Blended finance facility for climate resilience in coffee and cacao value chains: CC-Blend

Part I: Project Information

GEF ID
10434

Project Type
MSP

Type of Trust Fund
SCCF

CBIT/NGI
CBIT **No**
NGI **No**

Project Title
Blended finance facility for climate resilience in coffee and cacao value chains: CC-Blend

Countries
Regional, El Salvador

Agency(ies)
UNEP

Other Executing Partner(s)
Banco de Fomento Agropecuario (BFA) (Ministry of Agriculture and Livestock, El Salvador) for Components 1 and 2; and Central American Microfinance Association Network (REDCAMIF) for Component 3

Executing Partner Type
Others

GEF Focal Area
Climate Change

Taxonomy

Focal Areas, Climate Change, Climate Change Adaptation, Livelihoods, Ecosystem-based Adaptation, Innovation, Private sector, Climate finance, Sustainable Development Goals, Influencing models, Strengthen institutional capacity and decision-making, Demonstrate innovative approache, Stakeholders, Communications, Awareness Raising, Strategic Communications, Type of Engagement, Participation, Information Dissemination, Partnership, Consultation, Local Communities, Beneficiaries, Civil Society, Non-Governmental Organization, Academia, Trade Unions and Workers Unions, Community Based Organization, Private Sector, Individuals/Entrepreneurs, Financial intermediaries and market facilitators, Gender Equality, Gender Mainstreaming, Sex-disaggregated indicators, Gender results areas, Knowledge Generation and Exchange, Participation and leadership, Capacity Development, Capacity, Knowledge and Research, Knowledge Exchange, Peer-to-Peer, Field Visit, South-South, Learning, Adaptive management, Indicators to measure change, Theory of change, Knowledge Generation, Workshop, Training

Rio Markers

Climate Change Mitigation

Climate Change Mitigation 0

Climate Change Adaptation

Climate Change Adaptation 2

Submission Date

5/26/2021

Expected Implementation Start

10/1/2021

Expected Completion Date

9/30/2023

Duration

18In Months

Agency Fee($)

103,697.00

A. FOCAL/NON-FOCAL AREA ELEMENTS

Objectives/Programs	Focal Area Outcomes	Trust Fund	GEF Amount($)	Co-Fin Amount($)
CCA-1	1.1	SCCF-A	462,000.00	2,500,000.00
CCA-1	1.2	SCCF-A	220,000.00	5,500,000.00
CCA-2	2.3	SCCF-A	409,552.00	700,000.00
		Total Project Cost($)	**1,091,552.00**	**8,700,000.00**

B. Project description summary

Project Objective

To strengthen the climate resilience of coffee and cacao producers in El Salvador and enhance access to sustainable finance in Central America

Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing($)	Confirmed Co-Financing($)

Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing($)	Confirmed Co-Financing($)
1. Establishing a blended finance facility for nature-based adaptation investments	Investment	Outcome 1: Increased uptake by 4,000 producers of financing to invest in climate resilience of cacao and coffee value chains in El Salvador	*Output 1.1* Training workshops and guidance materials provided for six BFA rural branches on how to disburse loans for nature-based adaptation solutions, including on credit methodology, product development, risk and information management and monitoring.	SCCF-A	304,000.00	5,500,000.00
			Output 1.2 Dedicated credit line of USD 5 million for private investment in nature-based adaptation solutions designed and made available to 4,000 producers.			
			Output 1.3 Changes to adaptive capacity and climate-resilience monitored, measured and reported.			
			Output 1.4 A long-term financial mechanism			

Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing($)	Confirmed Co-Financing($)
2. Promoting climate-resilient production practices	Technical Assistance	Outcome 2: Increased application of climate-resilient production practices by 4,000 micro, small and medium businesses in coffee and cacao value chains on 6,400 ha of land	*Output 2.1* A Community of Practice with local technical institutions and agricultural service and input providers established and operationalized. *Output 2.2* Six training-of-trainers workshops, with a total of 30 participants, delivered on nature-based adaptation solution packages (five participants in each of the six targeted BFA branches). *Output 2.3* Training and technical support delivered to 4,000 producers on climate and phenological information, nature-based adaptation solutions, financial literacy, and business management skills. *Output 2.4* Three new peer-to-peer demonstration plots	SCCF-A	334,000.00	2,200,000.00

Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing($)	Confirmed Co-Financing($)
3. Sharing knowledge to increase regional access to sustainable finance	Technical Assistance	Outcome 3 Enhanced regional engagement of and exchange among financial institutions concerning investment in climate-resilient agriculture	*Output 3.1* Four knowledge products on lessons learnt from the project published and shared regionally (e.g. policy briefs for decision makers and a manual on nature-based adaptation solutions for cocoa and coffee chains).	SCCF-A	306,320.00	1,000,000.00
			Output 3.2 Regional Community of Practice for financial institutions on finance for climate resilience in agriculture established and operationalised for knowledge sharing, training and partnership building to promote up-scaling of the project methodology, with at least five meetings convened.			
			Output 3.3 Training on climate-resilient credit methodologies for replication provided at the regional scale			

Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing($)	Confirmed Co-Financing($)
Monitoring and Evaluation	Technical Assistance			SCCF-A	48,000.00	
				Sub Total ($)	**992,320.00**	**8,700,000.00**
Project Management Cost (PMC)						
			SCCF-A	99,232.00		
			Sub Total($)	**99,232.00**		**0.00**
			Total Project Cost($)	**1,091,552.00**		**8,700,000.00**

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

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Investment Mobilized	Amount($)
Other	Banco de Fomento Agropecuario (BFA)	Loans	Investment mobilized	5,000,000.00
Donor Agency	USDA	Grant	Recurrent expenditures	2,000,000.00
Donor Agency	USAID	Grant	Recurrent expenditures	500,000.00
Donor Agency	GCF / FAO	Grant	Recurrent expenditures	1,000,000.00
Donor Agency	IDB / Rikolto	Grant	Recurrent expenditures	200,000.00
			Total Co-Financing($)	**8,700,000.00**

Describe how any "Investment Mobilized" was identified

Banco de Fomento Agropecuario (BFA) will launch a dedicated USD 5 million credit line for nature-based solutions using a specific credit methodology and monitoring tools transferred via the Microfinance for Ecosystem-based Adaptation (MEbA) project, which will be scaled up with SCCF funds to characterize and publish the credit line and assess its impact. This credit line will be additional to current BFA investments in the agriculture sector since it will have clear emphasis on sustainable adaptation practices. The improved conditions of the credit line will be a result of blending SCCF funds with the Bank?s own funds and the technical assistance provided (also with SCCF funds). Without SCCF funds, the scaling up of the methodology, the monitoring of credits, the technical assistance and the improved rate conditions would not be feasible. The USD 5 million allocated by BFA to the credit line is therefore considered investment mobilized.

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

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount($)	Fee($)
UNEP	SCCF-A	El Salvador	Climate Change	NA	1,091,552	103,697
				Total Grant Resources($)	**1,091,552.00**	**103,697.00**

E. Non Grant Instrument

NON-GRANT INSTRUMENT at CEO Endorsement

Includes Non grant instruments? **No**

Includes reflow to GEF? **No**

F. Project Preparation Grant (PPG)

PPG Required **true**

PPG Amount ($)

50,000

PPG Agency Fee ($)

4,750

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount($)	Fee($)
UNEP	SCCF-A	Regional	Climate Change	NA	50,000	4,750
				Total Project Costs($)	**50,000.00**	**4,750.00**

Core Indicators

Indicator 4 Area of landscapes under improved practices (hectares; excluding protected areas)

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)
0.00	0.00	0.00	0.00

Indicator 4.1 Area of landscapes under improved management to benefit biodiversity (hectares, qualitative assessment, non-certified)

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

Indicator 4.2 Area of landscapes that meets national or international third party certification that incorporates biodiversity considerations (hectares)

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

Type/Name of Third Party Certification

Indicator 4.3 Area of landscapes under sustainable land management in production systems

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

Indicator 4.4 Area of High Conservation Value Forest (HCVF) loss avoided

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

Documents (Please upload document(s) that justifies the HCVF)

Title	Submitted

Indicator 11 Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment

	Number (Expected at PIF)	Number (Expected at CEO Endorsement)	Number (Achieved at MTR)	Number (Achieved at TE)
Female				
Male				
Total	0	0	0	0

Part II. Project Justification

1a. Project Description

1a.1. Adaptation problems, root causes and barriers that need to be addressed

The agricultural sector is particularly important for Central American countries. In El Salvador, it accounted for 5.1% of the GDP in 2019 and employed 30% of its working population. Within the sector, subsistence farmers represent almost 60% of the farmers of the region, yet they own only 6.5% of arable surface. This fact shows that farming both for subsistence and cash crop agriculture is usually done at small scale, with typical plots ranging from 1 to 5 ha. According to FAO World Agriculture Watch (WAW), 96% of farms in El Salvador are family farms or family business farms , and produce 7.1% of the country?s agricultural products. Cooperatives and associations represent 3% of producers and corporate farms represent 1%. Most basic grains (beans, rice and sorghum) are produced by family farms. The involvement of cooperatives and corporate farms is more important for cash crops like sugar cane. Two thirds of coffee is produced by cooperatives and 31% by corporate entities, with only 1.3% being produced by family farms.

Cacao has been grown in El Salvador since before the colonial era, but its production has declined due to lack of government support. Coffee on the other hand has been a major cash crop for the country for several decades. Coffee and cacao are important sources of income for small-scale farmers in El Salvador. In 2019, 160,028 hectares of coffee and 855 hectares of cacao were harvested, producing 39,600 tons of coffee and 368 tons of cacao . In El Salvador, while most production is large scale and controlled by a few large producers, 86% of coffee producers are small-scale farmers (with plots of less than 7 ha in area). Between 1995 and 2012, coffee production generated about 150,000 direct jobs and accounted for 7.5% of the country?s exports . However, during the last decade, coffee production and yields have declined substantially. In El Salvador, exports have fallen by more than half; more than 80,000 jobs have been lost and producers are cultivating without almost any profit. In 2010, 112,636 tons of coffee were produced with a yield of 7,394 hectograms per hectare (hg/ha); by 2019 the production had fallen to 39,600 tons with a yield of 2,475 hg/ha .

Cacao production had been abandoned over the years in El Salvador, and is just being recovered in recent years. Cacao production has grown from 190 tons in 2010 to 368 tons in 2019. Over the same period, yields have increased substantially, from 2,533 hg/ha to 4,304 hg/ha, a 70% increase. While cacao has been produced in Central America since before the colonial era, and is widely consumed in El Salvador, the country is a net importer of cacao. The growth of cacao production in El Salvador in recent years has been achieved with support from the government and several donor-funded initiatives, with the purpose of fulfilling national demand and developing production for international markets. El Salvador?s cacao sector?s participation to the Salon du Chocolat and the award it received there in 2017 have contributed to raise its profile internationally. In 2015, there were 365 producers with small (< 2 ha) and medium (5 to 70 ha) productions. The El Salvador Cacao Alliance has since supported the establishment of 2,000 producers with less than 1 ha of land each. Most cacao is therefore produced in

small individual farms or cooperatives, with a few medium farms and one larger farm (Hacienda San Jos? Real de la Carreta with 350 ha).

? Root causes of vulnerability

In Central America in general and in El Salvador in particular, population growth and expansion of the agricultural frontier have led to widespread deforestation, soil erosion, and pollution from agrochemicals. In El Salvador, for example, 90% of groundwater is contaminated and not suitable for direct human consumption. El Salvador is one of the most deforested countries in the region: between 1990 and 2015, 30% of its forest area was lost , with only 29% of the territory covered by forest and 8% by shade coffee (see Figure 1). The main causes of deforestation and degradation of forests and soils in El Salvador are attributed to the expansion of agricultural activities and the use of unsustainable practices, urban growth and infrastructure construction, and fires resulting largely from agricultural practices. Other drivers of deforestation include illegal clearing for fire wood and the appearance of pests and diseases affecting vegetation cover.

Small-scale farmers (including coffee and cacao producers) with parcels of land of less than 3 ha, most of them on steep hillsides, constitute 82% of agricultural producers. These farmers continue to replicate conventional and often unsustainable practices that lead to a deterioration of ecosystems and the services that support the farmers? livelihoods, and as such exacerbate their vulnerability to the impacts of climate change. Most of them (96%) use chemical fertilizers or herbicides and less than 10% implement soil conservation practices. Sugar cane production has also been on the rise in recent decades, become one of the main drivers of deforestation as it converts forests to fields with slash-and-burn practices.

Figure 1. El Salvador Vegetation Cover

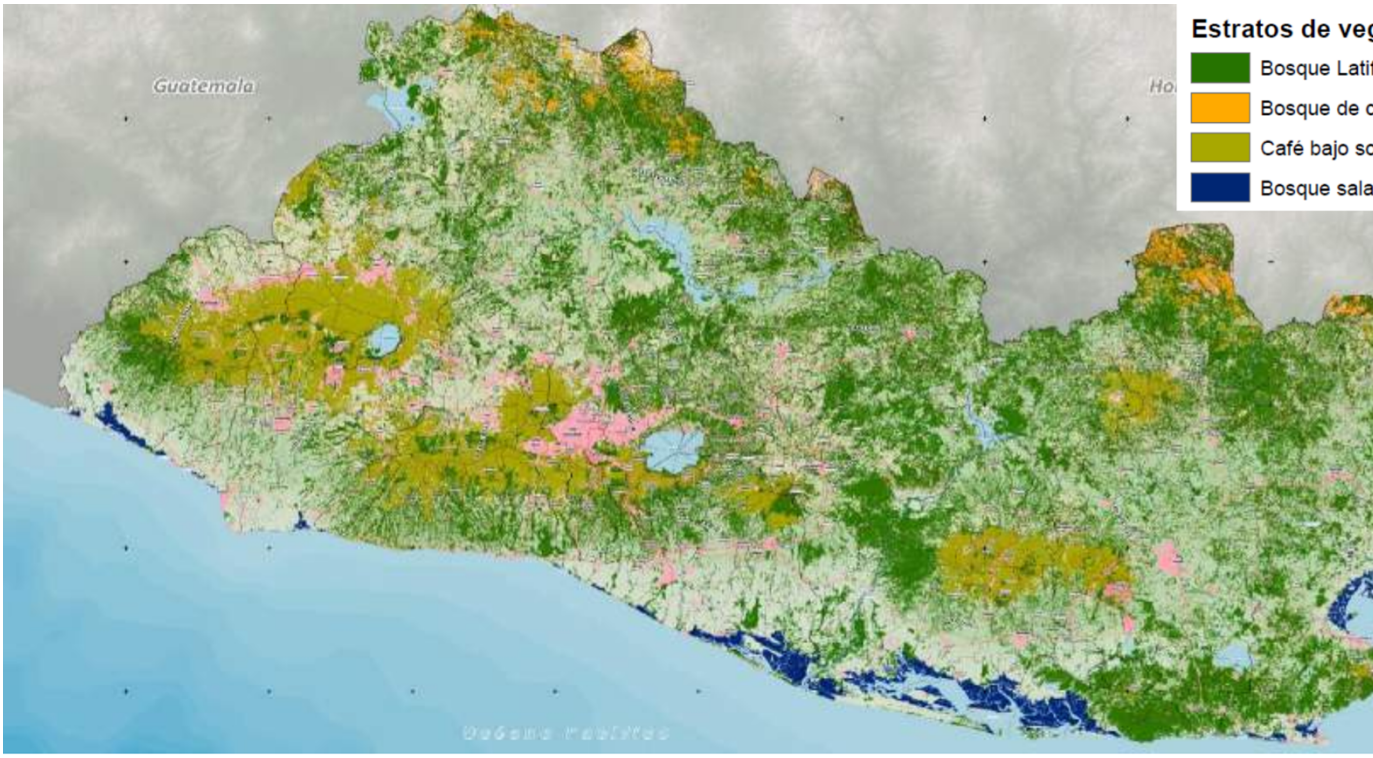


Figura 1. Estratos del INB en el Mapa de Coberturas y Usos del Suelo del año 2011

Source: MARN, Inventario Nacional de Bosques, 2017.

Coffee and cacao production are considered and promoted for being environmentally sustainable. Most (80%) of coffee is produced under agroforestry, and as such is considered as part of the national forest cover. However, some of the current coffee and cacao production practices negatively impact ecosystems, biodiversity and their services. The most notorious among these negative impacts are soil erosion, compaction, salinization and pollution from the intensive use of pesticides and fertilizers, and the pollution of water bodies from nutrient-rich runoff and acidic leachate from coffee milling, or from the use of insecticides and nematicides. Although the use of slash-and-burn practices has been significantly reduced for these crops, the burning of crop residue is commonplace, depriving topsoil of its most nutrient- and microorganism-rich layer and increasing the need and demand for chemical fertilizers, perpetuating a cycle of high production costs, negative ecosystem impacts and low productivity. In general, soil degradation processes are severe. Every year, 59 million metric tons of fertile soil in the national territory are lost through erosion. Forty percent of Salvadoran soil has high erodibility, especially in the steepest areas.

Coffee and cacao producers interviewed as part of the project design process also identified several environmental challenges they currently face. These include land degradation related to extraction of mineral resources, illegal deforestation and pollution of water sources. Among the producers interviewed, a few noted that reforestation and restoration efforts are underway in their area, and that water and land are sustainably managed. Most however noted the advanced degradation of land, soil

erosion and low capacity of aquifers. Furthermore, the ongoing COVID-19 pandemic has not only reduced global demand for coffee, it has also raised concerns among agricultural producers about their health and their vulnerability to new diseases.

In addition to ecosystem and land degradation, there are also other bio-geographical and socio-economic factors that significantly contribute to the vulnerability of coffee production, in particular. These include the plague of coffee leaf rust, aging coffee plants and lack of renewal, use of seeds that are non-resilient to drought or temperature increase, falling prices in the global market and low investment in crop improvement. Among the challenges identified by producers interviewed during the project design, are attacks from coffee leaf rust and weeds that cannot be removed due to lack of workers (see below), as well as the high cost of agricultural inputs (especially fertilizers), the increase in overall production costs, and the lack of access to markets. Renewing and rehabilitating coffee plantations has become a priority, as some coffee plants are more than 28 years old and have not been renewed.

Lack of access to financial support is exacerbating these issues. Unfavorable market conditions have diminished financing options for coffee producers, as they are no longer perceived as interesting clients by financial institutions. Producers themselves are reluctant to contract debts to invest. Among coffee and cacao producers interviewed, most showed some interest in accessing loans to invest in their farms, but many were already in debt and did not feel they had the capacity to take on more dept. From June 2018 to May 2019, BFA disbursed only 820 loans for coffee production, totaling USD 12.2 million, representing only 15% of agricultural development loans. Loans for the cacao sector represent less than 1% of BFA?s agricultural portfolio, and several farmers interviewed pointed out the lack of loans for this crop. Many coffee producers are turning to other products, such as vegetables and grains which require smaller investments, are more stable and yield returns faster. Yet, as coffee has been a major crop for the country for generations, changing production is not the preferred solution, as confirmed during consultations. However, they will welcome the opportunity of diversifying their sources of income. Switching from coffee to cacao production has also been identified as a viable adaptation solution in lower altitudes and is among the adaptation approaches promoted by MAG (see section 1a.2 on baseline projects).

The small-scale agricultural sector struggles to retain youth, who tend to migrate to the cities or abroad due to low wages and high unemployment. As a result, there is a scarcity of labor force available, and mostly older workers remain in the fields. Some producers mentioned that even among cooperatives, members are older as youth is not interested in carrying on in this sector. In the coffee sector in particular, low market prices keep wages low, and limit the capacity of smallholders to invest in renewing their trees, drawing down their productivity. Many of the stakeholders and producers interviewed identify insecurity caused by criminal gangs as one of the main challenges they are currently facing, as it disrupts the production chain and further limits the availability of workers. For more information, please refer to the consultation report in Annex I.

? Climate change in Central America and in El Salvador

Latin America and the Caribbean has experienced warming of 0.3 ?C to 1.5 ?C since the early 1980s, with the highest increases recorded for Central American and Caribbean countries. Climate change projections indicate that Central America will become both warmer and distinctly drier in the future, as a result of increased mean annual temperatures and reduced precipitation. It is also expected to experience an increase in extreme precipitation during tropical cyclones and a decrease in the amount of rainfall during the wet season because the canicular (dry period) will be longer and drier.

In El Salvador, mean annual temperatures are expected to increase by 1.0 to 1.3?C and mean annual precipitation is expected to decrease by 19.4 to 21.2% by 2050 (all scenarios). By 2050, temperature should increase evenly across the year, but by 2100, under RCP 8.5, increases could reach more than 4?C in July, August and September. By 2050, precipitation is expected to decrease between 13.2 and 21.2% for the same months, which correspond to the rainy season that goes from May to October. Conversely, the usually dry months of December, January and April will see increases in rainfall ranging from 0.7% to 33.7%, depending on the scenario. Such anomalies have already been observed in recent years, leading to disasters related either to excess or lack of precipitation.

The combined effects of changes in temperature and precipitation will lead to:

? Increased duration and intensity of droughts, especially mid-summer droughts;

? Increased frequency and intensity of cyclones and heavy rainfall events (including through an increased recurrence of El Nino events);

? Erratic rainfall patterns;

? Increase in floods and landslides; and

? Increase in forest fires.

An assessment of the risk of experiencing impacts of extreme weather-related events (droughts, forest fires, cyclones, severe storms, floods or storm surges) shows that El Salvador has an "extreme risk" of exposure to such impacts . It is ranked as the third most sensitive country in the entire Latin American and Caribbean region. Annual economic losses of 3.6% of GDP were recorded due to extreme weather events in 2010, which affected more than 100,000 people . It is also estimated that the losses associated with these impacts will increase in the coming years, reaching costs of 7.2% of GDP by the year 2030.

? Adaptation problem

Rising temperatures and longer dry periods render coffee trees weaker and therefore more susceptible to coffee leaf rust and other diseases. In El Salvador, coffee rust, which has been affecting production since 2012, is increasingly present in higher altitudes (more than 1200 masl). Additionally, higher temperatures speed up the ripening of coffee berries, leading to poorer cup quality. Changes in rainfall patterns cause premature dehiscence in coffee flowers and fruits, which results in smaller fruits, low-quality beans and therefore lower selling prices. Producers interviewed during the project design report

that for 2020, water-related stress resulted in the proportion of cherries to beans to shift from 5:1 to 5.5:1 or even 6:1. Erratic rainfall has disrupted production (often causing ripe grains to fall) and harvesting (which extends over more time). The 2020 tropical storm Aida and E1 depression damaged tree nurseries and caused the development of fungus. Climate change is also impacting producer health (and thus possibly also production potential) directly, with producers reporting outbreaks of respiratory diseases caused by sudden changes in temperature.

Furthermore, a study suggests that by 2050, 42% of the area potentially suitable for coffee production in Central America will be lost due to climate change . Especially locations at low altitudes (below 680 masl) may have to transform to other crops or make substantial changes to the production system. Over 80% of coffee is produced under shade, with shade coffee representing 8.3% of the total vegetation cover of the country. For this reason, changing to other crops such as basic grains or sugarcane would lead to deforestation and further land degradation.

Cacao crops can also be affected by climate change, with increased temperatures modifying flowering dates or burning of flowers, thus reducing production. Production will also be threatened, like for other crops, by decreased access to water, droughts and forest fires. Cacao is often considered as an alternative crop option to coffee at lower altitudes, as it grows in warmer temperatures. Both coffee and cacao may be grown under agroforestry management; both have potential benefits in terms of forest cover, carbon sequestration, habitat for fauna (specially birds and small mammals) and aquifer recharge. In fact, farmers in El Salvador are currently replacing parts of their coffee plantations for cacao crops. Agricultural producers have found it more profitable to grow cacao, because it needs fewer workers and around 40 percent less investment in inputs than coffee, while international prices are buoyant. However, 27% areas currently suitable for coffee production and 34% of those suitable for cacao production in El Salvador may require transformative adaptation by 2050, as illustrated in the maps in Figures 2 and 3, below (under RCP 6.0).

Figure 2. Changes in the distribution of agroecological zones suitable for coffee production as a result of climate change and related adaptation needs

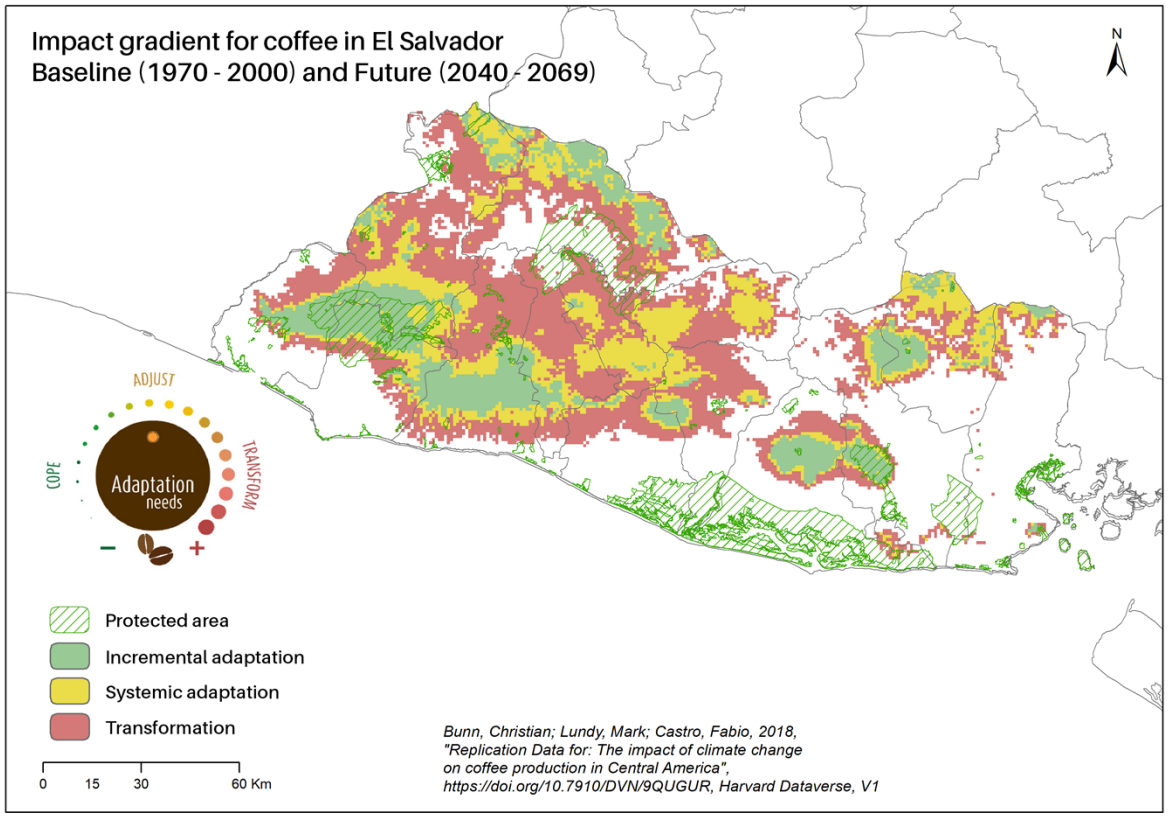
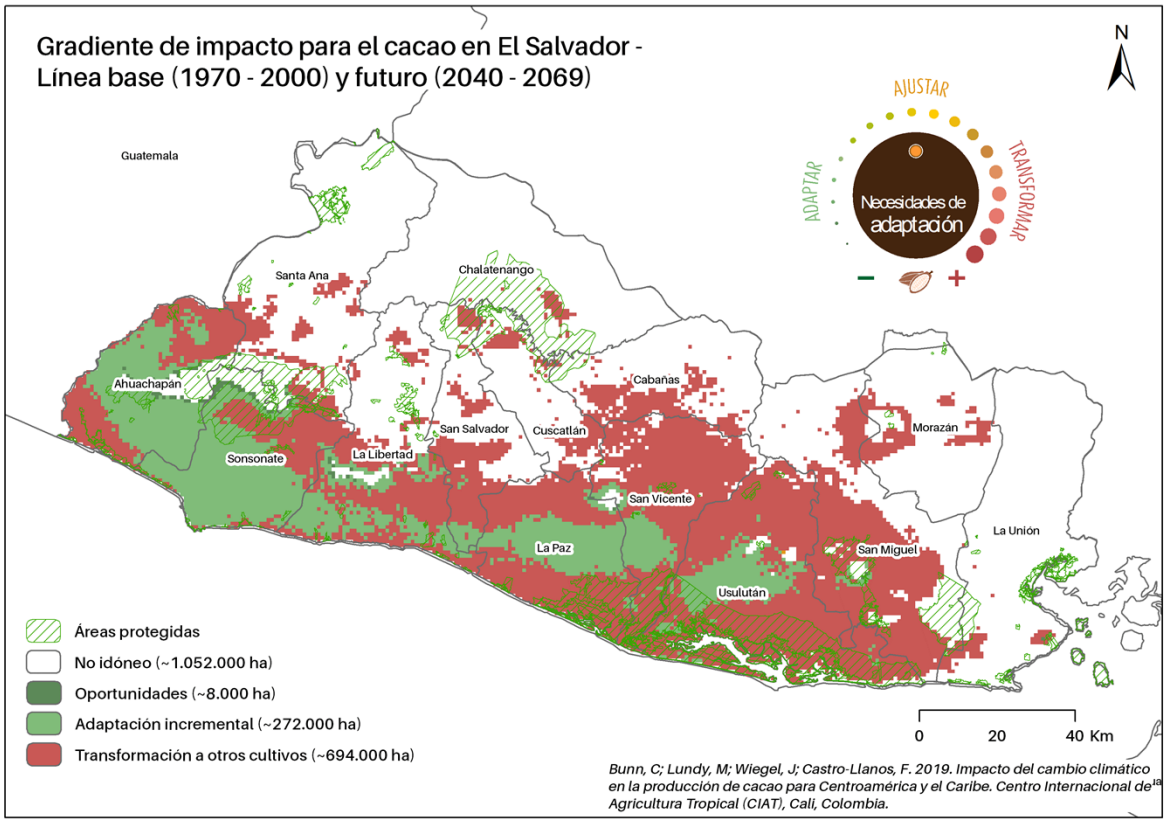


Figure 3. Changes in the distribution of agroecological zones suitable for cacao production as a result of climate change and related adaptation needs



Ecosystem and land degradation as well as socio-economic factors (as outlined in the section on ?root causes of vulnerability?), greatly exacerbate the vulnerability of small-scale farmers in El Salvador to the impacts of climate change. The combined effects of ecosystem and land degradation, falling international market prices and climate change have been especially detrimental to small-scale farmers due to their dependence on rainfed agriculture, their socio-economic characteristics and the technologies and practices they use. Their income has been consistently decreasing, both for individual producers and for members of cooperatives. It has been documented that in response to climate variability, families are being forced to seek alternative livelihoods in cities and abroad. Projections of the number of climate migrants for Mexico and Central America are expected to reach an average of 1.4 ? 2.1 million by 2050 . Consultations with beneficiaries and stakeholders indicate that changes in unsustainable and climate-vulnerable conventional agricultural practices do not take place mainly because farmers do not have adequate knowledge of alternative methods and technologies to develop their activity in a sustainable and adapted way, or because they do not have the necessary resources to invest in the required changes. Please refer to the consultation reports in Annex I.

? Problem addressed by the project

The **problem** that the proposed SCCF project seeks to address is that small-scale farmers in coffee and cacao value chains in El Salvador in particular, and in the Central American region in general, are increasingly vulnerable to the impacts of climate change. The producers have limited technical and financial capacities to adapt to these impacts, as they lack access to sufficient technical and financial

support to effectively plan and implement adaptation measures that address the root causes of vulnerability, including ecosystem degradation and unsustainable production practices, to strengthen the resilience of coffee and cacao production to observed and projected climate change impacts.

? Proposed solution

The **proposed solution** will strengthen the climate-resilience of small-scale coffee and cacao producers through the introduction of nature-based solutions (NbS) for adaptation. The proposed project will promote sustainable nature-based adaptation solutions through packages and practices that reduce pressure on ecosystems, contribute to the sustainable use of water and soil resources, and create favorable conditions for ecosystems to recover health and services. This has direct benefits on producers that rely on functional ecosystems not only to sustain their livelihoods but also to buffer them against the negative impacts of climate change. These on-the-ground nature-based adaptation interventions (project Component 2) will be coupled with the financial (Component 1) and technical (Components 1 and 2) support of state and private institutions. As a result, micro, small and medium agricultural entrepreneurs will have increased access to: i) technical assistance in identifying and implementing nature-based adaptation solution packages for sustainable climate-resilient production (e.g. conservation agriculture, natural shade, seed banks, improved and resilient varieties, organic farming, efficient irrigation, integrated pest management) combined with resilience-building alternative livelihoods (e.g. beekeeping, agritourism, crop diversification); ii) technical assistance in processing methods (e.g. solar dehydration, seed/pulp processing and treatment, storage, product transformation); iii) capacity-building in business, marketing, and cooperative approaches, with linkages to national and international green markets; and iv) access to credit services targeted at sustainable climate-resilient production.

? Barriers

The key **barriers** to the adoption of climate-resilient practices by small-scale farmers in El Salvador include:

(i)Limited knowledge and capacity for adopting nature-based climate change adaptation options for more resilient coffee and cacao production: Technologies and practices available for the production of coffee and cacao crops with sustainable and climate-adapted practices have not yet reached the necessary scale to transform these value chains. Coffee and cocoa producers in El Salvador are mostly aware of the threats posed by climate change, and apply a range of measures to address them, but their uptake is uneven and they are not always environmentally sustainable (e.g. use of chemical pesticides). Of the cultivated coffee area, 87% has varieties that are not resistant to coffee leaf rust (a pest that has practically decimated coffee production in El Salvador in recent years and is increasing its impact due to changes in temperature and rainfall patterns). Older coffee trees must be replaced with new, more resilient varieties, along with training on specific maintenance practices. Current agroforestry practices need to be enhanced to ensure forest cover is sufficient to protect coffee and cacao trees from the sun. Producers? knowledge about the range and effectiveness of nature-based solutions (NbS) for adaptation (in particular) available to them is limited, and so is their capacity to plan, finance and implement them. As the producers have little familiarity with the concepts of NbS

and Ecosystem-based Adaptation (EbA), they are not in a position to seek out financing options for their application.

(ii) Limited institutional and technical capacity of technical institutions, agricultural extension services and input providers to deliver technical support on nature-based climate change adaptation solutions: The capacity of Salvadoran institutions to provide technical support for climate-resilient coffee production is limited and is inexistent for cacao production. Extension support services are provided by the Centro Nacional de Tecnolog?a Agr?cola y Forestal (CENTA), whose capacities are very limited. In fact, its unit specializing on coffee (CENTA Caf?) was recently disbanded. Overall, farmers have a low access to extension services. Several NGOs or international organizations do provide support for both sectors, with technical assistance on cacao currently essentially provided by technical cooperation agencies, but there is currently no institutional or technical support provided focusing on nature-based solutions to adapt the production of these two value chains to observed and foreseen climate change impacts. Recent projects supporting agricultural resilience, including those targeting coffee and cacao, have mostly focused on production and not on institutional capacity-building. In the consultations undertaken for the design of the project, producers mentioned the lack of support from the government, both technical and financial, as one of the key contributors to their vulnerability.

(iii) Lack of access to finance needed for shifting to climate-resilient production practices: Studies suggest that to generate significant changes in the Salvadoran coffee sector, such as renewing 70,000 ha of coffee plantations, there is an unmet financing need of approximately USD 300 million in five years . The Banco de Fomento Agropecuario (BFA) currently finances coffee producers (15% of its agricultural portfolio) and cacao producers (less than 1% of the agricultural portfolio) for working capital and investment activities. However, the current credit products do not track climate change adaptation-related investments, so it is not possible to determine whether, or to what extent, the bank is promoting climate-resilient investments. BFA was one of the beneficiaries of the second phase of the project Microfinance for Ecosystem-Based Adaptation (MEbA II), through which 25 staff members received training on Ecosystem-based Adaptation (EbA) and tested EbA loans. However, to date, BFA lacks the capacity to adequately identify clients investing in EbA and to offer them specialized services. While most producers have access to a bank account, no specific financial products are available to support them in the type of investments required to apply nature-based solutions (NbS) for adaptation. Furthermore, reaching potential beneficiaries for an NbS credit line is challenging given the lack of awareness of farmers about these adaptation solutions.. Scaling up from testing individual loans to providing a financial service to this new sector requires further investment and technical inputs, including for the design of the financial product, training of more staff, communication efforts and accompanying their clients in using these new tools through training and technical assistance. The evidence is still limited on the extent to which the private sector can become involved in adaptation, which limits the willingness of financial institutions to become involved in that sector. Personnel from financial institutions are not familiar with the requirements of NbS, and thus cannot readily support such investments.

(iv) Limited knowledge and capacity of producers for financial management: Despite pressing needs to invest in renewing and rehabilitating coffee fields to enhance productivity and make

it more resilient to climate extremes, producers are largely unwilling to invest due to low market prices. In the face of climate change, these investments are however essential to ensure their sustainability. Even when they are able to access loans required to implement a strategic set of adaptation measures, they still lack some of the key business management skills to help them manage these loans. This has resulted in high rates of debt among coffee producers, which has become one of the main concerns in the sector.

(v) Lack of connectivity at the regional level for effective knowledge and best practice exchange and transfer on financial sector engagement in adaptation: The limited involvement of the private sector in financing adaptation is one of the key challenges currently facing the adaptation sector. There is currently a lack of evidence and best practice about how to achieve this, due to insufficient knowledge sharing, in particular at the regional level in Central America. Microfinance has proven effective for people to transition out of poverty, but few tools exist to monitor social, environmental or economic impacts of investments. Typically, microfinance institutions do not differentiate between green investments, climate-resilient investments or traditional loans, nor do they know how to. As Development Finance Institutions (DFIs) and Impact Investment Managers (IIMs) are increasingly looking to invest in climate resilience, regional financial intermediaries lack the knowledge and capacity to develop and implement financial instruments that address this need.

The project will address the identified barriers to adaptation by building financial and technical capacity for the first stages of the coffee and cacao value chains (production, processing) to adapt to climate change using NbS. The project will focus on increasing capacity in financial and technical institutions to provide products and services that will improve management practices of water, soil and nutrients, while enhancing market opportunities in coffee and cacao value chains. In doing so, the project will directly focus on addressing the barriers to adaptation by:

(i) Building the knowledge-base and capacity of micro, small and medium coffee and cacao producers to plan and implement NbS for more resilient production: The project, aligned with the efforts of the Government of El Salvador, will contribute to strengthening the capacities of local producers through a training of trainers program and technical assistance, that will disseminate knowledge about adaptation options and build capacity for their implementation widely among local farmers. Producer associations will play a fundamental role in the sustainability of the strategy. In addition, demonstration farms will be established allowing producers to learn about nature-based solutions, accompanying technologies and practices, their benefits (economic and environmental), and financing options.

(ii) Strengthening the capacity of technical institutions to support NbS: The project will focus on increasing capacity of technical institutions to provide services that will support the planning, implementation and monitoring of NbS interventions, including improved management practices of water, soil and nutrients.

(iii) Developing financial products and services specifically designed to address farmers? needs for adaptation: The proposed project will allow to scale up the work that BFA has been developing at pilot scale ? with support from UNEP through the MEbA II project ? to promote

microloans geared for investments in nature-based adaptation solutions. BFA will increase its capacity to identify and target farmers willing to invest in climate resilience, and to offer them access to a credit line with improved interest-rate conditions. The SCCF project will not only help finalize the development and roll out of the credit line for NbS, but it will also ensure BFA staff from six branches is fully trained on NbS and on the credit line, support them in reaching out to farmers and help them assess the impact of their investments. The proposed solution is to reduce the credit risk currently borne by the coffee sector and also enhance investments in cacao production, which is more resistant to warmer temperatures and droughts brought about by climate change.

(iv) Building capacity of producers to manage their credit lines: The project will provide producers with training on financial management as well as general management practices, ranging from financial literacy to business management, to ensure that they have the capacities to ensure that any future credit they access (either through this project or in general) can be adequately managed and used to enhance their productivity.

(v) Sharing lessons and best practices at the national and regional levels: Lessons, tools, methodologies and momentum generated by the MEbA project will be used to support BFA in El Salvador and at least three other financial institutions in the region to develop the aforementioned NbS products and services for climate resilience of small-scale cacao and coffee farmers. Training on the MEbA methodology will be provided, which includes climate-risk management, information management, application of monitoring tools to measure the adaptation impact of nature-based solutions and green financial product development. In addition, financial and technical support to BFA will be delivered in structuring the dedicated NbS credit line and engaging technical institutions to support clients who access this funding.

The proposed interventions will address the predicted impacts of climate change described above, namely :

(i)Increased temperatures, drought and intensity of extreme rainfall events that translate into crop losses. NbS, such as improved agroforestry systems, provide numerous benefits to address climate impacts. The presence of trees reduces exposure to the sun, wind and rain and regulates air and soil moisture. These factors promote the establishment of a microclimate that mitigates the effects on crops of extreme heat, wind and intense rainfall as well as drought. This diversified system enhances food security, decreases the potential for soil erosion by wind or water and reduces the need for greater agricultural inputs, due to beneficial interactions among species in different plant strata. Mixed systems provide diversified sources of revenue, which increases overall resilience in times of uncertainty caused by increased climate variability.

(ii) Increased abundance of pests and diseases that reduce productivity. Plants that are well nourished are more resistant to pests. Organic fertilizers help reduce the effects of intense rainfall, drought and changes in rainfall patterns on crops because they increase the capacity of the soil to absorb and retain moisture, while providing essential nutrients to the plants? roots. In addition, improving the physical, chemical and biological characteristics of the soil increases productivity, diminishes the need for large amounts of agricultural inputs and controls erosion. NbS such as

integrated pest management decrease potential damage to crops by opportunistic species that take advantage of changing rainfall patterns or temperature to propagate. Through alternative control methods, integrated pest management reduces the need for greater agricultural inputs. Combined with other measures, it helps increase yields considerably.

(iii) Increased climate variability which affects cropping seasons and increases overall production risks. Technological climate-resilient options, such as efficient irrigation systems, reduce the effects on crops of drought, extreme heat and changing rainfall patterns through the efficient use of water. The water savings allow production to continue where and when less water is available, which increases food security and stabilizes income. Covering the soil with organic matter (crop residue or green manures) helps preserve moisture and provides additional nutrients to the soil, thus increasing irrigation efficiency and minimizing runoff. This helps protect nearby surface water bodies. Other technological options, such as solar dehydrators conserve or add value to agricultural products by maintaining their nutritional or genetic value and inhibiting the proliferation of microorganisms that cause decomposition. This allows the producers to process the products and increase their profit margin. Selection and planting of varieties that are more resilient to drought, extreme rainfall or pests also contributes to maintaining and enhancing productivity. Finally, complementary ecological support measures, such as beekeeping, raise the productivity of nearby cropland and increase food security. Beekeeping also lessens the impact of phenological changes through pollination and enhances the general resilience of farmers by providing them with an alternative source of income in the event of crop loss or damage.

1a.2. Baseline scenario and baseline projects

The baseline scenario, as it relates to each component of the proposed project, is described below.

? Baseline scenario for financing of adaptation in the coffee and cacao sectors in El Salvador (Component 1)

In El Salvador, as in many countries in the Central American region, there is a strong government push to adapt to climate change. Policies, strategies and plans are developed and published to address the impacts that are already affecting important sectors, such as agriculture. However, these policies often lack the financing component that would allow them to be implemented on the ground. The adaptation finance gap is widening and will continue to do so without active participation from the finance sector.

Although climate change is recognized as a major threat to socio-economic development in Central America, financial sector investment in climate-resilience in agriculture, via agricultural lending or other forms, still lacks penetration in rural areas and is not typically designed for those that need it the most. Because of the perceived risk by the finance industry and the high operational costs of providing access to dispersed populations, commercial interest rates may be as high as 50% per year. In the region, microfinance institutions are often selected by farmers despite these higher interest rates because they are able to deliver faster service, typically with fewer requirements. However, high rates remain a major factor for the suboptimal uptake of financing by the most vulnerable populations.

Furthermore, there is a major gap in terms of financial products that enable agricultural producers to adapt to the effects of climate change and enhance their resilience. This is also the case for BFA in El Salvador, which has increased its portfolio in cacao and coffee throughout the years, but requires support to implement and promote credit lines for adaptations, including for technical capacity building to farmers. Traditional loans that do not require verification of the adaptation impact are the norm, and financial institutions do not have the capacity to implement innovative products since they lack climate-resilient methodologies for risk management or monitoring mechanisms to support their development.

UNEP, with funding from Germany?s BMU, recently completed the implementation of Phase II of the ?Microfinance for Ecosystem-based Adaptation to Climate Change? (MEbA) project. Through this project, capacities in financial institutions in the Central American region (BFA in El Salvador, Fundecooperaci?n in Costa Rica and Adopem in Dominican Republic) have been increased to develop and promote NbS-oriented financial products. Project activities included i) an institutional assessment to assess gaps towards climate-resilient finance, ii) the development of a green strategy and training to pilot agencies to roll-out the MEbA methodology, and iii) support in defining the scale-up plan in each institution. Given that scale-up requires significant time and resources, MEbA project activities end at this stage. The MEbA project has increased capacity in financial intermediaries in the region to autonomously deliver nature-based adaptation loans with the institutions? own funds. Although product development is part of the strategy implemented, a dedicated or subsidized credit line has not been set in place to incentivize the uptake of financing. Direct technical assistance to those who access these adaptation loans has only been superficial. Additional funding is therefore needed to scale up the climate-resilient methodology in BFA as an example for other countries in the region to replicate the inclusion of innovative financial mechanisms in their adaptation responses.

? Baseline scenario for climate-resilient production practices in coffee and cacao value chains in El Salvador (Component 2)

Climate change has already had significant impacts on coffee and, to a lesser extent, cacao production in El Salvador, yet farmers lack capacity to analyze climate and phenological data that would allow them to improve crop management and business decisions. Production follows conventional approaches with the use of fossil-fuel-based fertilizers and pesticides and a continuous degradation of soil. This leads to a cycle of low productivity and reinforces the need for additional agricultural inputs, increasing production costs and decreasing capacity of ecosystems to provide essential services. Although shade cropping is commonplace, improved practices, such as adapted calendars and selective pruning have to date not been combined with resilient technology (water reservoirs, efficient irrigation, solar dehydrators), nor is adaptation addressed strategically and supported with investments.

Interviews with producers indicate that they are familiar with several types of methods to adapt their production approaches to climate change, such as planting varieties resistant to pests (especially coffee leaf rust, which used to only affect production at lower altitudes but is now present everywhere) and planting coco palms to create shade. However, these solutions are perceived to come with downsides: the pest-resilient varieties are perceived as requiring more fertilizer and coco palms only last a year and burn easily. Literature suggests that climate-resilient varieties may indeed require specific care to be as

productive, and their use must be accompanied by appropriate training. With regards to coco palms, fires are indeed a significant risk that is worsened by climate change, and literature suggests other types of shade trees may be used, such as fruit trees. These examples illustrate the knowledge and capacity barriers that limit the adoption of climate-resilient production practices by small-scale coffee and cacao producers.

The Government of El Salvador and other stakeholders involved in projects such as ?Maximizing Opportunities in Coffee and Cacao in the Americas? (MOCCA), the ?Partnership for Climate Smart Cocoa? and the El Salvador Cacao Alliance II (described below) have established some technical and financial support mechanisms to increase competitiveness and resilience in coffee and cacao value chains. Based on an evaluation report of Phase I of the El Salvador Cacao Alliance initiative, farmers could recognize the added value of technical support received from the Civil Leadership USA (CLUSA), Caritas and other non-governmental stakeholders. A little over half of the producers interviewed as part of the design process for this SCCF project report having received some level of training on climate change adaptation by organizations such as the Ministry of Agriculture and Livestock (MAG) and the Inter-American Institute for Cooperation on Agriculture (IICA). Close to half of them receive technical support from MAG, private service providers, El Salvador Cacao Alliance or MOCCA. However, the support provided by government entities, such as CENTA and MAG, is consistently perceived by the producers as being limited. Capacity strengthening is needed for these institutions to be able to support coffee and cacao producers in adapting to climate change. The stakeholders involved in public and private initiatives related to the cacao and coffee value chains have common goals in improving climate resilience, some with a financing component, but enabling, knowledge-sharing mechanisms with an adaptation focus are not apparent in these projects.

Sixty percent of producers interviewed have received some training in financial literacy, management or certification processes from either CLUSA, IICA and BFA. All producers and cooperative members interviewed have a bank account and most have accessed loans in the past. Several producers and at least one of the cooperatives are in default. Financial literacy courses provided by BFA and other financial intermediaries in the country working with the agriculture sector have not taken into account the contribution of climate change to overall production costs.

The El Salvador Cacao Alliance aims not only at improving cacao production under climate-resilient practices but also to enhance the overall value chain. Increased Salvadoran cacao producers? participation in contests and events, such as the Salon du Chocolat, are included in their indicators to reach such objective. These projects have supported the growth of the cacao sector in El Salvador in recent years, and aim to further develop it using best production practices. Another focal area of current and recent projects has been the provision of financial incentives to SMEs to develop business plans related to the purchase of Salvadorian Cacao. CENTA, in turn, is working on identifying high quality native strains of cacao for commercialization with the objective to increase presence of Salvadoran cacao in global markets.

Few programs and investments addressing the depressed coffee sector are in place. This sector has traditionally been driven by international demand. The Consejo Salvadore?o del Caf? (CSC) monitors national production, while CENTA Caf? provided technical assistance to producers since 2012 until it

was closed in 2020. The government has provided support to the overly-indebted producers with emergency financial support, renegotiating payments, and through subsidies for credit and refinancing, with the purpose of protecting this economic sector and avoiding the environmental disaster that would result from the loss of the forest cover of shade coffee plantations. The MOCCA project is currently working with the Government of El Salvador on establishing a coffee institute to support enhanced productivity of the sector. Although these initiatives exist, farmers at the local level still lack business and managerial skills to profit from such opportunities. Women?s participation in business enterprises in rural areas is low.

Under the MEbA Phase II project, two demonstration farms were implemented in El Salvador in partnership with BFA in the plots of one male and one female leader who had a credit with BFA and a couple of adaptation solutions installed. These farms were updated with up to five additional measures to showcase nature-based solutions and climate-resilient technologies. Demonstration farms can be a tool to i) raise awareness on climate risks and potential adaptation solutions, ii) provide training to peers on installation, operation and maintenance of these adaptation measures, and iii) market credits for the adaptation solutions being showcased.

? Baseline scenario for regional knowledge and engagement in finance for climate-resilient agriculture (Component 3)

The finance gap for adaptation in agriculture is a reality not only in El Salvador, but also across Central and South America. Mobilizing private finance is one of the most promising avenues for addressing this gap. Different stakeholders have different perceptions and roles in financing, implementing or providing inputs for nature-based adaptation interventions. Information that is easily accessible and understandable by a wide range of stakeholders is required, particularly on practical examples of existing adaptation solutions, and on how to access financing and implement them.

There is an increased push for financial inclusion in Central America and financial service providers are increasingly present in rural areas. REDCAMIF , Central America?s network of microfinance institutions, was established to strengthen capacity of microfinance institutions in Central America in areas such as financial inclusion, product development, green financing and others. However, a consistent methodology to be applied by all interested partners has not been offered or provided. Two members of REDCAMIF already have experience in implementing a climate-resilient credit methodology and could share lessons in this or a larger network.

Although regional collaboration for climate change adaptation is promoted via the Central American Commission on Environment and Development (CCAD) and other regional mechanisms, collaboration among financial institutions with the aim of fostering climate-resilient investments is unheard of in the region. Development Finance Institutions (DFIs) and Impact Investment Managers (IIMs) are searching to place financing in climate-resilient, sustainable, fair trade or specialized production. However, monitoring capabilities of institutions are limited in the region. Few financial intermediaries in the region are familiar with climate resilient methodologies that would allow them to track clients? progress in their adaptation process. Mobilizing investment that is directed at specific adaptation activities becomes challenging under such circumstances.

As a starting point, the MEbA project developed an online course regarding nature-based adaptation solutions and green financing. It tested its approach in several countries, including in El Salvador. Further demonstration of the approach, further knowledge sharing and further tool development are, however, required to help the concept reach a level where Development Finance Institutions (DFIs), financial intermediaries and Impact Investment Managers (IIMs) will continue replicating it. Among the specific gaps remaining is the development of a tool that will help assess the adaptation impacts of microfinance loans.

Co-finance projects

The proposed SCCF project will benefit from several sources of co-financing, which will increase the impact of the SCCF funds. These sources of co-financing and their contributions to the implementation of the SCCF project and the achievement of its objectives are detailed in the table below.

(NB. The co-finance plan and exact amounts are still to be finalized)

Table 1. Co-finance projects

Co-finance project	Co-finance elements

?Maximizing Opportunities in Coffee and Cacao in the Americas? (MOCCA) Budget: USD 36.4 million Timeline: 2019-2024 The MOCCA project is funded by the U.S. Department of Agriculture (USDA) and implemented by a consortium led by TechnoServe and involving Lutheran World Relief (LWR), World Coffee Research, ISF Advisors, Bioversity International, Rikolto and the Fine Chocolate Industry Association (FCIA). It aims to support the coffee and cacao market systems by increasing productivity, expanding trade and facilitating rehabilitation and renovation (R&R) in six countries (Ecuador, El Salvador, Guatemala, Nicaragua, Honduras and Peru). To this end, it undertakes seven types of activities: i) training farmers, ii) integrating farmers into higher value trading models, iii) augmenting research and improving how research findings reach farmers, iv) strengthening suppliers of genetic material for planting, v) facilitating access to finance, vi) improving institutional capacity to deliver services that support rehabilitation and renovation, and vii) strengthening platform support to the coffee and cacao sectors. In El Salvador, MOCCA is working with six to eight producer cooperatives as well as with nurseries, providing trainings to help improve the quality and quantity of the products and linkages to markets. It is also planning to work with BFA to develop financial products.	The MOCCA and SCCF projects are highly complementary, and close collaboration and coordination between the two will be planned. As MOCCA provides trainings to farmers on several topics to improve their productivity, the SCCF project can help strengthen this training with its materials for NbS. Furthermore, beneficiaries from MOCCA who will have received its training on business management, and SCCF project?s training on NbS could be eligible to access the BFA microfinance loans offered under the SCCF project, therefore increasing the reach of both projects. MOCCA does not have the capacity to provide these links to finance, whereas the SCCF project will work with an established methodology that will enable financial products to become available rapidly. In addition to coffee and cacao producers, both projects also support nurseries. The SCCF project will benefit from MOCCA?s research efforts to strengthen the genetic materials available for cacao and for coffee, and will be able to use this knowledge to support nurseries in the SCCF project areas. Finally, the SCCF project will be able to share its lessons through the MOCCA platform to support coffee and cacao sectors across the region. Co-financing of USD 2 million will be assigned from MOCCA.

?El Salvador Cacao Alliance II? Budget: USD 29.4 million Timeline: 2019-2024 USAID, in partnership with the Howard G. Buffett Foundation, the Department of Agriculture (USDA), and CRS recently began the second phase of the El Salvador Cacao Alliance. The goal of the Cacao Alliance is for cacao to become a value chain of national importance that restores natural resources and catalyzes rural economies in El Salvador through the following specific objectives: i) cacao agroforestry systems are productive, resilient and contribute to family income; ii) Salvadoran cacao and chocolate businesses are viable and expand the sustainable national cacao value chain; and iii) expanding the volume of Salvadorian cacao that is sold in national and international markets. During its first phase, the El Salvador Cacao Alliance helped to establish 6,000 ha of cacao agroforestal systems. The second phase focuses developing the value chain, building on established infrastructure and supporting established producers. It will provide assistance to approximately 3,000 small-scale farmers with local execution by CLUSA, Acugolfo, and C?ritas. Through continued technical assistance, approximately 4,500 hectares of cacao will be grown under diversified agroforestry systems. Using an ?anchor firm? approach, the project aims initially to substitute national production to imports in the national market. The specific list of municipalities where this project works is available here.	Given the structure and status of Cacao Alliance II, co-finance opportunities have been identified in the possibility of providing Cacao Alliance beneficiaries access to microcredits from BFA, specifically to finance the construction and installation of water reservoirs. The project currently promotes these reservoirs and funds 50% of their cost, the remainder being provided by producers. Financial products currently available from BFA and other institutions are not suitable (too large) for supporting the producers in this. This collaboration will be enabled by the wide geographic coverage of the Cacao Alliance project, which overlaps with the SCCF project in many locations. Further collaboration between the two projects will be explored with regards to providing access to SCCF project NbS training to cacao producers supported by the Cacao Alliance, and identifying other NbS for which they require funding. Co-financing of USD 500,000 will be assigned from the Cacao Alliance II initiative.

?Upscaling climate resilience measures in the dry corridor agroecosystems of El Salvador? (RECLIMA) Budget: USD 127.7 million (of which USD 35.8 million GCF grant and the rest co-finance) Timeline: 2019-2024 This project is funded by the GCF, MAG and MARN, and executed by the Food and Agriculture Organization of the United Nations (FAO), MAG, MARN and the Initiative for the Americas Fund (FIAES). The project aims to improve the resilience of vulnerable family farmers to climate change through an integrated landscape approach, featuring: the promotion of practical on-farm measures for increasing the resilience of agricultural production systems; the introduction of household and community level systems for ensuring water supply through rainwater capture and storage; and the maintenance of flows of environmental services of importance for livelihoods and agriculture, through improvements to production systems on-farm and the restoration and conservation of degraded ecosystems off farm. The project will directly benefit a total of approximately 225,000 people in 50,000 family farms, increase the resilience of agricultural production systems over 56,600 ha on these farms, and restore 17,333 ha of degraded ecosystems of importance for the provision of environmental services. The project seeks to restore and reforest degraded ecosystems in order to protect water sources and stimulate aquifer recharge. By improving access to water and building local capacity to manage natural resources sustainably, small-scale farmers will be more resilient to the impacts of climate change. The project consists of three interlinked components: 1: Improved resilience of livelihoods and production systems in family farms; 2: Increased resilience of flows of environmental services at landscape; and 3: Improved governance and information flow in support of sustainability and scaling up level. The project will intervene in six hydrographic regions, namely: Golfo de Fonseca-Jucuaran, Jaltepeque, Jiquilisco, Lempa-Torola, Rio Grande San Miguel ? Goascoran, Rio Paz.	The RECLIMA and the SCCF projects are highly complementary. With its budget and scope, the RECLIMA project can reach a large number of farmers, many of them in the same regions where the SCCF project will be intervening. While it will be building their resilience by improving management of water and natural resources, the RECLIMA project does not specifically focus on coffee and cacao. The SCCF project will therefore be able to propose tailored solutions to coffee and cacao producers, generating synergies with the RECLIMA project. If any coffee and cacao producers or nurseries benefit from the RECLIMA project, they will be able to access the BFA credit line as well. Access to finance is not one of the services currently provided by RECLIMA. Co-financing of USD 1 million will be assigned from RECLIMA.

?Knowledge management of the cacao value chain in Central America? Budget: USD 1.6 million Timeline: 2018-2022 This project, executed by Rikolto and financed mainly by the Swiss Development Cooperation (SDC), is in its second phase. With an overall budget of USD 1.6 million, this project aims to improve competitiveness and inclusiveness in the cacao value chain in the region with a climate-resilience focus. It works in building capacities in public and private actors in Nicaragua, Honduras, El Salvador and Guatemala to i) improve the decision-making process based on new knowledge to produce and market sustainable cacao, and ii) contribute to regional integration to generate a favorable environment to achieve competitive and resilient cocoa. The project focuses on documenting, validating and /or disseminating evidences of the application of agroforestry systems as production alternatives that are more resilient against climate change, and promoting inclusive business models to establish fairer commercial relations between producers? organizations and purchasing companies. It promotes the development of a regional strategy for cacao development through the SICACAO platform. The project also intends to develop models of bankable resilient cacao systems that could be funded by BFA.	Joint learning and information sharing between the SDC project and the SCCF project can be achieved. The SCCF project can build on lessons and materials developed by the SDC project to develop its own materials, and the SDC project can complete the SCCF?s efforts when it comes to commercialization and fair-trade topics. The SCCF project can support the SDC project in building evidence about microfinance use for enhancing resilience of cacao production. Both projects have regional ambitions that can be mutualized to strengthen the communities of practice in the sustainable cacao production in Central America. Co-financing of USD 200,000 will be assigned from the project ?Knowledge management of the cacao value chain in Central America?.

?Strengthening the climate change resilience of coffee forests in El Salvador? Budget: USD 45 million Timeline: 2020-2025 The Government of El Salvador, through MAG, has obtained from the Interamerican Development Bank (IDB) a USD 45 million loan for this project. It has two general objectives: (i) to maintain the ecosystem services provided by the coffee forest; and (ii) to improve food security for small-scale coffee producers. The specific objective is to boost resilience to climate change, productivity, and the incomes of producers in the coffee forests, through: (i) adoption of climate-smart agricultural technologies (USD 25.5 million); (ii) incentives for marketing and cooperative initiatives (USD 6 million); and (iii) modernization of coffee sector governance (USD 10 million). Other costs (USD 3.5 million) correspond to administration, auditing and evaluation. The project will promote technologies for incremental adaptation in medium or high altitudes where coffee will still be viable (e.g. pest-resilient varieties, enhanced shade, irrigation) and, in lower altitudes, it will promote complementary technologies for transformative adaptation, enabling producers to shift to other productions with similar ecosystems.	This large project is aligned with the objectives of the SCCF, and can generate relevant synergies: (i) The IDB/MAG project does not offer financial instruments to support this transition, and therefore the SCCF project can offer a complementary option to support the adoption of the promoted adaptation measures. (ii) The SCCF project does not provide specific support to the creation of new cooperatives or to commercialization stages of the value chain. Its beneficiaries can therefore be linked with the IDB/MAG project to obtain further support on these topics. (iii) The IDB/MAG project will strengthen institutional capacity with regards to information sharing, innovation, research, extension services and technology transfer. The SCCF will benefit from this enhanced capacity and may contribute to it with its activities related to knowledge sharing and national Community of Practice. Co-financing of USD 1 million will be assigned from the project ?Strengthening the climate change resilience of coffee forests in El Salvador?.

? Baseline projects (recently completed, not co-finance)

UNEP, with financing from Germany?s BMU, implemented the second phase of the ?Microfinance for Ecosystem-based Adaptation to Climate Change? (MEbA II) project from 2018 to the end of 2020, as a EUR 1 million extension of the first phase (MEbA I), implemented from 2012 to 2017 with a budget of EUR 4.9 million. MEbA I aimed to provide vulnerable local populations (small land holders, farmers and other stakeholders) in the Northern Tropical Andes with microfinance products and services to invest in the resilience of ecosystems upon which they depend, in order to secure and maintain their income streams in the face of a changing climate. Following a successful first phase in Colombia and Peru, the second phase expanded the number of countries of implementation and replicated the MEbA concept by providing technical assistance to individual microfinance institutions (MFIs) in said countries, as in MEbA I, but through a fund-multiplier approach, working with MFIs willing to provide co-finance and collaborating with governments and financial institutions. MEbA II covered eight countries (Benin, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Peru, Senegal). Implementing partners included also the Frankfurt School of Finance & Management; Fundecooperaci?n para el Desarrollo Sostenible (Costa Rica); Grameen Credit Agricole Microfinance Foundation (GCAMF) (Luxemburg); and the Netherlands Development Finance Company (FMO). The

objective of MEbA II was to provide technical assistance to MFIs to autonomously promote financial products and services aimed at climate-resilient, sustainable adaptation practices for small-scale producers. In El Salvador, with a budget allocation of approx. USD 95,000, MEbA II worked with MARN and Banco de Fomento Agropecuario (BFA), where it trained 25 staff members and established two demonstration plots. While there was no dedicated credit line established, the MEbA II support resulted in 2,026 NbS focused loans being disbursed by BFA, for a total amount of USD 8.9 million. Across the eight participating countries, as of December 2020, MEbA II had disbursed 17,870 credits through its partner MFIs, 19,000 farmers had been sensitized to climate change, 4,300 had received training on EbA methods, 8 demonstration farms had been established and foundations for proposals to replicate the concept (including this SCCF project) had been established. The Terminal Evaluation for the MEbA initiative is currently ongoing, and is scheduled to be completed in July 2021. Its findings, including lessons learnt and best practices identified, will inform the implementation of the proposed SCCF project.

Tools and materials developed under both phases of this project will be used to scale up activities in El Salvador by providing access to dedicated credits for improved, nature-based, climate-resilient practices in coffee and cacao

production, and to continue promoting the MEbA approach regionally, with the engagement of the above-mentioned institutions. All the products and tools developed will be made available to the SCCF project including:

? Publication: Microfinance for Ecosystem-based Adaptation: Options, Costs and Benefits. This document contains descriptive, systemized fact-sheets for 40 EbA options.

? MEbA economic game: board game for awareness-raising and marketing activities to promote investment in EbA options. This game is applicable and adaptable for MFIs and clients.

? Set of simplified EbA fact sheets: a graphic summary of the methodology for the effective implementation of EbA/climate-smart agriculture (CSA) measures, for use in awareness raising among clients and credit officers of MFIs.

? MEbA credit methodology: financial lending method containing policies, procedures and tools to increase the capacity of MFIs to finance EbA/CSA measures autonomously.

? CEUS software: a financial credit analysis tool that incorporates climate and market criteria to obtain a client?s cash flow adjusted to climate risks.

? Quickscan: a tool that enables MFIs interested in the MEbA concept to conduct a quick assessment of their portfolio, processes and procedures that are susceptible to climate risks.

? Cost matrix and systematization of EbA/CSA measures: itemized database with costs of EbA/CSA options that may be parameterized.

? Demonstration farms: model farms with examples of EbA/CSA options that are developed with MFIs and their strategic allies for training activities and credit promotion to clients.

? EbA capacity index: tool that estimates the adaptive capacity of clients with an ecosystem-based approach.

? Verification tool: allows financial intermediaries or technical allies to validate the correct implementation of EbA/CSA measures with five simple questions or observations.

? Publication: Microcredits to reduce the vulnerability of small agricultural producers to climate risks - the perspective of the Colombian Andes and the Peruvian Andes. Supporting documents for decision-makers in the promotion of public policies on microfinance and ecosystem-based adaptation.

? MEbA Training Programme: curricular material on MEbA basic concepts for staff of MFIs and strategic partners.

? Training manual on EbA measures: practical activities to train staff on the provision of technical assistance to famers on EbA/CSA alternatives. Its use is linked to demonstration farms.

? Criteria for the selection of strategic allies: a document that details the concept and requirements to develop strategic alliances between MFIs and training providers in EbA/CSA measures.

? Communication guidelines: general communication guidelines for MFIs to share information with small-scale farmers to raise awareness on climate change and sustainable adaptation options.

? Guidelines on agroclimate risk: a document that has been prepared to identify, classify, manage and monitor possible climate impacts in the agricultural credit portfolio of microfinance institutions.

The ?Partnership for Climate Smart Cocoa? was funded by USAID and implemented from 2016 to 2020 by the World Cocoa Foundation (WCF) in consortium with ACDI/VOCA (for the first two years) and nine private sector companies (cocoa and chocolate companies) in Dominican Republic, El Salvador, Honduras, and Nicaragua in Central America and in three West African countries (C?te d?Ivoire, Ghana, and Liberia). The project began with an initial investment of USD 1.7 million from USAID and approximately USD 400,000 from WCF member companies. With these funds, the project supported strategy development and pilot activities in the areas of farmer training curricula, agroforestry market systems linkages, and drought-tolerant planting material. The project worked through the cocoa and non-cocoa value chains to coordinate and leverage private sector investment in developing climate-smart agriculture (CSA). The project has developed models to predict impacts of climate change on the cocoa supply chain, performed analyses of the trade-offs between different CSA practices and identified innovative tools and services to support effective engagement and investment . The SCCF project will build on the achievements of the ?Partnership for Climate Smart Cocoa? related to the identification of climate-smart practices in the nature-based curricula and monitoring on adaptation impact of nature-based solutions, as well as on the training it provided to cacao producers and the developed drought-resistant varieties.

The Ministry of Agriculture and Livestock (MAG) entrusted the Inter-American Institute for Cooperation on Agriculture (IICA) with the technical co-execution of the Production Chains Program (PAF CP) during the first two years of implementation. This meant that the Institute assumed

responsibility for eight agricultural production chains: basic grains, honey, dairy products, aquaculture, vegetables, fruits, cocoa and coffee. With IICA, the Program began to be implemented in July 2011. In the first year, it worked with around 15,918 families: 5,700 in basic grains, 2,014 in dairy products, 2,900 in fruits, 2,900 in coffee, 1,000 in beekeeping, 449 in vegetables, 285 in cocoa and 670 in aquaculture. During the first two years, various government agencies also collaborated in creating the optimal conditions for full implementation of the program. In order to solve the problems as soon as possible and take advantage of existing opportunities, it was necessary to obtain results quickly: build productive economies of scale through competitiveness and associativity; have an impact on the chains to supply formal domestic markets; transfer knowledge and good agricultural practices in post-harvest and value addition; use a mix of simple methodologies and pedagogies to transfer knowledge to producers; and promote the appropriation of that knowledge and empowerment, encouraging the active participation of men and women.

Table 2 below (to be completed) illustrates how the above-mentioned co-finance and baseline projects cover some of the same municipalities in which the SCCF project will intervene. Considering that the support they provide is complementary to that of the SCCF project, this table offers an overview of where these synergies and complementarities can be leveraged.

SCCF/CC-Blend	**MOCCA**	**Cacao Alliance II**	**RECLIMA**	**CAMBio II**	**SDC/Rikolto**	**IDB/MAG**	**MEbA II**	**PAFCP**
Targeted products	Coffee & Cacao	Cacao	Several products	Several products	Cacao	Coffee	Other	Several products
Ahuachap?n								
Concepci?n de Ataco								
Ahuchapan		X						
El Refugio		X						
Atiquizaya		X						
Turin		X						
Tacuba								
Sonsonate								
Izalco		X						
Nahuizalco		X						
Salcoatitan								
San Julian		X						
La Paz								
San Miguel Tepezontes								
San Juan Tepezontes								
Santiago Nonualco		X						
San Pedro Nonualco		X						

Zacatecoluca		X						
Usulut?n								
San Agustin		X						
Alegria		X						
San Francisco Javier		X						
Jucuapa		X						
Santiago de Maria		X						
California		X						
Berlin		X						
San Miguel								
Chinameca		X						
San Jorge								
San Miguel								
Nueva Guadalupe		X						
Lolotique		X						
Moraz?n								
Delicias de Concepci?n		X						
Ciudad Barrios							X	
Perquin		X						
Arambala								
San Simon		X						
Oscicala		X						
Gualococti								

1a.3. Proposed alternative scenario and brief description of expected outcomes and components of the project

In the alternative scenario, the proposed SCCF project will scale up the pilot phase of MEBA II in El Salvador (see Table 3 below) to i) provide dedicated financing for nature-based adaptation investments for the coffee and cacao value chains; ii) provide technical assistance for the adoption of nature-based adaptation solutions, including improved management practices, and for building resilience mechanisms in cacao and coffee value chains to address market, production and climate risks; and iii) share with and learn from other institutions in Central America. On the other hand, coffee and cacao producers and their associations in El Salvador will benefit from i) access to low interest loans for nature-based investments required to adapt to climate change; and ii) capacity building and technical support to implement NbS for adaptation and enhance their management skills. Across Central America, producers and communities at large will benefit from lessons on implementing micro-finance for ecosystem-based adaptation, and from a potential increased availability of such financial products.

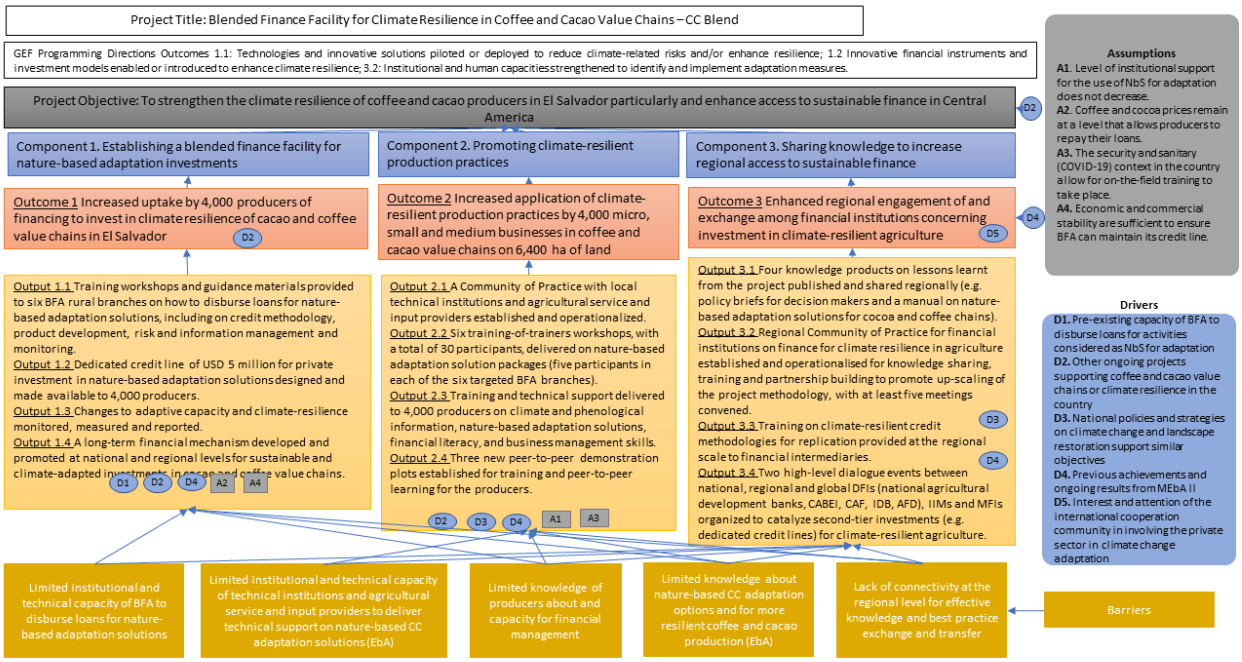
A blended finance mechanism will be established in El Salvador in collaboration with Banco de Fomento Agropecuario (BFA) as a model to be replicated in the region, drawing from lessons learnt from the recently-completed regional MEbA project. This will take the form, in the first instance, of a USD 5 million credit line to be established by BFA. The improved access to finance at significantly better than market rates is intended to break the cycle of lack of investment in coffee and cacao production. The direct technical assistance component to farmers, which was not included in the MEbA project, will contribute to address the need to accompany farmers more closely in their adaptation process. Monitoring tools, such as the EbA capacity index developed under MEbA, will be used to quantify adaptation capacity impacts of investments.

Table 3. Comparison of the MEbA II project (in El Salvador) (2018-2020) and the proposed SCCF project

MEbA II Budget (for El Salvador) (USD)	MEbA II Credit line (USD)	MEBA II # of loans disbursed	SCCF Budget (USD)	SCCF BFA Credit line (USD)	SCCF # of loans disbursed
95,000	8,947,793	2,026	1,195,250	5,000,000	4,000

The double-objective facility (financing and technical assistance) is intended to boost confidence of development finance institutions and impact investment managers to invest in climate-resilient coffee and cacao production in El Salvador, in particular, and Central America in general. Alliances with key stakeholders, such as the Central American Bank for Economic Integration (CABEI), Agence Fran?aise de D?veloppement (AFD), BlueOrchard (Impact Investment Managers) and the Central American Microfinance Association Network (REDCAMIF) will be established to promote increased penetration of the MEbA approach in financial institutions in the region and the promotion of dedicated credit lines at improved conditions.

The proposed SCCF project consists of three components and outcomes, focusing on (i) strengthening institutional capacity for increased uptake of blended finance by coffee and cacao farmers; (ii) improving climate resilience of farmers through the implementation of nature-based adaptation solutions; and (iii) knowledge sharing at national and regional levels to incentivize further private investments in coffee and cacao value chains. The regional support will focus on establishing partnerships to replicate the model established with BFA elsewhere in Central America. The project Theory of Change is included below (Figure 4), and the details of the project components and outcomes are described in the narrative that follows.



The **project objective** is to strengthen the climate resilience of coffee and cacao producers in El Salvador and enhance access to sustainable adaptation finance in Central America. Building on the activities and outcomes of baseline projects and working in alignment with other related projects, the SCCF project will enhance the technical and financial capacity of institutions and producers to adapt to climate change in aforementioned sectors of the targeted areas in El Salvador. In particular, the project will adapt the Microfinance for Ecosystem-based Adaptation (MEbA) approach to the context of El Salvador, establishing a blended-finance facility that enables producers to use nature-based solutions to adapt to climate change. This will be achieved with Components 1 and 2 of the project. Under Component 1, the project will make available a dedicated credit line for NbS. Under Component 2, the project will contribute to develop core technical and management capacity of some producers in NbS, as well as that of national institutions to support them. Finally, under Component 3, the experience gained through Components 1 and 2 as well as from MEbA and other past projects and initiatives, will be processed and disseminated at the regional level. The expectation is that coffee and cocoa producers in El Salvador will be able to better adapt to the effects of climate change and that institutions will be better able to support them. At the regional level, the expectation is that knowledge will be generated and shared about the use of private sector financial instruments to finance adaptation, and strategic partnerships established with the aim of catalysing increased private sector engagement in adaptation funding. These interventions of the SCCF project are further described below.

The project will be implemented in the following areas:

Table 4. Mapping of SCCF project activities

Department	Municipalities	Total area (ha)	Population	Production	BFA Branch
Ahuachap?n (West)	Concepci?n de Ataco, Ahuchapan, El Refugio, Atiquizaya, Turin, Tacuba	55,481	239,961	Coffee/Cacao	Concepci?n de Ataco
Sonsonate (West)	Izalco, Nahuizalco, Salcoatitan, San Julian	41,353	168,637	Coffee/Cacao	Sonsonate
La Paz (Centre)	San Miguel Tepezontes, San Juan Tepezontes, Santiago Nonualco, San Pedro Nonualco, Zacatecoluca	53,451	123,679	Coffee/Cacao	El Rosario and Zacatecoluca
Usulut?n (East)	San Agustin, Alegria, San Francisco Javier, Jucuapa, Santiago de Maria, California, Berlin	50,198	92,352	Coffee/Cacao	Jucuapa
San Miguel (East)	Chinameca, San Jorge, San Miguel, Nueva Guadalupe, Lolotique	82,630	273,657	Coffee/Cacao	Jucuapa
Moraz?n (East)	Delicias de Concepci?n, Ciudad Barrios, Perquin, Arambala, San Simon, Oscicala, Gualococti,	41,638	57,533	Coffee/Cacao	Ciudad Barrios

These areas were selected through a process involving both data analysis and consultations, taking into account the presence of coffee and/or cacao production in the area, the vulnerability of production to climate change, an equitable geographical distribution, accessibility to BFA branches and to Centro Nacional de Tecnolog?a Agr?cola y Forestal (CENTA) technical services. The final selection of municipalities was adjusted based on coherence and coordination with other projects on the field. Eligibility to benefit from the project will not be exclusive to beneficiaries from these areas.

COMPONENT 1: Establishing a blended finance facility for nature-based adaptation investments

Harnessing the power of private sector investment is one of the priorities of the Paris Agreement. In 2017-2018, only 1.6% of adaptation finance came from the private sector, with one of the key barriers to investment being the low perceived return on investment.Testing and demonstrating how

microfinance schemes can support adaptation and resilience is therefore an innovative way to support future private sector investment in adaptation finance.

The first project component will increase capacity of BFA to scale up the climate-smart methodology piloted under the MEbA project into branches located in the main coffee and cacao producing areas of El Salvador. Under MEbA II, BFA initiated testing of loans for NbS, disbursing 2,026 credits, worth USD 8.9 million and training 25 staff from 6 branches (see Table 5 below) on the MEbA methodology.

Table 5. BFA branches supported during MEbA II project

Department	Municipality
San Salvador	San Salvador
Chalatenango	Nueva Concepci?n
San Miguel	Ciudad Barrios
La Libertad	San Juan Opico
La Uni?n	La Uni?n
San Vicente	San Vicente

The SCCF project will enable BFA to scale up its implementation of the MEbA approach by defining financial products that specifically target the coffee and cacao value chains, and rolling them out in six branches. For the moment, the MEbA approach has been replicated in El Salvador, using lessons from MEbA Phase I. The project analysed the bank's operations and initiated the development a MEbA credit line, as well as identifying suitable NbS technologies, piloting the disbursement of NbS loans and establishing two demonstration plots. The aim of the proposed SCCF project is to fully scale up the MEbA approach in El Salvador through the establishment of a dedicated credit line, the provision of capacity building to BFA for its disbursement and for the monitoring of adaptation impacts, and the provision of technical support to farmers for the implementation of the NbS options. In the process, sharable knowledge on the methodology and the results and impact it can have will be generated through enhanced monitoring. The aim is to share the MEbA best practices both at the national and regional levels for further, sustainable uptake by relevant financial stakeholders and credit users.

The SCCF project will fully operationalize the MEbA approach in El Salvador, building on the achievements of MEbA II, and on the barriers identified during this initial project, as illustrated in Table 6 below:

Table 6. Strengths and gaps for the scale up of the MEbA approach by BFA

Current strengths	Current gaps/needs to be addressed by SCCF project

? 25 staff trained on NbS ? Existing experience on NbS loans ? Familiarity with the MEbA methodology ? Past experience testing NbS in two demonstration fams	? A consolidated MEbA approach and a dedicated NbS credit line ? Increased awareness of producers about the use of NbS for adaptation ? Lowered risks related to the capacity of producers to implement and draw adaptation benefits from NbS ? Increased understanding of the effects of NbS on adaptation and resilience through systematic monitoring ? Availability of national capacities on the use of NbS for adaptation

Institutional capacity in BFA will be strengthened to scale up the MEbA methodology and replicate risk management, information management and monitoring procedures for interventions in six of its rural branches where most of cacao and coffee production takes place (see table below). GEF/SCCF funds will also be used to identify the interventions that are best suited for each local branch and embed them in financial products. This includes marketing and promotion of specific adaptation products based on identified vulnerabilities at the local scale. A blended finance mechanism will be set in place to incentivize investment in the proposed nature-based adaptation interventions at lower than market rates, with an expected reduction in rate of approximately 4%. Preference will be given to women and women?s associations, as well as youth, who will receive additional points in the credit scoring process to determine eligibility.

Table 7. Coffee and cacao production in SCCF intervention areas

Department	**BFA Branch**	**Coffee production per mountain range (2019-2020)**	**Cacao production per Department (2007)**
Ahuachap?n (West)	Concepci?n de Ataco	Apaneca Ilamatepec (392,253 t / 53% of National production)	
Sonsonate (West)	Sonsonate		
La Paz (Centre)	El Rosario and Zacatecoluca	El Balsamo Quezaltepec (192,426 t / 26% of National production)	
Usulut?n (East)	Jucuapa	Tecapa Chinameca (74,410 t / 10% of National production)	Usult?n 232 t
San Miguel (East)			

Moraz?n (East)	Ciudad Barrios	Cacahuatique (29,604 t / 4% of National production)	Moraz?n 7t

Source: Consejo Salvadore?o del Caf?, Estad?sticas Cafetaleras al 21 de enero de 2021, Informe oficial.

In the proposed alternative scenario, SCCF funds will be used to:

? Provide technical assistance to BFA to build capacities of the six rural branches to disburse loans for NbS.

? Blend approximately USD 200,000 of SCCF resources with the bank?s resources to develop a USD 5 million concessional credit line dedicated to nature-based adaptation investments.

? Support BFA in establishing the on-lending mechanism, including criteria for eligibility and lending conditions (e.g. subsidized rates and longer grace periods than available in the market), while ensuring that the financial mechanism is known and understood by BFA staff to make it available to its clients. It is expected that this credit line will be fully utilized in one year of operations.

? Support marketing and promotion of specific NbS most suitable to specific project intervention areas.

? Implementing a monitoring system based on BFA?s rules and procedures, using the MEbA methodology, to track investments and monitor increases in the clients? capacity to adopt and apply NbS for adaptation. It will use indicators such as the number and type of NbS approaches implemented, and assess their effectiveness. This will then be used to develop a strategy for a long-term financial mechanism for sustainable and climate-adapted investments.

(To be added: The main characteristics of the financial product)

The concessional credit line will be available to micro, small and medium coffee and cacao producers, primarily but not exclusively from the six project areas. At the national level, for the coffee sector, these producer-size groups are defined as follows:

Table 8. Production area and other characteristics per producer-size category (for the coffee sector)

Size	**Area (ha)**	**Area (manzana)**	**Producers**				**Share of production (2019-2020)[2]**[1]
			Overall	Men	Women	Legal entity	

Micro	<3.5 ha	<5 mz	17,918 (74%)	11508	6312	98	14%
Small	3.5 to 6.9 ha	5.01 to 10 mz	2,164 (9%)	1325	745	94	7%
Medium	7 to 17.5 ha	10.01 to 25 mz	1,815 (7%)	966	667	182	12%

The credit line will also be available to cooperatives of producers and of tree nurseries.

The credit line will finance the following menu of NbS for adaptation:

? *Soil restoration package*: soil restoration and/or conditioning, agroforestry systems, wind breaks, conservation agriculture, vermicomposting, integrated nutrient management. These solutions apply to both the coffee and the cacao sectors. The agroforestry systems to increase the number of trees that generate shade for coffee and cacao trees which enhances their growing conditions also help, in the medium term, improve the quality of the beans the trees produce.

? *Water management package*: rainwater reservoirs, agroforestry systems, efficient irrigation systems, conservation agriculture. Rainwater reservoirs would be the most important and adapted water management solution for coffee and cacao producers as, generally speaking, the use of irrigation systems is mostly limited to the nurseries. Nonetheless, in the case of nurseries, efficient irrigation systems can still reduce the use of water and hence production costs, and therefore lower plant prices for producers.

? *Crop and income diversification package*: agroforestry systems, crop rotation, crop diversification, beekeeping, agritourism. Where as crop rotation is less applicable in the coffee and cacao value chains because their lifecycles and productive periods are long, crop diversification and agroforestry are well adapted in these sectors. These solutions blend together and have other benefits (e.g. water management and soil restoration) in addition to ensuring the generation of income while younger trees are growing and not yet producing (mainly for cacao trees). The beekeeping solution has also been identified as a well-aligned option that fits well with others and provides both ecosystem benefits as well as income-generating benefits for producers.

? *Increase in productivity / Product processing package*: agroforestry systems, vermicomposting, integrated pest management, seed banks, mixed nursery, efficient irrigation, solar dehydrator pulp/seed fermentation, biodigester. Of all the solutions presented, the solar dehydrators are the most popular, useful and most valued by producers and stakeholders alike. The other solutions are also central and important. More hydric-stress resistant seed banks are relevant for coffee tree renewal after plague infestations and for new cacao production sites.

The structure of the project?s financial instrument will determine both the training and support provided to BFA staff and credit line beneficiaries, and the capacity building curriculum planned under

Component 2. The project will ensure that credit beneficiaries have the appropriate skill set to manage their loan before finalizing the lending agreement.

The adaptation scenario will result in breaking the cycle of lack of investment of coffee and cacao farmers towards their adaptation processes. At reduced rates, with targeted products to address their needs provided under Component 1, and with the technical support on planning, decision-making and implementation of adaptation options provided under Component 2, at least 4,000 farmers (1,400 female) are expected to invest in nature-based adaptation packages. The improved capacity in the main agricultural development bank in El Salvador will spark competitiveness of the private sector and potentially lead to a decrease in rates when investments are geared towards adaptation activities. The use of monitoring tools tested during the SCCF project will allow to pioneer risk-adjusted pricing in BFA, which may be replicated by other private financial intermediaries in the country or regionally. Strategies to support replication are described in Component 3.

The expected outcomes, outputs and activities under Component 1 are the following:

OUTCOME 1: Increased uptake by 4,000 producers of financing to invest in climate resilience of cacao and coffee value chains in El Salvador

Co-financing amount for Outcome 1: USD 7,000,000
SCCF: USD 320,000
Executing Agency: BFA

Output 1.1 Training workshops and guidance materials provided for six BFA rural branches on how to disburse loans for nature-based adaptation solutions, including on credit methodology, product development, risk and information management and monitoring.

Lead: BFA (PMU)

Technical assistance will be provided to BFA to build capacities to disburse and monitor loans for NbS for adaptation in the coffee and cacao sectors, and specifically to scale up the MEbA methodology and replicate risk management, information management and monitoring procedures. Institutional capacity will be built in six of BFA?s rural branches in areas where most of the coffee and cacao production takes place.

The activities to be implemented under Output 1.1 are:
1.1.1: Conduct an inventory of the present BFA disbursements, by branch, for nature-based adaptation solutions.
1.1.2: Assess BFA rural branch knowledge gaps on how to disburse loans for nature-based adaptation solutions, including on credit methodology, product development, risk and information management and monitoring.
1.1.3: Use pre-existing MEbA training material and develop new content, to develop an adapted curriculum for BFA rural branch staff, as well as guidance materials, focusing on the knowledge gaps identified under activity 1.1.2.
1.1.4: Disseminate guidance materials and provide training sessions for each of the six BFA rural branches targeted by the project.

Output 1.2 Dedicated credit line of USD 5 million for private investment in nature-based adaptation solutions designed and made available to 4,000 producers.

Lead: BFA (PMU)

Closely linked to Output 1.1, the project will support the design of a specific credit line for private investment in nature-based solutions, which is closely aligned to the needs and priorities of the targeted potential borrowers, i.e. small and medium-sized cacao and coffee producers. USD 200,000 of SCCF resources will be blended with BFA?s resources to develop this USD 5 million concessional credit line, and support will be provided to BFA in its establishment, including criteria for eligibility and lending conditions (e.g. subsidized rates and longer grace periods than available in the market). The existence of this dedicated credit line will then be publicized among the potential borrowers, so they become aware that they can have access to the loans. This, in combination with the parallel work conducted in Outcome 2 (see below) should logically lead to uptake by coffee and cacao producers of financing to invest in climate resilience.

The activities to be implemented under Output 1.2 are:
1.2.1: Work with BFA and its rural branches to finalize the development of the credit line and its adaptation in terms of amounts and adaptation needs and NbS priorities in the targeted locations.
1.2.2: Raise awareness of producers of the availability and benefits of, and requirements and modalities for accessing the credit line for NbS for adaptation.
1.2.3: Provide on-going support to producers in obtaining and managing NbS loans, as well as on the management of their previous loans.
1.2.4: Monitor the roll-out of the credit line and provide technical support to BFA staff in the disbursement and monitoring of NbS loans, as needed.

Output 1.3 Changes to adaptive capacity and climate-resilience monitored, measured and reported.

Lead: BFA (PMU)

Monitoring the impacts of the credit line will, first of all, inform decision-making for BFA in future contexts. It will help refine the criteria and factors analysed, to then offer more adapted and aligned financial products to these types of borrowers. Secondly, the monitoring data extracted from the process will help present success examples to future borrowers and potentially convince them of the benefits of such investments in nature-based solutions. Finally, the data will also be used to develop a strategy for a long-term financial mechanism for sustainable and climate-adapted investments under Output 1.4.

The activities to be implemented under Output 1.3 are:
1.3.1: Develop a methodology to assess the impacts of the credit line on the adaptive capacity of producers and the climate-resilience of their operations.
1.3.2: Based on activity 1.2.4, collect financial data on the credit line, and qualitative and quantitative data on NbS approaches implemented and on the associated adaptation results.

Output 1.4 A long-term financial mechanism developed and promoted at national and regional levels for sustainable and climate-adapted investments in cacao and coffee value chains.

Output 1.4 is closely linked to the three other outputs, as the long-term financial mechanism will build on the experiences and lessons learnt from the establishment and application of the credit line for nature-based adaptation investments, including the information from monitoring of the credit line impacts under Output 1.3. The purpose of the long-term financial mechanism will be to ensure the dissemination, scaling-up and sustainability of the project approach and best practices, for promoting long-term investment into climate resilience in the cacao and coffee sectors. Output 1.4 is also linked to Outcome 3, as in addition to the national level, the financial mechanism will also be promoted at the regional level.

The activities to be implemented under Output 1.4 are:
1.4.1: Engage stakeholders to develop a long-term financial mechanism for sustainable and climate-adapted investments.
1.4.2: Disseminate the strategy for a long-term financial mechanism among national and regional stakeholders (including through activities of Component 3).

COMPONENT 2: Promoting climate-resilient production practices

Component 2 will focus on supporting cacao and coffee farmers in El Salvador to implement climate-resilient production practices, while building the capacity of relevant technical institutions to support them in doing so. Past and current projects and institutions have provided technical assistance to improve productivity or enhance financial literacy of producers in El Salvador, including in some of the project areas. However, these capacities remain limited and do not offer coffee and cacao producers an integrated vision for how to adapt to climate change using NbS, while providing them to access to the means to do so (Component 1) in a way that builds their technical and financial capacities. The alternative scenario will allow coffee and cacao producers to plan and implement medium-term adaptation strategies, using sound decision-making strategies.

Institutional capacity will be strengthened in BFA, MAG and project partners including CLUSA and CENTA, to provide support to farmers on nature-based adaptation packages and to continue such support after the project ends. First, a Community of Practice (CoP) will be established to provide a space for knowledge exchange and continuous peer-to-peer training on NbS for adaptation. The CoP will include a wide set of stakeholders (CLUSA, CENTA, CSC, BFA, MAG, MARN[1][2]), including also agricultural service and input providers and extensionists. The CoP will be established as a network of organizations and specialists connected through an online platform (e.g. a Facebook page or other) where expertise and information is shared. By involving multiple stakeholders active in agriculture, in other projects and in delivering training to producers on NbS, the CoP will ensure a constant flow of information and knowledge across stakeholders. It will be launched with the support of the Project Management Unit (PMU), who will engage the stakeholders into developing its structure, and will be sustained over time by the common interests of its members.

Through the Community of Practice, extension workers, agricultural service providers and staff from MAG, CENTA, CSC, BFA and other partners will be trained to deliver training on NbS to producers, so that this capacity can be incorporated into different institutions (including in the future coffee institute developed with the MOCCA project). This ?training of trainers? will also cover broader adaptation topics, discussing options such as income diversification, the development of drought-resistant varieties, watershed management and crop switching. Tools already developed under the MEbA project will be used, such as a training course on nature-based adaptation solutions, a training manual on nature-based methods and the implementation of demonstration plots under supervision of farmers who are leaders in climate-resilience and sustainable practices[2]. New tools and knowledge-transfer solutions will be assessed and put into practice as needed.

Training and technical assistance will then be provided to coffee and cacao producers by the project technical team across the six project areas. The initial training sessions will be conducted with the presence of future trainers involved in the above-mentioned training of trainers provided through the CoP. Training provided to the producers will be focused around topics which are aligned with the activities funded by the BFA credit line. Technical assistance will involve ongoing support to farmers in the planning, implementation and monitoring of specific adaptation options embedded in the product offered by BFA, for which they requested financing.

A particular emphasis will be placed in engaging youth and women in the process. Specific training days will be organized for youth. These trainings will give them valuable skills that may lead to future employment opportunities. The engagement of women will focus on empowering them to take action in addressing the impacts of climate change in their farms, but also in helping them identify and address their specific vulnerabilities. Engaging women cooperatives in the process will be of particular interest.

The technical assistance and training will cover the following topics and NbS approaches, to be adapted to the specific needs and priorities of the targeted beneficiaries:

- Interpretation of meteorological and phenological information
- Establishment and maintenance of improved agroforestry systems
- Income diversification: home gardening, beekeeping, agro-tourism, processing options, certification process
- Water management: reservoirs, efficient irrigation systems, watershed management, etc.
- Techniques to improve production: soil restoration and/or conditioning, vermicomposting, integrated nutrient management, conservation agriculture
- Protection against the effects of climate change: development and use of drought and heavy rainfall resistant species, windbreaks, integrated pest management, shifting to other crops, etc.

Farmers and farmer associations, with an emphasis on women-led organizations, will also receive training on financial literacy. This training will enable the producers to plan their investments and manage their loans, building on the understanding of the value of investing in adaptation and in diversifying their sources of income. This will help ensure that loans provided become do not become a burden for producers, and a risk for BFA. Starting on financial literacy and business management skills, the project will review the current financial literacy courses provided by BFA to its clients, to incorporate the climate-resilience aspects in training delivery, namely to keep track of costs and expenditures related to climate variables and to diversify income sources when facing climate or market uncertainty. Tools developed under the MEbA project, such as the economic game, will be used. Activities will focus on ensuring that farmers set in place sound business practices and have the required financial capacity and managerial skills to meet loan commitments and improve association structures, particularly to enhance participation of women in decision-making. In that respect, emphasis will be given to strengthening capacity in women?s cooperatives and associations to set in place practices and activities that will offer consumers the possibility to pay differentiated pricing for their products (e.g. agritourism, farmers markets, fair trade labels). Through partnerships with projects such as MOCCA, CSC and El Salvador Cacao Alliance II, aiming at increased value and transformation, the SCCF resources will enable coffee and cacao producers, including cooperatives, to access further support regarding topics such as certification, fair trade, etc., that will further enhance their adaptive capacity.

The training and technical assistance will be supported by peer-driven demonstration plots that will enable producers to access knowledge and information to plan for adaptation. The demonstration plots will be selected among the regions? most advanced producers. The PMU, through participatory means and consultations with the communities, will set up criteria for the selection of the demonstration plots (e.g. use of a well-established agroforestry system in a cacao farm, presence of a rainwater reservoir or solar dryers, etc.). The owners of the selected plots will receive support to ensure they have exemplary practices and processes in place. The objective is to be able to practically show and demonstrate how the nature-based solutions can be applied. The demonstration plots, which will be similar to the two already implemented under MEbA, will be established with a specific resilience-building purpose to portray entire adaptation packages. The farmers on the demonstration plots will also regularly monitor temperature, precipitation and humidity. Such observations, coupled with demonstration of climate-resilient practices specific to coffee and cacao, have been shown to improve decision-making in other Central American countries.

Under the adaptation scenario, nature-based adaptation solutions are consistently implemented through access to financing provided by dedicated credit lines and technical capacities transferred from members of the Community of Practice to small-scale farmers. The exchange of information and lessons from practices in cacao and coffee producing areas and the participation of a range of stakeholders in the value chain produce improved local adaptation responses. The CoP will help to strengthen the exchange of knowledge among existing initiatives and organizations, which will eventually result in increased confidence of private institutions and entrepreneurs to invest in climate-resilient agriculture.

The expected outcomes, outputs and activities under Component 2 are the following:

OUTCOME 2: Increased application of climate-resilient production practices by 4,000 micro, small and medium businesses in coffee and cacao value chains on 6,400 ha of land

Co-financing amount for Outcome 2: USD 3,200,000
SCCF: USD 350,000
Executing Agency: BFA

Output 2.1 A Community of Practice with local technical institutions and agricultural service and input providers established and operationalized.

Lead: BFA (PMU)

A Community of Practice (CoP) will be established to provide a space for exchange of knowledge among existing initiatives and organizations, with a focus on nature-based adaptation solutions and climate-smart technologies. The CoP is an essential element of Outcome 2, as it establishes an organisational structure with the potential of being sustained over time and after the project?s end. It will also be the main channel through which the technical support will be provided to future trainers, as well as directly to the producers.

The activities to be implemented under Output 2.1 are:
2.1.1: Engage local technical institutions and agricultural service and input providers in preliminary discussions on the interests, preferred modalities and structure of the Community of Practice (CoP).
2.1.2: Establish the structure of the CoP and develop a work plan in consultation with its members, including a sustainability strategy to ensure the CoP remains active after the end of the SCCF project.
2.1.3: In line with the CoP work plan developed under activity 2.1.1, support the implementation of the activities of the CoP.

Output 2.2 Six training-of-trainers workshops, with a total of 30 participants, delivered on nature-based adaptation solution packages (five participants in each of the six targeted BFA branches).

Lead: BFA (PMU)

Once the CoP is established, the project will start delivering its technical support. Through the CoP, partner institutions, extension workers, and agricultural service providers will be trained to deliver training on NbS for adaptation to producers, so that this capacity can be embedded in the institutions and their operations.

The activities to be implemented under Output 2.2 are:
2.2.1: Identify the CoP member institutions (e.g. CSC, CENTA, BFA), agricultural service providers and extensionists, and selected baseline projects, who will be trained to provide training on NbS for adaptation, and conduct a capacity needs assessment.
2.2.2: Develop and/or adapt existing training modules on NbS, covering topics such as analysis of meteorological and phenological information, developing NbS packages, analysis of costs and benefits of NbS, and implementing and monitoring NbS.
2.2.3: Deliver in-person training sessions[4][3] to at least 30 trainers from the organizations selected in activity 2.2.1 and evaluate their capacities following the training.

Output 2.3 Training and technical support delivered to 4,000 producers on climate and phenological information, nature-based adaptation solutions, financial literacy, and business management skills.

Lead: BFA (PMU)

Specific and adapted training materials will be identified and developed to serve the delivery of technical support and training for producers, associations and other key actors (e.g. nursery coordinators) in the two value chains. The CoP established in Output 2.1 will serve as a coordination platform to deliver this support.

The activities to be implemented under Output 2.3 are:
2.3.1: Develop and/or adapt existing training plans and training materials covering above-mentioned topics and tailor them to the context of each of the six project areas, incorporating learning opportunities from demonstration plots (Output 2.4).
2.3.2: Roll out a training program across the six project areas, including through the CoP?s work in training of trainers
2.3.3: Provide ongoing regular support to trainees in the six project areas, helping them further their understanding of the topics discussed, apply them to their real life or access additional training provided by other programs.
2.3.4: Provide technical support to farmers in the planning, implementation and monitoring of the NbS activities funded by the credit line.
2.3.5: Monitor progress of trained producers and associations in the implementation of the new knowledge and know-how acquired.

Output 2.4 Three new peer-to-peer demonstration plots established for training and peer-to-peer learning for the producers.

Lead: BFA (PMU)

Outputs 2.1 through 2.4 are very closely linked and will be implemented alongside. The peer-to-peer demonstration plots will be instrumental in achieving Outputs 2.2 and 2.3. Two demonstration plots had already been developed through MEbA II. Three additional will now be prepared. They will serve for the training of trainers as well as for the technical support to the producers. Good practices from other projects, such as the extension services models from the RECLIMA project, will also be scaled up, as appropriate. Hence, in addition to learning from the MEbA nature-based solutions from which the producers will benefit, they will also learn how to improve their water and natural resources management. The links between producers and the better managed nurseries will also be facilitated through these outputs.

The activities to be implemented under Output 2.4 are:
2.4.1: Identify one demonstration plot in each of the six project areas so as to maximize accessibility for local producers.
2.4.2: Prepare and enhance the selected plots in collaboration with the producers, to ensure they are aligned with the standards promoted in Output 2.3.
2.4.3: Work with local organizations to test NbS for adaptation on the demonstration plots and demonstrate them to local communities, in particular through the project?s training and technical support activities (activities 2.3.3 and 2.3.4).

COMPONENT 3: Sharing knowledge to increase regional access to sustainable finance

Outputs under Component 3 aim at facilitating a regional replication and scaling up of what BFA and technical partners, with support from the SCCF project, will promote in El Salvador. The aim is to increase access to dedicated investments towards climate resilience, be it at the second-tier or first-tier scale, through partnerships and training of financial institutions. As a result, the role of financial institutions will be reinforced in driving climate adaptation action and exploring how to tap new business models that require confidence in the adaptation impact of investments.

Lessons learned from the proposed project will be incorporated into communication and knowledge-sharing products, such as policy briefs for private and public decision makers and specific manuals on

adaptation benefits of nature-based solutions for farmers, including a section on costs and benefits of adaptation actions. Microfinancing usually has a strong focus on women?s empowerment and thus women agricultural entrepreneurs and their role in building resilience in the farm will be highlighted in communication materials. The communication and knowledge management products will be shared with audiences through accessible means (SMS, videos, social media). Selected materials will be shared with country governments and potential financial partners in Central America through the Community of Practice (see below) and other learning mechanisms to generate momentum, boost confidence in the sector and increase the replication potential of these innovative financing schemes.

A regional Community of Practice (CoP) for financial institutions will be established to increase their knowledge and understanding of the benefits of climate proofing investments, using climate-resilient methodologies and promoting resilience-building loans. The CoP will engage i) multilateral development banks ? such as AFD, IDB, CAF, CABEI; ii) national agricultural development banks ? such as Banrural in Guatemala, Cr?dito Agr?cola de Cartago in Costa Rica and Banco de Desarrollo Agropecuario in the Dominican Republic; iii) global impact investment managers (IIMs) ? such as BlueOrchard, Grassroots Capital, ResponsAbility; and iv) financial intermediaries in the Central American region, such as members of the REDCAMIF network. Two microfinance institutions that belong to REDCAMIF have already piloted the MEbA methodology: Fundecooperaci?n in Costa Rica and Banco Adopem in the Dominican Republic.

Activities within this CoP of financial institutions for climate-resilient investments in agriculture will focus on strengthening ties to form a regional network in which experiences may be shared and lessons from the SCCF project in financing nature-based adaptation solutions incorporated into daily business processes. MEbA partners, such as BFA, Fundecooperaci?n and Adopem will share success stories and potential areas for improvement with second-tier and first-tier institutions in the Central American region who are interested in financing climate resilience. Opportunities for increased investment in climate-resilient agricultural activities will be identified through collaboration and knowledge-sharing, particularly in establishing partnerships that will focus on combining technical assistance and dedicated financing vehicles. The main objective of promoting these partnerships will be to catalyse investment at a second-tier level via dedicated credit lines, preferably coupled with technical assistance.

SCCF resources will also be used to increase capacity of the CoP members by providing training and offering access to monitoring and capacity-building tools developed under the MEbA methodology to financial intermediaries and other partners. Lessons and knowledge products developed in the SCCF project will be used to develop a training on climate-resilient credit methodologies. Training to selected FIs in the region on piloting and/or upscaling climate-resilient methodologies will support replication and ensure an increased uptake of NbS-oriented financial products. This training will be delivered during activities organized through the CoP and specific targeted events for financial intermediaries. This will be complemented with an online course on climate change, NbS and green financing developed by the MEbA project that will be made available to all members of the REDCAMIF network and other national or regional microfinance associations.

Regional support will be further enhanced by the organization of two high-level regional dialogue events involving national, regional and global DFIs, IIMs and MFIs, designed to bring engagement one step further by identifying opportunities to implement new credit lines for climate-resilient agriculture.

The goal is to disrupt the current paradigm: Due to a lack of climate-resilient lending methodologies, investment in the agricultural sector remains low and will continue to decrease because of additional risks posed by climate change. The transfer of solutions developed under the MEbA project for financial institutions and farmers to be deployed at national and regional scales through one-on-one training and communities of practice in all components of the proposed SCCF project, as well as targeted events to promote high-level dialogue between national, regional and global DFIs, IIMs and MFIs will provide the basis for improved partnerships, increased regional commitment, and investment from development finance institutions and impact investment managers towards climate-resilient agriculture.

In the adaptation scenario, investments from DFIs will be mobilized to replicate the financial mechanism developed in El Salvador. The model of a second-tier credit line with the inclusion of a technical assistance component and reduced rates may be feasible, once improved efficiency in institution?s procedures enables risk-adjusted pricing. With the incorporation of monitoring tools, donors and banks will gain confidence in making and promoting climate-resilient investments. The partnerships developed under Component 3 will be aimed at DFIs, IIMs, national development banks and other key stakeholders to develop dedicated financing mechanisms that incorporate technical assistance and may be accessed by small-scale farmers throughout Central America.

The expected outcomes, outputs and activities under Component 3 are the following:

OUTCOME 3: Enhanced regional engagement of and exchange among financial institutions concerning investment in climate-resilient agriculture

Co-financing amount for Outcome 3: USD 1,000,000
SCCF: USD 322,320
Executing Agency: REDCAMIF (lead) , in collaboration with Fundecooperacion

Output 3.1 Four knowledge products on lessons learnt from the project published and shared regionally (e.g. policy briefs for decision makers and a manual on nature-based adaptation solutions for cocoa and coffee chains).

Lead: Fundecooperacion

Relevant content generated from the project?s implementation in El Salvador will be distilled and packaged to disseminate the lessons learned across the Central American region and to catalyze key stakeholders to replicate and adapt the best practices from the project.

The activities to be implemented under Output 3.1 are:
3.1.1: Based on activities under Components 1 and 2, collect and analyse information on the implementation of the MEbA approach in El Salvador, in particular with regards to coffee and cacao value chains and appropriate NbS for adaptation.
3.1.2: Develop and disseminate 2-3 policy briefs based on findings and lessons from the SCCF project.
3.1.3: Develop and disseminate a manual on NbS for adaptation for the cocoa and coffee value chains.

Output 3.2 Regional Community of Practice for financial institutions on finance for climate resilience in agriculture established and operationalised for knowledge sharing, training and partnership building to promote up-scaling of the project methodology, with at least five meetings convened.

Lead: REDCAMIF

As for the national CoP, the regional CoP will be set up on the basis of a selection of and engagement efforts with relevant financial institutions in the region. The CoP will be central to ensuring that knowledge transfer is possible and efficient. Preliminary consultations will ensure the CoP?s structure is aligned with the needs and priorities of the regional institutions, and that its planned activities provide the relevant data and information they are interested in and are looking for from MEbA and similar methodologies.

The activities to be implemented under Output 3.2 are:
3.2.1: Engage technical institutions and relevant projects, programmes and networks? stakeholders in preliminary discussions on the interests, preferred modalities and structure of the Community of Practice (CoP).
3.2.2: Establish the structure of the CoP and develop a work plan in consultation with the potential members of the CoP, concerning the design of a series of CoP activities and events to be implemented during the timeline of the project. A sustainability strategy to ensure the CoP remains active after the end of the SCCF project will also be developed through a participatory process.

3.2.3: In line with the CoP work plan, implement and/or support implementation of the activities and events of the CoP.

Output 3.3 Training on climate-resilient credit methodologies for replication provided at the regional scale to financial intermediaries.

Lead: Fundecooperacion

Using existing and newly-developed material, content and manuals, regional implementing partners will train financial intermediaries on climate-resilient methodologies. The idea is to enable and encourage these intermediaries in replicating the methodologies elsewhere in the Central American region. The CoP will be the institutional structure through which the training will be delivered.

The activities to be implemented under Output 3.3 are:
3.3.1: Collect and systematize the lessons learned, knowledge and know-how on climate-resilient credit methodologies from the MEbA projects, the SCCF project (including materials from activity 3.1.1) and other relevant initiatives in the region for compilation in training packages.
3.3.2: Deliver training sessions during the CoP events and targeted training events for financial intermediaries.

Output 3.4 Two high-level dialogue events between national, regional and global DFIs (national agricultural development banks, CABEI, CAF, IDB, AFD), IIMs and MFIs organized to catalyze second-tier investments (e.g. dedicated credit lines) for climate-resilient agriculture

Lead: REDCAMIF

The regional component of the project will culminate in two high-level dialogue events bringing together as many as possible of the relevant national, regional and even global DFIs, IIMs and MFIs.

The activities to be implemented under Output 3.4 are:
3.4.1: Use the Outputs 3.1 to 3.3 to reach out to relevant DFIs, IIMs and MFIs to generate interest in the MEbA methodology and the SCCF project?s results.
3.4.2: Organize two high-level dialogue events between national, regional and global DFIs (national agricultural development banks, CABEI, CAF, IDB, AFD), IIMs and MFIs to catalyze second-tier investments (e.g. dedicated credit lines) for climate-resilient agriculture.

1a.4. Alignment with GEF focal area strategy

The SCCF project is aligned with the GEF Programming Strategy on Climate Change Adaptation for the LDCF and SCCF (2018-2022). The following Objectives and Outcomes are addressed in the project in particular:

? Programming Strategy Objective 1: Reduce vulnerability and increase resilience through innovation and technology transfer for climate change adaptation;

? Outcome 1.1: Technologies and innovative solutions piloted or deployed to reduce climate-related risks and/or enhance resilience

? Outcome 1.2: Innovative financial instruments and investment models enabled or introduced to enhance climate resilience

? Outcome 3.2: Institutional and human capacities strengthened to identify and implement adaptation measures

As part of the Adaptation Innovation Challenge, the SCCF project proposes an innovative approach to adaptation by promoting the use of microfinance to fund adaptation in agriculture using nature-based solutions. The proposed project plans to promote a series of nature-based adaptation solutions (e.g. agroforestry systems, conservation agriculture, natural shade, seed banks, improved and resilient varieties, organic farming, efficient irrigation, integrated pest management) to increase the resilience of coffee and cacao producers in El Salvador, in particular, and Central America, in general, to address the effects of drought, extreme rainfall events and increase in pests and diseases. Nature-based solutions are not a novelty per se, but the development and use of blended finance to facilitate access to ecosystem-based adaptation techniques is. The agricultural sector is often seen as risky for lending enterprises so these NbS measures will be embedded in financial products under a USD 5 million concessional credit line in El Salvador with BFA. Support will be provided to BFA on the lending methodology to promote EbA solutions, and lessons will be shared with other DFIs of the region to promote wider uptake of the approach. In addition, partnerships with development banks (CABEI, CAF, AFD, national development banks) and impact investment managers (BlueOrchard, responsAbility, Grassroots Capital) will be promoted and established to replicate the pilot scheme in the region. In terms of technical capacity, farmers will receive training on methods to increase resilience via nature-based solutions and accompanying technological packages for cacao and coffee production. The aim is to innovate in closing the gap on technical and financial barriers to address climate change.

1a.5. Incremental / additional cost reasoning and expected contributions from the baseline, the SCCF, and co-financing

The proposed SCCF project will increase the capacity of technical and financial institutions to provide products and services that will strengthen the climate resilience of cacao and coffee farmers and allow them to adapt to the adverse effects of climate change. A description of the additional cost reasoning for each component of the project follows below.

Table 9. Baseline scenario and additional cost reasoning for adaptation scenario

Component	Baseline scenario	Additionality of the adaptation scenario

Component	Baseline scenario	Additionality of the adaptation scenario
Component 1: Establishing a blended finance facility for nature-based adaptation investments	? El Salvador Cacao Alliance II: By enabling the beneficiaries from Cacao Alliance to benefit from the CC-Blend BFA?s credit line, this co-financing will maximize synergies between the projects. Given the early stage of implementation of Cacao Alliance phase II, the focus will be on supporting cacao producers who wish to invest in water reservoirs mainly. These cost between USD 2,000 and 4,000, half of which, by project design, is subsidized by Cacao Alliance, and the other half funded by the producers themselves. The credit line could therefore help producers acquire the funds to invest in water reservoirs through the credit line. ? RECLIMA: This project also focuses on building the resilience of small-scale producers, including coffee producers. It	Blended financing, coupled with technical and financial assistance, is a way to overcome market, institutional and finance barriers towards improved climate-resilient investments. This component will generate synergies with baseline projects by enabling beneficiaries from activities from these projects to access the BFA NbS credit line, provided that they have received comparable training on the appropriate application of NbS for adaptation and on financial management (in particular credit management). Ensuring that the borrowers use these loans to invest in their NbS CC-adaptation will generate more buy-in which can be leveraged to have these same stakeholders being more committed to the objectives of the baseline projects.

Component	Baseline scenario	Additionality of the adaptation scenario
Component 2: Promoting climate-resilient production practices	El Salvador Cacao Alliance II, RECLIMA and MOCCA mentioned above, as well as the ?Partnership for Climate Smart Cocoa? (CSC) and MEbA II all have technical components that are linked to the cacao and coffee value chains and to different extent, address NbS CC adaptation measures. These projects form a pre-existing context in which the CC-Blend will be embedded. Being larger initiatives, the baseline projects address a multitude of technical issues, ranging from CC adaptation, to enhanced productivity, to market linkages, among many others.	As many of the national institutions and organizations involved in the implementation of the baseline projects are also involved in the CC-Blend project, synergies will be made possible. Indeed, the SCCF project can act as a complementary element that very specifically addresses the CC adaptation practices within an ecosystem of other types of technical support provided to the same actors within the value chains. The project will also help generate a pool of well-trained experts in adaptation through the training of trainers which will become available for the baseline projects. The latter are, generally speaking, bigger and longer-lasting projects than the CC-Blend and the availability of these experts, beyond the support they can bring during the lifetime of the SCCF will remain available after its end. This is a sustainability additionality.

Component	Baseline scenario	Additionality of the adaptation scenario
Component 3: Sharing knowledge to increase regional access to sustainable finance	Although regional collaboration for climate change adaptation is promoted via the Central American Commission on Environment and Development (CCAD) and other regional mechanisms, collaboration among financial institutions with the aim of fostering climate-resilient investments is unheard of in the region. Development Finance Institutions (DFIs) and Impact Investment Managers (IIMs) are searching to place financing in climate-resilient, sustainable, fair trade or specialized production. However, monitoring capabilities of institutions are limited in the region. Few financial intermediaries in the region are familiar with climate resilient methodologies that would allow them to track clients? progress in their adaptation	Although there is limited or no activity in the Central American region bringing together financial institutions and supporting them in integrating climate-resiliency in their loan portfolio, the potential for doing so exists. Organizations like REDCAMIF and Fundecooperacion form a network of actors that have the potential of playing an important role in the reaching the project?s objectives. The SCCF is hence an opportunity to activate these networks which already have relevant partners and members to address, discuss and inform on access to finance for climate adaptation purposes. Fundecooperacion was involved in the MEbA II project although specifically from the Costa Rican perspective. REDCAMIF, although not specifically involved in any initiatives linked to the MEbA approach has a membership of 132 institutions, many of which would have interest in the project?s lessons learned and best practices. Having these two organizations working together will ensure that the content, well known by Fundecooperacion, can reach many relevant institutions within and beyond REDCAMIF?s members.

1a.6. Adaptation benefits

Climate change is continuously affecting the cocoa and coffee sector in Central America. In El Salvador alone, more than 17,000 producers depend on this activity as their main source of income. Intense and prolonged droughts, intense rainfall events and increased humidity levels generate different challenges (e.g. reduced productivity, increase in pests and diseases) for producers who must act by implementing sustainable and climate-smart adaptation measures to increase resilience.

The proposed SCCF project will build the climate resilience of a total of 14,400 beneficiaries, by addressing different components of 4,000 farmers? adaptive capacity. This will be done through increasing the overall resilience of the productive unit, which translates into higher and more stable income, and improved overall resilience to the effects of climate change. This will be achieved through the inclusion of *inter alia* the following adaptation solutions into financial and technical support mechanisms:

? enhanced productivity with sustainable methods by incorporating improved agroforestry systems, natural shade, seed banks, improved climate-resilient varieties, etc. into production practices;

? improved product quality and diversification of revenue streams through the use of climate and phenological data for crop management and the incorporation of alternative activities such as beekeeping, crop diversification and agritourism; and

? risk reduction of crop losses and loss of productivity through climate-smart solutions and technological packages, including efficient irrigation systems, solar dehydrators, greenhouses.

The promotion of nature-based adaptation solutions in these value chains will translate into positive results in ecosystems and ecosystem services in the form of: i) reduced pollution of water bodies from the decrease in chemical fertilizer and pesticide use, ii) reduced soil erosion from improved soil, nutrient and water management practices, iii) water conservation and groundwater recharge through efficient irrigation and improved soil structure from use of soil amendments and organic fertilizers, and iv) increase in pollination and agrobiodiversity through beekeeping, mixed production systems and crop diversification. These improvements in ecosystem function will ensure rural livelihoods may be sustained in the long term, despite potential climate change impacts on ecosystems and their services, and on the productivity of the agricultural systems and the livelihoods of the farmers who depend on them.

Establishing an enabling environment for adaptation financing is essential to ensure government policies are translated into tangible results on the ground. As far as the technical environment, lessons from other projects in the region, such as IDB?s Proadapt will be incorporated into support provided to farmers in El Salvador and utilized for the regional replication approach. The goal is to reduce risks at local production sites and demystify agricultural lending. In terms of financing, BFA will scale up

specific adaptation financial products and incentivize investments via a dedicated credit line by blending its own resources with SCCF funds. The SCCF project will then incorporate lessons and results from the blended finance mechanism in El Salvador to engage investors and lenders (e.g. AFD, CABEI, CAF, national development banks, BlueOrchard) in the region, so that additional dedicated credit lines may be established. Based on the work with Fundecooperaci?n, Adopem and REDCAMIF, the SCCF project will share the MEbA methodology with additional institutions in Central America and/or the broader LAC region who may then incorporate into their day-to-day business practices criteria for monitoring triple bottom-line impacts, managing information and climate risk and developing targeted products catered to the needs of coffee and cacao producers in the region.

1a.7. Innovativeness, sustainability and potential for scaling up

Innovation:

The proposed solution presents a holistic approach to increase resilience in two highly vulnerable cash-crop value chains in Central America. It tackles the challenge of using private sector tools to address adaptation, an area where evidence about bankable financial models is still lacking, and private sector actors are still unwilling to invest at market rates. In recent years, investments in mitigation technologies and measures have become more mainstream and bankable, thanks to joint efforts from the development community to demonstrate the financial sustainability of the model. When it comes to adaptation, some progress has been achieved in the insurance sector. However, bankable models for the use of nature-based solutions have not yet built the same level of evidence. Given the context-based nature of adaptation solutions, and their small scale applicability, promoting tailored microfinance measures is a solution that must be explored. Demonstrating effective microfinance schemes for adaptation will contribute to attract the private sector in adaptation finance, an area that is currently under-funded.

The MEbA project first tested the approach in Colombia and Peru (through its Phase I), and thereafter consolidated the approach and supported its further testing in several other countries in Latin America and in Africa (through its Phase II). The SCCF project in El Salvador will refine the approach developed by MEbA, proposing a holistic approach that includes: i) a financial product targeting small-scale farmers in two value chains of importance in the country, ii) building of technical capacities from farmers to institutions in applying adaptation methods, and iii) a regional knowledge-sharing mechanism to ensure a rapid transfer of lessons from this project to support further replication and testing. The SCCF project will therefore contribute to testing, refining and catalyzing the innovative approach created by MEbA to generate evidence on how best to use microfinance products to foster ecosystem-based adaptation and share it regionally.

Sustainability:

The proposed technical options have been proven to be no-regret approaches with clear environmental, economic and social co-benefits. By providing technical assistance to both the finance institution promoting these adaptation options and the farmers putting them in place, the potential of success increases. Sustainability of interventions will be enhanced by the following aspects: i) activities will be demand-driven since credits will only be disbursed once the proper due diligence procedures of financial institutions are met; ii) demonstration plots and farms for peer-to-peer learning will be established, which is one of the most effective ways to transfer knowledge in agricultural production in a way that ensures the sustainability of results; iii) lessons will be shared among partner financial institutions, technical providers and government authorities to establish the proper enabling mechanisms at national and regional levels. These will be consolidated into CoPs that will be linked to different institutions and stakeholders, enabling their engagement and ownership, which will ensure that lessons and expertise developed will be sustained beyond the life of the project; iv) for small-scale producers, the benefits of the project will be made sustainable by coupling the market perspective of coffee and cacao value chains with alternative income generating activities to increase overall resilience of farmers; v) by engaging in the project activities, financial institutions will build their awareness and understanding of the importance of ensuring producers plan and implement adaptation measures, and the role they can play in this; and vi) the financial institutions will develop their capacities and test new financial instruments as well as measures to ensure that their clients implement appropriate NbS measures for adaptation. They will be able to replicate these tools in their future products. Increased efficiency in operations of financial institutions results in savings that can be transferred to clients through improved lending conditions and technical support.

The project?s alignment with national strategies is also an asset in ensuring the sustainability of its results. The project will position itself as one of the means to implement the Strategy for Restoration of Ecosystems and Landscapes (see Section 7 on consistency with national priorities), and thus build longer term government support for this model.

When the project comes to an end, it will have established Communities of Practice that will continue to build and exchange knowledge about MEbA, and benefit institutions in El Salvador and elsewhere. BFA will be able to continue using the MEbA model by itself, as it will have acquired the capacities and systems to do so. Several ongoing projects will outlive this project, and especially the IADB project on coffee resilience presents good opportunities for continued support, as it is implemented by MAG.

Potential for scaling up:

With the improved information management in financial institutions and through sharing of knowledge of the impact of this integrated implementation approach (access to finance coupled with technical support), it is expected that confidence for investment in coffee and cacao value chains will increase in the region. Financial institutions will be capable of monitoring progress of their client?s adaptive capacity and show donors and lenders the impact of their adaptation actions. With improved climate risk management within the institution coupled with know how to develop products and services directly targeted at client needs, more resilient portfolios are expected. Once risk-adjusted pricing

schemes are established, improved conditions for agricultural lending can be sustained. The SCCF project builds on the Phase II of the MEbA project which was implemented in eight countries in Latin America and Africa. It will use several of the tools that it developed, and contribute to furthering the concept by developing new tools. Component 3 is dedicated at sharing knowledge and leveraging lessons from this and previous projects to further replication and scale up. Indeed, it will work directly with DFIs, financial intermediaries and IIMs to ensure they have the capacity to implement similar mechanisms at a larger scale. Once activities of the SCCF project are proven to be successful and if additional funds are available, a similar approach can be set up in the broader LAC region and/or Sub-Saharan Africa.

All of the above factors will benefit from the innovative approach of enhanced understanding of the client?s vulnerabilities and of incorporating climate variables into credit decision-making in the microfinance sector to improve knowledge of client vulnerabilities and needs to develop dedicated products and services and to estimate progress in their adaptation process. The proposed project will focus on supporting financial intermediaries in gathering significant amounts of data of client practices, exposure and sensitivity to climate impacts, phenological development of coffee and cacao, as well as market conditions of these crops. With the indices developed by the project and transferred to financial intermediaries, they will be able to monitor their clients? progress in increasing adaptive capacity due to climate-resilient investments. Once the data is gathered, the project will support partners in sorting out which sets may be used for climate-risk management policies or product development within the institutions, which sets for bulletins, recommendations and early warnings to clients, and which sets would be suitable to report triple bottom line returns to investors. Uniquely linked to the support provided to farmers in the implementation of risk-reducing packages including nature-based solutions and climate-resilient technologies, the proposed approach will provide a unique opportunity to increase confidence in agricultural lending and improve client segmentation.

1b. Project Map and Coordinates

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

Figure 5. Municipalities primarily targeted by the project

See geo-coordinates in Annex E.

1c. Child Project?

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

2. Stakeholders

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

Civil Society Organizations Yes

Indigenous Peoples and Local Communities Yes

Private Sector Entities Yes

If none of the above, please explain why:

Stakeholder engagement in project development

The project development process involved extensive consultation with national and regional stakeholders, including most of the stakeholders mentioned in the Stakeholder Engagement Plan provided below. The stakeholders consulted included:

? representatives from key line ministries involved (MAG and MARN);

? public sector institutions (e.g. BFA, Consejo Salvadore?o del Caf? (CSC), Centro Nacional de Tecnolog?a Agr?cola y Forestal (CENTA));
? non-governmental actors involved in activities related to coffee, cacao, agricultural resilience and other related topics, and
? coffee and cacao producers (individual, cooperatives and associations).

The full list of stakeholders consulted, as well as the reports of the consultations, are provided in Annex I.

An inception mission and workshop were scheduled to take place on the week of March 15, 2020 but were cancelled due to the COVID-19 pandemic. Due to national restrictions, a national inception workshop could not be held. However, the following information and consultations were undertaken:

? All stakeholders were informed by an official letter about project preparation;
? Key stakeholders were actively engaged in a series of group discussions and working sessions to discuss the main elements of the project. These meetings took place on a weekly basis between October 2020 and February 2021;
? A workshop with key stakeholders was organized in January 2021 to select the project sites, as described below;
? The national consultant undertook field visits (when it became possible) to all planned project sites as well as phone interviews. In total, he met with 10 cooperatives and 10 individual producers to collect baseline information and identify the most appropriate approaches to interventions;
? The PPG team undertook bilateral interviews with national and regional stakeholders;
? The draft project was validated through an online validation process where perspectives from representatives from all stakeholders were collected.

The selection of project sites was undertaken in three stages to ensure it took into account documentary evidence, perspectives from stakeholders and recent information from the field. It involved the following steps:

1. Preliminary discussion to agree on selection criteria;
2. Documentary analysis to map out the most relevant sites based on these criteria, using research papers from multiple sources, which produced four possible scenarios;
3. A workshop was then held with key stakeholders to discuss scenarios and select a preferred option;
4. Following this workshop, an initial pre-selection of six highly relevant sites for intervention was agreed on. In order for the project to reach sufficient beneficiaries, it was agreed that project areas would center on six selected municipalities, which would be expanded to include neighbouring areas;
5. The field visit allowed for validation of the six sites, and detailing of the specific municipalities involved, accounting for current needs and current related interventions in the field.

The criteria adopted for selecting the sites were the following:

Table 10. Site selection criteria

Criteria	Metrics	Sources of information
1. Concentration of coffee producers /presence of cacao producers	? Municipalities with >19% coffee production (0,5 point) or with >57% coffee production (1 point) ? Presence of cacao production	CATIE/CIAT/CGIAR: La agricultura de El Salvador y el cambio climatico: Donde estan las prioridades para la adaptacion? (2014): Mapa de la agricultura en El Salvador CENTA data on cacao production
2. Ease of access to a BFA branch	Road connection/proximity to a BFA branch	Map of BFA branches
3. High (prefefable) or medium levels of socioeconomic vulnerability to climate change	Levels of vulnerability (Lower, medium, higher) of the agriculture sector	CATIE/CIAT/CGIAR: La agricultura de El Salvador y el cambio climatico: Donde estan las prioridades para la adaptacion? (2014) Como se distribuye la vulnerabilidad del sector agricola?
4. Access to demonstration plots		Map illustrating the geographic distrubtion of extension agencies (CENTA)
5. Geographic distribution	1 or 2 sites by mountain chain	CSC map
6. Possibility of involving small producers, both women and men	Population interest in and need for project activities	Validation through field visits
7. Avoiding duplication with other projects / identifying synergies	Presence of other projects, possible synergies or overlaps.	Validation through field visits, interviews and document review

Please refer to Annex I for a detailed list of people and institutions consulted.

Please provide the Stakeholder Engagement Plan or equivalent assessment.

Stakeholder engagement in project implementation

The implementation strategy for the project includes extensive stakeholder participation. The planned roles of the different stakeholders in the project are described in the Stakeholder Engagement Plan below (Table 11).

In this table, the following roles are assigned, based on the project structure and in particular on the institutional arrangements presented in Section 6. The following categories of roles are attributed:

? Responsible: Directly responsible for executing one or several activities, i.e. mostly executing entities.
? Accountable: The organization has an oversight role and is responsible for reviewing progress and providing direction. This is used mostly for members of the Project Steering Committee (PSC).
? To be consulted: Stakeholders that will be invited to provide their views, guidance and inputs on various aspects of project implementation. This includes most project beneficiaries, either individual

(producers) or institutional (financial intermediaries). These consultations will be planned and structured during project inception.

? To be informed: Stakeholders that do not have a direct role in the project but that will be kept informed because they have an interest in the activities and may learn from the outputs.

Table 11. Stakeholder engagement plan for the implementation phase

Name	Type	Role	Interest in the project	Role(s) in the project	
National institutions					
BFA	Financial institution	Finance agricultural development	Provide financial services to coffee and cacao producers Build its capacity Develop and demonstrate new financial products in line with country strategy to support the coffee and cacao value chains	Responsible Accountable	National executing agency (NEA) for Component 1 and 2 PSC member Co-finance Beneficiary
MAG	Public sector	Ministry responsible for agriculture	Ensure project contributes to national policies	Accountable	PSC Chair
MARN	Public sector	Ministry responsible for environment	Ensure project contributes to national policies, GEF Focal Point	Accountable	PSC member
Centro Nacional de Tecnolog?a Agr?cola y Forestal (CENTA)	Public sector	Technology transfer and research in agriculture and forestry	Build its capacities	Responsible Accountable	PSC member Activities component 2 (Benefits from capacity building, provides training to producers)

Name	Type	Role	Interest in the project	Role(s) in the project	
Consejo Salvadore?o del caf? (CSC)	Public sector	Develop and implement policy regarding coffee and the coffee industry	Ensure project contributes to national policies Build its capacities	Responsible Accountable	PSC member Beneficiary component 2 (Benefits from capacity building)
Asociaci?n Salvadore?a de Beneficiadores y Exportadores de Caf?	Producer association	Enhance benefits for producers	Build capacities of its members Strengthen the sector	To be consulted To be informed	Activities component 2-3
Uni?n de Cooperativas de Cafetaleros de El Salvador	Cooperative association	Enhance benefits for producers	Build capacities of its members Strengthen the sector	To be consulted To be informed	Activities component 2-3
Asociaci?n Cafetalera de El Salvador	Producer association	Enhance benefits for producers	Build capacities of its members Strengthen the sector	Accountable To be consulted	PSC member Beneficiary component 2-3
Sociedad cooperativa de productores de cacao de El Salvador	Cooperative association	Enhance benefits for producers	Build capacities of its members Strengthen the sector	Accountable To be consulted	PSC member Beneficiary component 2-3
Women's Coffee Alliance El Salvador	CSO	Support women producers and exporters	Build capacities of its members Strengthen the sector	Accountable To be consulted	PSC member Beneficiary component 2-3
Asociaci?n Coordinadora Salvadore?a de Peque?os Productores Organizados (CESPPO)	Producer association	Enhance benefits for producers	Build capacities of its members Strengthen the sector	To be consulted	Beneficiary component 2-3
Fundaci?n para el desarrollo socio econ?mico y recuperaci?n ambiental (FUNDESYRAM)	NGO	Support economic development and environmental restoration of communities	Connect communities to the activities of the project	To be informed	Receive and share information on component 1-2

Name	Type	Role	Interest in the project	Role(s) in the project	
Banco Hipotecario	Financial institution	Financial services to MSMEs	Learn from BFA?s experience	To be informed	Receive information on component 1-3
Bandesal	Financial institution	Offers among others credit lines for MSMEs in coffee production, other productions as well as the Banca Mujer program targeting women entrepreneurs	Learn from BFA?s experience	To be informed	Receive information on component 1-3
Local institutions					
Cooperativa de Caficultores Ar?bigo de R. L	Cooperative association	Enhance benefits for producers	Build its capacities and those of its members Facilitate access to finance for adaptation Increase participation of youth in the coffee and cacao value chains	To be consulted To be informed	Beneficiary component 1-2
Soc. Coop. De Cafetaleros de Ciudad Barrios de R.L	Cooperative association	Enhance benefits for producers			
Sociedad Cooperativa de Viveristas El Refugio de R. L.	Cooperative association	Enhance benefits for producers			
Cooperativa de Caficultores Jucuapense de R. L	Cooperative association	Enhance benefits for producers			
ACOPACA de R.L Asociaci?n Cooperativa de R. L	Cooperative association	Enhance benefits for producers			
Gremio de Viveristas de Caf? de El Salvador	Nursery owners association	Enhance benefits for producers			
Cooperativa Piedras Azules	Cooperative association	Enhance benefits for producers			

Name	Type	Role	Interest in the project	Role(s) in the project	
Asociaci?n Cooperativa de Producci?n Agropecuaria Los Pinos de R. L	Cooperative association	Enhance benefits for producers			
Cooperativa El Espino de R.L	Cooperative association	Enhance benefits for producers			
Asociaci?n cooperativa de Producci?n Agropecuaria Cacao Los Izalcos	Cooperative association	Cooperative association with strong women membership			
Other coffee and cacao cooperatives, incl. women-led ones	Cooperative association	Support producers			
Regional/global institutions					
UNEP	UN Organization	GEF Agency Implementing NAP planning mechanisms	Oversee implementation according to GEF/SCCF rules Ensure project contribution to adaptation benefits	Accountable	GEF Implementing Agency PSC member
Central American Microfinance Association Network (REDCAMIF)	CSO	Network of microfinance organizations	Build the capacities of its members on NbS finance products Share knowledge and consolidate CoP	Accountable Responsible	National executing agency (NEA) for Component 3 PSC member
Fundecooperacion	NGO	Financial and technical assistance to farmers and MSMEs	Build its capacity to support farmers and MSMEs in adapting to climate change	To be consulted	Beneficiary and partner for Component 3

Name	Type	Role	Interest in the project	Role(s) in the project	
Banco Adopem	Financial institution	Provides microfinance services	Build its capacity to support farmers and MSMEs in adapting to climate change	To be consulted	Beneficiary and partner for Component 3
Lutheran World Relief (LWR)	NGO	Implementing *MOCCA* and *Alianza Cacao*	Leverage synergies with ongoing projects	To be consulted To be informed	Co-financier
Civil Leadership USA (CLUSA)	NGO	Implementing *Alianza Cacao*	Leverage synergies with ongoing project	To be consulted To be informed	Co-financier
Technoserve	NGO	Implementing *MOCCA*	Leverage synergies with ongoing project	To be consulted To be informed	Co-financier
Rikolto	NGO	Implementing *Knowledge management of the cacao value chain in Central America*	Coordinate and share knowledge	To be consulted To be informed	Coordinate and share knowledge
Catholic Relief Services (CRS)	NGO	Implementing *Alianza Cacao* and Raices	Leverage synergies with ongoing project	To be consulted To be informed	Co-financier
CARITAS	NGO	Implementing *Alianza Cacao*	Coordinate and share knowledge	To be consulted To be informed	Co-financier
World Cocoa Foundation (WCF)	NGO	Implementing *Partnership for Climate Smart Cocoa*	Leverage synergies with ongoing project	To be consulted To be informed	Coordinate and share knowledge
International Centre for Tropical Agriculture (CIAT)	Research institution	Researching adaptation and resilience in coffee and cacao in Central America	Expand knowledge based on SCCF experience	To be consulted To be informed	Knowledge exchange

Name	Type	Role	Interest in the project	Role(s) in the project	
Food and Agriculture Organization (FAO)	UN Organization	Implementing various projects, including *RECLIMA* and *CAMbio II*	Leverage synergies with ongoing project	To be consulted To be informed	Co-financier (RECLIMA project)
Inter-American Institute for Cooperation on Agriculture (IICA)	Multilateral organization	Funding *Strengthening the climatic change resilience of coffee forests in El Salvador*	Leverage synergies with ongoing project	To be consulted To be informed	Coordinate and share knowledge
Inter-American Development Bank, Central American Bank for Economic Integration (CABEI), Agence Fran?aise de D?veloppement (AFD), and other MDBs and DFIs	Multilateral development banks	Funding economic development	Identify innovative funding mechanisms for climate change adaptation	To be consulted	Beneficiary for component 3
BlueOrchard and other IIM	Private sector	Funding initiatives with positive social or environmental impacts	Identify innovative funding mechanisms for climate change adaptation	To be consulted	Beneficiary for component 3
Individual stakeholders					
Individual coffee producers (incl. women)	Private sector	Produce coffee	Enhance the sustainability of their livelihoods and their resilience in the face of climate change	To be consulted	Beneficiary for component 1-2
Individual cacao producers (incl. women)	Private sector	Produce cacao	Enhance the sustainability of their livelihoods and their resilience in the face of climate change	To be consulted	Beneficiary for component 1-2

Name	Type	Role	Interest in the project	Role(s) in the project	
Individual nursery owners (incl. women)	Private sector	Produce coffee and cacao plants	Enhance the sustainability of their livelihoods and their resilience in the face of climate change Build their capacity to provide climate resilient varieties to farmers	To be consulted	Beneficiary for component 1-2

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

Institutions identified as ?responsible? are directly involved in implementing some of the project activities. This is the case for BFA and REDCAMIF who are respectively responsible for Components 1-2 and Component 3. CSC and CENTA on the other hand will benefit from training-of-trainers and will then be involved in delivering some of the training planned.

?Accountable? institutions are members of the Project Steering Committee (PSC), with UNEP having specific accountability to the GEF. Institutions or people ?consulted" are those involved directly in the activities and who will be consulted at every stage of the project to plan activities according to their needs. This includes not only producers and producer organizations, but also co-financing and associate projects as well as institutions that will be targeted under Component 3 for the learning events. This also include organizations that have been involved in the past MEbA project and that will be sharing information with the SCCF project. Institutions ?to be informed? are the ones that will be looking to learn further from the experience in El Salvador.

The mechanisms for stakeholder engagement will include the following:

? The PSC will engage key stakeholders in providing oversight and direction over the implementation of the project. The PSC includes not only public sector institutions but also representatives from producers and women?s organizations.
? The project inception, mid-term and final workshops will inform and consult stakeholders about project implementation.
? During the inception phase, extensive consultations will be held to plan the roll out of the project. For each component, stakeholders will be consulted and involved in finalizing plans.
? Communities of Practice will act as inclusive mechanisms where all stakeholders will be able to contribute to and learn from the project.

Select what role civil society will play in the project:

Consulted only;

Member of Advisory Body; Contractor;

Co-financier;

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

Executor or co-executor; Yes

Other (Please explain)

3. Gender Equality and Women's Empowerment

Provide the gender analysis or equivalent socio-economic assesment.

Climate change impacts economic sectors and people differently, and rural women farmers are in a particularly vulnerable position since they generally have fewer opportunities for access to paid jobs, do not have financial independence, work more unpaid hours in domestic activities than men, and have less access to land, education and financing. Rural women in particular have fragile livelihoods that rely heavily on local natural resources, which climate change is making harder to secure. Women in Latin America play critical roles in their communities and are key to securing food, resources, and income for their families. Women account for 20% of Latin America?s agricultural labor force[1], they participate in productive activities and in natural resources management.

According to the global gender gap index of the World Economic Forum, El Salvador is ranked 87th out of 149 countries evaluated[2]. The index is calculated taking into account variables of economic participation and opportunities, education, political participation, and health. The subindex of political participation and economic participation is where the country shows the worst performance. The OECD DEV Social Institutions & Gender Index (SIGI) provides an overall SIGI value of 23%, putting EL Salvador in the ?Low? category[3][4]. The value is based on an analysis of four main criteria: Discrimination in the family; Restricted physical integrity; Restricted access to productive and financial resources; and Restricted civil liberties. The two latter criteria rate lowest of the four with 20% and 18% respectively. Additionally, El Salvador is among the 5 countries with the largest gender gap in the Latin American and Caribbean region. Finally, El Salvador?s UNDP Gender Inequality Index (globally renowned gender index) was at 0.383, ranking 85th out of 189 countries (world average of 0.436).

Land

Despite the Government of El Salvador?s efforts to build a more equitable country (El Salvador is a signatory of the Protocol to the convention on the elimination of all forms of discrimination against women[4], and also has the Salvadoran Institute for the Development of women), it is notable that agricultural sector policies and existing climate change policies still do not make any reference to gender equality. Only the Family Agriculture Plan of 2012 indicate gender as key to its objectives[5][5]. According to the latest available agricultural census (2007) in El Salvador there were 45,676 female agricultural producers and 348,975 male agricultural producers[6][6]. This does not necessarily indicate a lower participation of women in the sector but less ownership of farms and less participation as decision makers in the family units. Overall share of agricultural land holders is 88% male holders[7][7]. In the case of coffee, in 2015, 34% of the producers were women, out of which 81% had farms of less than 3.5 hectares[8][8]. Overall, in the coffee sector, 60% of farm owners are men, 35% are women and 5% are companies or groups[9][9].

Indeed, as in many other countries, the main factors negatively impacting women and girls often relate to their access to, and use of, land and natural resources, as well as their involvement in unpaid work limiting their ability to otherwise engage in leadership functions.

Although El Salvador?s legislation recognizes women?s and daughter?s equal rights to inherit land and non-land assets[10][10] women have no inheritance rights over the land, cultural factors that limit women?s land inheritance rights persist: the patriarchal structure of the society which positions men as sole responsible for public space and land. In this context, men are generally privileged when it comes to land inheritance[11][11]. Women normally do not claim access to land because they are unaware they have the right to do so. Culturally, they consider inheritance as a men?s right. Thus, the agricultural land typically belongs to men. In these circumstances, decision-making power to combat climate change (e.g. adapting crops, planting trees to protect the soil, setting the land fallow) remains outside of the realm of influence of most women, thereby exacerbating their vulnerability to climate change.

Indeed, El Salvador rural areas, women are typically responsible for household care tasks ? even those who are legally the owners of the land ? while men perform most agricultural tasks. Women are responsible for carrying firewood and water for household consumption. A minority of women perform agricultural tasks (10 to 15% as per observations during the data collection), but they are also expected to fulfil their household chores. As a result, women?s workload will increase because of decreased water availability and forest fires. Both men and women will be affected by higher temperatures, but these may have adverse effects on the health of pregnant women.

It is to be noted that some efforts are being put into increasing women?s access to land. The National Equality Plan 2016-2020 (*Plan Nacional de Igualdad 2016 - 2020*) promotes women?s participation in rural committees and is intended to facilitate access to credit. It is also to women?s access to capacity building in agricultural techniques, among other measures[12][12]. This highlights the importance of access to finances? issue for women because more often than not, they have insufficient financial resources to buy land. They are then stuck in a vicious circle because they also face difficulties in accessing credit because they are not property owners[13][13]. In 2014, the Government of El Salvador

started the *Banca Mujer* programme with the objective of promoting the economic autonomy and financial inclusion of women entrepreneurs, providing them with credit lines, guarantee lines and capacity building through training and technical assistance. The programme is still ongoing[14][14].

Coffee and Cacao

Significant barriers remain to address the differentiated vulnerability of women in the coffee and cacao value chains which need to be considered to ensure the project equally benefits women and men. These include:

- ? Due to household responsibilities, limited availability of women to participate in project activities;
- ? Lack of land ownership limiting access to credit and decision-making on production;
- ? Entrenched discrimination at all levels;
- ? Insecurity due to gangs limiting women?s willingness to participate in project activities that involve traveling across or between regions.

Considering the persistent gender equality gap in El Salvador and the specific barriers identified, the project will promote the empowerment of rural women in the coffee and cocoa value chains. It will ensure that capacity building activities on issues such as climate-adapted cacao and coffee production, family finances, access to credit, and access to markets, effectively reach a significant proportion of women among the target population. The following measures will be implemented within the SCCF project:

The project will leverage existing women's groups, with special emphasis on women's farmer organizations, and cooperatives. Indeed, while only a third of individual producers are female, women?s membership in cooperatives can reach 50%. In consultation with these organizations, the project will identify appropriate means to engage women in the discussion about climate change adaptation, such as finding the right timing and location to organize activities, and topics on which women can have an impact in their household.

With regards to financial inclusion, women will be targeted for specific NbS that enable enhanced resilience for them and their household, e.g., alternative sources of income such as fruit production and beekeeping. This will not only allow them increased access to land and resources, but also enhanced economic benefits from their work. In addition, a minimum percentage of credits for rural women will be established, promoting equitable access to financing, and ensuring that the principles of action without harm are met.

Enhancing and increasing the visibility of the role of women in coffee and cacao farms is necessary to fight inequalities. A special analysis piece on the role of women in the production of cacao and coffee in El Salvador will be published within project produced content to understand and make visible the potential of women in the management of nature-based solutions and the generation of climate resilience in rural households.

Building gender equality into project implementation will also require efforts in the project management structure. The participation of the Women's coffee alliance in El Salvador and other local women's producer organizations will be promoted. The Women?s coffee alliance and at least another women-led producer organization will sit in the project steering committee (PSC). Gender diversity

will be promoted within the Project Management Unit, and one of the staff members will hold specific responsibilities to ensure that the project activities are gender-responsive.

The project results framework includes specific targets for gender, which will be monitored across the project, and on which the project will be evaluated. These targets acknowledge the significant barriers faced in involving women on the issues targeted by the project. The promotion of women?s participation under the project is in line with GEF guidance and standards. The participation and number of women involved in the project will be monitored during project implementation.

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[9] Estad?sticas | Consejo Salvadore?o Del Caf? [Internet]. .

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[11] IFAD (2014), El Salvador - The case of the Reconstruction and Rural Modernization Programme (PREMODER), p. 22

[12] Instituto Salvadore?o para el Desarrollo de la Mujer, 2016. *Plan Nacional de Igualdad 2016 ? 2020.* P. 15

[13] FAO (n.d.), Access to agricultural ressources and services, El Salvador, http://www.fao.org/docrep/v9648e/v9648e06.htm (accessed March 2, 2021).

[14] Bandesal. http://www.bandesal.gob.sv/programas/banca-mujer/ (accessed March 2, 2021).

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

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

Improving women's participation and decision making

Generating socio-economic benefits or services or women Yes

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

Yes
4. Private sector engagement

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

Private sector engagement is a major focus of the proposed SCCF project since all three components seek opportunities to engage with private sector at different levels. Although BFA is a State bank, it has mixed capital and operates as a private entity. Generally speaking, its clients are from the private sector, whether MSMEs or agroindustrial producers, or individuals through microcredit processes. Its financial products are adapted to the different types of private sector clients. The structure of the lending mechanism to implement EbA options will be directed at micro, small and medium-scale agricultural entrepreneurs who, in addition of accessing loan services at improved rates in Component 1, will receive training on associative processes and access to markets targeted at climate-resilient, high-value production in Component 2. The sustainability of the project relies on ensuring that investment in climate change adaptation in the coffee and cacao value chains is integrated in business management as future productivity enhancement measures. At the essence of the project?s conceptualization is the idea that taking into consideration adaptation issues goes beyond environmental concerns and are central to the private sector?s development in the agricultural sector.

In addition, although not at the center of the project, access to market considerations will be integrated in all three components. Much of this work will draw from the coordination of activities with baseline projects. Indeed, actors in the value chains that will be targeted by the SCCF project will be better positioned to take on a loan if they are more prepared to answer the potential demand for their products. Many of the baseline projects include this aspect of private sector development, for example by supporting the producers to enhance the quality of their cacao beans through fermentation. These baseline projects also address the transformation of the production, again ensuring the production reach new markets, including at the national level. In other words, the projects support technology transfer to enhance farming and processing activities, hence adding value to the raw products which returns to the resilient producers. Finally, processing, packaging, marketing and transport are all private sector engagement elements that fall in one or the other of the baseline projects the SCCF project will work with. The SCCF project itself has the potential of contributing to this process as climate change adaptation can normally have positive effects on the quality of the production, potentially helping the

farmers reach buyers with higher standards. For example, access to a water reservoir clearly enhances the quality of the coffee and cacao fruits; access to solar dryers can also lead to this result.

Agroforestry, in addition to being a climate-resilient approach to farming, allows for private sector producers to diversify revenues while, for example, cacao trees are growing (the trees can take up to three or four years before they start producing fruits). The same can be said about the bee-keeping and eco-tourism solutions, among many others.

By enhancing awareness of adaptation needs and solutions to build resilience of agricultural activities throughout value chains, the project will also contribute to the development of a demand for adaptation services and technologies (processing, dryers, roasters?), and could boost future private sector investments in adaptation for the agricultural sector.

Development Finance Institutions (DFIs) and Impact Investment Managers (IIMs) will be targeted for regional replication and upscale in Component 3 so that a similar mechanism may be accessed by additional financial intermediaries and made available to coffee and cacao producers in the region. Selected private financial institutions associated with REDCAMIF or other microfinance associations in the region will receive either one-on-one or summarized training on the MEbA methodology to scale up or begin incorporating climate criteria into credit decision-making and establishing the necessary tools to monitor climate-resilient investments.

5. Risks to Achieving Project Objectives

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

For the project objective to be met, the risks to implementation need to be identified and assessed. Effective identification and assessment of risks will allow for appropriate countermeasures to be taken. Monitoring and updating the project risks will be an important task of the PMU throughout the project implementation phase. The table below summarises the identified risks and suggested countermeasures.

Table 12. Risks and Countermeasures

#	Description	Potential consequence	Countermeasures	Risk category	Probability & impact (1?5)
Local-level risks					

#	Description	Potential consequence	Countermeasures	Risk category	Probability & impact (1?5)
1	Limited acceptance/demand/adoption of adaptation interventions by coffee and cacao farmers.	Adaptation interventions not adopted during or after the proposed SCCF project, resulting in the continued vulnerability of coffee and cacao farmers and decreased ecosystem services. Interventions will not be sustainable after the project finishes.	Demand will be enhanced with a dedicated and preferential credit line in Component 1. Technological support on implementation and operation of sustainable business practices will be provided in an adapted and user-friendly manner in Component 2. Producer awareness will be raised on the importance of the adaptation interventions and the productivity enhancement it will bring to their farm. Particular attention will be given to women farmers in the credit assessment process and in capacity-building activities. During the PPG phase, site selection was completed. A sample of the cacao and coffee producers were consulted and demand for adaptation options were analysed to ensure solutions proposed are demand driven and respond to needs and priorities. A results framework has been developed for the project with indicators disaggregated by gender.	Economic Technical	P=2 I=4

#	Description	Potential consequence	Countermeasures	Risk category	Probability & impact (1?5)
2	Microfinancing promotes over indebtedness of coffee and cacao producers which can generate further problems instead of bringing solutions to the challenges they face.	Degradation of socio-economic and environmental conditions due to the impact of over-indebtedness in farmer?s livelihoods, leading to increased vulnerability to climate change.	Adaptation loans will be demand-driven. The credit methodology has been tested since 2012 and proven effective in integrating risk assessment processes into institutions? policies, where over-indebtedness prevention measures are applied. Furthermore, investments in nature-based solutions will be linked to a productive activity that the project will help to ?climate-proof? for increased, diversified and consistent revenues. The technological support in Component 2 integrates debt re-structuring and financial planning. The BFA will not provide loans to producers who are already to indebted. Synergies with other projects (e.g. Alianza Cacao) will help mitigate through co-financing of some of the NbS investments.	Economic	P = 3 I = 4

#	Description	Potential consequence	Countermeasures	Risk category	Probability & impact (1?5)
3	Natural hazards and climate shocks prevent the implementation of planned technical support activities. This risk is actually present because the projects site selection was based on the particular climate vulnerability. The team addressed this risk in the SRIF.	Increased negative impact on crop productivity, ecosystems and ecosystem services, thus impacting farmers? livelihoods and main source of income. Delays in project implementation. Damages to NbS implemented through producer credit-backed investments.	Nature-based interventions are designed to be climate-resilient (e.g. best practices followed in terms of planting operations, choice of varieties, etc.). Activities will take into account and integrate climate and early warning information. Considering the current climatic variability in the occurrence of identified climate drivers (see problem tree) during the implementation of Component 2 activities will allow adapting the project to these circumstances. In addition, the activities will be adapted to the production cycles to ensure timeliness of the support provided and investment made.	Natural Economic	P=3 I=3
National-level risks					

#	Description	Potential consequence	Countermeasures	Risk category	Probability & impact (1?5)
1	The dedicated credit line is not sufficiently accessed by coffee and cacao farmers, hindering the project from reaching its targets and supporting the beneficiaries.	Producers that have not accessed loans will not have invested in NbS for Climate change adaptation and will hence remain and become even more vulnerable to the effects of climate change. Under-disbursement of Nature-based adaptation loans will have impacts on investors? confidence in agricultural lending.	The combined technical and financial support in Components 1-3 aim at maximizing potential for full use of the credit line: from improved lending conditions to technical assistance to both loan givers and receivers. The project will closely monitor the disbursement rates of the available credit line and will act on under-disbursement in a timely manner. Working with baseline and associate project partners will open the access to additional producers who would eventually be interested in contracting a loan.	Economic Natural	P =2 I = 3

#	Description	Potential consequence	Countermeasures	Risk category	Probability & impact (1?5)
2	Technical or logistic characteristic of the project surpass management capacity.	Project interventions delayed, insufficient capacity to face potential implementation challenges.	The capacity of BFA and other national stakeholders in El Salvador for the promotion, monitoring and follow-up of NbS-oriented credits will be enhanced through training and capacity-building activities in Components 1 and 2. All partners involved in project execution will have been either trained or already have ample experience in the proposed approaches. The use of previous MEbA projects? material, lessons learned and best practices to provide training to BFA, farmers, associations and financial intermediaries as required once the project starts.	Organisational	P=2 I=3

#	Description	Potential consequence	Countermeasures	Risk category	Probability & impact (1?5)
3	Improved conditions provided by the SCCF project in terms of preferential financing or technical assistance to farmers are not sustained over time.	Similar credit lines will not be replicated or will not include the support components, limiting the scope for national or regional replication and scale-up.	Improvement in procedures have already proven beneficial to reduce processing time of credits, and also in diminishing losses and arrears due to climate change. The project will prove the concept of risk-adjusted pricing, which once established will provide options to financial intermediaries of incentivizing those who invest in climate-resilient approaches. The technical support, once established, will require little maintenance, which farmers can pay with increased productivity or its costs may be included in the overall loan cost. The project will leave installed capacity, such as a long-term financing mechanism and technical curricula for training of trainers in place.	Social Economic	P=2 I=4

#	Description	Potential consequence	Countermeasures	Risk category	Probability & impact (1?5)
	Limited coordination and synergies with other projects due to lack of interest in the CC blend project from potential partners.	A siloed project implementation would lead to limited results, limit their sustainability and would render the scaling of the MEbA and NbS to Climate change adaptation cumbersome.	Continue engaging with the potential partners from the very beginning of the project and at every step of the project timeline. Ensure actual activity implementation is done in a coordinated manner and not only work sharing of each project?s progress. Many of the producers will be the same for the SCCF project as those from the other projects.	Organisational	P=p1 I= 3

#	Description	Potential consequence	Countermeasures	Risk category	Probability & impact (1?5)
	The COVID-19 crisis	In addition to the health risks themselves, (the risk that project stakeholders get sick from the decease and infect their families), the restrictions related to the COVID-19 crisis can also hinder the organization of in-person meetings and events required to operate the project effectively and efficiently. If the crisis extends over time it could have operational impacts on the implementation and institutional/ governance arrangements of the project.	If at all possible, the first and most important countermeasure will be to ensure that, if in-person events are allowed but that the pandemic is still ongoing, all stakeholders respect public health guidance and measures (e.g., mask wearing, social distancing, work as much possible outside, etc.) Mitigate social distancing requirements by enhancing IT support and funding, to the extent possible. Review and adjust implementation and stakeholder engagement arrangements to compensate staff shortages, reorientation of institutional priorities and social distancing. Adopt higher flexibility and adaptive management and use remote communication whenever possible.	Organisational	P = 3 I = 3
Regional level risks					

#	Description	Potential consequence	Countermeasures	Risk category	Probability & impact (1?5)
1	Limited understanding of the project?s concept by financial intermediaries in the region.	Replication limited to collaboration with 1-2 financial intermediaries. Negative outcome on the suitability and sustainability of a regional credit line.	Component 3 is aimed at sharing knowledge among financial institutions and increasing understanding of green finance for adaptation. Training on methods and tools directed at financial intermediaries will be provided in the Community of Practice platform. An inception workshop will be organized with REDCAMIF to engage institutions. It will be important for the regional component lead executing agency to really understand well the MEbA concepts and details, and to understand the monitoring data generated by the project to then disseminate and explain them at the regional level.	Technical	P = 1 I = 3

#	Description	Potential consequence	Countermeasures	Risk category	Probability & impact (1?5)
2	Development Finance Institutions (DFIs) may not engage with the project.	Replication and scale-up potential of the project will be limited.	The topic of ?green credit lines? is of major interest to DFIs but capacity of financial intermediaries to monitor impacts of invested funds is often limited. The monitoring process also incurs additional costs that financial intermediaries would transfer to the client, thus effectively increasing rates. All project components will serve as proof of concept that with ad-hoc tools and once the capacity is installed, financial intermediaries may autonomously monitor investments? results in increased adaptive capacity from nature-based solutions at no additional costs. Increased certainty of impacts will increase confidence in agricultural lending. Engagement with DFIs such as CABEI, AFD, IDB, CAF and IIMs, such as BlueOrchard and Incofin, will be constant throughout the project.	Organisational	P = 2 I = 3

6. Institutional Arrangement and Coordination

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

The project will be implemented over a period of two years (see workplan in Annex H). The process of hiring project staff will be undertaken shortly after the CEO endorsement. Implementation will be informed by the lessons learned from the MEbA I and II projects.

During the inception phase of the project, the following steps will be undertaken: i) organisation of the inception workshop, whether virtually or in person (if COVID-19 guidance in El Salvador allows it), to inform existing and new stakeholders about the project and the roles of each stakeholder during the implementation phase; and ii) intensive consultations with regional, national and local stakeholders to confirm and finalize the selection of the project intervention sites.

UNEP Climate Change Adaptation Unit (CCAU), as the Implementing Agency (IA), will oversee the overall project and provide the technical assistance required to meet project outcomes. UNEP will be responsible for project supervision to ensure consistency with GEF and UNEP policies and procedures. This supervision will be the responsibility of the Task Manager (TM), who will be appointed by UNEP. The TM will formally participate in the following: i) Project Steering Committee (PSC) meetings; ii) the final evaluation; iii) the clearance of Half?Yearly Progress Reports (HYPRs) and Project Implementation Reviews (PIRs), expenditure reports and budget revisions; and iv) the technical review of project outputs.

? Management structure

The project National Executing Agency (NEA) for Components 1 and 2 will be Banco de Fomento Agropecuario (BFA) as a decentralized credit institution of the El Salvador Ministry of Agriculture and Livestock (MAG). BFA will work with CLUSA and Rikolto, among other NGOs, to provide the technical assistance to beneficiaries. Concerning the execution of Component 3, which is a regional component, REDCAMIF will be coordinating the activities with a strong support from Fundecooperacion which has experience in MEbA solutions (the organization was involved in MEbA II project). REDCAMIF is a well-established regional information and knowledge sharing network, which has the needed reach to attract interest of key stakeholders in the project, MEbA and its approach, including from the financial sector. REDCAMIF will be leading the implementation and coordination of Component 3 and its regional activities. It will also manage this component?s budget. Fundecooperacion, a Costa Rican national organization, is a REDCAMIF member which also has links with relevant regional actors.

Fundecooperacion will play an important role in collecting and analyzing information and data from the Salvadoran project activities and generating knowledge dissemination content and training.

The management structure of the project will include a Project Steering Committee (PSC), with a mandate to oversee and guide project implementation, and to review annual workplans and project reports. The PSC will include representatives of BFA (the NEA), MARN, MAG, UNEP, REDCAMIF and key project stakeholders from CENTA and CSC. Members of relevant implementing partners, members of relevant cacao and coffee associations and co-operations, as well as farmer leaders will also be invited to participate in the PSC to ensure sectoral coherence, local ownership and guidance for the project. Examples include: Asociaci?n Salvadore?a de Beneficiadores y Exportadores de Caf?, Uni?n de Cooperativas de Cafetaleros de El Salvador, Sociedad cooperativa de productores de cacao de El Salvador and Women's Coffee Alliance El Salvador, among others.

The mandate of the PSC will include: i) overseeing project implementation; and ii) reviewing annual workplans and project reports. All decisions taken by the PSC will be communicated directly to MAG and the Project Management Unit (PMU). The MAG Director of the Office of Cooperation for Agricultural and Livestock Development will chair the PSC. The PSC will meet twice a year, with *ad hoc* meetings held when necessary to discuss the main performance indicators of the project and to provide further guidance. Coordinating structures at the lower-level government structures will be determined during the inception phase.

A full-time, dedicated Project Manager (PM) will be hired by BFA to lead a Project Management Unit (PMU) in El Salvador for Components 1 and 2, and to execute the day-to-day management of the project. He/she will operate in a transparent and effective manner in line with project budgets and workplans. In addition, the PM will report on a monthly basis to the NEA on the progress and challenges encountered on?the?ground during the execution of activities. In particular, the PM will: i) lead the day-to-day planning and implementation of the project; ii) provide on-the-ground information for UNEP progress reports; iii) engage with stakeholders; iv) organise the PSC meetings; v) provide technical support to the project, including measures to address challenges to project implementation; vi) manage the project budget and resource allocation; and vii) participate in training activities, report writing and facilitation of consultant activities that are relevant to his/her area of expertise. Additionally, the PM will meet with the managers of the baseline and partner projects and programmes (e.g. Allianza Cacao and MOCCA) every three months, or more frequently if necessary, as part of a coordination working group. The focus will be on sharing lessons learned and avoiding duplication of activities.

The PMU will be composed of a team of four staff, one being the PM. The PM will be supported in meeting the project objective by an M&E specialist whose duties will include: i) establishing a

performance monitoring framework to define bi?annual targets for the project to meet the targets defined in the project Results Framework by the end of the implementation phase; ii) measuring project indicators at least 1?2 times per year to evaluate the progress of the project in meeting the targets; and iii) reporting to the PMU and PSC on the performance of the project according to project indicators. As part of his/her responsibilities, the M&E specialist will oversee and monitor the application of gender?disaggregated indicators. If the expected ratio is not achieved, corrective actions will be designed by the M&E specialist, the PM and the relevant expert. The latter will be responsible for implementing these corrective actions until a satisfactory level of participation of women is reached. The PMU members will also be responsible for monitoring and reviewing gender sensitivity in the training activities.

The M&E expert will combine his M&E responsabilities with his/ her role as a field technical officer (the two other PMU members will be field officers as well), which will include: i) ensuring the timely execution of activities and achievement of expected deliverables; ii) promoting dialogue between stakeholders, particularly at a local level; and iii) facilitating the participation of producers, associations, and cooperatives in project activities. To the extent possible, the PMU will involve members that are as near as possible to the project sites to ensure physical proximity with the main project activities.

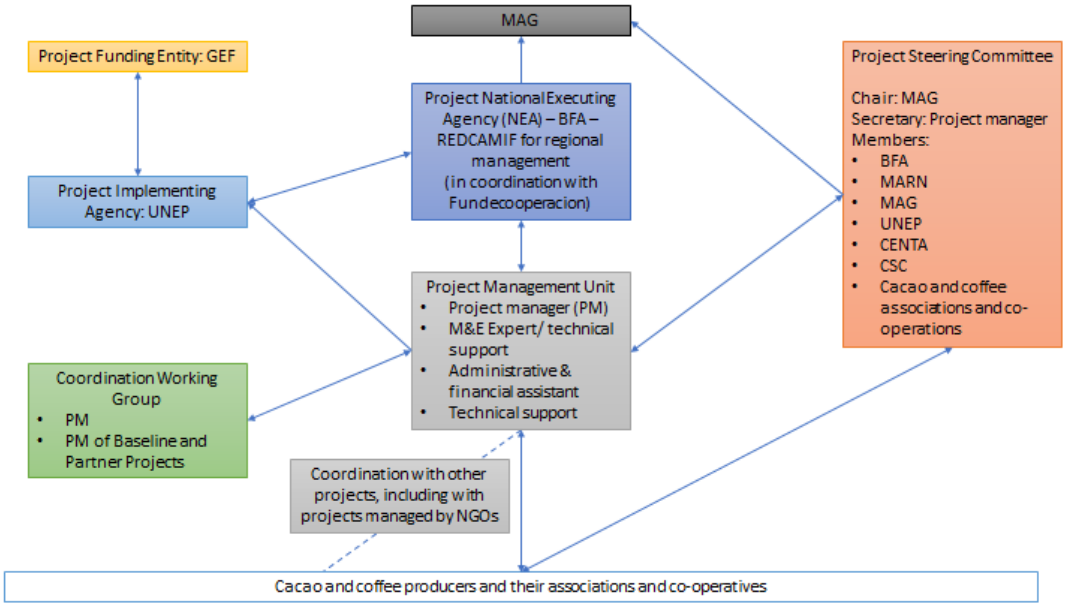
One of the other two PMU members will combine administrative assistant tasks with financial assistant tasks and another will be a full-time field officer. The administrative assistant will help the project staff with technical, logistical and administrative matters. He/she will handle the accounts of the project and prepare the expenditure reports to the standard required by UNEP. The PMU members will be responsible for their own transport costs. Procurement of services, goods and works of the project will follow the national procurement regulations.

The NEA will support the work of project staff and consultants by providing office space and other logistic support in the targeted regions of the project during the implementation phase.

Budget disbursement will be managed by NEA to facilitate timely expenditure, disbursement and transparency. Expenditure reports will be prepared quarterly by the PMU, based on UNEP?s UMOJA System and will be made available to the BFA, subject to clearance by UNEP.

The project will follow UNEP standard monitoring, reporting and evaluation processes and procedures. The M&E plan, consistent with the GEF M&E policy, is presented below (Section 9).

Figure 6. Organogram of the project management structure



? Coordination with other GEF and non-GEF initiatives

Numerous national and regional GEF and non-GEF projects that focus on adaptation to climate change have been or are currently being implemented in El Salvador and Central America and the Dominican Republic. These projects will provide information on relevant, cost-effective climate change adaptation interventions as well as lessons learned on policies and financing mechanism that can guide the adaptation process of coffee and cacao farmers in El Salvador and the region. The proposed SCCF project will generate evidence of an alternative private sector-led adaptation mechanism that can be applied in other adaptation approaches. These key initiatives in El Salvador are described below. There are many other GEF projects in El Salvador, but these are not related to agriculture and climate change adaptation and the ones that are, are now closed.

Since August 2017, UNEP has been implementing the regional project ?Building climate resilience of urban systems through Ecosystem-based Adaptation (EbA) in Latin America and the Caribbean? (?CityAdapt?). This USD 6 million GEF/SCCF project, which planned to be completed by December 2022, focuses on demonstrating the effectiveness of EbA solutions in the urban context in three mid-size cities in the region: San Salvador, El Salvador; Kingston, Jamaica; and Xalapa, Mexico. The proposed SCCF project will gather lessons learned from this project, particularly from its components on mainstreaming EbA solutions into planning mechanisms and sharing knowledge on EbA, to increase knowledge and understanding of innovative financial mechanisms that may support investments in nature-based adaptation solutions.

Government of El Salvador IKI -UNIQUE. ?Upscaling of private sector FLR investments in Latin America? provides support to meet the needs of impact investors in assessing and monitoring the environmental and social impacts of FLR projects in a transparent manner. The project, financed by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, will enable financial intermediaries to better monitor and communicate FLR impacts, to develop and implement specific lending products for FLR investments and to improve the enabling environment for FLR by strengthening their management capacity to upscale their FLR investments (loans and private equity). Its budget is USD 3,983,250 and implementation timeframe from March 2019 to February 2024. The outputs of the project will be made publicly available and promoted in order to globally support the FLR related policy targets and increase transferability.

National Program of Restoration of Ecosystems and Landscapes (PREP), is a flagship program of MARN to face the severe deterioration of ecosystems and the loss of ecosystem services with a Mitigation based on Adaptation approach. The program considers cost-effectiveness of adaptation measures and has interventions in over 170,657 ha[1] that benefits more than 100,000 people, addressing three components: 1. the development of climate- and biodiversity-friendly agriculture; 2. the restoration and inclusive conservation of critical ecosystems; and 3. the synergies between grey- and green-infrastructure. The Sustainability Index for Restoration (ISR) is a measure of the biophysics and socioeconomic impacts of the PREP, an integrates eight indexes related to water, soils, biodiversity, carbon, rural livelihoods, vulnerability and governance. The ISR has been applied at a pilot scale in one landscape for the 2011-2018 timeframe.

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[1] http://seaweb.marn.gob.sv:8080/geocumplimiento/vgres/dashboard.ph

7. Consistency with National Priorities

Describe the consistency of the project with national strategies and plans or reports and assesments under relevant conventions from below:

NAPAs, NAPs, ASGM NAPs, MIAs, NBSAPs, NCs, TNAs, NCSAs, NIPs, PRSPs, NPFE, BURs, INDCs, etc.

The proposed SCCF project will be aligned with the following national strategies and plans in El Salvador and regional initiatives in Central America.

El Salvador

? Nationally Determined Contribution (NDC) (2017), particularly objective 3.5.2 for the sustainable management of 1 million ha by 2030, and objective 3.5.4 on a plan for diversification of agriculture and economic activities in the Eastern portion of the country.

? National Environmental Policy (PNMA) (2012). The PNMA aims to reverse degradation and reduce environmental vulnerability to climate change.

? National Climate Change Strategy (ENCC). The ENCC provides strategic orientation for climate change adaptation and mitigation.

? Climate Change National Plan (PNCC) (2015). Road map for adaptation and mitigation actions that the country must carry out, in addition to the restoration of critical ecosystems.

? The Ministry of Agriculture and Livestock (MAG) has formulated its climate change policy (2017) and an environmental strategy of adaptation and mitigation (2015).

? MARN has prepared a Strategy for Restoration of Ecosystems and Landscapes, which maps out priority restoration areas for rural landscapes; as well as a National Plan for the Integrated Management of Water Resources (preliminary version, 2016). The Strategy includes a map of restoration needs developed using the Restoration Opportunities Assessment Methodology (ROAM), several of which overlap with the project areas, including in Ahuachapan, La Paz and Usulutan. The strategy identifies 114,615 ha of coffee land that should be restored by renovating the coffee trees, and 301,055 ha of cultivated land (including 66,369 ha of low altitude coffee) that should be renovated by implementing cacao agroforestal systems. This strategy presents good opportunities for ensuring continued support from the government for the achievements of the project beyond its direct lifetime.

? The Policy for the Development of the Salvadoran Cacao Value Chain (2018) establishes objectives for the transformation of the cacao sector into climate-resilient production, processing, value chain addition. Strategic objectives include: knowledge management and institutional strengthening, support of agroforestry systems for climate change adaptation, development of cacao agroindustry, commercialization of cacao and derivatives, strengthening associative processes and access to financing.

Regional

At the supranational level, the Central American Integration System (SICA) guides policy initiatives through several bodies, of which the Council of Ministers of the Central American Commission on Environment and Development (CCAD) is of particular importance for this SCCF project. The CCAD has recently published a regional climate change adaptation strategy. The proposed SCCF project is aligned with strategic objective 2.2 a) in terms of regionally reducing vulnerability and promoting adaptation and resilience to climate change of populations and key economic sectors. In terms of means of

implementation, the SCCF project is aligned with institutional strengthening, knowledge management and technology transfer and finance management.

The project is aligned with the NDCs of most countries in the Central American region, as they aim at reducing vulnerability in the agriculture sector since it is particularly important for their GDP. For example, in Guatemala the aim is to strengthen capacity of nearly 2 million producers linked to agriculture and forestry enterprises. In the Honduras NDC, specific changes of practices to agroforestry systems, organic farming, erosion control measures, improved seeds and farming calendars and micro-irrigation, among others, are mentioned, as well as a national climate finance process. Similarly, Nicaragua proposes to promote agroecological production in permanent shading systems resilient to climate impacts as well as the restoration and conservation of ecosystems and their services. Costa Rica has been a long-time promoter of conservation approaches, and explicitly highlights the commitment to promote ecosystem-based adaptation approaches. Typically developing countries do not have enough financial resources to initiate and maintain their adaptation actions on the ground and fulfillment of most NDCs is contingent to receiving international financing. The proposed approach aims to initiate and maintain such adaptation processes in a sustainable fashion, with financing from private sources complementing public funds. GEF/SCCF resources will be used to leverage financing that will deliver on-the ground solutions for cacao and coffee farmers in complete alignment with the NDC in El Salvador and those of other countries in the Central American region.

8. Knowledge Management

Elaborate the "Knowledge Management Approach" for the project, including a budget, key deliverables and a timeline, and explain how it will contribute to the project's overall impact.

The proposed SCCF project will address knowledge management mainly under Components 1 and 3. Under Output 1.3 ?Changes to adaptive capacity and climate-resilience monitored, measured and reported at the end of project?, the project will develop a methodology to effectively monitor the effects of NbS loans on the adaptive capacity of coffee and cacao producers, so as to enable learning and improving the use of such tools in adaptation, and generate evidence for other users. While the MEbA II project developed many tools to enable the use of microfinance for EbA, this was an important gap that will be addressed with this project. Lessons from previous projects in the region and from the field will be captured in a manual adaptation benefits of NbS, that will include a section on costs and benefits of adaptation options, to be produced under Component 3. Component 3 will promote regional knowledge exchange with the purpose of building the capacities of financial institutions to replicate the MEbA model. This will be achieved by generating knowledge products based on the experience in El Salvador, but also on previous MEbA experience. A Community of Practice will be established as a knowledge-sharing platform, through which trainings will be delivered and high-level dialogues organized. Knowledge topics promoted will include NbS and climate-resilient credit methodologies, as well as the use of MEbA tools. This approach will leverage the joint effects of technical training with experience sharing to build interest in replicating the model.

9. Monitoring and Evaluation

Describe the budgeted M and E plan

The project will follow UNEP standard monitoring, reporting and evaluation processes and procedures. Substantive and financial project reporting requirements are summarised in Table 13. Reporting requirements and templates are an integral part of the UNEP legal instrument to be signed by the executing agency and UNEP. The M&E plan of the project is also consistent with the GEF M&E policy. The Project Results Framework presented in Annex A includes SMART indicators for each expected outcome. These indicators will be the main tools for assessing project implementation progress and whether project results are being achieved.

The M&E plan will be reviewed and revised if required during the project inception phase. This process will enable project stakeholders to understand their roles and responsibilities in terms of project M&E. Indicators and their means of verification will also be fine-tuned, if necessary, at the inception workshop. Day?to?day project monitoring is the responsibility of the PMU, particularly the unit member with the specific M&E roles and responsibilities. In addition, other project partners will be responsible to collect specific information to track the indicators. It will be the responsibility of the PM to inform UNEP of any delays or difficulties during implementation and to act on these issues to minimize the effects on the progress towards results. For example, if loan disbursement is underperforming, the monitoring process will inform decision-makers and allow to open the availability of the credit lines to other sites in the country. This will allow the appropriate support or corrective measures to be implemented with minimal delays.

The PSC will receive periodic reports on progress and will make recommendations to UNEP on the need to revise any aspects of the Results Framework or the M&E plan. The Task Manager is responsible for project oversight to ensure that the project complies with UNEP and GEF policies and procedures. The Task Manager will also review the quality of project outputs, provide feedback to the project partners, and establish peer?review procedures to ensure adequate quality of scientific and technical outputs and publications.

Project supervision will take an adaptive management approach. The Task Manager will develop a project supervision plan during the inception phase of the project, which will be communicated to the project partners during the inception workshop. The emphasis of the Task Manager?s supervision will be on monitoring outcomes, without neglecting financial management and monitoring of the project?s implementation. Progress regarding the delivery of the agreed project benefits will be assessed by the PSC at agreed intervals. Project risks and assumptions will be regularly monitored both by project partners and UNEP. Risk assessment and rating is an integral part of the Project Implementation Review (PIR). The quality of project M&E will also be reviewed and rated as part of the PIR. Key financial parameters will be monitored quarterly to ensure effective use of financial resources.

The GEF tracking tool for adaptation is attached as Annex XX. The achievement towards the targets will be updated at project mid?term and at the end of the project, and will be made available to the GEF Secretariat along with the project PIR report. The project Terminal Evaluation (TE), to be undertaken immediately following the project technical completion, will include the verification of the information on the tracking tools.

Table 13. Costed M&E plan

Type of M&E activity	Responsible Parties	Budget USD (Excluding project team staff time)	Time frame
Inception workshop and report (including baseline data confirmation)	? PMU ? UNEP TM	Indicative cost: USD 8,000	Within the first two months of project start up. Will be undertaken at the national level.

Type of M&E activity	Responsible Parties	Budget USD (Excluding project team staff time)	Time frame
Measurement of means of verification of project results	? UNEP TM ? PMU	To be finalised at Inception Workshop. This includes hiring of specific studies and institutions, and delegate responsibilities to relevant team members.	Start, mid and end of project (during evaluation cycle) and annually when required.
Measurement of means of verification for project progress on output and implementation	? UNEP TM ? PMU	To be determined as part of the annual workplan?s (AWP?s) preparation.	Annually prior to PIR and to the definition of annual work plans.
PIR	? PMU ? UNEP TM & FMO (Fund Management Officer)	None.	Annually
Audit	? PM ? UNEP TM & FMO (Fund Management Officer)	Total indicative cost: USD 10,000 (USD 5,000 per year).	Annually
Periodic status/ progress reports	? PM ? M&E Specialist ? UNEP TM	None	Quarterly
Terminal Evaluation (TE)	? UNEP Evaluation Office	Indicative cost: USD 30,000	To be initiated at least three months before the end of project implementation.
Project terminal report	? PM ? M&E Specialist ? UNEP FMO ? UNEP TM	None	On completion of the TE.

Type of M&E activity	Responsible Parties	Budget USD (Excluding project team staff time)	Time frame
Visits to intervention sites of interests	? UNEP TM ? PMU ? PSC representatives	Paid from Implementing Agency fees and operational budget	Supervision mission by UNEP twice per year.
TOTAL indicative COST Excluding project team staff time and UNEP staff and travel expenses			USD 48,000

10. Benefits

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

The socioeconomic benefits of this project will be delivered on several levels. As described in the Stakeholder Engagement Plan (Table 11), different stakeholders have different interests that reflect the types of benefits expected from this project.

One of the most significant benefits will be for coffee and cacao producers, who will increase their technical and financial capacity to adapt their livelihoods to climate change. Thanks to the project, they will have tools to select the most suitable adaptation approach for their situation, and implement it. Many of the NbS will also contribute to increasing their revenues, by restoring degraded ecosystem services, restoring their production, or by allowing them to diversity their income sources. This will also increase their resilience to climate related events.

By targeting a high proportion of female producers, the project will increase the visibility of the role of women in coffee production. The training that they will receive on NbS and their enhanced access to microfinance will contribute to increase women?s access and control over the use of resources, and contribute to increase their revenues from agricultural production. Cooperatives and farmers? associations will also be strengthened by the increased resilience among their members, and better able to support their members in return.

BFA will increase its capacity to fulfill its mission of supporting the national agricultural producers in the face of climate change. Its staff will be trained on adaptation and NbS and it will possess a financial instrument along with all required tools to finance producers requiring adaptation investments. It will also be able to contribute to a broader network of financial institutions by sharing its experience.

At the national level, the socioeconomic benefits of the project will be limited by the size of the project. Nonetheless, it will contribute to the effort to rebuild the coffee sector and to develop the cacao sector, while making both of them more resilient to future climate shocks. Furthermore, efficient collaboration with ongoing projects is likely to create a multiplier effect for these benefits.

Regionally, the project will contribute to demonstrate the effectiveness of microfinance to support adaptation through natural solutions, thus contributing to close the finance gap on the adaptation sector.

11. Environmental and Social Safeguard (ESS) Risks

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

Overall Project/Program Risk Classification*

PIF	CEO Endorsement/Approval	MTR	TE
	Low		

Measures to address identified risks and impacts

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

Please see the attached UNEP Safeguard Risk Identification Form (SRIF).

Supporting Documents

Upload available ESS supporting documents.

Title	Module	Submitted
Safeguard Risk Identification Form (SRIF)	**CEO Endorsement ESS**	

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

	Indicator	*Target*	*Baseline*	*Means of verification*
Project Objective: To strengthen the climate resilience of coffee and cacao producers in El Salvador	Number of direct beneficiaries with enhanced climate resilience due to project-funded investments in coffee and cacao production in El Salvador	4,000 (1,300 female)	0	Household surveys and reports
Component 1. Establishing a blended finance facility for nature-based adaptation investments				
<u>Outcome 1</u> Increased uptake by 4,000 producers of financing to invest in climate resilience of cacao and coffee value chains in El Salvador	Change in the total and average amount of funds (per producer) invested in climate resilience for cacao and coffee value chains	1,250	0	BFA financial and project specific monitoring data
Output 1.1 Training workshops and guidance materials provided for six BFA rural branches on how to disburse loans for nature-based adaptation solutions, including on credit methodology, product development, risk and information management and monitoring.	Number of branches where staff has been trained to disburse loans for nature-based adaptation solutions Proportion of loan officers who consider they have the needed skills to disburse said loans	6 85%	0 0%	Monitoring data End-of-training surveys
Output 1.2 Dedicated credit line of USD 5 million for private investment in nature-based adaptation solutions designed and made available to 4,000 producers.	Number of dedicated credit lines established Number and average amount of loans provided Number of clients accessing the credit line (disaggregated by gender) Proportion of loans repaid as per initially agreed repayment schedule	1 4,000 1,250 USD 4,000 (1,300 female) 95%	0	BFA financial and project specific monitoring data
Output 1.3 Changes to adaptive capacity and climate-resilience monitored, measured and reported.	Number of strategies for a long-term financial mechanism for climate-adapted investments	1	0	The strategy.

	Indicator	*Target*	*Baseline*	*Means of verification*
Output 1.4 A long-term financial mechanism developed and promoted at national and regional levels for sustainable and climate-adapted investments in cacao and coffee value chains.	Number of financial mechanisms developed and promoted	1	0	
Component 2. Promoting climate-resilient production practices				
<u>Outcome 2</u> Increased application of climate-resilient production practices by 4,000 micro, small and medium businesses in coffee and cacao value chains on 6,400 ha of land	Number and proportion of farmers that apply appropriate nature-based adaptation solutions in coffee and cacao production (disaggregated by gender)	4,000	TBD	BFA financial and project specific monitoring data
Output 2.1 A community of practice with local technical institutions and agricultural service and input providers established and operationalized.	Number of members of the community of practice actively involved in exchanging knowledge through selected platforms	50	0	Project specific monitoring data
Output 2.2 Six training-of-trainers workshops, with a total of 30 participants, delivered on nature-based adaptation solution packages (five participants in each of the six targeted BFA branches).	Number of trainers trained (disaggregated by gender)	30	0	Project specific monitoring data
Output 2.3 Training and technical support delivered to 4,000 producers on climate and phenological information, nature-based adaptation solutions, financial literacy and business management skills.	Number of farmers trained or supported through each medium (e.g. formal training event, coaching / individualized technical support), disaggregated by gender. Number of farmers, entrepreneurs, and association representatives trained on each topic (climate and phenological information, nature-based adaptation solutions, financial literacy, business management, certification processes) disaggregated by gender.	4,000	0	Project specific monitoring data
Output 2.4 Three new peer-to-peer demonstration plots established for training and peer-to-peer learning for the producers.	Number of active peer-to-peer demonstration plots	3	0	Project specific monitoring data

	Indicator	*Target*	*Baseline*	*Means of verification*
Component 3. Sharing knowledge to increase regional access to sustainable finance				
Outcome 3 Enhanced regional engagement of and exchange among financial institutions concerning investment in climate resilient agriculture	Number of regional partnerships established following engagement in regional events Number of financial institutions actively involved in exchanging knowledge regionally concerning investment in climate resilient agriculture.	5 10		Post regional events surveys Project specific monitoring data
Output 3.1 Four knowledge products on lessons learnt from the project published and shared regionally (e.g. policy briefs for decision makers and a manual on nature-based adaptation solutions for cocoa and coffee chains).	Number and type of knowledge products (e.g. policy briefs for decision makers, a manual on nature-based adaptation solutions) published and shared regionally (disaggregated by country and means of sharing).	4	0	Project specific monitoring data
Output 3.2 Regional community of practice on finance for climate resilience in agriculture for financial institutions established and operationalised for knowledge sharing, training and partnership building to promote up-scaling of the project methodology, with at least five meetings convened.	Number of members of the community of practice actively involved in exchanging knowledge through selected platforms Number of knowledge exchanges on selected platforms (e.g. knowledge sharing events, trainings, papers, partnerships, etc.)	50 10	0 0	Post regional events surveys Project specific monitoring data
Output 3.3 Training on climate-resilient credit methodologies for replication provided at the regional scale to financial intermediaries.	Number of regional trainings provided	4	0	Project specific monitoring data
Output 3.4 Two high-level dialogue events between national, regional and global DFIs (national agricultural development banks, CABEI, CAF, IDB, AFD), IIMs and MFIs organized to catalyze second-tier investments (e.g. dedicated credit lines) for climate-resilient agriculture.	Number of high-level dialogue events realized	2	0	Project specific monitoring data

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

N/A

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

PPG Grant Approved at PIF: **50,000**			
Project Preparation Activities Implemented	***GETF/LDCF/SCCF Amount ($)***		
	Budgeted Amount	***Amount Spent To date***	***Amount Committed***
Consultancy services	50,000	8,050	41,950
Total	50,000	8,050	41,950

ANNEX D: Project Map(s) and Coordinates

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

Department	Municipality	Geolocalisation (for municipality)
Ahuachap?n	Concepci?n de Ataco	13.874195060095792, -89.85083231709183
	Ahuchapan	*13.926065985560221, -89.84280176418427*
	El Refugio	13.975111793250568, -89.7077894277336
	Atiquizaya	13.977698981557511, -89.75448679651127
	Turin	13.96372100120061, -89.77280628359745
	Tacuba	13.900034380732833, -89.93292338858195
Sonsonate	*Izalco*	13.74613724673031, -89.67736266551849
	Nahuizalco	13.778061090057228, -89.74077137851108
	Salcoatitan	13.830503837484088, -89.75994253947881
	San Julian	13.620321443419693, -89.79314258466225
La Paz	*San Miguel Tepezontes*	13.622319497683758, -89.01996770686976
	San Juan Tepezontes	13.614456201850892, -89.00977144141667
	Santiago Nonualco,	13.51315357621511, -88.93840319284983

	San Pedro Nonualco	13.602965304760877, -88.9260220076753
	Zacatecoluca	13.512370409672547, -88.87199186552154
Usulut?n	San Agustin	13.430656754163484, -88.59365230515294
	Alegria	13.506977869343624, -88.48701957384705
	San Francisco Javier	13.419708697977528, -88.57368875445053
	Jucuapa	13.518400545434906, -88.38505281741263
	Santiago de Maria	13.482804951189324, -88.4647252305083
	California	13.442613735153287, -88.46305155263123
	Berlin	13.496002972844433, -88.52985982138706
San Miguel	Chinameca	13.512454461079143, -88.35072044208374
	San Jorge	13.41637251601151, -88.34684094230519
	San Miguel	13.479258795629386, -88.17879076275065
	Nueva Guadalupe	13.53569574563444, -88.3515358206142
	Lolotique	13.555138188556876, -88.35076871346111
Moraz?n	*Delicias de Concepci?n*	13.78943577638084, -88.1414061592114
	Ciudad Barrios	13.805922811543642, -88.15163205558433
	Perquin	13.956745558645908, -88.1606913001492
	Arambala	13.922185188169262, -88.13333786708715
	San Simon	13.829787111628567, -88.22875505104375
	Oscicala	13.80617932769246, -88.15092805104817
	Gualococti	13.820244267795596, -88.20991521188046

ANNEX E: Project Budget Table

Please attach a project budget table.

Project implementation period:		From:		To:				
		Year 1		Year 2		Total	Total	
Class	Description	Executing Partner	UNEP	Executing Partner	UNEP	Executing Partner	UNEP	TOTAL
	COMPONENT I							
010	Staff & Personnel (Including Consultants)	185,615	-	73,385	-	259,000	-	259,000
120	Contract Services	-	-	-	-	-	-	-
125	Operating & Other Costs	-	-	-	-	-	-	-
130	Supplies, Commodities & Materials	4,900	-	2,100	-	7,000	-	7,000
135	Equipment, Vehicles & Furniture	9,061	-	3,939	-	13,000	-	13,000
140	Transfers & Grants to Implementing Partners	-	-	-	-	-	-	-
145	Grants Out	-	-	-	-	-	-	-
150	Implementing Partners Programme Support Costs	-	-	-	-	-	-	-
155	UN Programme Support Costs	-	-	-	-	-	-	-
160	Travel	17,425	-	7,575	-	25,000	-	25,000
Component I Total		**217,001**		**86,999**		**304,000**	**-**	**304,000**
	COMPONENT II							
010	Staff & Personnel (Including Consultants)	173,357		111,143		284,500	-	284,500
120	Contract Services	-		-		-	-	-
125	Operating & Other Costs	-		-			-	-
130	Supplies, Commodities & Materials	5,980		4,020		10,000	-	10,000
135	Equipment, Vehicles & Furniture	7,774		5,226		13,000	-	13,000
140	Transfers & Grants to Implementing Partners					-	-	-
145	Grants Out					-	-	-
150	Implementing Partners Programme Support Costs					-	-	-
155	UN Programme Support Costs					-	-	-
160	Travel	15,847		10,653		26,500	-	26,500
Component II Total		**202,958**		**131,042**		**334,000**	**-**	**334,000**
	COMPONENT III							
010	Staff & Personnel (Including Consultants)	45,304		153,984		199,288		199,288
120	Contract Services	11,168		33,864		45,032		45,032
125	Operating & Other Costs	-		-		-		-
130	Supplies, Commodities & Materials	-		-				-
135	Equipment, Vehicles & Furniture	2,356		7,144		9,500		9,500
140	Transfers & Grants to Implementing Partners	2,108		6,392		8,500		8,500
145	Grants Out			-		-		-
150	Implementing Partners Programme Support Costs			-		-		-
155	UN Programme Support Costs			-		-		-
160	Travel	10,912		33,088		44,000		44,000
Component III Total		**71,848**		**234,472**		**306,320**	**-**	**306,320**
	MONITORING & EVALUATION (M&E)							
010	Staff & Personnel (Including Consultants)	9,000		32,000	-	41,000	-	41,000
120	Contract Services					-	-	-
125	Operating & Other Costs	-			-	-	-	-
130	Supplies, Commodities & Materials	1,000				1,000	-	1,000
135	Equipment, Vehicles & Furniture					-		-
155	UN Programme Support Costs				-	-	-	-
160	Travel	3,000		3,000		6,000		6,000
M&E Total		**13,000**	**-**	**35,000**	**-**	**48,000**	**-**	**48,000**
	PROJECT MANAGEMENT COSTS (PMC)							
010	Staff & Personnel	43,200		31,200		74,400	-	74,400
120	Contract Services	12,416		12,416	-	24,832	-	24,832
125	Operating & Other Costs	-		-		-	-	-
130	Supplies, Commodities & Materials					-	-	-
160	Travel					-	-	-
PMC Total		**55,616**		**43,616**		**99,232**	**-**	**99,232**
GRAND TOTAL		**560,423**	**-**	**531,129**	**-**	**1,091,552**	**-**	**1,091,552**

ANNEX F: (For NGI only) Termsheet

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

ANNEX G: (For NGI only) Reflows

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

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

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