Natural Capital Fund (NCF): Investing in Nature-Positive Agri-Food Enterprises in Asia and the Pacific

Review PIF and Make a recommendation

Basic project information

GEF ID

11062

Countries

Regional

Project Name

Natural Capital Fund (NCF): Investing in Nature-Positive Agri-Food Enterprises in Asia and the Pacific

Agencies

ADB

Date received by PM

3/16/2023

Review completed by PM

4/24/2023

Program Manager

David Elrie Rodgers

Focal Area

Multi Focal Area

Project Type

FSP

GEF-8 PROJECT IDENTIFICATION FORM (PIF) REVIEW SHEET

1. General Project Information / Eligibility

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

b) Is the General Project Information table correctly populated?

Secretariat's Comments DER/TK: Yes.

Agency's Comments

2. Project Summary

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

Secretariat's Comments DER/TK. Yes. The Natural Capital Fund (NCF) is a $150 million catalytic, natural capital, blended finance fund, designed and managed by ADB. It will be fully integrated within ADB?s Innovative Natural Capital Financing Facility (INCFF), as well as with other ADB operational platforms and processes. NCF?s design emphasizes strategic, long-term, multi-partner and stakeholder cooperation via grants, debt, equity, and guarantees, as well as the scaling-up of commercial finance for greater impact. Initially the NCF is targeting contributions of at least $150 million as it grows, and it is expected, along with the INCFF, to cumulatively mobilize $1 billion.

Agency's Comments

3 Indicative Project Overview

3.1 a) Is the project objective presented as a concise statement and clear?
b) Are the components, outcomes and outputs sound, appropriate and sufficiently clear to achieve the project objective and the core indicators per the stated Theory of Change?

Secretariat's Comments
DER/TK: The overall project objective to mobilize private sector investment for nature-based solutions is valuable and well articulated. Some changes will be required as the project is revised to reflect technical comments

1. If the project is revised to primarily focus on LD and CW, please reflect in the objective.
2. The project objective needs to be further refined to include the target group into the statement. The objective is actually better described later in the PIF: ?NCF?s mission is to mobilize blended capital and deploy SMEs or technology providers that are implementing climate smart agri-food systems projects that protect, restore, and sustainably use natural capital.?

DER/TK: 4/21/23.

1. The focal areas have been revised. Comment cleared.

2. Comment cleared.

3. Core Indicator 11. on Direct beneficiaries. The number is very large. Please review the number to ensure it includes only direct beneficiaries. Pages 24-25 of the GEF-8 Results Measurement Framework Guidelines (GEF/C.62/Inf.12/Rev.01) provide examples of what might be counted as direct beneficiary. Please clarify.

DER/TK: May 11 2023. Comment cleared.

Agency's Comments
ADB Response 14 April 2023

1. LD and CW are now focus FAs

2. Objective is modified as suggested.

ADB Response 09 May 2023

Core indicator 11 has been adjusted based on the GEF 8 guidance.

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

Secretariat's Comments
DER/TK: Yes.

DER/TK: 4/21/23. At the time of CEO endorsement please ensure tools and structures are fully described for the ambitious goals for gender equality and knowledge management.

DER/TK: May 11 2023. Comment cleared.

Agency's Comments
ADB Response 09 May 2023

Guidance is well noted. Thank you.

3.3 a) Are the components adequately funded?

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

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

Secretariat's Comments
DER/TK: PMC should be zero for blended finance projects.

DER/TK: 4/21/23. Comment cleared.

Agency's Comments
ADB Response 14 April 2023

PMC is now zero

4 Project Outline

A. Project Rationale

4.1 SITUATION ANALYSIS

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

b) Are the key barriers and enablers identified?

Secretariat's Comments

DER/TK: The stated project objectives are viable and highly relevant, but revisions required:

1. The underlying rationale for the project has a major shortcoming in that it appears to blame smallholder farmers for major contributions to GHG emissions and environmental degradation, i.e. ?Recognizing the significant contribution from small farmers to land degradation, unsustainable land management, greenhouse gas (GHG) emissions?? (page 1). The cited IPCC chapter does not support such a statement, on the contrary, it emphasizes the vulnerability of smallholders to climate change and environmental degradation. So, the rationale for the project should be built around the need to support smallholders in providing access to capital for financing sustainable farming as a transformative opportunity for more sustainable food systems, while recognizing that conducive enabling frameworks, good governance, and market conditions are preconditions for smallholders to do so.
2. This also needs to be reflected in the Theory of Change, which is currently silent on the drivers of environmental degradation, i.e. policy, governance, markets, climate change, population growth, etc. How will the project address the wider context when selecting the ?at least 22 business cases of agri-food systems projects that protect, restore and sustainably use natural capital??

DER/TK: 4/21/23

1. Thank you for the updates and revisions. Comment cleared.

2. The theory of change is much better. Comment cleared.

Agency's Comments

ADB Response 14 April 2023

1. Restated and referenced. Smallholder access to capital for transforming to more sustainable farming, in combination with enabling environment.

2. TOC has been adjusted as suggested

4.2 JUSTIFICATION FOR PROJECT

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

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

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

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

Secretariat's Comments
DER/TK. See comments in box 5.5

Agency's Comments
5 B. Project Description

5.1 THEORY OF CHANGE

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

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

Secretariat's Comments DER/TK. See comments in box 5.5

Agency's Comments
5.2 INCREMENTAL/ADDITIONAL COST REASONING

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

Secretariat's Comments DER/TK. See comments in box 5.5

Agency's Comments
5.3 IMPLEMENTATION FRAMEWORK
a) Is the institutional setting, including potential executing partners, outlined and a rationale provided?

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

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

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

Secretariat's Comments DER/TK. See comments in box 5.5

Agency's Comments

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

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

Secretariat's Comments

DER/TK: Several technical issues have been identified with focal area alignment and application of GEF performance metrics. Please address these issues in the next revision:

1. Based on the project design and established fund structure, we believe this project aligns well primarily the LD focal area, and potentially with CW.
2. Related to LD, Alignment with the LD-focal area objective LD-1 is listed. However, the is also alignment with LD-2 (please include). Further, in the text that describes the alignment, there is only reference to the LD targets, please also include an explanation how the project aligns with the objectives, including with the LDN concept, to which the project has tagged itself in the taxonomy. Moreover, it could be considered to increase significantly the notional allocation of GEF funding addressing LD objectives (currently only $2.5 million as the smallest focal area), as the overall project approach has sustainable land management (SLM) at its core.
3. Related to CW, the project clearly identifies and targets the reduction of hazardous pesticides and plastics in the agricultural sector and agri-food processing sector. There are however no details on the amounts and types of chemicals, including plastics that would be addressed so this would need to be elaborated to understand the effectiveness of the investments planned. ADB is implementing the FARM Vietnam project and there would be complementarity between these two projects as the FARM project also seeks to implement low and non-chemical, including using nature-based solutions in the agricultural sector. Additionally, Indonesia and Philippines are also participating in the FARM program so there would be significant co-benefits among these projects. The project may also want to consider as one of the outcomes from investment, the reduction of the use of agricultural plastics throughout the value chain of the agricultural products. Please consider these issues and identify appropriate CW performance metrics and estimated GEBs
4. Related to BD, the results/GEBs expected via the core-indicators for this project are not well aligned with the GEF-8 biodiversity strategy. Without significant

redesign that would result in GEBs for globally significant biodiversity, the BD focal area funding allocation should be revised per the recommendation to focus on LD & CW.

5. Related to CCM, without major redesign, the CCM benefits from high mitigation potential NBS would not be counted as they will be transferred to other investors through carbon markets. The GEF is reluctant to claim CCM focal area alignment when the relevant CCM benefits are not retired and reported to the GEFSEC.

6. Please address these concerns and consider re-aligning the performance metrics to LD/CW focal areas only.

DER/TK: 4/21/23

1. Comment cleared.
2. LD-2 has been added. Comment cleared.
3. Please adjust the CW narrative to align with GEF focal area programming directions.
4. BD has been removed. Comment cleared.
5. Please adjust the CCM narrative to align with GEF focal area programming directions.
6. Performance metrics adjusted. Comment cleared

DER/TK: May 11 2023. Comment cleared. The rewritten narrative aligns the project documentation with GEF focal area programming directions. During project preparation we look forward to collaborating on the how to document the innovative use of carbon credits in this type of investment structure and appropriately report on GEBs.

Agency's Comments

ADB Response 14 April 2023

1. Done as confirmed above

2. LD-1 and LD-2 considered with increased allocation and alignment with LDN

3. CW factored in with focus on HHPs and plastics in sample deals - which are quite realistic given the current and anticipated ADB portfolio of investments

4. BD has been removed as FA, but considered under project co-benefits

5. CCM is not a focal area for the project. [CCM is a likely co-benefit] It is important to note that the CCM benefits will be transferred to those investors that have deployed the capital in such type of investments (NBS). Regardless of the investor, the NCF will not allow for any type of carbon trading, and any carbon credits originated through investments in carbon markets will be retired according to best practices and in partnership with Gold

Standard, Verra, etc. In addition, if the investor in those projects is GEF, the carbon credits generated, equivalent to GEF?s investment, will be retired and reported to GEFSEC.

6. Performance metrics aligned with LD and CW.

ADB Response 09 May 2023

The narrative on C&W has been clarified, with estimates for HHPs highlighted.

The narrative in CCM, as well to address concerns reflected in our discussion on retirement of CCM benefits etc - has been adjusted in various sections throughout the document. These have been indicated in aqua blue highlight.

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

Secretariat's Comments DER/TK: Please address the following issues

1. GEF additionality to the fund and fund strategy/criteria is not clear - 'Natural Capital Fund' by its name, shall target purely natural capital investment or cover incremental cost for environmental benefits to the baseline agriculture projects, but pipelines presented as well as the use of proceeds (investment strategy) are not clear addressing this aspect.
2. There should be a clear investment strategy as the fund will last 20 years, therefore we cannot assess all projects upon approval, but there is no clear investment strategy to address specific investment gap both in terms of investment area (land/oceans/freshwater/technology&innovation - listed in figure 6, some of them are not even eligible under GEF TF) and financial aspect (terms, instruments, beneficiaries seem all too broad).
3. Financial additionality and minimum concessionality is also not clear as most of co-financing is TBD, without clear vision or possible co-financiers listed.
4. Co-finanicng estimation of 134M in fund level and 849M in project level is not clear (is it considering the transaction level?) - what is the strategy of fundraising - is the fund open-ended? close-ended? All other investors will be equity investors pari-pasu with the GEF? When will it be operational (minimum kick-off investment size)? How the GEF is going to exit in 20 years? How the value of the GEF's investmetn in 20 years will be evaluated? What will be the eligibility for project-level co-financing?
5. With this broad investment strategy, curious to know how return of 1-2% per annum was calculated.
6. Justification for requesting more than 15M is not enough as the GEF financial additionality is not clear and quantified.

7. How NCF is going to hedge the currency risk? How much exposure to the local currency is expected?
8. Annex D is required for equity investment - not provided.

DER/TK: 4/21/23

1. The updated narrative on additionality is welcome. Comment cleared.
2. The updated investment strategy is welcome, however it is quite broad. We recommend putting priority on pipeline building and early stage investment focused innovations in the agri-food sector such as biodiversity credits, payments for eco-system services and other nature-based solutions rather than traditional projects. At time of CEO endorsement, please add additional clarification on investment selection criteria to ensure delivery of innovative approaches and delivery of GEBs.
3. Thanks for the clarification. Recognizing that identification of other fund investors is an on-going process, we expect that the final PIF will include as much information as possible on potential investors, confirmed investors, and indicative investors. If the investor list requires confidential treatment per GEF policy, please supply as a separate document that will not be shared outside GEFSEC. Also, please provide an estimate for investment co-financing from ADB in the project financing tables in Annex A. We suggest the estimate be based on expected ADB investments aligned with the project rather than the number provided in the review sheet (12.9B co-financing) which appears to be from a much broader ADB operation. Please document more clearly how the project financing structure will ensure minimum concessionality. At the time of CEO endorsement, we would expect additional confirmation details on investors, updated estimates for transaction level co-financing, and clarifications on implementing minimum concessionality.
4. Thank you for the additional clarification. Based on the project document, the NCF includes debt, equity, and blended options with different rates of return. Recognizing that other equity investors will be pari-pasu with the GEF, we would be surprised if equity investors would wait returns for 15-20 years. Please clarify if you are describing a fund structure where some investments are recycled back into the fund for the 20 year term, while other investors exit the fund after a few years? We recommend ADB retain flexibility in designing the fund to maximize private sector investment, maintain minimum concessionality, focus on innovation, and provide reasonable reflows. As an anchor investor, the GEF understands that the fund structure will evolve as additional investors are brought on board. By the time of CEO endorsement, we expect the fund structure to be more clearly articulated while maintaining flexibility to work on innovative investments consistent with delegation/concurrence authority under GEF Non-grant policy (GEF/C.63/12) (paragraph 12-14). Please respond if this approach will work.

5. Revisions to the project proposal emphasize that most of the NCF investments will be early stage (pre-seed, seed, and early-stages). Thus many of the investments may be risky and a lower average return is expected. We also recognize the equity investment returns may be higher, while debt may be lower. We do encourage using the fund to catalyze a pipeline of cash-flow positive business models in the area of natural capital, not reinforce the assumption that natural capital projects always have low return. Please design into the fund investment strategy a process for learning and enhancing the pipeline over the life of the fund, graduating successful business models to commercial financing and enrolling new pipeline of projects in frontier areas. Also, in Annex G.2, please provide numerical estimates for the final repayment, principal, and interest/earnings/premiums in the last three rows.
6. Comment cleared.
7. We welcome ADB?s capacity to manage currency risk. Comment cleared.
8. Annex D provided. Comment cleared.

DER/TK: May 11, 2023. Agency responses to remaining comments 2,3,4 and 5 were very helpful. Comments cleared.

Agency's Comments

ADB Response 14 April 2023

5.5.1. The approach of the NCF to GEF?s additionality goes beyond the incremental cost approach, as also suggested by the Independent Evaluation Office of the GEF A new section has been included in the narrative to address this concern. The rationale for looking beyond purely natural capital projects, or the incremental cost for environmental benefits, is that the NCF aims to transform agri-food systems in the Asia and Pacific region, while also protecting, restoring, and sustainably using natural capital. This is particularly critical given that agri-food systems completely depend on natural capital, while being also major drivers of global forest and biodiversity loss, land and soil degradation, water pollution, and greenhouse gas emissions among others. However, despite the depletion of natural capital that agri-food systems cause, they still struggle to access capital due to their perception of high-risk and low-return; high transaction costs due to the fragmentation of the sector, the small ticket sizes required and the lack of aggregation? and the inconducive enabling environment. Against this background, SMEs require capital not only to invest in the incremental costs for environmental benefits or on natural capital projects, but to invest in agri-food systems projects that protect, restore, and sustainably use natural capital while also adopting new agri-food practices, technologies, etc. Hence, the pipeline presented focuses on natural capital projects, but also on agri-food systems projects that can deliver positive natural capital outcomes.

The rationale is that the additionality is not only in terms of environmental benefits, but also in terms of (please note that this is not an exhaustive list):

- Financial additionality: The ability of the NCF to raise additional capital (seeing GEF as the anchor investor), specifically $135million[AM1] at fund level, and $834millon at transaction level.

- Socioeconomic additionality: The ability of the NCF to invest in SMEs that will help improve the living standard among small-scale farmers/fishermen/livestock herders, etc., affected by environmental conditions.

- Innovation additionality: The ability of the NCF to invest in SMEs that will develop or accelerate the adoption or demonstration of new technologies that have not shown yet market viability but that have the potential to contribute to sustainable agri-food systems that protect, restore, and sustainably use natural capital.

5.5.2 The investment strategy clearly indicates the:

i) Investment themes and types of interventions, which considered, based on ADB sovereign and private sector operations, the investment profile, risk considerations, expected impact and investment needs.

ii) Investment categories, indicating the different stages of the investment-cycle; number of companies per stage; funding purpose; expected ticket sizes; average maturities and terms; geographic allocation; and

iii) Pipeline development and origination routes to ensure that the fund has an actual pipeline before it starts deploying capital, which is one of the main bottlenecks that many of the existing funds in the market face today.

The investment gap analysis was conducted as part of ADB plans to provide at least $14 billion over 2022-2025 in a comprehensive program of support to ease a worsening food crisis in Asia and the Pacific and improve long-term food security by strengthening food systems against the impacts of climate change and biodiversity loss.

5.5.3. In terms of financial additionality, the NCF expects to raise $13.7 +million from GEF, who would become the anchor investor, and an additional $136 + million at fund level, and $700 + million at transaction level. The estimations at transaction level are quite conservative, as a large focus of the investments would be on SMEs that are at pre-seed, seed, and early stages, and whose investment needs require small ticket sizes.

Based on conversations with potential investors, still confidential at this stage, and on the co-financing raised in 2020 ($16.4billion) and 2021 ($12.9billion) by ADB, ADB feels very confident on its ability to raise the co-financing indicated in the PIF.

5.5.4 The close-ended NCF estimates to raise $136+ million in co-financing at fund level, and $702 million at transaction level. The estimation at transaction level is done using very conservative numbers, based on the additional capital raised, according to Convergence and ODI, by MDBs and blended finance funds.

The fundraising strategy builds on the decades of experience ADB has raising concessional finance, and leverages its distribution networks with sovereign governments, philanthropies, and corporates, where only in 2021 alone, ADB raised $12.9 billion in co-financing. In addition, The PIF will now provide a table with some examples of similar climate catalytic funds raised over the last decade.

Given the catalytic nature of the Fund, the NCF is aiming to raise, as ADB has done with most of the funds it manages, most of the capital in the form of grants. Where that is not feasible, the NCF will seek equity, as it is the case for GEF and other corporates that the NCF is discussing with. In that case, all equity investors will be pari-passu with GEF

The first closing is targeting $50million (minimum kick-off investment size), with the total amount being raised by the final closing.

Given the catalytic nature of the NCF, which aims to crowd-in capital and build as much pipeline as possible, and the long holding periods, all proceeds from exits will be reinvested into the Natural Capital Fund. Hence, GEF?s exit strategy will consist on the redemption of its shares in 20 years (one single repayment at final repayment date). This will apply to all other equity investors in the NCF.

The NCF will use its own eligibility criteria to both select investments and co-financiers. These can be summarized as follows:

- Country eligibility (DMC in Asia and Pacific)

- Project type

- Climate impact

- Natural capital impact

- Development and gender impact

- Co-financing

- Partnerships

- Innovation

- Bankability

- Replicability/scalability

- Sustainability/Durability

In addition, ADB will use its own eligibility criteria for project-level co-financing, as determined by the Strategic Partnerships Division (SPSP) of the Strategy, Policy and Partnerships Department and the Partner Funds Division (SDPF) of the Sustainable Development and Climate Change Department at ADB. This follows five steps:

1. Identification (find areas/sectors of mutual interest)

2. Preparation (early engagement, joint TOR for project design)

3. Approval (commitment letter (DD/approval), funds commitments, regulations and signing of agreements)

4. Implementation (additional financing (for President approval) and minor change in scope)

5. Completion and evaluation

5.5.5 Given the catalytic nature of the NCF, which aims to build pipeline and crowd-in additional capital, and the performance of other similar funds managed by ADB, the gross average annual return is expected at 1-2% per annum. This takes into account the average between:

1) Natural capital finance projects that will mostly yield global environmental benefits;

2) Sovereign finance projects, that tend to have a very moderate return; and

2) Private sector finance projects, where a big part of the capital deployed will focus on building pipeline at pre-seed, seed and early stages.

It is important to note that the repayments to GEF will be based on financial flows originated by the NCF, including if the return is higher than expected, and in proportion to the GEF?s investment in NCF.

5.5.6 GEF additionality to the baseline is discussed above and further addressed and quantified in the narrative. Regardless, the grant request has been revised downward to $ 15 million including Agency Fee.

5.5.7 As a triple-A rated financial institution, ADB through its Treasury Department, manages its currency risk by matching its loans and investments to the same currencies in which funds are received. Funds to be invested may only be converted into other currencies provided that they are fully hedged through cross currency swaps or forward exchange agreements.

5.5.8 Annex D is included in the PIF

[AM1]This is if we only ask for $15 million from GEF

ADB Response 09 May 2023

3. Potential investors/partners that we are likely to tap into have been provided in confidential file in roadmap. On co-financing, as discussed, we anticipate that three Sovereign Natural Capital Loans for $ 520 million, will generate $250 million in NCF investment opportunity.

    a. Hubei Huanggang Dabie Mountain Ecosystem Protection and Carbon-Neutral Green Development Project ? a $200 million loan aimed at promoting and demonstrating sustainable ecosystem protection and low carbon development principles and practices in the Dabie Mountain in Huanggang Municipality in Hubei Province, integrating policy advice, digitalization, trainings, green financing mechanism for environmental protection, and climate smart agri-businesses development. Expected opportunities to co-finance green projects and climate-smart agribusinesses of at least $100 million.

    b. Sustainable Bamboo Value Chain Project in Assam ? a $60 million loan for helping create a sustainable bamboo value chain with potential to generate investment opportunities in SMEs, FPOs and larger projects of at least $50 million

    c. Chishui River Basin Ecological Protection and Green Development ? a $250 million loan for revitalizing the rural economy in the region; the project?s focus on creating green finance mechanisms would generate opportunities to invest at least $100 million in funding wastewater treatment, protection of drinking water sources, sustainable agriculture, eco-tourism, etc.

4. The NCF?s funding approach would be based on an evaluation of each individual project?s projected cash flows. The quantum of investment made by NCF would ensure that its funding is capped at 33% of total debt for debt funding, 25% of total equity for equity funding and 20% of total funding for grants. In this manner, the amount of concessional funding would be optimized for each project.

   We expect to raise a significant proportion of commitments to the NCF through grants. All equity investors would be pari-passu with each other. Thus, we do not envisage a situation wherein some investors would exit after a few years while others would only get paid out at the end of the fund?s tenor. It is our belief that tenors of this time frame are becoming industry standard for these types of natural capital investments. During resource mobilization efforts will be made to engage with 'like-minded' donors. Our aim is, indeed, to crowd-in as much private sector investment as possible, while maintaining minimum concessionality, focusing on innovation, and providing reasonable reflows.

5. The NCF?s investment strategy is to encourage innovative natural capital oriented business models that generate positive cash flows, and thus a positive return on investment. Concessionality is designed to help businesses cross initial ?death valleys? and attain viability. Our investment process would be designed for learning and enhancing the pipeline over the life of the fund, graduating successful business models to commercial financing and enrolling new pipeline of projects in frontier areas.

Additional modifications

- adjustment of Rio Markers as advised

- trimming of Taxonomy to remove direct CCM BD tagging

- Confidential list of potential investors submitted via separate cover

5.6 RISKs

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

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

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

Secretariat's Comments DER/TK: Yes.

Agency's Comments

5.7 Qualitative assessment

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

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

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

Secretariat's Comments DER/TK: Yes.

Agency's Comments

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

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

Secretariat's Comments

DER/TK: Please see box 5.4

DER/TK: 4/21/23. Comment cleared.

Agency's Comments

ADB Response 14 April 2023

This has been addressed

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

Secretariat's Comments DER/TK: Yes.

Agency's Comments

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

Secretariat's Comments

DER/TK: As written, we do not see alignment with the GEF-8 BD strategic programming directions. Please consider revising to address LD only.

DER/TK: 4/21/23. BD is now listed as a co-benefit. Comment cleared.

Agency's Comments

ADB Response 14 April 2023

Noted as elaborated above

7 D. Policy Requirements

7.1 Is the Policy Requirements section completed?

Secretariat's Comments DER/TK: Yes.

Agency's Comments

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

Secretariat's Comments DER/TK: Yes.

Agency's Comments

8 Annexes

Annex A: Financing Tables

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

STAR allocation?

Secretariat's Comments

Agency's Comments

Focal Area allocation?

Secretariat's Comments

Agency's Comments
LDCF under the principle of equitable access?

Secretariat's Comments

Agency's Comments
SCCF A (SIDS)?

Secretariat's Comments

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

Secretariat's Comments

Agency's Comments
Focal Area Set Aside?

Secretariat's Comments

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

Secretariat's Comments DER/TK: Yes. No PPG for this project.

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

Secretariat's Comments
DER/TK: See comments in other boxes.

DER/TK: 4/21/23. Comment cleared.

Agency's Comments
Annex B: Endorsements

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

Secretariat's Comments NA

Agency's Comments

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

Secretariat's Comments
NA

Agency's Comments

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

Secretariat's Comments NA

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

Secretariat's Comments
DER/TK: We expect these notifications to happen during the investment period.

DER/TK: 4/21/23. Thank you for the early notification. Comment cleared.

Agency's Comments
ADB Response 14 April 2023

An email to **ALL GEF OFPs** in the Asia and the Pacific was sent immediately following the first submission of the PIF on 27 February 2023. The email confirmed our submission and shared a copy of the draft PIF along with supporting documents.

Annex C: Project Location

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

Secretariat's Comments DER/TK: 4/21/23. Yes.

Agency's Comments

Annex D: Safeguards Screen and Rating

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

Secretariat's Comments DER/TK: 4/21/23. Yes.

Agency's Comments

Annex E: Rio Markers

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

Secretariat's Comments DER/TK: 4/21/23. Yes.

Agency's Comments

Annex F: Taxonomy Worksheet

8.9 Is the project properly tagged with the appropriate keywords?

Secretariat's Comments DER/TK: 4/21/23. Yes.

Agency's Comments

Annex G: NGI Relevant Annexes

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

Secretariat's Comments

DER/TK: In addition to the concerns and comments in other boxes, please provide detailed description of investment selection criteria and structures that will allow ADB and its executing partners to ensure investments receiving GEF funding are in alignment with GEFSEC focal area and strategic programming directions.

DER/TK: 4/21/23. The revisions are well described. Comment cleared.

Agency's Comments

ADB Response 14 April 2023

This has been elaborated in the revised PIF, as well as within the Stakeholder Engagement section and the elaboration of the fund governance structure and interactions with beneficiaries

ADB Response 12 May 2023

The Annex G-2 Reflows table has been amended as requested.

9 GEFSEC Decision

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

Secretariat's Comments

DR/TK: This project has received a preliminary screening under the Blended Finance Call for Proposals that closed February 27, 2023. The project has merit but requires revisions. The attached review sheet includes the results of the preliminary screening. Additional review and comment on the financial aspects of the project will be developed through consultation with the GEF Advisory Group of Financial Experts. Revised projects should be submitted in a timely manner and will be considered along with all other projects being submitted for the June 2023 work program.

DER/TK: 4/21/23. Most comments are cleared. Please address the remaining comments in boxes 5.4, 5.5. Please also take note of box 9.2 for comments to be considered at time of CEO endorsement.

DER/TK: May 11, 2023. Comments cleared. Please take note of box 9.2 for comments to be considered at time of CEO endorsement.

This PIF is recommended for technical clearance.

Agency's Comments

ADB Response 09 May 2023

Comments in box 9.2 are well noted. Thank you for the look ahead.

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

Secretariat's Comments

DER/TK:

1. Please add additional clarification on investment selection criteria to ensure delivery of innovation and GEBs.

2. Please provide additional confirmation details on investors, updated estimates for transaction level co-financing, and clarifications on implementing minimum concessionality. If the investor list requires confidential treatment per GEF policy, please supply as a separate document that will not be shared outside GEFSEC.
3. Ensure tools and structures are fully described for the ambitions goals for gender equality and knowledge management.
4. During project preparation we look forward to collaborating on the how to document the innovative use of carbon credits in this type of investment structure and appropriately report on GEBs

Agency's Comments

Review Dates

	PIF Review	Agency Response
First Review	**3/24/2023**	
Additional Review (as necessary)	**4/21/2023**	
Additional Review (as necessary)	**5/11/2023**	
Additional Review (as necessary)		
Additional Review (as necessary)		