which IFC will provide long term loans to manufacturers, suppliers or third parties (such as aggregators, service providers or funds who can bundle multiple suppliers for the global multi-national brand[3][4] (

A. ALIGNMENT WITH GEF-8 PROGRAMMING STRATEGIES AND COUNTRY/REGIONAL PRIORITIES

Describe how the proposed interventions are aligned with GEF- 8 programming strategies and country and regional priorities, including how these country strategies and plans relate to the multilateral environmental agreements.

Confirm if any country policies that might contradict with intended outcomes of the project have been identified, and how the project will address this.

For projects aiming to generate biodiversity benefits (regardless of what the source of the resources is - i.e., BD, CC or LD), please identify which of the 23 targets of the Kunming-Montreal Global Biodiversity Framework the project contributes to and explain how. (max. 500 words, approximately 1 page)

The project is first well-aligned under:

(I) Under ***GEF-8 Climate Change Focal Area Strategy***

a. Alignment is specifically noted under **CCM Pillar 1** and **CCM Objective 1.1. Accelerate the efficient use of energy and materials.** The GEF contribution is expected to catalyze resource efficient investments that will result in energy and/or water savings, with potential additional benefits to be realized from the reductions of hazardous chemicals, waste and materials.

b. Under **CCM Objective 1.2 Enable the transition to decarbonized power systems**, encompasses a financial package that is geared to incorporate and finance the addition of small scale renewables (up to 1MW) at the Supplier factory level. This will also be a key point of access for Supplier factories in many countries where 24/7 power is still not reliable and the use of diesel backup generators is exorbitantly expensive. The suggested eligibility criteria to accommodate for alignment with CCM 1.1 and CCM 1.2 can be found in the Project Term Sheet. Consistent with GEF-8 Programming Directions and IFC's Green Equity commitment of 2023, which went into effect on January 1, 2023, IFC requires a commitment from its clients to not originate and finance any new coal projects of. **No project supporting or encouraging the use of coal will be financed by this project.**

(II) Under ***GEF-8 Chemicals and Waste Focal Area Programming Strategy***

a. The project is well-aligned with the "**Elimination of Hazardous Chemicals from Supply Chains Integrated Program**", specifically **Objective 1**. "**Creation, strengthening and supporting the enabling environment and policy coherence to transform the manufacture, use and sound management of chemicals and to eliminate waste and chemical pollution",** which notes that the environmental damage and pollution from supply chains, including textiles, have significant impacts on environmental and human health.

b. Under **Objective 2**. **"*Prevention of future buildup of hazardous chemicals and waste in the environment".*** The GEF-8 Programming directions note that the existing work to advance environmental sustainability within these supply chains has focused primarily on climate change and biodiversity, but that little progress has been made to eliminate hazardous chemicals and materials.[1][5] The IFC/GEF Platform is specially aligned in its focus on:

i. Introducing the best available techniques and best environmental practices to minimize and eliminate emissions of unintentionally produced POPs and mercury from major source categories included in the Stockholm and Minamata Conventions.

ii. Phase out and eventual elimination of mercury or mercury compounds used in manufacturing processes contained in Annex B of the Minamata Convention.

c. The GEF sectoral focus areas are also well-aligned with the sectors in which IFC believes its decarbonization platform financing approach could be most beneficial, namely,

textiles/fashion & apparel, automotive, and **construction materials**. Avoidance of coal emissions both directly onsite at supplier factories and via offsite reduction through reduction in purchased and transmitted grid electricity will lead to reductions in mercury emissions. In addition, supplier level direct technical assistance will lead to the reduction of onsite chemical usage and wastes, including persistent organic pollutants.

In addition to the primary alignment mentioned above, the Platform is fully consistent with GEF-8 Focal Area of Climate to **achieve systems change** and support the goal to be **carbon neutral** and pollution free by 2050. The program is also well aligned with the Net-Zero Accelerator to assist countries to go beyond the ambition of the existing NDCS and contribute to closing the emissions gap to meet the Paris Agreement targets.

In additional, the project to support the **objectives of the GEF Non-Grant Instrument** and the successful **engagement of GEF-8 with the private sector** to engage in innovative technologies and business models that can yield robust global environmental benefits, consistent with GEF focal area objectives.

The Project is also consistent with GEF's objective under **Sustainable Cities** to **promote innovative financing for green investments** – the program will catalyze increased flow of finance towards cities, where many of these suppliers are located, and it aims to support cities in mobilizing large scale capital through mechanisms de-risking instruments, such as proposed under the platform.

The Platform has planned to collaborate with other active IFC-led gender-focused projects in the Textile and Apparel space to incorporate **gender-inclusive approaches** by empowering women, particularly those in the supplier factories and identifying other potential entry points, indicators and targets to be able to track the integration of gender issues across the program, which will be presented at CEO Endorsement.

With **regards to alignment with national and regional priorities**, IFC has made a commitment to ensure all of its investments are Paris Aligned by July 1, 2025. IFC is currently on track with 85% of its investments Paris-aligned as of July 1, 2023. The World Bank Group's Paris Alignment entails an integrated vetting approach – screening, managing, and reducing climate risks for both mitigation and adaptation.[2][6] With this commitment, financial support for any country, public or private entity, must be consistent with the objectives of the Paris Agreement and a country's pathway towards low greenhouse gas emissions and climate-resilient development. Practically, all World Bank Group financed operations must support the deployment of lower-carbon options as applicable, whenever technically and economically feasible, and prevent carbon lock-in; and ensure that material climate risks have been assessed and reduced through the design of the operation to an acceptable level.

Finally, IFC believes **this project is well aligned with private sector strategic priorities**. The mitigation of supply chain (Scope 3) emissions is essential in achieving climate commitments globally, but is especially critical for larger multinationals under international pressure to meet corporate commitments to green their supply chains. Many large companies' commitment to deep, long-term reductions in GHG emissions require extensive changes to their supply chain engagement, including sourcing, code of conduct, management, and financing. This increasing attention to GHG emissions from global brand buyers will put increased pressure on suppliers to cut their emissions. However, addressing Scope 3 emissions has proven particularly challenging due to a variety of market barriers faced both by the Brands and their suppliers.

[1] GEF 8 Programming Directions,

[2] Screening for projects relies on publicly disclosed Instrument Methods (World Bank), Sector Notes (World Bank Group), and joint MDB Paris Alignment Approach (directly applicable to investment/guarantee operations for IFC and MIGA).

B. POLICY REQUIREMENTS

Gender Equality and Women's Empowerment:

We confirm that gender dimensions relevant to the project have been addressed as per GEF Policy and are clearly articulated in the Project Description (Section B).

Yes

Stakeholder Engagement

We confirm that key stakeholders were consulted during PIF development as required per GEF policy, their relevant roles to project outcomes and plan to develop a Stakeholder Engagement Plan before CEO endorsement has been clearly articulated in the Project Description (Section B).

Yes

Were the following stakeholders consulted during project identification phase:

Indigenous Peoples and Local Communities:

Civil Society Organizations: Yes

Private Sector: Yes

Provide a brief summary and list of names and dates of consultations

Gender Equality and Women's Empowerment

Apparel manufacturing provides direct formal employment to over **60 million[1]**[7] workers along its value chain. **Over 80% of apparel workers in key Asian markets such as Cambodia, Indonesia and Vietnam are female.**[3]

Consistent with IFC's Gender Strategy, the project will undertake, as and when appropriate, a gender-responsive approach to investments. Concessional investments have development impacts and co-benefits that must allow women, along with their families and communities, opportunities for employment, access to services, income generation, and entrepreneurship. Investments may also present challenges that need to be addressed to ensure both women and men benefit, which IFC will consider and take into account during individual project development.

Project specific engagement for the Decarbonization Platform will be designed along the strategic pillar of **Expanding and Enabling Economic Opportunities for women** and will be implemented by through a gender responsive M&E framework **that will include gender disaggregated metrics for supplier engagements**. In parallel, **IFC will also engage through collaboration and coordination with two active**

gender-based IFC programs currently operating at supplier factories in Textiles and Apparel. These programs are both IFC-run and IFC-staffed and are currently active in the majority of countries included under the Program's initial pipeline. These include:

> **IFC-ILO Better Work Partnership** that works to improve working conditions and competitiveness in Textile and Apparel value chains. The Better Work Program is engaged with more than 50 global brands and retailers as partners, and more than 2,000 apparel supplier factories, reaching 2.5 million workers across 12 countries. At the factory level, Better Work provides labor assessments, training, and advisory services
>
> **Gender Equality and Returns (GEAR**) a training program that helps female workers progress and excel in managerial roles, increasing gender diversity at the management level. The program currently partners with leading apparel brands, such as H&M and Marks & Spencer, and to date has trained more than 750 female employees in over 100 apparel factories.

IFC knows that the private sector is an important avenue for efforts aimed at increasing women's economic empowerment. In 2012, IFC adopted gender as one of six cross-cutting strategic priorities. In December 2015, the World Bank Group launched a Gender Strategy (FY16-23), for the first time jointly committing the institutions of the WBG (including IFC) to support public and private sector clients in closing gaps between men and women. Following the WBG Gender Strategy, IFC developed a Gender Strategy Implementation Plan (GSIP), which outlines how IFC will prioritize its work on closing gaps between men and women. The World Bank 2024–2030 World Bank Gender Strategy puts forward the bold ambition to accelerate gender equality for a sustainable, resilient, and inclusive future in alignment with the World Bank Evolution Roadmap. This Strategy responds to the global urgency, fundamentality, and complexity of achieving gender equality and proposes to engage with greater ambition—approaching gender equality for all as essential for global development. IFC's priorities are to improve women's access to more and better jobs, and to enhance women's access to assets, including finance, technology, and markets. IFC works with companies on recruiting and retaining diverse talent, including getting certified on gender outcomes and narrowing the gap in management and on corporate boards. IFC continues to expand its work in closing gender gaps through investments, with recent commitments to quadruple annual financing dedicated to women-led businesses and achieve a 50 percent share of women directors where IFC has a board seat.

Stakeholder Engagement

The global brand is an IFC Global Manufacturing Strategic Client with whom we have been working on multiple engagements for more than a decade. They were one of the first clients of IFC's Global Trade Supplier Finance (GTSF) program launched in 2014, which includes differentiated pricing to suppliers for short-term financing based on their environmental and social rating and their progress in implementation of decarbonization investments. IFC has also been engaged with the brand for many years through our Advisory Services for PaCT (Partnership for Cleaner Textiles) GEAR and Better Work Programs to support their suppliers' adoption of energy-saving, cleaner production methods and cost saving investments to reduce water and energy use and to improve working conditions, respect labor rights for workers, and boost the competitiveness of apparel businesses. They have been a long-standing brand partner of Better Work (ILO/IFC) since the program's beginning and currently have almost 50 factories enrolled in Better Work in six countries.

TAF sector contains numerous national, international and civil stakeholders across the public and private sector. These include, but are not limited to:

- **Private sector companies,** suppliers to global value chains both tier 1 and tier 2

- **Technology developers**, engineering companies, engineering firms, energy efficiency equipment manufacturers, etc.
- **Government ministries, Special economic zones and export agencies**
- **Civil Society Organizations (CSOs)** and **Non-Government Organizations (NGOs)** that provide input or represent the priorities of sustainability, IFC and the World Bank Group have extensive networks and active consultations with the majority of the industry's stakeholders and is a signatory to the UNFCCC Global Fashion PACT. As the Project establishes its efficacy, it will refine its offering knowledge management events with relevant stakeholders and industry groups, which will be able to offer further guidance on potentially available technology offerings and models. Learnings from these knowledge events will be adopted by the Platform accordingly and disseminated to the larger industry group.
- **Gender responsive initiatives**, particularly those targeting the textile and apparel space where IFC is an implementing partner, such as ILO-IFC Better Work or Gender Equality and Returns (GEAR), will be consulted as to potential areas of collaboration at the Supplier factory level.

In preparation to discuss this Concept with the Secretariat, IFC has held numerous consultations. Below are several key recent meetings with stakeholders:

- Brands (specifically ongoing consultations with the Global Brand planned for this engagement), as well as multiple engagement with other leading global brands who in some cases share certain suppliers with our key global brand client
- NGOs (including the Sustainable Apparel Coalition – SAC including at their June 2023 meeting at ITMA, Apparel Impact Institute) Fashion for Good
- Industry consultants including Guidehouse, Deloitte, etc
- PV Project Developers
- Financiers- including HSBC and several IFC country partner banks
- Key stakeholders from brands (PVH, GAP, H&M, Inditex, Lululemon, finance (HSBC, citi, standard chartered) and NGOS at NY Climate week for fashion decarbonization workshop (September 2023)
- Financing Decarbonization in the Apparel Supply Chain workshop (November 2023)

Prior to project launch, an additional series of stakeholder engagements will be implemented, with the explicit goal of strengthening program mobilization, linked to KM and awareness raising and to identify future potential partners for implementation/pipeline generation/KM outreach and dissemination.

---

[1] Better Work 2018-22 Strategy; Pulse of the fashion Industry,2017.

(Please upload to the portal documents tab any stakeholder engagement plan or assessments that have been done during the PIF development phase.)

Private Sector

Will there be private sector engagement in the project?

Yes

And if so, has its role been described and justified in the section B project description?

Yes

Environmental and Social Safeguard (ESS) Risks

We confirm that we have provided indicative information regarding Environmental and Social risks associated with the proposed project or program and any measures to address such risks and impacts (this information should be presented in Annex D).

Yes

Overall Project/Program Risk Classification

PIF	CEO Endorsement/Approval	MTR	TE
Medium/Moderate			

C. OTHER REQUIREMENTS

Knowledge management

We confirm that an approach to Knowledge Management and Learning has been clearly described in the Project Description (Section B)

Yes

ANNEX A: FINANCING TABLES

GEF Financing Table

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

GEF Agency	Trust Fund	Country/ Regional/ Global	Focal Area	Programming of Funds	Grant / Non-Grant	GEF Project Grant($)	Agency Fee($)	Total GEF Financing ($)
World Bank	GET	Global	Climate Change	NGI	Non-Grant	13,761,468.00	1,238,532.00	15,000,000.00
World Bank	GET	Global	Chemicals and Waste	Mercury	Grant	917,431.00	82,569.00	1,000,000.00
Total GEF Resources ($)						**14,678,899.00**	**1,321,101.00**	**16,000,000.00**

Project Preparation Grant (PPG)

Is Project Preparation Grant requested?

false

PPG Amount ($)

PPG Agency Fee ($)

GEF Agency	Trust Fund	Country/ Regional/ Global	Focal Area	Programming of Funds	Grant / Non-Grant	PPG($)	Agency Fee($)	Total PPG Funding($)
Total PPG Amount						**0.00**	**0.00**	**0.00**

Please provide justification

Sources of Funds for Country Star Allocation

GEF Agency	Trust Fund	Country/ Regional/ Global	Focal Area	Sources of Funds	Total($)
Total GEF Resources					**0.00**

Indicative Focal Area Elements

Programming Directions	Trust Fund	GEF Project Financing($)	Co-financing($)
CCM-1-1	GET	6,880,734.00	75150000
CCM-1-2	GET	6,880,734.00	75150000
CW-1	GET	917,431.00	300000
Total Project Cost		**14,678,899.00**	**150,600,000.00**

Indicative Co-financing

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Investment Mobilized	Amount($)
GEF Agency	IFC	Loans	Investment mobilized	75000000
Private Sector	Suppliers	Loans	Investment mobilized	75000000
GEF Agency	IFC (TA)	In-kind	Recurrent expenditures	600000
Total Co-financing				**150,600,000.00**

Describe how any "Investment Mobilized" was identified

Mobilizing financing for the private sector in its developing countries is core to IFC's mandate. In every transaction, IFC seeks to crowd in the private sector by financing only a portion of the total project costs. IFC's role as a catalyst in raising capital has made it one of the largest mobilizers of private sector finance in emerging markets. With this project, IFC proposes to pilot a US$75 million IFC-backed financing facility, through which IFC will provide long term loans to manufacturers, suppliers or third parties (such as aggregators or service providers who can bundle multiple suppliers) for the global multi-national brand to make climate-related investments in emerging markets. Unique to this platform, the Global Brand will also provide a 15% first loss guarantee (FLG) from its own balance sheet (in addition to funds from GEF) to IFC to help mitigate the potential risk of the portfolio. IFC has initial commitment from a the Client (Global Brand) in the Textile sector to move forward with this structure

** Please note that for this Facility, the indicative structure will also include another $15m from the global brand. However, this is not counted by IFC as liquidity and therefore is not included here.

ANNEX B: ENDORSEMENTS

GEF Agency(ies) Certification

GEF Agency Type	Name	Date	Project Contact Person	Phone	Email
GEF Agency Coordinator	IFC	9/18/2023	Elizabeth T Burden	12024691680	eburden@ifc.org

Record of Endorsement of GEF Operational Focal Point (s) on Behalf of the Government(s):

Name	Position	Ministry	Date (MM/DD/YYYY)

NGIs do not require a Letter of Endorsement if beneficiaries are: i) exclusively private sector actors, or ii) public sector entities in more than one country. However, for NGI projects please confirm that the agency has informed the OFP of the project to be submitted for Council Approval

Yes

ANNEX C: PROJECT LOCATION

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

This intervention will create a globally accessible financing facility, accessible to suppliers of a Global Brand regardless of location. An indicative list of countries is include in the Term Sheet.

ANNEX D: ENVIRONMENTAL AND SOCIAL SAFEGUARDS SCREEN AND RATING

(PIF level) Attach agency safeguard screen form including rating of risk types and overall risk rating.

ANNEX E: RIO MARKERS

Climate Change Mitigation	Climate Change Adaptation	Biodiversity	Land Degradation
Principal Objective 2	Significant Objective 1	Significant Objective 1	No Contribution 0

ANNEX F: TAXONOMY WORKSHEET

Please see the full Project Proposal enclosed.

ANNEX G: NGI RELEVANT ANNEXES

Please use the most up to date templates per the most recent call for proposals.

Annex G.1: Template for Indicative Financial Termsheet

Instructions. This termsheet to be submitted with the PIF/PFD should include sufficient details to allow a financial expert to understand and judge the financial viability of the proposed investments. Indicative terms and conditions should be used when specific details are not yet available. An equivalent termsheet used for internal Agency purposes is acceptable but must include sections on Currency Risk, Co-financing Ratio and Financial Additionality.

Annex A: Indicative Financial Terms

GEF – INDICATIVE TERMSHEET Project/Program Title	**Green Decarbonization Platform for Supply Chains ("GDPSC" or "Program")**
Project/Program Number	11326
Agency presenting the Project	**International Finance Corporation (IFC)**, acting as Executing Agency for the World Bank (WB), an Implementing Agency for the Global Environmental Facility (GEF)
Project/Program Objective	**GDPSC** is a global platform approach to provide financing up to US$89 million equivalent from IFC and GEF to suppliers of multinational manufacturers in an effort to reduce emissions in their global supply chains.
Country [ies]	Global
Investors	IFC will provide loans to suppliers, directly or indirectly, that meet predefined eligibility requirements. The eligibility criteria will be determined before seeking approval but would include mitigation and adaptation requirements and be required to meet IFC performance standards (including environment and social) as well as GEF requirements.
Project Financing	IFC will provide loans to suppliers for greening multinational company supply chains. IFC's loans will be de-risked with support from GEF funding structured as subordinated debt. **IFC investment: up to US$75 million as loan**s **GEF funding: up to US$13.7 million as subordinated loans** **Supplier: up to US$75 million as equity** **Brand FLG: US$11-15 million to de-risk IFC loans.**

Proposed Co-Financing	(see table below)
GEF Proposed Financing in the form of subordinated liquidity	US$13.7 million (net of fees) from GEF as a provider of subordinated loans
Agency Fees (NGI only)	GEF fees to agency: US$1,238,532
Total Portfolio under the Program	The total project costs are expected to be US$163.7 million with financing from IFC of up to US$75 million from IFC, GEF of up to US$13.7 million, Supplier equity of up to US$75 million, and a Brand provided FLG of up to US$15 million to de-risk IFC loans.
Co-financing and Co-Financing Ratio	GEF's subordinated lending is an integral part of the Program of catalyzing the remaining $150 million of liquidity from IFC and supplier equity. Additionally, Brand's FLG of up to $15 million to share exposure and backstop the IFC and potentially other lenders. Without GEF support, the suppliers would not have access critical financing from IFC and potentially other investors for the decarbonization investments. • Each GEF US$1 mobilizes US$10 of other financing from other sources • Indicative co-financing ratio for the program is 1:10x).
Currency of the Subordinated lending	USD, Euro, or local currency[1][8]
Currency risk	Following the above point and associated footnote, GEF subordinated investments might face currency risk.

Table: Platform Co-Financing Sources of Co-Financing	Co-financier	Type	Investment Mobilized (US$)
GEF Agency	IFC	Loans	US$75m
Client (Brand)		*First loss guarantee to IFC (note this is not additional liquidity)*	*US$11-15m*
Private Sector		Equity	US$75m

Structure and Governance	**<u>Structure</u>**: Under the Program, IFC would enter into loan agreements with eligible suppliers. IFC, as implementing entity of GEF, would also enter into loan agreements aggregating up to US$13.7 of total lending exposure with the same suppliers. The subordinated debt-like instruments would be subordinated to IFC in repayment and liquidation. **<u>Governance</u>**: The blended finance component of the Program will manage in accordance with IFC's blended finance approach and in line with the DFI Enhanced Blended Concessional Finance Principles for Private Sector Projects (see further detail in Annex G).
Environmental & Social Safeguards	As a GEF Agency, the World Bank Group is aligned with GEF Environmental and Social Safeguards policies; in instances where requirements for private sector projects may differ from the World Bank, IFC will seek to review and align such requirements in accordance with IFC's Environmental & Social policies and share this review with the GEF Secretariat in advance of CEO endorsement.
Reporting	On an annual basis clients will report to IFC on the green qualifying investments made along with related mitigation or adaptation related indictors. On an annual basis, consistent with GEF policies, IFC will provide GEF with a PIR.
Life of the Program and associated investment projects	The life of the Program will be (20) twenty years: <u>Investment Period</u>: Period for IFC to underwrite loans will be (8) years. <u>Loans</u>: Underlying loans under the program will have an average tenor of 8 with the ability to go up to 16 years with potential to include a grace period. Additional 1 year for final disbursements and accounting.
Exposure Limits	GEF's total aggregate exposure will be capped at US$13.7 million (net of fees).
GEF compensation	Interest rates will be customized on a subproject-by-subproject basis to adhere with IFC's Blended Finance principles, including minimum concessionality, but will in no case will be lower than 1.5% fixed and/or remunerated with a variable return.
Reflows	Reflows will follow the same procedure IFC uses for all blended concessional finance projects that periodically reflow capital. Consistent with GEF policy, any interest will be repaid to the GEF TF annually. In the case of GEF, as IFC works alongside the World Bank, reflows are made to the GEF Trustee account; IFC notifies the World Bank GEF Coordination team of the transfer.
Unused GEF Funds	Should the IFC investment window expire with excess GEF funding, the above is required to be held in place by IFC's existing legal agreements with clients, excess

	funding (if any) will be reflowed back to the GEF Trustee. Reflows would follow the same process as outlined above.
Cash Waterfall (Recovered Proceeds) from Individual Investment	The exact waterfall will be negotiated and determined with legal counsel. However, the spirit is that all cash inflows from sub-projects for will first be used to pay expenses, fees, and other costs. Second to flow to IFC for its principal and interest, and then third to GEF for its principal and interest. Upon a credit event, all cash flow goes first to making IFC whole on its principal and interest payments and then the remaining recoveries will be applied pari-passu to GEF's outstanding principal and interest and the Brand's outstanding guarantee capital and fee. The specific mechanism of timing and distribution of the Brand provided guarantee is still being negotiated with the Brand.[2][9]
Use of Concessionality	The proposed subordinated loan from GEF is a vital tool to overcome supply side market failures as a risk mitigant tool. It provides credit enhancement to IFC's investment and improves the risk in order to provide the required financing at a rate that is affordable for the ultimate beneficiaries. The "minimum concessionality" principle of Blended Finance requires that the level of subsidy should not be greater than to induce the intended investments. In line with this principle, the proposed level of First Loss is optimum to rebalance the risk-return trade-off.
Termination	The facility is proposed to last 20 years.
Reporting	Each borrower will provide reporting on an annual basis. Annual financial reports will be audited. IFC will report to GEF on the performance of the Program through its customary annual monitoring and project implementation report (PIR) channels.
Alignment with GEF Environmental & Social Safeguards	IFC commits to sharing the ESRS with the GEF Secretariat in advance of CEO endorsement. As a GEF Agency, the World Bank Group is aligned with GEF Environmental and Social Safeguards policies; in instances where requirements for private sector projects may differ from the World Bank, IFC will seek to review and align such requirements in accordance with IFC's Environmental & Social policies and share this review with the GEF Secretariat in advance of CEO endorsement.
Terms and conditions for the financing instruments	All use of blended concessional co-investments must meet the DFI Enhanced Blended Concessional Finance Principles for Private Sector Projects.

[1] GEF obligations could be structured in local currency without a hedge if needed. USD based financing would be the used whenever possible, but in cases where local currency is required and hedges are too costly, are mechanically too rigid to allow for structural advantages to GEF such as period cash sweeps, or breakage costs are too high, or there are no viable counter-parties then unhedged local currency could be offered.

[2] As with any active negotiations, final terms and conditions are subject to change. The final structure will be presented before CEO Endorsement but will align with the previously stated principles of risk mitigation of 30%.

Annex G.2: Reflows table

Instructions. Any financial returns, gains, interest or other earnings and remaining principal will be transferred to the GEF Trust Fund as noted in the Guidelines on the Project and Program Cycle Policy. and the GEF Non-Grant Instrument Policy.

Annex B: Reflows table

Instructions. Any financial returns/gains/interests earned on non-grant instruments, 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.17

Item Data	
GEF Project Number	11326
Estimated Agency Board approval date	1H2024
Investment type description	Subordinated loans to de-risk IFC loans and potentially other investors across the emerging markets.
Expected date for start of investment	4Q2024
Amount of GEF lending	Up to US$13.7 million (net of fees) [Min of 13.7 and 20% of IFC financing so as to jointly with the Brand reduce IFC risk to 70%
Amount of Co-Financing	GEF co-investment of up to US$13.7 million will be in conjunction with IFC's lending of up to US$75 million and supplier contributions of up to US$75 million for total project costs of up to US$163.7 million. The IFC subproject loans are also expected to be supported by a Brand provided guarantee totaling in aggregate up to US$11-15 million. GEF financing will be integral for the Program as it will allow suppliers to access financing under terms otherwise unreachable.
Estimated Return	TBD
Maturity	The Investment Platform will have a 20-year life.

Fees	Front end, commitment fees, and supervision fees will be customized on a case-by-case basis. The GEF lending floor for each subproject will be 1.5% fixed and/or a variable return, but the actual remuneration will be assessed in each case based on the risk return nature of the underlying loan and with consideration for minimum concessionality.
Repayment method description	IFC to GEF, in accordance with Financial Procedures Agreement
Frequency of reflow	• Annually for interest rates • If funding is revolved through the Facility for redeployment, no reflows would be anticipated during the active investment period. At the end of the investment lifecycle, reflows (including fees) would be made to the GEF Trustee.
First fees and interest repayment date	TBD
First repayment amount	TBD[1][10]
Final interest repayment date	After all the loans have been repaid, i.e., 20 years is the estimated life of the Program.
Final interest repayment amount	TBD
Total interest/earnings amount to be paid-reflowed to the GEF Trust Fund	Total of recovery amount and unused portion of funds, if any plus interest rates for underlying projects The Program may incur losses and be unable to recover the amounts to GEF -after the waterfall is applied

[1] Fees are confirmed during project preparation for each individual transaction.

Annex G.3: GEF Agency Eligibility to Administer Concessional Finance

The GEF Agency submitting the PIF or PFD will demonstrate its capacity and eligibility to administer NGI resources as noted in the NGI Policy, summarized below:

ANNEX G.3 – AGENCY CAPACITY TO IMPLEMENT NGI

The GEF Agency submitting the PIF or PFD will demonstrate its capacity and eligibility to administer NGI resources as described below:

-

IFC Governance for Blended Concessional Finance Resources

All blended concessional finance is overseen by the Blended Finance Department. For all blended concessional transactions, IFC exercises the same standard of care when investing on behalf of donor partners as it does with respect to the administration and management of its own affairs. IFC's governance structure is aligned to IFC's blended finance principles first presented to IFC's Board in 2012 and the **Enhanced Blended Concessional Finance Principles for DFI Private Sector Operations** adopted in 2017. More details on IFC's investment process, governance and oversight of concessional funds is available below.

Track Record and Performance in Blended Concessional Finance

IFC has been successfully deploying blended finance investments for more than a decade and is currently the largest and oldest practitioner of blended finance transactions among Development Finance Institutions (DFI's). IFC conducts blended finance operations in several thematic areas and industries globally, including to SMEs, sustainable agriculture supply chains, women-owned businesses, IDA, conflict-affected and vulnerable countries, climate change, manufacturing, and infrastructure to name a few.

From fiscal year 2010 to 2020, IFC deployed US$1.6 billion in blended finance to mobilize US$13.2 billion in IFC and 3rd party capital for 266 high-impact projects spanning sectors such as climate, SMEs, gender, and agriculture. Of the US$13.2 billion mobilized by blended finance more than half, US$7.2 billion was sourced from 3rd party capital, and US$6 billion from IFC own-account investment.

Thought Leadership on Blended Concessional Finance

As the Chair of the Development Finance Institution (DFI) Working Group on Blended Concessional Finance for Private Sector Projects, a consortium of 23 multilateral development banks and financial institutions, IFC led the development and adoption of the Enhanced Blended Concessional Finance Principles for DFI Private Sector Operations, as described below.

-

Governance on Blended Concessional Finance

IFC is committed to using a disciplined and targeted approach when it comes to blending concessional donor funds with its own commercial funds. This commitment reflects a long track record and thought leadership in the application of blended finance through evidence-based learning, that encourages real-time evolution and improvements to our approach.

In 2017, IFC created a Blended Finance Department to house a team of investment and operational professionals focusing on the management and deployment of blended concessional funds. All blended finance projects are reviewed and approved by an independent Blended Finance Committee (BFC), a senior Corporate Committee, and/or the Blended Finance Director, ensuring that IFC applies best practices, balances efficiency, accountability, and transparency, and adjusts investment decisions and the use of concessional finance based on the learning that comes from project structuring and implementation. The BFC helps to ensure that IFC can continually inform its own operations, maximize its innovation tools and resources, and provide the highest standard of governance for concessional transactions. IFC's governance structures are aligned to the Blended Finance principles (summarized below) and have been embedded into IFC documentation, training, and procedures.

Adherence to these principles and a robust governance framework, endorsed by our stakeholders, guide IFC's approach to blended finance and are required for every transaction using contributor funds. The DFI Enhanced Blended Concessional Finance Principles are briefly outlined below:

- *Rationale for Using Blended Concessional Finance.* Development Finance Institutions (DFI) support of the private sector should only contribute financing beyond what is available, or that is otherwise absent from the market, and should not crowd out the private sector.

- *Crowding-in and Minimum Concessionality.* DFI support to the private sector should, to the extent possible, contribute to catalyzing market development and the mobilization of private sector resources.

- *Commercial Sustainability.* DFI support of the private sector and the impact achieved by each operation should aim to be sustainable. DFI support must therefore be expected to contribute towards the commercial viability of their clients.

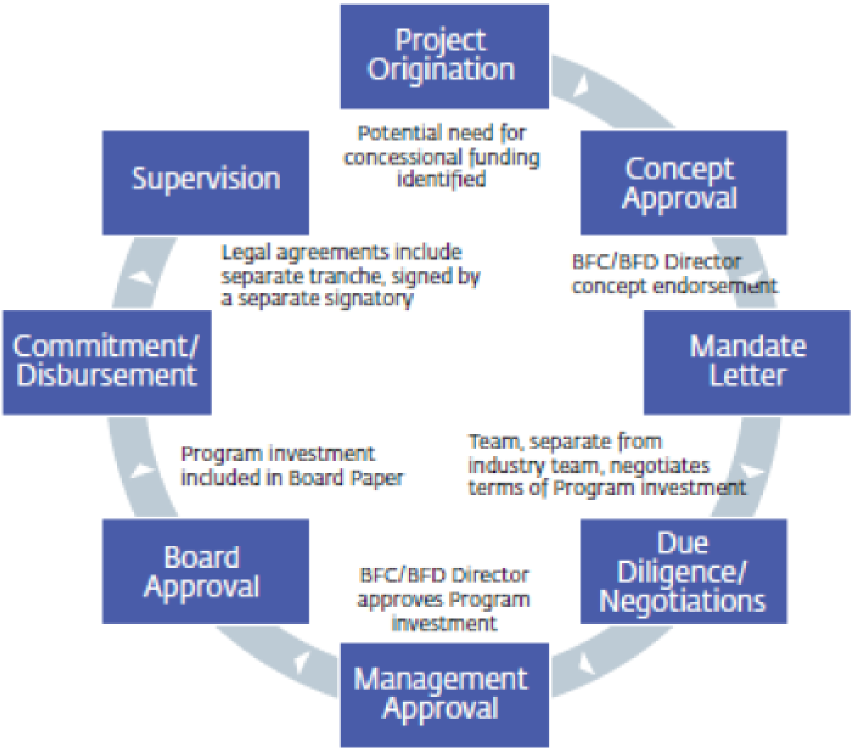
- *Reinforcing Markets.* DFI assistance to the private sector should be structured to effectively and efficiently address market failures and minimize the risk of disrupting or unduly distorting markets or crowding out private finance, including new entrants.

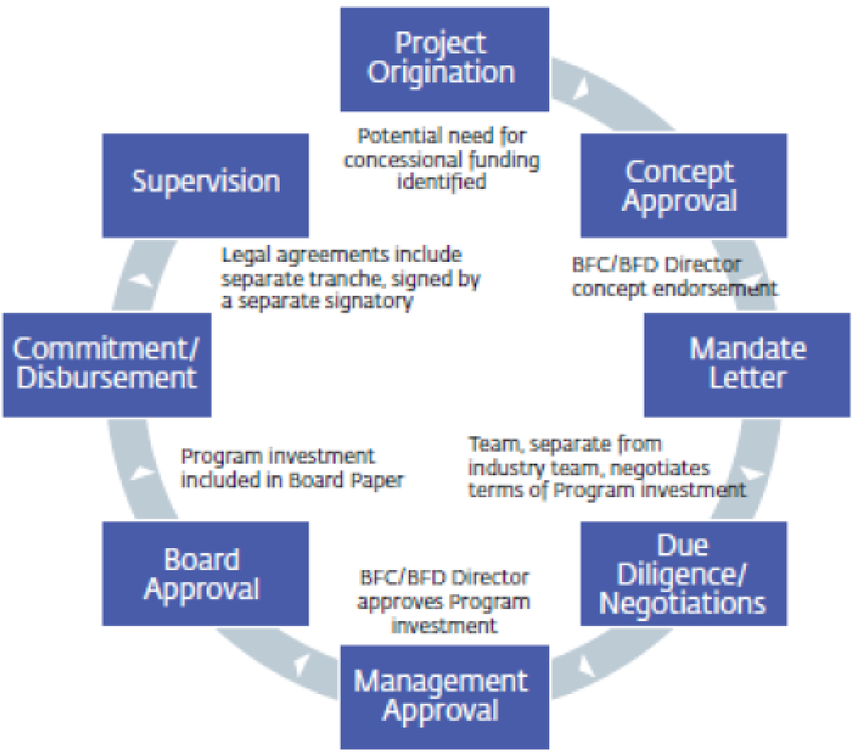
- *Promoting High Standards.* DFI private sector operations should seek to promote adherence to high standards of conduct in their clients, including in the areas of Corporate Governance, Environmental Impact, Social Inclusion, Transparency, Integrity, and Disclosure.

Based on these principles, it is imperative that IFC’s investments contribute beyond what financing is available, and otherwise absent from the market; otherwise, the transaction will not be approved by the BFC. IFC's Blended Finance Department bears responsibility for representing its donor interests as contributors within IFC's decision making processes, ensuring appropriate structuring and use of concessional finance, and managing the blended finance co-investment portfolio after projects are committed and under implementation. To this end, IFC’s separate team of blended finance investment officers identify, negotiate, and structure donor funds alongside IFC's commercial financing as co-investments. After the project is committed, this team supervises the donor-funded co-investment and reports to the development partner on the project over the course of project lifetime.

Donor funded blended finance co-investments rely on and leverages IFC’s operating investment cycle. The harmonized investment origination, approval process and portfolio management approach are outlined in the graphic below.

<u>IFC Investment Cycle</u>


Project Origination
Potential need for concessional funding identified
Concept Approval
BFC/BFD Director concept endorsement
Mandate Letter
Team, separate from industry team, negotiates terms of Program investment
Due Diligence/ Negotiations
Management Approval
BFC/BFD Director approves Program investment
Board Approval
Program investment included in Board Paper
Commitment/ Disbursement
Legal agreements include separate tranche, signed by a separate signatory
Supervision


Project Origination
Potential need for concessional funding identified
Concept Approval
BFC/BFD Director concept endorsement
Mandate Letter
Team, separate from industry team, negotiates terms of Program investment
Due Diligence/ Negotiations
Management Approval
BFC/BFD Director approves Program investment
Board Approval
Program investment included in Board Paper
Commitment/ Disbursement
Legal agreements include separate tranche, signed by a separate signatory
Supervision

a) Ability to accept financial returns and transfer from the GEF Agency to the GEF Trust Fund;

In all projects and structures (other than for non-returnable capital structures such as viability gap funding or performance-based), there is an expectation of financial returns from principal repayments, interest payments, distributions or fees. IFC has more than a decade of experience with this process for its existing donor-funded blended finance facilities. IFC's strong financial management systems include the segregation of donor funds. The ability of IFC to accept and transfer financial returns to the GEF Trust Fund presents no issue.

b) Ability to monitor compliance with non-grant instrument repayment terms;

A core part of IFC's investment operations is to monitor compliance with investment terms across the full lifecycle of the project. Typically, for IFC donor-funded facilities, this lifecycle encompasses a five- to seven-year active investment period, followed by another 15- to 18-year supervision period, for a total of 20 to 23 years.

For all investments, IFC maintains a procedure for project initiation, oversight, and control, complete with risk assessments and monitoring throughout the life of the project. For IFC investments that utilize blended concessional finance, an additional layer of supervision and reporting exists alongside IFC's own account investments. IFC follows strong portfolio management practices for all of its projects. IFC's portfolio supervision teams actively monitor compliance with investment agreements, perform site visits to evaluate project status and to identify solutions that address potential problems.

IFC systematically tracks environmental and social performance and measures financial and development performance and results. IFC's projects and funds are closely monitored, and for projects in financial distress, IFC's Special Operations Department determines the appropriate remedial actions. The Special Operations Department seeks to negotiate agreements with creditors and shareholders to share the burden of any restructuring, so problems can be worked out while the project continues to operate.

c) Capacity to track financial returns (semester billing and receiving) not only within its normal lending operations, but also for transactions across trust funds;

IFC will implement a GEF NGI Project, an accredited Executing Agency for the World Bank Group, which is an Implementing Agency for GEF. GEF-supported investments will follow IFC's financial management and procurement policies, including financial accounting, disbursement methods and auditing. IFC will maintain separate records and ledger accounts in respect of the GEF Funds for blended concessional finance and disbursements made therein. IFC will continue to report to GEF through the World Bank, per the legal requirements agreed for earlier GEF-funded activities.

<u>IFC's mechanism / process for program-level reporting to GEF</u>

As noted above, IFC will continue financial reporting to GEF through the World Bank, following the guidance and requirements agreed for earlier GEF-funded activities.

d) Commitment to transfer reflows twice a year to the GEF Trust Fund;

Typically, reflows from IFC's blended concessional funding are either accumulated and periodically refunded to the contributor, or recycled to the Trust Fund and re-deployed in subsequent investment phases. The availability of reflows varies widely depending on the project structure and the contributor's preference. IFC will transfer any financial returns, gains or interests earned on non-grant instruments, to the GEF Trust Fund as noted in Guidelines on the Project and Program Cycle Policy.

And, in case of NGI for private sector beneficiaries:

e) Track-record of repaid principal and financial returns from private sector beneficiaries to the GEF Agency.

IFC's relationship with the GEF spans over two decades, with over US$100 million in project approvals to enable private sector engagement in emerging markets. Over this period IFC has also returned almost US$42 million to the GEF, through the World Bank. GEF-supported projects are still active in our existing portfolio.

And, in case of concessional finance for public sector recipients:

f) Track-record of lending or financing arrangements with public sector recipients;

IFC's mandate is to support private sector development in emerging markets. Therefore, this criterion is not applicable to IFC's existing investment operations.

g) Established relationship with the beneficiary countries' Ministry of Finance or equivalent.

Please see section (f), above.

Annex G.4: Management Capacity of Executing Agency and Governance Structure

For projects requesting equity instrument, structured finance, or SPVs please provide following information

See Annex G.3 - IFC Ability to administer NGI funding.