

Scaling Up CRAFT: Mobilizing Private Capital to Mitigate Climate Change and Reduce Land Degradation through Resilience Investments

Part I: Project Information

GEF ID

10765

Project Type

FSP

Type of Trust Fund

GET

CBIT/NGI

CBIT No

NGI Yes

Project Title

Scaling Up CRAFT: Mobilizing Private Capital to Mitigate Climate Change and Reduce Land Degradation through Resilience Investments

Countries

Global

Agency(ies)

CI

Other Executing Partner(s)

The Lightsmith Group

Executing Partner Type

Private Sector

GEF Focal Area

Multi Focal Area

Taxonomy

Focal Areas, Land Degradation, Land Degradation Neutrality, Land Productivity, Carbon stocks above or below ground, Sustainable Land Management, Income Generating Activities, Sustainable Livelihoods, Sustainable Agriculture, Restoration and Rehabilitation of Degraded Lands, Integrated and Cross-sectoral approach, Climate Change, Climate Change Mitigation, Agriculture, Forestry, and Other Land Use, Technology Transfer, Financing, Energy Efficiency, Stakeholders, Communications, Private Sector, Capital providers, Financial intermediaries and market facilitators, Individuals/Entrepreneurs, Non-Grant Pilot, Project Reflow, SMEs, Beneficiaries, Civil Society, Type of Engagement, Participation, Information Dissemination, Consultation, Partnership, Gender Equality, Gender results areas, Access to benefits and services, Access and control over natural resources, Knowledge Generation and Exchange, Gender Mainstreaming, Gender-sensitive indicators, Sex-disaggregated indicators, Women groups, Capacity, Knowledge and Research, Innovation

Rio Markers**Climate Change Mitigation**

Climate Change Mitigation 2

Climate Change Adaptation

Climate Change Adaptation 2

Duration

96 In Months

Agency Fee(\$)

360,000.00

Submission Date

2/25/2021

A. Indicative Focal/Non-Focal Area Elements

Programming Directions	Trust Fund	GEF Amount(\$)	Co-Fin Amount(\$)
CCM-1-4	GET	1,500,000.00	16,000,000.00
LD-1-1	GET	1,250,000.00	12,500,000.00
LD-1-4	GET	1,250,000.00	12,500,000.00
Total Project Cost (\$)		4,000,000.00	41,000,000.00

B. Indicative Project description summary

Project Objective

To mobilize and deploy an additional \$81 million in capital for innovative, scalable, enterprise-driven climate change mitigation and sustainable land use solutions under the Climate Resilience and Adaptation Finance & Technology Transfer Facility (CRAFT)

Project Component	Financing Type	Project Outcomes	Project Outputs	Trust Fund	GEF Amount(\$)	Co-Fin Amount(\$)
Component 1: GEF Financing enables CRAFT to deploy blended finance capital at scale into innovative companies that provide tools to enhance sustainable land use, deliver climate mitigation outcomes, and achieve high- leverage mobilization of capital to fully scale the fund and catalyze market transformation	Investment	<p>Outcome 1.1 CRAFT mobilizes and deploys public and private capital to demonstrate viability of climate solutions in developing countries delivering mitigation benefits and enhanced sustainable land use</p> <p>Indicator 1.1.1: Senior-layer Capital Raised for CRAFT (total in US\$) Target 1.1.1 US\$60 million in capital raised for senior layer of the fund (total)</p> <p>Indicator 1.1.2: Capital deployed (US\$) Target 1.1.2 US\$81 million in capital deployed into target</p>	<p>Output 1.1.1. Investor discussions held with at least 20 investor candidates</p> <p>Output 1.1.2 Potential final-close investors brought into due diligence stage with total potential commitments of at least \$60 million</p> <p>Output 1.1.3. Investment documentation for final close finalized by December 31, 2021</p> <p>Output 1.1.4 At least ten companies identified as high-probability potential</p>	GET	3,600,000.00	40,600,000.00

investments in emerging markets	investment transactions and formally screened
Indicator 1.1.3: Number of companies that receive strategic and operational support by the Fund to expand the application of adaptation solutions, including to new sectors/geographies.	Output 1.1.5 Due diligence, investment approval and deal execution for at least seven companies
Target 1.1.3 8 growth-stage investee companies receive strategic and operational support	Output 1.2.1 Invest in at least three companies that support
Indicator 1.1.4 Direct user beneficiaries from climate products/technologies/services (# individuals; disaggregated by gender)	agricultural analytics, resilient food systems, water efficiency solutions, geospatial mapping and imaging to
Target 1.1.4 6 million direct user beneficiaries served	improve land use practices
Outcome 1.2 Increased sustainability and resource	Output 1.2.2 Apply and scale agricultural analytics, resilient food systems, water efficiency solutions,

management of agricultural and degraded lands	geospatial mapping and imaging
Indicator 1.2.1: Area of landscapes under sustainable land management in production systems	technologies in at least three new sectors or geographies
Target 1.2.1 8,000,000 hectares	
Indicator 1.2.2: Area of landscapes that meet national or international third-party certification and that incorporates biodiversity considerations	
Target 1.2.2 400,000 hectares	Output 1.3.1 Invest in at least three companies that support clean tech innovation and mitigation through food systems, land use and restoration
Indicator 1.2.3: Area of degraded agricultural lands restored	Output 1.3.2 Apply and scale clean tech innovation and mitigation through food systems, land use and restoration
Target 1.2.3. 180,000 hectares	technologies in at least three new sectors or geographies
Outcome 1.3 Lifecycle and land use GHG emission reduction and carbon sequestration in challenging sectors	

(LULUCF,
 agriculture, and
 supply chains)
 Indicator 1.3.1
 Greenhouse gas
 emissions
 mitigated in AFOLU
 Target 1.3.1 140
 million t CO2e

Indicator 1.3.2
 Greenhouse gas
 emissions
 mitigated outside of
 AFOLU
 Target 1.3.2 26
 million t CO2e

Monitoring and Evaluation	Technical Assistance	GET	400,000.00	400,000.00
Sub Total (\$)			4,000,000.00	41,000,000.00
Project Management Cost (PMC)				
Sub Total(\$)			0.00	0.00
Total Project Cost(\$)			4,000,000.00	41,000,000.00

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

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Investment Mobilized	Amount(\$)
Private Sector	New Senior Capital	Equity	Investment mobilized	30,000,000.00
Donor Agency	EIB & AIIB Effective Commitments Unlocked	Equity	Investment mobilized	11,000,000.00
			Total Project Cost(\$)	41,000,000.00

Describe how any "Investment Mobilized" was identified

CRAFT's innovative blended finance structure – including a targeted 20% Junior concessional layer that mitigates downside risk for Senior non-concessional investors – enables GEF's catalytic commitment to the Junior layer to mobilize 7.5x as much non-concessional capital into the Fund. Co-financing is comprised of \$30 million in new Senior capital and \$11 million effective commitments “unlocked” by existing investors.

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

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount(\$)	Fee(\$)	Total(\$)
CI	GET	Global	Climate Change	NGI	1,500,000	135,000	1,635,000.00
CI	GET	Global	Land Degradation	NGI	2,500,000	225,000	2,725,000.00
Total GEF Resources(\$)					4,000,000.00	360,000.00	4,360,000.00

E. Project Preparation Grant (PPG)
PPG Required true

PPG Amount (\$)				PPG Agency Fee (\$)			
112,000				10,080			
Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount(\$)	Fee(\$)	Total(\$)
CI	GET	Global	Climate Change	NGI	56,000	5,040	61,040.00
CI	GET	Global	Land Degradation	NGI	56,000	5,040	61,040.00
Total Project Costs(\$)					112,000.00	10,080.00	122,080.00

Core Indicators

Indicator 3 Area of land restored

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)
329669.00	0.00	0.00	0.00

Indicator 3.1 Area of degraded agricultural land restored

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)
329,669.00			

Indicator 3.2 Area of Forest and Forest Land restored

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

Indicator 3.3 Area of natural grass and shrublands restored

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

Indicator 3.4 Area of wetlands (incl. estuaries, mangroves) restored

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

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)
9921893.00	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)
9,921,893.00			

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 6 Greenhouse Gas Emissions Mitigated

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO ₂ e (direct)	19921663	0	0	0
Expected metric tons of CO ₂ e (indirect)	0	0	0	0

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

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO ₂ e (direct)	5,160,116			

Expected metric tons of CO ₂ e (indirect)	
Anticipated start year of accounting	2023
Duration of accounting	20

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

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO ₂ e (direct)	14,761,547			
Expected metric tons of CO ₂ e (indirect)				
Anticipated start year of accounting	2021			
Duration of accounting	20			

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

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

**Target Energy Saved
(MJ)**

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

Technology	Capacity (MW) (Expected at PIF)	Capacity (MW) (Expected at CEO Endorsement)	Capacity (MW) (Achieved at MTR)	Capacity (MW) (Achieved at TE)
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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	1,692,116			
Male	3,948,272			
Total	5640388	0	0	0

Part II. Project Justification

1a. Project Description

Core Indicator Summary

	GEF Core Indicator	Units	Expected GEBs from Sample Portfolio	Scale Up Factor [^]	Expected GEBs from Total Fund	GEF Attribution*	Expected GEBs attributable to GEF	GEF cost per unit (in \$, not allocated)
3.1	Areas of landscape restored	ha	200,728	1.6	329,669	28.5%	93,795	42.6
4.3	Area of landscape under sustainable land management in productive systems	ha	6,041,224	1.6	9,921,893	28.5%	2,822,891	1.4
	(ag analytics)		6,027,589	1.6	9,899,499	28.5%	2,816,520	1.4
	(drip irrigation)		13,635	1.6	22,393	28.5%	6,371	627.8
6.1	Carbon Sequestered inside the AFOLU sector	tCO ₂ e	3,141,882	1.6	5,160,116	28.5%	1,468,112	2.7
	Direct (tree planting)	t CO ₂ e	3,141,882	1.6	5,160,116	28.5%	1,468,112	-
	Indirect		-	1.6		28.5%	-	-
6.2	Emissions avoided outside AFOLU	t CO ₂ e	8,987,984	1.6	14,761,547	28.5%	4,199,828	1.0
	(hydropanel)	t CO ₂ e	2,241,041	1.6	3,680,606	28.5%	1,047,174	-
	(drip irrigation)	t CO ₂	5,897,943	1.6	9,686,573	28.5%	2,755,940	-
	(tree food oil)	t CO ₂ e	849,000	1.6	1,394,368	28.5%	396,713	-
11	Beneficiaries	#	3,434,309	1.6	5,640,388	28.5%	1,604,754	2.5
	(hydropanel)		599,026	1.6	983,819	28.5%	279,908	
	(drip irrigation)		154,793	1.6	254,227	28.5%	72,331	
	(ag analytics)		2,636,932	1.6	4,330,804	28.5%	1,232,163	
	(tree crop)		43,558	1.6	71,538	28.5%	20,353	
	Fund capital Invested	USD	96,000,000	1.6	157,667,000			

[^] Analysis is based on a representative sample portfolio of five potential investments totaling \$96 million of potential invested capital. The impact estimates are then scaled up by a factor of 1.6x to represent the potential impacts from the full \$157.7 million CRAFT fund size in the alternate scenario.

* 28.5% represents the share of the total fund capital (\$157.7 million) attributable to the GEF's investment (\$4 million from the GEF + \$41 million mobilized by the GEF). Because 28.5% of the fund's total capital is attributable to the GEF, 28.5% of the total GEBs generated by the fund are attributable to the GEF.

Global Environmental Problems and Root Causes:

Decreased land productivity due to decline in soil health and other degradation processes

The IPCC affirms that land degradation is a key driver of climate change and, in turn, that climate change exacerbates the rate and magnitude of several ongoing land degradation processes, with approximately 25% of the total global land area already affected by land degradation. Each year, roughly 75 billion tons of fertile soil and 12 million hectares of economically or agriculturally productive land are degraded through desertification and drought alone. Globally, 2 billion people are affected by land degradation, especially rural communities, smallholder farmers, and the very poor. Approximately 70% of the world's poorest people live in rural areas and depend on agriculture for their livelihoods.^[1] Land and forest degradation processes threaten the livelihoods, well-being, food, water, and energy security; increase the vulnerability of millions of people; and in many cases cause mass migration and serious social unrest.

Yet in many developing countries, agricultural production continues to follow business-as-usual practices, and the attempts to improve land management practices have often proceeded without accounting for the physical risk and impacts of climate change. Agriculture is a particularly conservative industry that is resistant to adopt new practices. Investors and entrepreneurs have found that introducing innovations in agriculture can be challenging. Financial institutions continue to support the existing agriculture model with little investment in innovative approaches.

Weakened resilience of agricultural production systems due to loss of biodiversity and the associated ecosystem services

The 2019 IPCC report states that climate change will precipitate severe food shortages and reduce food's nutritional quality. In addition to increasing the rate of soil loss and land degradation, impacts of drought, flooding heat waves and wildfires threaten the agriculture sector. Growing population and affluence will increase demand for both the quantity and quality of food and agricultural commodities. The combination of a threatened supply and growing demand will put pressure on productive land, even while competition for that land increases from biofuels, urban expansion and other non-productive uses.

Increased GHG emissions cause global warming

Anthropogenic GHG emissions are continuing to grow, and although the growth is slowing, total GHG emissions have not yet peaked. To stabilize the climate on a 2°C pathway, GHG emissions need to decline 80% by 2050 and reach net zero well before 2100. Thankfully, a dramatic transition has begun in the electric power sector globally, including in developing countries, through the widespread deployment of renewable energy and energy efficiency technology. This transition is helping to dramatically alter the path of GHG emissions from the electric power sector and potentially to deliver emissions reductions consistent with a 2°C pathway. But in most other sectors – including AFOLU, industry, water, and transportation, GHG emissions are continuing to rise.

Cleantech innovations are not yet being deployed as rapidly in these other sectors as in the electric power sector, in part because these technologies are not yet appropriate or affordable for widespread deployment in developing countries. In order to change the path of GHG emissions from these sectors, emerging cleantech solutions must be applied and deployed at scale.

Yet serious barriers remain to deploy cleantech solutions in these other sectors - AFOLU, industry, water, and transportation - necessitating the targeted deployment of concessional capital (blended finance) to mobilize private capital seeking commercial risk-adjusted returns.

Barriers:

Barrier 1 – Lack of innovation needed to accelerate the implementation of sustainable agriculture and land management, especially in developing countries

While regulatory policy changes and non-technological improvements in agricultural and land management practices are important and necessary means to start to reverse land degradation, to improve the productivity of agricultural lands, and to protect and restore biodiversity, cleantech innovations (new technologies) are also powerful tools that need to be deployed more widely.

Unless these new technologies are proven, and the effects of their use on land management and biodiversity are clearly understood, these new technologies can risk exacerbating the underlying problems in unforeseen ways. Scaling up unproven technologies can worsen the underlying problems and can have unintended effects. And technologies still in the lab- or seed-stage can take two to three decades to reach meaningful global market penetration; with major change needed by 2050, this is time the world does not have. What is needed most is to identify technologies that are already proven and are ready to be scaled and expanded globally.

Barrier 2 – Lack of capital and commercial barriers preventing widespread deployment of proven, affordable, and appropriate cleantech innovations for agricultural and land management and in non-energy sectors generally, including AFOLU, industry, water, and transportation

Many innovative, private sector-driven solutions that are critical to generate global environmental benefits are beginning to emerge, and are attracting venture capital and private equity funding, but this is mainly in developed economies. In developing countries, however, much less capital is available to scale up innovative cleantech solutions due to the high perceived risks of investing in emerging economies.

The UNEP Independent Expert Group on Climate Finance (2020) notes a continued underfunding of climate with a critical need to accelerate uptake of technologies within developing countries in which they are already present, as well as a need for international technology transfer, particularly of new crop varieties, water efficiency technologies, and monitoring systems. Yet companies with these climate solutions often lack the operating and/or financing capacity to capitalize on such opportunities for growth and international expansion. A gap in equity finance for new as well as more established small and medium enterprises in developing countries also impedes growth (Divakaran et al, 2014), particularly in emerging markets. The CRAFT Fund will help provide needed capital and expertise to help companies with climate resilience solutions scale up and expand to where these solutions are needed most, including in lower-income countries.

Barrier 3 - Lack of application and scaling up of innovative cleantech solutions outside of the energy sector, including in AFOLU, water and transportation, especially in developing countries

Even if an innovative clean technology is affordable and appropriate, and it can attract capital, that is not sufficient to ensure widespread deployment. There are numerous commercial barriers to successful deployment and international expansion. CRAFT specializes in helping technology companies scale up and expand in new markets– specifically in developing countries –through strategic business development assistance, relationships with potential corporate, government, and NGO partners and customers, new financing sources, and implementation of mergers and acquisitions, as appropriate for each company and market.

CRAFT focuses on addressing this barrier by focusing on identifying cleantech innovations that are affordable and appropriate for developing countries, and that are able to be deployed widely, where CRAFT can identify specific ways it can help scale up in developing countries through corporate and government partnerships, new types of financing, and other business strategies that it identifies in a 100-Day-Plan for Value Add for each technology. Most of the

companies CRAFT will invest in are based in developing countries, so their technologies are already shown to be affordable and appropriate for developing countries, but they have not yet expanded as much as they could beyond their home country or their initial markets. CRAFT invests both capital and strategic business development assistance to help scale up and expand these companies in developing countries and deploy their technologies much more broadly.

The cross-border expansion envisioned by CRAFT often involves South-South transfer: CRAFT is finding many affordable and appropriate cleantech innovations in developing countries that are ready to expand outside their home country.

Baseline Scenario

In the baseline scenario, cleantech innovations outside the electric power sector – in AFOLU, industry, water, and transportation/supply chains – are being deployed slowly in developing countries. So far, there have been only limited demonstrations of how cleantech solutions can generate and safeguard GHG emissions reductions and sustainable land practices, and these solutions have not yet achieved the investment required to be deployed at scale in developing countries. For example, agricultural analytics software can help reduce chemical fertilizer runoff, and drip irrigation can reduce the use of flood irrigation. Both of these approaches can reduce GHG emissions through the more efficient use of resources and can improve land management practices, leading to higher crop yields, less soil erosion, and greater biodiversity, among other benefits. Renewably-powered, onsite water harvesting technology can reduce the high GHG emissions from water treatment, bottling, and transport associated with the bottled water that would otherwise be needed.

In order to support the transition of a wide range of sectors, including agriculture and land use, much more investment in cleantech solutions in developing countries must be mobilized. The CRAFT Fund seeks to play a critical role in catalyzing private finance for cleantech solutions in the developing world and demonstrating the viability of this approach. The investment criteria for selecting investments will include a methodology and reporting framework to assess and report on GHGs. Any investment claiming GEBs from sustainable land management will have the necessary data to establish a baseline, including identifying the location, degree of land degradation, climate, soil, land management practices, etc.

Tech-Enabled Services & Software



Tech-Enabled Products



The CRAFT Fund completed its first close of about \$90 million of signed commitments in December 2019 and currently has an anticipated second close in Q1 2021 of over \$35 million of new signed commitments, of which about \$22 million can be accepted per the terms of the fund without additional investor capital. The fund's second closing, which is currently in process, will bring the fund to \$112 million of total effective commitments and will bring the Junior layer below the 20% target.

The baseline project – without a catalytic capital NGI from GEF – is a CRAFT Fund vehicle that remains limited to \$112 million and is unable to scale up further. As is detailed below, even interested potential investors that are in the later stages of due diligence need the assurance of a Junior layer that will be at least 20% of the fund to meaningfully address the perceived risks of investing in the new field of climate solutions and technologies, especially for a fund that invests in developing countries, and especially during the risks and disruptions of the Covid pandemic. (The Junior layer has fallen from 28% to 18.5% through the addition of more Senior capital after the first closing.) Without the assurance of additional Junior capital, it is likely that these investors will not invest, limiting further scaling up of the CRAFT Fund. At a \$112 million fund size, the baseline project will result in fewer investments and smaller investments than the 8-12 investments averaging \$20-25 million that would be possible in the alternative scenario with a \$157.5 million fund. Instead, the baseline project, at a fund size of \$112 million, would likely result in 6 investments averaging about \$15-20 million each.

In addition, the baseline project at a fund size of \$112 million will have less budget and resources to support investee companies in expanding and deploying their solutions in developing countries. Both factors – fewer companies receiving smaller amounts of capital investment and less support resources provided to the companies– will result in the companies achieving substantially lower GEB impacts than could be achieved at the targeted fund size in the alternative scenario. The single factor that could enable moving from the baseline project fund size of \$112 million to the alternative scenario fund size of \$157.5 million with support from a GEF NGI.

The baseline includes one investment by the fund in Zero Mass Water Holdings Malaysia in August of 2020. The company makes a solar-powered hydropanel capable of producing pure drinking water to expand access to water globally in regions affected by increased drought, the investment will have differentiated impacts on gender and reductions in GHG emissions associated with fossil-fuel powered water purification, transportation, and bottling. CRAFT is implementing its 100-day plan to support the company's expansion and deployment of its technology in developing countries. Please see the "Global Environmental Benefits- #1 Water Harvesting Company" section for additional detail on expected contributions to the GEF Focal Areas.

** Baseline projects are included in the Sample Portfolio under the GEB section.

Although additional potential Senior investors are now in due diligence or in discussions, several have asked about the fund's prospects to secure additional Junior capital and to keep the Junior layer from continuing to fall to smaller proportions of the fund. For all of these potential Senior investors, the Junior layer is an important and attractive consideration in their decision to invest in the fund. GEF's Junior commitment will provide assurance to these potential Senior investors that there will be sufficient Junior capital.

As a first-time fund and one focused on developing countries, CRAFT faces substantial headwinds in raising capital, even after its first close:

First-Time Fund Risk. Institutional investors perceive first-time funds – such as CRAFT with its new focus on climate technologies and solutions – as risky. According to Preqin, even though first-time funds on average financially outperform other funds, the number of first-time funds achieving closings dropped by 20% in 2017, falling to the lowest number since 2009.^[1] Institutional investors are investing in a smaller number of large, established managers.^[2]

Developing Countries Risk. Over the last several years, private investors have become less interested in developing country investments: funds raised for emerging markets private equity dropped 15% from 2014-2016, and only increased in 2017 due to a few large funds in China. CRAFT's developing country focus, essential to its impact, makes attracting capital more difficult.

COVID-19 Impact. The COVID-19 pandemic has already begun to impact fundraising for private equity funds, with one-in-five investors expecting to make fewer commitments than their original 2020 plans and 12% reducing average size of commitment. In the wake of COVID-19, 22% of surveyed investors planned to reduce exposure to first time funds, and 12% reported they would stop all investments in first time funds.^[3] COVID-19 has also caused over \$100 billion of capital flight from developing countries in March 2020 alone, more than during the Global Financial Crisis.

As previous blended finance strategies in climate mitigation demonstrate, Junior concessional catalytic capital ("Catalytic Capital") can overcome perceived risks and mobilize private investment. Discussions with over 50 potential investors have validated that CRAFT's concessional layer is important in mobilizing private investment for this first climate resilience investment strategy. It is further expected that confirmed and additional anticipated Senior-layer investments

in CRAFT by public development finance institutions (DFIs) will raise confidence of private investors, whose investment may follow in numerous forms: subsequent investments in CRAFT; follow-on and co-investments in CRAFT's investee companies; investments in future CRAFT funds; and investments more broadly in sectors advancing adaptation and resilience solutions in the target emerging and frontier market geographies.

The rationale for the blended finance structure of CRAFT is that the Junior/Senior structure can overcome perceived risks and thereby mobilize private investment. Such a blended capital structure is even more important in the context of a first time investment strategy and investments into developing countries, particularly in the aftermath of Covid-19. This rationale is based on extensive analysis and evaluation, including by the Global Innovation Lab for Climate Finance and the original GEF project to refine and develop the CRAFT strategy.

CRAFT is in due diligence or in discussions with investors that have indicated potential interest in the Senior layer totaling \$100-150 million. However, in the baseline scenario – without the assurance that there will be additional Junior Catalytic Capital, CRAFT would not be able to mobilize any additional Senior capital, leaving the fund size at the baseline level of \$112 million.

Under the baseline scenario, CRAFT's \$112 million size would likely result in a smaller number of investments than the targeted 8-12 companies at the full \$250 million fund size, and those investments would be smaller on average than at the full target fund size by up to half. Based on analysis of sample potential investments, in the baseline scenario the CRAFT fund would not target or measure GEBs.

Table 1. Baseline vs. Alternative CRAFT Capitalization Scenarios

	Baseline	Alternative (GEF N GI), Additional	Alternative (GEF N GI), Total
Junior Layer Capital	\$16.8 M	\$4.0 M	\$20.8 M
Senior Layer Committed Capital	\$73.4 M	\$30.0 M	\$103.4 M
Senior Capital Unlocked (contingent)		\$11.0 M	\$11.0 M
<u>Parallel Committed Capital</u>	<u>\$22.3 M</u>		<u>\$22.3 M</u>
TOTAL	\$112.5 M	\$45.0 M	\$157.5 M

The larger fund size enabled by GEF's Junior investment therefore support greatly expanded efforts by CRAFT in support of the portfolio companies to apply technologies to generate greater GEBs.

This proposed project is directly related to two other GEF-funded projects executed by Lightsmith:

[1] Preqin, "First-Time Fund Managers", Private Equity & Venture Capital Spotlight, February 2018.

Structuring and Launching CRAFT: the First Private Sector Climate Resilience & Adaptation Fund for Developing Countries (GEF Project ID: 9941) – The proposed project directly builds on the original CRAFT project, which was focused on the original structuring and launch of the CRAFT climate resilience investment strategy. GEF's original USD1 million granted to Lightsmith under the original project successfully mobilized 112x as much in signed commitments to the CRAFT Fund, and the current proposed project would continue to build upon the successful structuring completed under the original CRAFT project to further mobilize additional commitments to the Fund, supporting its scaling to the USD157.5 million anticipated in the alternative scenario.

Adaptation SME Accelerator Project (ASAP) (GEF Project ID: 10296) – ASAP seeks to identify, convene, and accelerate SMEs in Latin America, Africa, and Asia that offer climate resilience solutions. CRAFT, at its full USD250 million size with the support of GEF as a Junior LP, could be a potential source of financing for Adaptation SMEs identified and engaged through ASAP. In addition, the demonstration of CRAFT’s investment strategy would support increasing awareness in SMEs of the growth opportunities in climate resilience, encouraging more SMEs to develop local solutions for increasing adaptation and resilience.

Alternative Scenario

Under the proposed alternative scenario, with a \$4 million Junior Catalytic Capital commitment from GEF, CRAFT would have sufficient Junior capital to mobilize an additional \$41 million of Senior commercial capital^[1] for a total of \$45 million in additional investment capital, increasing total potential fund size from \$112.5 million to \$157.5 million. As discussed above, CRAFT has identified \$100-150 million of potential Senior capital investment interest from prospective investors, of which \$30-50 million of potential investment is already in active due diligence, so the possibility of mobilizing an additional \$41 million of Senior investment has a substantial likelihood.

In conjunction with a GEF NGI of US\$4M, CRAFT will commit to target the anticipated level of GEBs as shown below in “Global Environmental Benefits” and – in order to assure that those GEBs are produced consistent with GEF’s policies and aligned with the GEF Climate Change Mitigation & Land Degradation Focal areas – CRAFT will further include investment eligibility criteria related to GEBs and will obtain third-party audits of the figures reported for actual GEBs produced.

Transactions will be selected based on both financial and non-financial aspects. CRAFT will apply selection criteria to identify transactions that are aligned with the GEF-7 programming directions and contribute to generating Global Environmental Benefits. Specifically, the selection criteria can identify transactions that: promote innovation and technology transfer for sustainable energy breakthroughs for cleantech innovation (GEF Objective CC-1-4), Reduce pressures on natural resources from competing land uses and increase resilience in the wider landscape (GEF Objective LD-1-4); and sustain or improve the flow of agro-ecosystem services to sustain food production and livelihoods through Sustainable Land Management (SLM) (LD-1-1).

For example, CRAFT will seek to support technologies that are suitable under the GEF-7 programming directions, such as those that: (1) meet the objectives in the Land Degradation focal area: improving soil quality and agricultural productivity in degraded lands; maintaining or improving the sustainable delivery of ecosystem services; enhancing food security; increasing resilience of the land and populations dependent on the land; or scaling up sustainable land management practices and the restoration of landscapes, particularly through the use of locally adapted species, agro-forestry, and farmer-managed natural regeneration; and/or (2) meet the objectives in the Climate Change Mitigation focal area: promoting innovation and technology transfer for sustainable energy breakthroughs and cleantech innovation that reduce GHG emissions in AFOLU or outside AFOLU and/or that sequester carbon. Such specific technologies include but are not limited to agroforestry, climate smart agriculture, fertilizer management and soil management, efficient irrigation systems, Sustainable Land Management, and cleantech innovation that support climate change mitigation. A number of illustrative examples are described in the pipeline table and alignment with GEF Focal Areas.

Junior capital from GEF would be especially effective to help mobilize the additional Senior capital commitments given GEF’s ongoing relationship with and support for CRAFT since the original CRAFT grant in 2018 – a Junior Catalytic Capital commitment will demonstrate GEF’s continued confidence in the CRAFT strategy. In addition, GEF’s Junior Catalytic Capital commitment and the related reporting of Global Environmental Benefits resulting from that commitment would also demonstrate for the first time how Global Environmental Benefits can be produced by adaptation and climate resilience investments.

In the proposed alternative scenario, CRAFT would reach \$157.5 million, or 70% more capital for climate investments than in the baseline scenario. This fund size would likely result in 8-12 investments (instead of 6 investments in the baseline scenario), and the investment amounts would average \$20-25 million instead of \$15-20 million, or 25-40% larger than under the baseline scenario. Based on analysis of sample potential investments, under the proposed alternative scenario, CRAFT would generate roughly 40% greater Global Environmental Benefits (GEBs), including both GHG emissions reductions and hectares of landscapes under improved management, than under the baseline scenario. For purposes of estimating GEBs and other key indicators, we have estimated the proportion of GEF's total catalyzed input to the fund under the alternative scenario as a share of the total fund capitalization in the alternative scenario. This percentage, 28.5%, is the share of the total fund capital attributable to the GEF's investment, including from new senior-layer investors as well as from some "unlocked" commitments from existing investors that cannot be accessed until more co-financing capital is brought in. Because 28.5% of the fund's total capital is attributable to the GEF, 28.5% of the total GEBs generated by the fund are also attributable to the GEF.

CRAFT's \$157.5 million fund size would also provide more budget and resources to support the expansion and deployment of investee companies' technologies in developing countries, which would also generate greater GEBs.

Beyond mobilizing Senior investment into the Fund, there is a further indirect or catalytic mobilization effect: after gaining experience investing for the first time (through the CRAFT fund) into adaptation and climate resilience in developing countries, it is likely that many of these investors will continue to make other such investments in the future, including additional follow-on and project investments with these same CRAFT portfolio companies. We anticipate that such follow-on investment in CRAFT's portfolio companies will generate additional GEBs of a comparable magnitude to the fund's direct investments, though because CRAFT will not directly deliver these investments they are not counted towards the NGI's expected GEB totals. (Consequently, while CRAFT will track the indicator "downstream capital mobilized," it will not calculate GEBs inclusive of the impact of this capital).

Finally, the substantial amount of Senior capital investment that will likely be mobilized in the alternative scenario can be expected to change perceptions about the viability of investments in companies delivering adaptation and resilience solutions in developing countries such as those pursued by CRAFT. Moreover, GEF's Junior Catalytic Capital support would enable CRAFT to demonstrate how private investments in climate resilience and adaptation solutions can generate and safeguard GHG emissions reductions and improved land management practices. CRAFT's success attracting, deploying, and delivering attractive returns on capital could thus encourage and foster future investment in adaptation and climate resilience in developing countries, transforming markets at the systemic level and enticing other commercial investors to make such investments in the future.

The theory of change for the proposed project is as follows:

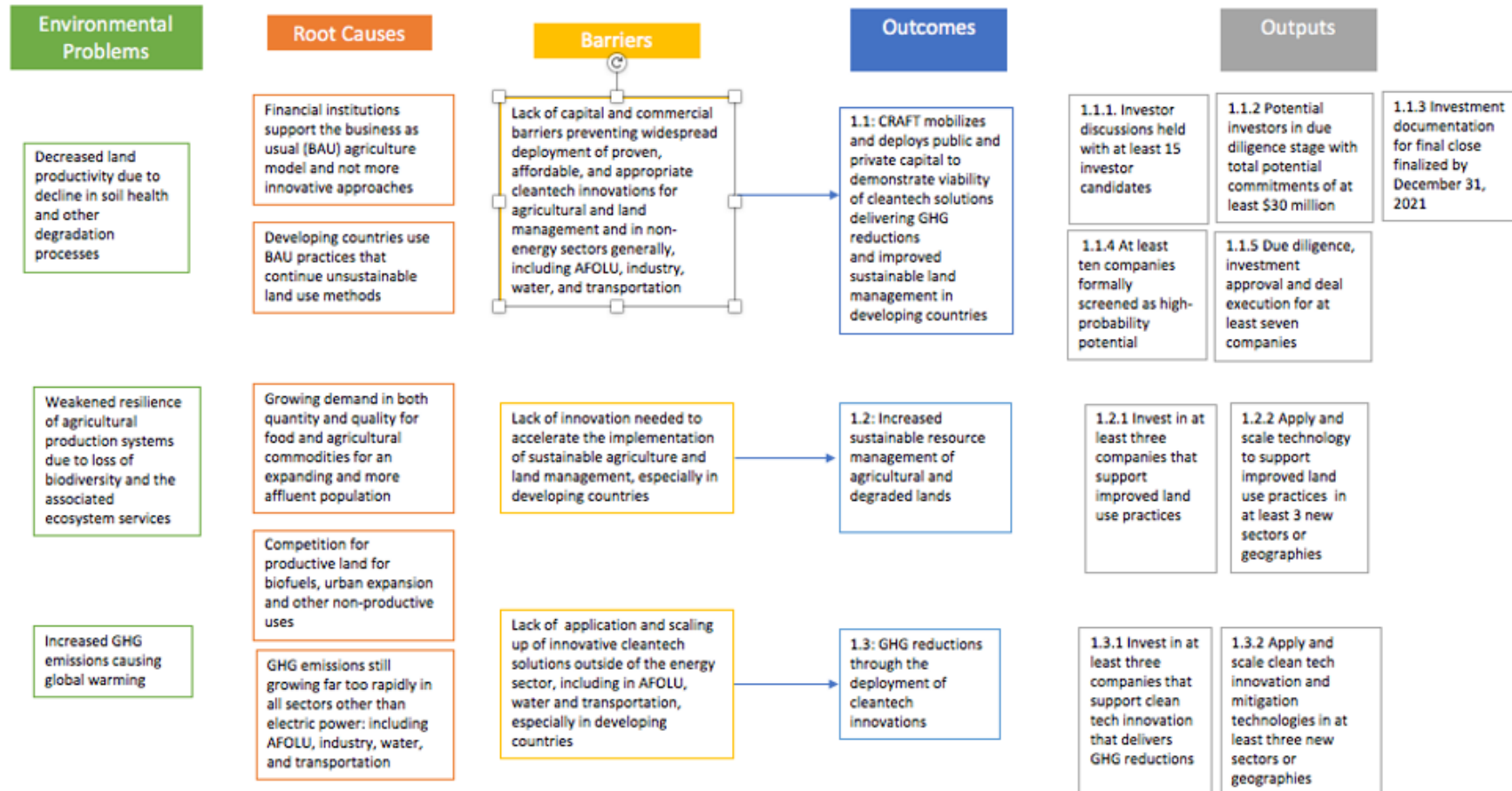
A GEF commitment to the Junior layer of the CRAFT fund will mobilize additional Senior commercial capital. Without the GEF NGI, the fund will remain at the \$112 million baseline size. With the GEF \$4 million NGI, CRAFT will be able to mobilize an additional \$41 million of Senior capital of which \$30 million will be private capital and \$11 million will be (unlocked) DFI capital.

At the larger fund size, CRAFT will be able to invest more capital into more companies that offer innovative cleantech solutions: 8-12 companies instead of 6 companies and \$20-25 million per company on average instead of \$15-20 million. In addition, the larger fund size will be able to provide expanded strategic business development efforts to help companies expand in developing countries through expanded outreach and introductions to potential customers, partners, and sources of financing to overcome some of the commercial barriers preventing the scaling up of innovative cleantech solutions.

CRAFT will invest in companies that offer a) innovative cleantech solutions (such as hydropanels, drip irrigation) which will be applied, transferred and used in developing countries (CCM-1-4); b) drought-resistant seeds or crops to support the agroecosystem services to sustain food production and livelihoods through Sustainable Land Management (LD-1-1); and c) data and analytics technologies that help manage and reduce pressures on natural resources from competing land uses and increase resilience in the wider landscape (agriculture analytics, geospatial mapping and imaging) (LD-1-4).

The expansion of these innovative cleantech solutions in developing countries will generate additional Global Environmental Benefits through a reduction in GHGs (drought tolerant trees, drip irrigation, hydropanel) and improved land management practices.

Figure 1: CRAFT Theory of change



Assumptions: 1) The private sector is willing to invest in the commercial layer of the Fund to mobilize additional capital; 2) The Fund can establish a pipeline of investable opportunities of companies that offer innovative cleantech solutions; and 3) Future climate change impacts do not irreversibly affect the structure and function of ecosystem services in productive landscapes.

CRAFT's investment strategy is an innovative new approach to delivering GEBs, including both GHG emissions reductions and improved land management practices, by investing in companies with cleantech solutions. These cleantech solutions deliver GEBs in different ways.

1) First, CRAFT also invests in technology-enabled physical products and services, such as drought-tolerant crops, drip irrigation systems, water harvesting panels, or distributed cold chain processing equipment. These types of solutions can also reduce GHG emissions and improve sustainable management of land while building resilience to climate-related vulnerabilities that are reducing agricultural productivity and increasing food import dependence, for example. As these climate resilience solutions are scaled up, they can be integrated as components of systemic interventions designed to generate additional global environmental benefits in the context of physical climate change risk. Please see the “Global Environmental Benefits” section below for (a) examples of how technology companies in the CRAFT Fund’s focus areas can generate GHG emissions reductions and improve land management practices, and (b) for a description of CRAFT’s approach to tracking Key Performance Indicators to measure and reporting on these impacts.

2) Second, CRAFT invests in “climate intelligence” companies that provide software, data, modeling and forecasting – these are companies in areas such as agricultural analytics, digital mapping, weather forecasting, and geospatial imaging. These climate “intelligence” companies provide the data needed to assess and manage climate-related risks such as drought, heat stress, flood, storms, and wildfires. The communities, businesses, and farmers that use these data and analytics tools are able to manage their land more sustainably while using less resources, reducing GHG emissions, improving incomes and livelihoods, and building climate resilience. The intelligence generated by these companies is a critical component of systematically designing and safeguarding other interventions to reduce GHG emissions and improve land management practice in the context of increasing physical risks and impacts from climate change.

Ultimately, via both routes, CRAFT’s investments in cleantech solutions can help deliver GEBs while reducing the vulnerability of people, livelihoods, physical assets and natural systems to the adverse effects of climate change. Beyond the direct impacts, CRAFT will catalyze future impacts through the demonstration effect. By highlighting the wide range of existing climate resilience solutions and showing that these tools can deliver GEBs while meaningfully helping to assess and manage climate risks and impacts, CRAFT can catalyze a larger global market for cleantech solutions and investments that can affirmatively support and safeguard GEBs.

The CRAFT Fund invests in companies with cleantech solutions in many sectors of the economy, including agriculture, water, energy, transportation, and finance, among others. To understand the potential environmental benefits of the Fund, it is helpful to understand the areas targeted for investment. Lightsmith has identified 21 market segments (Table 2) totaling approximately USD 177 billion in annual spending on climate resilience-related technologies, products, and services. These companies provide a wide range of resilience services, risk analytics, and resource efficiency technologies that can deliver GHG reductions and improved land management practices while helping to address key climate-related vulnerabilities. These 21 market segments and their current market sizes are shown below:

[1] Comprised of \$30 million in new Senior capital and \$11 million effective commitments “unlocked” by existing investors.^[2] Preqin, “How Important is the First Close?”, Private Equity Spotlight, May 2013.

[3] Isobel Markham, “One in five LPs to slow PE commitment due to covid-19”, Private Equity International, April 1, 2020.

Table 2: Market Segments and Market Sizes (in USD billions)

Resilience Services		Risk & Weather Analytics	
Coastal and shore protection	\$3	Business risk analytics	\$10
Climate risk, adaptation & resilience consulting	\$3	Geospatial imagery analytics	\$4
Disaster recovery & business continuity	\$3	Weather forecasting systems, services	\$3
Natural assets for resilience services	\$1		

Agriculture		Water		Energy		Transportation	
Greenhouses & indoor agriculture	\$15	Smart water management	\$12	Microgrids, distributed generation & storage	\$22	Logistics software and IoT	\$18
Precision agriculture systems and analytics	\$7	Desalination equipment	\$12	Demand response	\$18	Cold chain equipment (Emerging Markets)	\$9
Soil treatments and amendments	\$6	Efficient irrigation systems	\$5	Smart grid systems & software	\$12	Supply chain management software and services	\$5
Seed treatments	\$8	Water harvesting	\$1				

Investment Model

Investments made from the CRAFT Fund will be done in accordance with Lightsmith's internal investment process. All potential investments are evaluated through a two-step investment screening and diligence process, which includes legal, financial and ESG & impact assessments. See Figure 3 below for an overview of CRAFT's investment model and Figure 4 for Lightsmith's internal investment process.

Figure 3: CRAFT's Investment Model

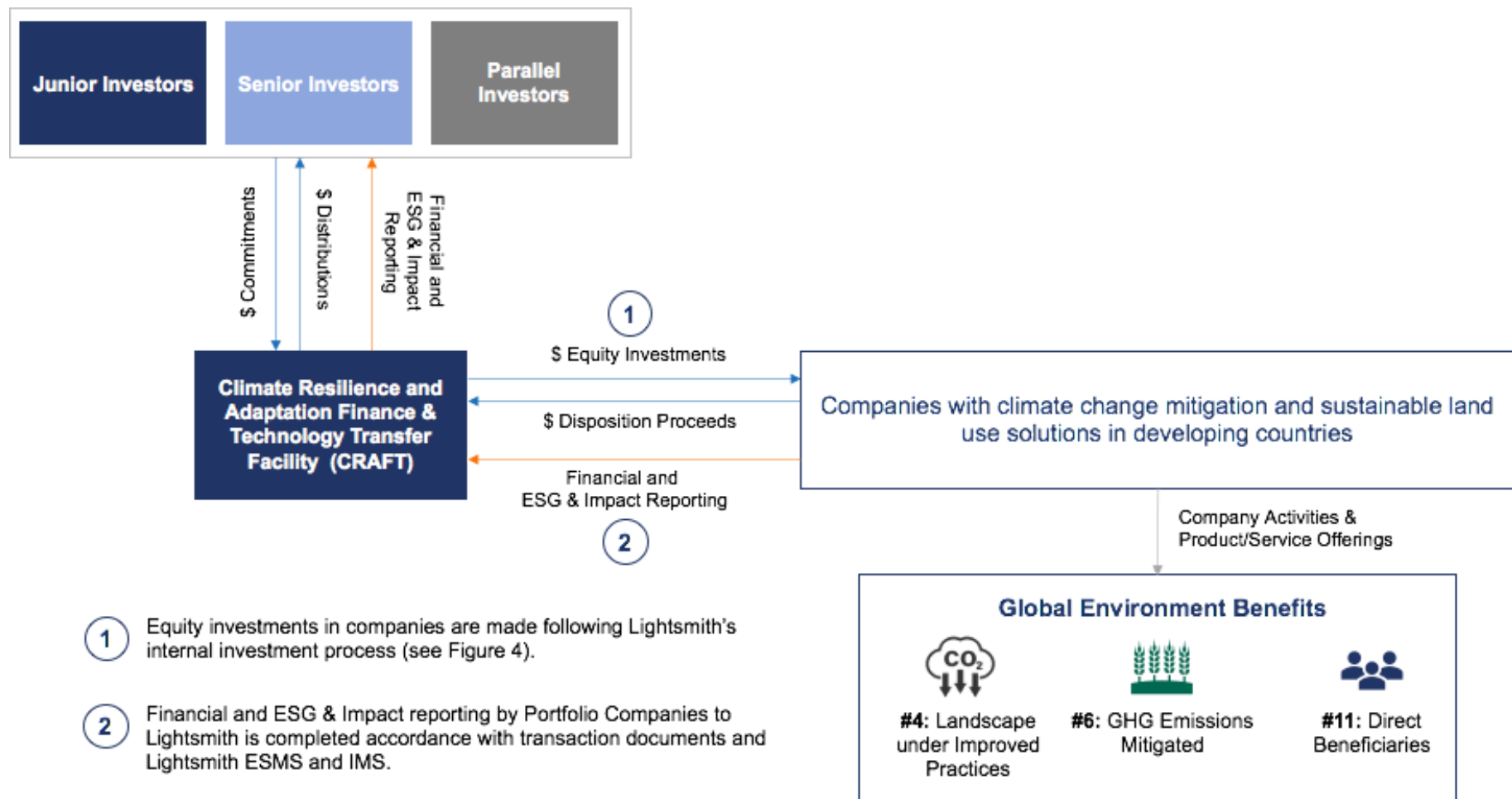
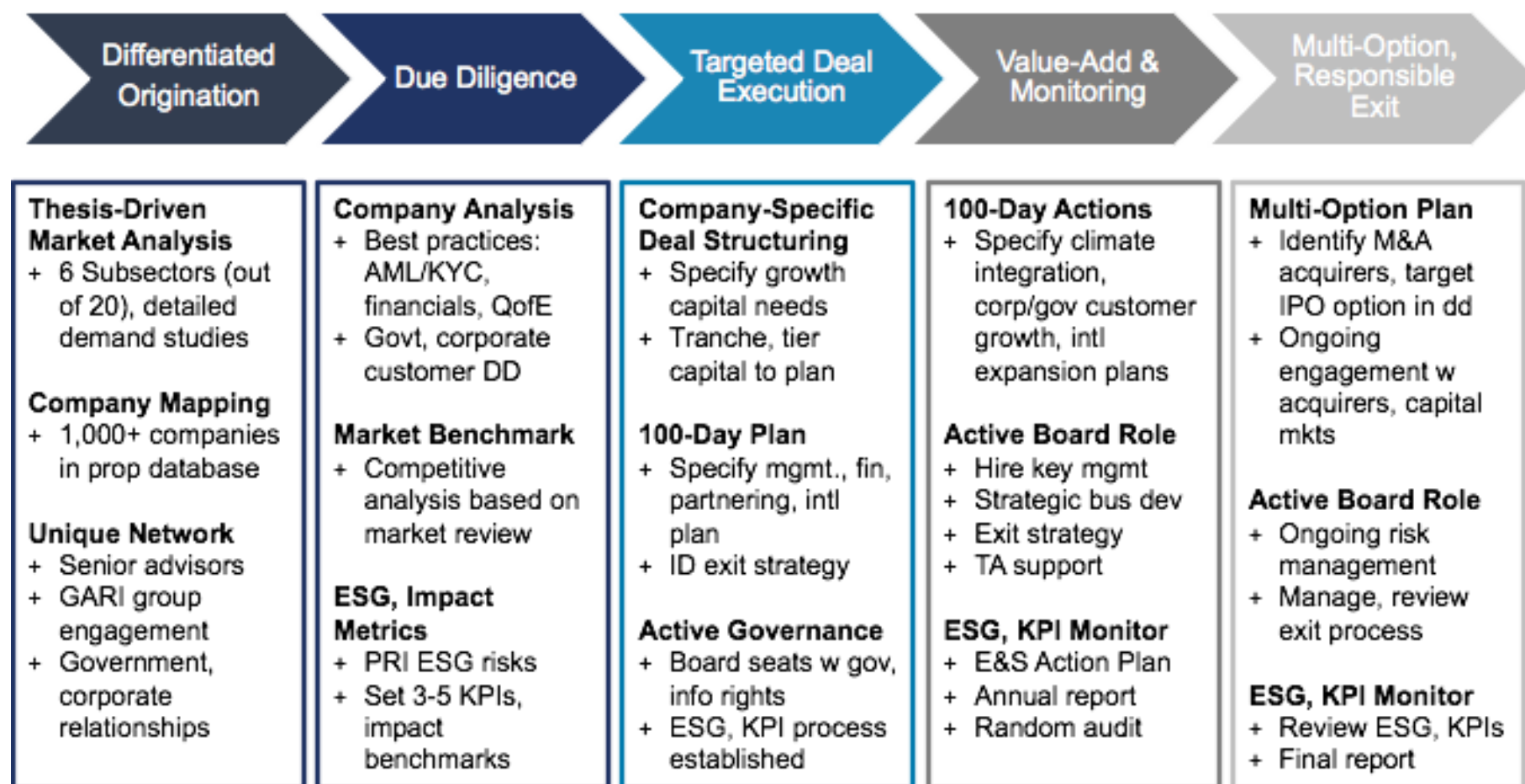


Figure 4: Lightsmith Investment Process



Project Objective

The objective of the project is to mobilize and deploy an additional \$81 million in capital for innovative, scalable, enterprise-driven climate change mitigation and sustainable land use solutions under the Climate Resilience and Adaptation Finance & Technology Transfer Facility (CRAFT).

The project is structured around one component, as described below, along with three key outcomes and several associated outputs.

The one project component, Project Component 1, is to mobilize capital for CRAFT investments in enhancing land-use and delivering climate mitigation. Specifically the project will generate these GEBs via the innovative approach of investing in climate resilience solutions. Project Component 2 will ensure adequate monitoring of expected GEBs and Environmental and Social Safeguards.

Outcome 1.1 - CRAFT mobilizes and deploys additional capital for climate resilience solutions in developing countries

Outcome 1.1 is that with GEF's catalytic commitment, CRAFT will mobilize additional capital from investors and will deploy that capital as investments into innovative climate resilience solutions companies to help them scale up and expand in developing countries. In the baseline scenario, CRAFT's fund size is \$112 million. In the alternative scenario, the project mobilizes additional Senior capital, enabling the fund to reach \$193 million, and resulting in larger investments into more climate resilience solutions companies.

Indicators include how much additional Senior-layer capital is raised for CRAFT (target: \$72 million), how much additional capital is deployed into climate resilience solutions companies (target: \$81 million), how many of these companies receive strategic and operational assistance for expansion in developing countries (target: 8), and how many beneficiaries receive benefits from these climate resilience solutions of investee companies (target: 6 million).

There are a number of specific outputs within Outcome 1.1 that involve mobilizing capital, including:

- Hold investor discussions with at least 20 investor candidates
- Bring investors with total potential commitments of at least \$60 million into the due diligence stage
- Finalize investment documentation for the final closing by December 31, 2021

There are also several specific outputs within Outcome 1.1 that involve mobilizing capital, including:

- Identify and screen at least ten companies as high-probability potential investment transactions
- Complete due diligence, investment approval and deal execution for at least seven companies
- Monitor and manage investments through quarterly reporting
- Invest in at least three companies that support agricultural analytics, resilient food systems, water efficiency solutions, geospatial mapping and imaging to improve land use practices
- Apply and scale up climate technologies involving agricultural analytics, resilient food systems, water efficiency solutions, geospatial mapping and imaging in at least three new sectors or geographies
- Invest in at least three companies that support clean tech innovation and mitigation through food systems, land use and restoration
- Apply and scale clean tech innovation and mitigation through food systems, land use and restoration technologies in at least three new sectors or geographies

Outcome 1.2 – Increased sustainability and resource management of agricultural and degraded lands

Outcome 1.2 is that the CRAFT Fund's investments will lead to improved sustainability and better management of agricultural lands and degraded lands. In the alternative scenario enabled by the project, the CRAFT fund will invest in several companies that deliver increased sustainability and resource management of agricultural and degraded lands, including in areas such as agricultural analytics, resilient food systems, water efficiency solutions, and geospatial mapping and imaging. Through its support in these growth stage companies CRAFT will help the companies expand into developing countries and new market segments. This scaling will support the broader deployment of climate solutions especially in areas affected by climate vulnerabilities. As new clients use the products or services offered by these companies, global environmental benefits will be generated through the knowledge and technology transfer associated with adoption climate tools and solutions.

Indicators include the area of landscapes under sustainable land management in production systems (target 2.8 million ha), and the area of degraded agricultural lands restored (target: 93,000 ha).

The outputs under Outcome 1.2 involve deploying the capital into companies that can improve sustainability and management of land and to measure and report the GEBs that specifically relate to improved sustainability and management of land:

- Invest in at least three companies that support clean tech innovation and mitigation through food systems, land use and restoration
- Apply and scale clean tech innovation and mitigation through food systems, land use and restoration technologies in at least three new sectors or geographies

Outcome 1.3 - Increased GHG emissions reductions from key climate-affected sectors

Outcome 1.2 is that the CRAFT Fund's investments will lead to additional GHG emissions reductions and carbon sequestration in the Land Use, Land Use Change and Forestry (LULUCF) sectors, as well as in some other key climate change-affected sectors such as water, energy, and supply chains, well beyond the GHG reductions that could be achieved in the baseline scenario. In the alternative scenario enabled by the project, the CRAFT fund will invest in several companies that deliver GHG reductions through climate resilience solutions that are more resource-efficient, smart and data-based, and distributed and local, in key climate-affected sectors such as food systems, agriculture, forestry, land use and restoration, water, and supply chains. Please see the "Global Environmental Benefits" section below for (a) examples of how technology companies in the CRAFT Fund's focus areas can generate GHG emissions reductions and improve land management practices, and (b) for a description of CRAFT's approach to tracking Key Performance Indicators to measure and reporting on these impacts.

Indicators include GHG emissions reductions in AFOLU (target: 1.5 million t CO₂e) and GHG emissions reductions outside of AFOLU (target: 4.2 million t CO₂e).

The outputs under Outcome 1.3 involve deploying the capital into companies that can reduce GHG emissions and sequester carbon in LULUCF and other key climate-affected sectors, and to measure and report the GEBs that specifically relate to reduced GHGs:

- Invest in at least three companies that support clean tech innovation and mitigation through food systems, land use and restoration
- Apply and scale clean tech innovation and mitigation through food systems, land use and restoration technologies in at least three new sectors or geographies

In conjunction with a GEF NGI of US\$4M, CRAFT will commit to target the anticipated level of GEBs as shown below in "Global Environmental Benefits" and – in order to assure that the GEBs that are reported to the GEF are produced consistent with GEF's policies and are aligned with the GEF Climate Change Mitigation & Land Degradation Focal areas – CRAFT will further include the following investment eligibility criteria and audit processes:

Any GEBs reported to the GEF that are attributed to the Project must meet the following criteria:

- Eligible GEBs must be produced in GEF-eligible countries.
- Prior to reporting GEBs to GEF, CRAFT will identify the targeted or projected contributions to the GEF 7 Core Indicators (as identified in Section F of the PIF).

- Regular third-party ESG audits will be conducted to verify the process by which the amount of actual GEBs generated are aligned with the GEF Climate Change Mitigation & Land Degradation Focal areas as well as confirm compliance with ESG Standards and Environmental & Social Safeguards and other policies.

Alignment with GEF Focal Areas

CRAFT's multi-sectoral approach invests in tools and technologies that help reverse global trends in land degradation and provide innovative solutions to climate mitigation. Transactions will be selected based on both financial and non-financial aspects. CRAFT will seek to support transactions that have the potential for contributions to Global Environmental Benefits – notably transactions that result in promoting innovation and technology transfer for sustainable energy breakthroughs for cleantech innovation (GEF Objective CC-1-4), enhancing the flow of agro-ecosystem services to sustain food production and livelihoods through Sustainable Land Management (SLM) (LD-1-1) and Reduce pressures on natural resources from competing land uses and increase resilience in the wider landscape (LD 1-4). CRAFT aligns with the following GEF Focal areas:

Land Degradation Focal Area

(LD-1-1) Objective: Maintain or improve flow of agro-ecosystem services to sustain food production and livelihoods through Sustainable Land Management (SLM).

CRAFT will invest in products, services and intelligence that promote sustainably managed land interventions to improve crop production, enhance carbon storage and increase food and water security.

Climate Smart Agriculture Products and Services such as drip irrigation, micro-fertilization, and drought/salinity/storm resistant seeds and crops, cold chain storage, and efficient food processing and distribution generate both reductions in GHG emissions and increased resilience to climate change. Water is also highly energy intensive – CO₂ embedded in water generates 5% of all U.S. emissions annually¹¹, for example. Some examples of potential investments in this area include:

- *Drought-Resistant Hybrid Seeds Company* [See example #8 in table below] – Hybrid, drought-resistant seed varieties to maintain or enhance agricultural yields, enhance food security, and reduce pressure on land
- *Precision Agriculture Company* [See example #9 in table below] – small-scale precision farm equipment plus sensors and analytics to enable small-scale and mid-tier farming to adopt efficient techniques and improve food security while reducing water and input use (and GHGs)

Climate Smart Agriculture Intelligence. Agricultural analytics can help farmers and the supply chain use less energy, sequester more carbon, use less energy-intensive irrigation and fertilizers – all of which both reduce GHG emissions and increase resilience to climate change. Environmental pressures and changes are incredibly difficult to quantify because they are massive in both geographic scope and timeline. Satellite technology can rigorously characterize change and develop models based on historical data that can be used by companies, governments, and NGOs to forecast change. Some examples of potential investments in this area include:

- *Agricultural Analytics Company* [see example #4 in table below] - Remote sensing and AI to advise farmers on soil management and optimize use of fertilizer and water; results in real improved, sustainable farming practices including reduced water and fertilizer use and less fertilizer runoff and soil erosion, while maintaining or enhancing crop yields.

Land Monitoring and Conservation Planning - Satellite technology allows for significant scalability and reliability when monitoring sustainability, such as land-use change and agriculture management practices. For example, community-led forest monitoring can use satellite imagery and mobile phone apps to rapidly detect and respond to illegal deforestation. Some examples of potential investments in this area include:

- *Geospatial Mapping and Imaging Company* [see example #5 in table below] - Land use monitoring through satellite imagery and geospatial analytics; used by NGOs, sustainable growers, and food/CPG companies to plan and ensure landscape restoration programs, agro-forestry management, and certified sustainable forestry and ag. production

(LD-1-4) Objective: Reduce pressures on natural resources from competing land uses and increase resilience in the wider landscape.

According to the IPCC AR5 Report, global food production contributes a quarter of all greenhouse gas (GHG) emissions. Investments in regenerative agriculture, such as drought tolerant trees and crops and sustainable food oils have a significant positive carbon impact. With increased droughts and arid growing conditions, irrigation remains a critical and energy intensive component to food production. Technological innovations around energy and water efficiency will have increasing impacts on climate mitigation. Some examples of potential investments in this area include:

- *Drought Tolerant Tree Crop* [see example #3 in table below] - Agroforestry (non-monoculture) land restoration program using a native, drought-tolerant oilseed tree being planted (as 5% of a diverse mix of trees planted) that also provides economic significant (food oil) value; coupled with Wild Harvest and Fair Trade certification to ensure economic benefits flow to local tribes, villages, smallholders
- *Efficient Irrigation Technologies* [see examples #2 and #7 in table below] – low-cost drip- and micro-irrigation technologies to replace flood irrigation, applicable for smallholders. Offers analytics and software to enable optimized, efficient water use and optimization of crop yields, reduced water and energy use and GHGs; reduced soil erosion and fertilizer runoff; while maintaining land productivity and ag yields in face of drought and heat stress

Climate Change Focal Area

Through its investments, CRAFT applies and scales cleantech innovation and climate mitigation through food systems, land use and restoration technologies by reducing greenhouse gas emissions in a variety of innovative ways.

(CCM-1-4) Objective: Promote innovation and technology transfer for sustainable energy breakthroughs for cleantech innovation

Extreme weather events and changes in water cycle patterns are making it more difficult to access safe drinking water. Increased pressure on safe sources of drinking water will also increase GHGs associated with the production of water which requires treatment prior to use, is pumped, pressurized and transported. Technology must be deployed to address both the GHGs and water efficiency of agricultural irrigation and drinking water.

The private sector can help create or expand markets for products and services that support the technology transfer for mitigation. The proposed pipelines aligns with CCM1-4 and the Cleantech Focus (#127) of the Climate Change Focal Area Strategy which emphasizes technology deployment, dissemination, and transfer in energy, water, and buildings with a special emphasis on SMEs and private sector partnerships. Some examples of potential investments in this area include:

- *Solar-powered Water Harvesting Technology* [see example #1 in table below] – Innovative renewable energy technology for onsite drinking water production to reduce GHG emissions by offsetting fossil fuels used in manufacturing and transportation of bottled water.
- *Distributed Cold Chain Technology* [see example #1 in table below] - Solar-powered, distributed cold chain processing systems for onsite processing and storage of agricultural produce near the farm; by offsetting energy-intensive cold chain infrastructure, provides climate mitigation and also systemic impacts for food systems and food security

[1] <http://www.solaripedia.com/files/1332>

Incremental Cost Reasoning and Expected Contributions from the Baseline

This project requests \$4 million from the GEF NGI window to expand funding commitments to the catalytic Junior layer of the CRAFT Fund which will mobilize \$41 million (or 7.5X as much) of additional co-financing commitments.

Several investors are currently in discussions or are in due diligence for investments into the Senior layer of the CRAFT Fund, but these potential Senior investors need assurance that there will be sufficient Junior capital to support the enlarged fund size.

Source of Financing	Name of Financer	Type of Financing	Amount (US \$M)
<u>GEF Resources</u>			
GEF Trust Fund	GEF	NGI	4,000,000
Total GEF Resources			4,000,000
<u>Co-Financing</u>			
Private Sector	New Senior Capital	Equity	30,000,000
Other (DFIs)	EIB & AIIB	Equity	11,000,000
Total Co-Financing			41,000,000
Total Project Financing			45,000,000

As outlined above, GEF'S NGI resources, together with the additional Senior co-financing commitments to the CRAFT Fund, would be used to scale the investments and operations of the CRAFT Fund. Compared to the baseline, the \$4 million of NGI from GEF will increase capital available for investment in climate adaptation and resilience in developing countries by \$81 million (including GEF's \$4 million plus \$30 million from new Senior investors plus \$11 million of unlocked matching capital from existing investors EIB and AIIB). Increased capital invested in climate solutions companies in developing countries will lead to measurable increases in the number of beneficiaries and in the targeted Global Environmental Benefits (GHG emissions reductions both inside and outside AFOLU sectors and hectares under improved land management practices) and well as increased contributions to several SGDs.

The GEF NGI will join USD \$112.5 million of existing co-financing commitments in the CRAFT Fund.

More importantly, beyond scaling up and mobilizing additional private capital into the CRAFT Fund, the project will help to catalyze the development of the new field of private sector investment in cleantech solutions for sustainable land management and climate mitigation through the demonstration effect of creating some of the first examples of private sector investment climate solutions companies in developing countries. GEF's incremental cost support will unlock the following results:

- (i) achieving a high leverage ratio of GEF's capital to unlock 7.5X as much additional commercial-rate public and private sector investment in adaptation;

- (ii) delivering attractive risk-adjusted returns to investors, thereby crowding in private capital and ensuring systemic reorientation in the financial sector towards cleantech innovation;
- (iii) judiciously applying concessional capital to maximize private investment while securing optimal reflows to the GEF;
- (iv) facilitating North-South transfer (and South-South transfer) climate technologies and capacity;
- (v) enabling GEF's engagement with the private sector, particularly the finance community

Global Environmental Benefits

The fund is expected to achieve the following:

Core Indicator Summary

	GEF Core Indicator	Units	Expected GEBs from Sample Portfolio	Scale Up Factor^	Expected GEBs from Total Fund
3.1	Areas of landscape restored	ha	200,728	1.6	329,669
4.3	Area of landscape under sustainable land management in productive systems	ha	6,041,224	1.6	9,921,893
	(ag analytics)		6,027,589	1.6	9,899,499
	(drip irrigation)		13,635	1.6	22,393
6.1	Carbon Sequestered inside the AFOLU sector	tCO2e	3,141,882	1.6	5,160,116
	Direct (tree planting)	t CO2e	3,141,882	1.6	5,160,116
	Indirect		-	1.6	
6.2	Emissions avoided outside AFOLU	t CO2e	8,987,984	1.6	14,761,547
	(hydropanel)	t CO2e	2,241,041	1.6	3,680,606
	(drip irrigation)	t CO2	5,897,943	1.6	9,686,573
	(tree food oil)	t CO2e	849,000	1.6	1,394,368
11	Beneficiaries	#	3,434,309	1.6	5,640,388
	(hydropanel)		599,026	1.6	983,819
	(drip irrigation)		154,793	1.6	254,227
	(ag analytics)		2,636,932	1.6	4,330,804
	(tree crop)		43,558	1.6	71,538
	Fund capital Invested	USD	96,000,000	1.6	157,667,000

GEB Monitoring and Reporting

To track its impacts, CRAFT has established an Impact Measurement System (IMS) that evaluates a set of core indicators, including the GEB's identified above, for each investment and disaggregate impacts based on gender, as applicable. Impact measurement and management is integrated into all stages of the investment process: screening, assessment, investment decision, the investment agreement, monitoring and reporting and eventual exit. The measurement process includes selecting indicators; collecting and analyzing data on indicators from investee companies; and using results in decision-making and reporting. CRAFT measures its impact against relevant SDGs including climate mitigation, life on land, and other social and economic co-benefits such as gender and economic development impact through the identification of Key Performance Indicators. In addition to the GEBs, for each investment, the fund will estimate the following types of direct and indirect beneficiaries:

- Employee beneficiaries (direct/indirect; full-time/part-time) – individuals employed by the company directly and jobs created indirectly through the company's products or services; disaggregated by gender
- Client / user beneficiaries (direct/indirect) – individuals benefiting from the products or services directly sold to them directly by the company or downstream individuals served by a customer of the company (enabled to do so by the company's product or service offering); disaggregated by gender
- Organizations trained – organizations benefiting from capacity-building delivered by the company's products or services

The CRAFT Fund seeks to invest in technologies that can help communities, particularly those marginalized – including women and girls, in developing countries. CRAFT mobilizes capital and invests in technologies to enable vulnerable populations, including women, to promote sustainable land management and mitigate climate change. Concurrently, it seeks to create opportunities to enhance livelihoods, particularly for women. In ensuring equitable access to the benefits of the project, including employment and income generating activities, the Fund will identify potential impact, technical assistance, or other available donor funds where possible to support disenfranchised groups, including women, to access cleantech tools and knowledge products. CRAFT will enable local businesses, including women-owned and/or led enterprises to adapt their existing methods, expand local markets and demand, as well as attract further investment, especially for yet to be identified cleantech products and services.

Impact measurement monitoring and reporting is integrated into the Fund's Environmental and Social Management System and consolidated and reported to CRAFT's investors in an Annual ESG & Impact Report.

All CRAFT investments will (continue to) comply with Lightsmith's Environmental and Social Management System (ESMS), which applies the IFC Performance Standards (2012) and is consistent with the CI-GEF/GCF Policy on Environmental and Social Safeguard Standards. (While developing its ESMS, to ensure alignment with the E&S policies of donor governments and multilaterals, Lightsmith incorporated input from E&S specialists at CI, Nordic Development Fund, KfW, and EIB.) All CRAFT investments will (continue to) implement E&S Safeguards appropriate to each investment, including:

- Stakeholder Engagement Plan that is fit-for-purpose and proportional to the environmental and social risk;

- Gender Mainstreaming Plan, including monitoring and reporting on the number of beneficiaries disaggregated by gender (target at least 30% female); and
- Grievance Mechanism.

The Fund is a blind pool that has only made one of 8-12 possible investments the approach used to estimate GEBs generated from future investments is to choose a representative sample from a range of sub-sectors that offer cleantech solutions. The replication factor is based on a sample portfolio that is illustrative of the broader pipeline of opportunities that the fund hopes to invest in. This analysis is based on a sample portfolio of five representative potential investments totaling \$96 million of potential invested capital. The GEB estimates are then scaled up by a factor of 1.6x to represent the potential GEBs from the full \$157.5 million CRAFT fund size which will have sufficient capital for 8 – 12 possible investments, enabled by the GEF NGI for expanding the Fund's Junior layer. Subsequently the GEBs attributable to GEF are calculated based upon the pro-rata share of GEF-attributable investment in the Fund (28.5%). GEB estimates are based on a time horizon that corresponds to the end of the Fund's life in December 2029; no additional deployment is assumed after 2029. GHG emissions reductions that occur beyond the Fund's life in 2029 are calculated twenty years from the Fund's investment in the Portfolio Company which is a shorter time horizon than the productive life of the assets.

Each of the sample companies uses financial projections to estimate growth over the period of a 10-year period that corresponds with the life of the fund. Hectare estimates were determined based on third-party assessments and studies (referenced in the "Sample Portfolio" tables below) from reputable universities, governments and multilaterals such as the World Bank. Where possible, sustainable land management practices were supported by sample farm-level data related to management practices such as nutrient and fertilizer management, no-till practices, water management, and residue retention. For those sample companies that generate CO2 emission reductions, that analysis extends to the useful life of the technology or product. Third party studies and / or independent validation and verification of greenhouse gas assertions were used to establish the GHG conversion factor.

The companies in the sample portfolio are illustrative of the broader pipeline of opportunities that the fund hopes to invest in (see the pipeline table below). GEF's financing is critical to mobilizing capital which will be invested in growth stages companies to expand their climate solution technologies that deliver GEBs to new geographies, sectors and applications. All of the companies below generate some combination of GEBs through improved land management, climate mitigation, and measurable beneficiaries. The investment criteria for selecting investments will include a methodology and reporting framework to assess and report on GHGs. Any investment claiming GEBs from sustainable land management will have the necessary data to establish a baseline, including identifying the location, degree of land degradation, climate, soil, land management practices, etc. No GEBs will be counted from the geospatial mapping and imaging company, which is based on monitoring and analytics rather than on-the ground practices.

Table 6: Illustrative Pipeline

	Pipeline Company	Cleantech Solution	GEF-7 Strategic Alignment	GEF Objective	Investment Amount (US\$)
SAMPLE PORTFOLIO (see detailed discussion under "Sample Portfolio" below)					
	#1 - Water Harvesting Company	Solar-powered water harvesting panels for onsite drinking water production	Innovative renewable energy technology to reduce GHG emissions by offsetting fossil fuels used in manufacturing and transportation of bottled water	CCM-1-4	\$16M
	#2 - Efficient Irrigation Technology	Low-cost drip irrigation technology to replace flood irrigation	Innovative efficient irrigation technology to reduce GHG emissions by dramatically reducing energy use for pumping and by reducing GHGs from flooding fields; less	CCM-1-4; LD 1-4	\$10M

			runoff, soil erosion, and more sustainable land management		
	#3 - Drought Tolerant Tree Crop	Agroforestry (non-monoculture) using a native drought-tolerant oilseed tree being planted as part of reforestation and land restoration program in tribal areas of India	Mitigation through non-monoculture agroforestry-based landscape restoration by planting native tree (5% of diverse mix of trees planted) that also provides economic significant (food oil) value	LD-1-4	\$15M
	#4 - Agricultural Analytics Co.	Remote sensing and AI to advise farmers on soil management and optimize use of fertilizer and water	Maintain land productivity and ag. yields, reduce runoff; reduce resource use and GHGs	CCM-1-4; LD 1-4	\$10M
	#5 - Geospatial Mapping and Imaging Company	Land use monitoring through satellite imagery and geospatial analytics platform	Restoration of landscapes, agro-forestry management	LD-1-1	\$20M
ADDITIONAL COMPANY EXAMPLES					
	#6 - Agricultural Intelligence Co.	Climate and agricultural intelligence SaaS platform	Increasing resilience of land and impacts to food and agriculture value chains	LD-1-1	\$20M
	#7 - Efficient Irrigation Technology	Efficient micro-irrigation technology for sustainable agriculture	Increased food production while reducing water use, fertilizer runoff, soil erosion, and energy consumption	CCM-1-4; LD 1-4	\$20M
	#8 - Drought-Resistant Hybrid Seeds Co.	Hybrid and drought-resistant seed varieties	Enhanced food security through climate smart agricultural products; maintain ag & land productivity and reduce pressure on land	LD-1-1	\$20M
	#9 - Precision Agriculture Co.	Precision planting technology and equipment	Precision ag. technologies that maintain/increase ag yields and improve food security while reducing water and input use (and GHGs)	LD-1-1; CCM-1-4	\$15M
	#10 - Distributed Cold Chain Technology	Solar-powered, distributed cold chain processing systems for onsite processing and storage of agricultural produce near the farm	Innovative solar-powered technology with climate mitigation impacts and systemic impacts for food systems and food security	LD-1-4; CCM-1-4	\$15M
	#11: Water Efficiency Metering & Software Co.	Smart water meters and water management software	Innovative hardware and software for significant water and energy savings (less pumping energy)	CCM-1-4	\$15M

All GEBs reported to GEF will be generated by CRAFT in GEF landscapes. To support the goals of GEF-7, CRAFT will seek to identify transactions that result in greater numbers of hectares of degraded lands restored (GEF core indicator 3.1), area of landscapes under sustainable land management in production systems (GEF core indicator 4.3), climate mitigation i.e. carbon sequestered or emissions avoided in the AFOLU sector (GEF core indicator 6.1) and outside of the AFOLU sector (GEF core indicator 6.2) and more beneficiaries, in particular women (GEF core indicator 11). GEF landscapes will be targeted in the investment pipeline; however, CRAFT cannot commit to only investing in GEF landscapes.

Sample Portfolio

#1 - Water Harvesting Company.

The Fifth Assessment Report (AR5) of the IPCC identifies observed impacts of changes in precipitation or in the accumulation and melting of snow and ice, which alters hydrological systems, affecting the quantity and quality of water resources. Climate change is projected to diminish available surface water and groundwater resources in most dry subtropical regions, intensifying competition for water among sectors. These impacts create significant vulnerability in many human and natural systems, with meaningful downstream impacts on agricultural production, food security, and health.

The Company has developed a proprietary off-grid, self-contained water system (a “hydropanel”) capable of producing pure drinking water per day from ambient air, entirely powered by solar energy. Customers include bottled water brands, hotels and resorts, major grocery chains, remote communities and communities in arid locations, businesses needing reliable and affordable drinking water supplies, aid and disaster relief organizations, and homeowners. The Company is now expanding globally, particularly in developing countries experiencing drought, such as India and South Africa.

<i>Baseline</i>	<i>Intervention</i>	<i>Attribution</i>	<i>Estimated GEB</i>
<p>Increased water stress and drought expected in most dry subtropical regions</p> <p>Lightsmith attribution begins in Q3 2020</p> <p>-Downstream Capital Mobilized^[1]: CRAFT's investment mobilized additional equity funding from 5 other investors to close the round; Company raised corporate equity and grants in 2020</p> <p>6.1- 1,459 tonnes CO2e; Lightsmith attribution begins in Q3 2020</p> <p>11- Beneficiaries: Emerging Markets 3,505; Developed Markets 12,351</p>	<p>Replacing bottled water has a direct, calculable reduction in GHG emissions through reductions in plastic, transportation-related emissions, and fossil fuel-powered purification processes used by large treatment plants.</p> <p>Intervention deploys more panels globally to displace bottled or tanked water.</p> <p><u>Assumptions</u>: Currently assumes 40% of installations replace bottled water which is based on data from actual installations in 2020; assumes panels have a useful life of 15 years. Emissions avoided estimates cease in 2041.</p> <p>The company is tracking and reporting the prior source of water for their projects (including bottled) and the actual water output of the panels for each installation.</p> <p>Conversion: CO2 Emissions Reduction: (5.79 kg CO2e/kg PET)/(38.2 liters/kg PET) = 0.1516 kg CO2e/liter. 5 liters/day * 365 days/year = 1825: 0.1516 kg CO2/liter * X liters/year</p> <p>a <u>Life Cycle Assessment of Polyethylene Terephthalate (PET) Beverage Bottles</u>^[2]</p> <p>To account for the GHG emissions associated with the manufacturing of each hydropanel, analysis deducts estimated lifecycle GHG emissions from the avoided GHG emissions</p>	<p><i>Technology Attribution</i>: Full-complete off-grid solution using solar energy</p> <p>CRAFT invested in the Series C financing round to support the expansion into emerging markets and provide capital to scale the growth of larger installations structured as Water Purchase Agreements.</p> <p>Attribution begins as of Q3 2020, CRAFT invested August 2020</p> <p>GEF Project: 28.5%</p>	<p>Based on a forecast of cumulative panels installed by December 2029.</p> <p>6.1- 1,047,174 over t CO2e</p> <p>(based on global panel installations)</p> <p>11- Over 279,908 individuals provided water and direct jobs created in Emerging Markets</p>

#2 - Drip Irrigation Company

There is an urgent need for an efficient, effective irrigation solution to mitigate regional water shortages for agriculture. Flood irrigation is a dominant method of irrigation in many regions and for many crops; however, flooding wastes 70 percent of water, lowers yields, causes land and mineral waste, soil depletion and salinization, and water contamination^[4].

The Company has developed a micro irrigation system that uses the field's existing infrastructure and gravity to precisely and efficiently irrigate without requiring pumps or filters. This is supported by a decision support system with field optimization software resulting in lower costs of labor and fertilizers and significant yield improvements. Traditionally, farmer decisions about what and how much to irrigate their crops have been driven by estimates; only 12% of farmers make data-based decisions.^[5] A study conducted by the University of Arizona, Maricopa Agricultural Center and Experiment Center found that this irrigation technology resulted in an 18% yield increase, 66% less water usage and an improvement in the average Water Use Efficiency (WUE), which refers to the ratio between the yield produced and water consumed (of 246%) when compared to flood irrigation methods. The improvement is due to better optimization of irrigation timing, reduced nutrient leaching, and reduced soil erosion. Laterals and drippers are also made from the same polymer, enabling complete recycling of the product.

The Company sells globally to both small-holder farmers and large producers across a range of crops.

<i>Baseline</i>	<i>Intervention</i>	<i>Attribution</i>	<i>Estimated GEB</i>
<p>The FAO estimates that 68% of the world's fresh water is used for agriculture and as a result of climate change, an additional 90 million acres of land will require irrigation by 2040.</p> <p><i>Baseline:</i></p> <ul style="list-style-type: none"> -Installed lateral lines -waters savings or 32.5 ML (megaliters) - WUE increase -Yield increase <p><i>*compared to control fields (2019)</i></p>	<p>More efficient water usage translates directly to higher carbon sequestration and saves energy consumption due to less water usage. The Company's system reduces GHGs by 50% when compared to flood irrigation techniques which require significantly more water and energy.</p> <p><u>Conversion:</u></p> <p>Every 161,874 hectares of fields installed leads to 1,056,000 CO₂t emissions reduction. Assume irrigation systems have a useful life of 10 years</p> <p>Supported by an Independent Verification Report on GHG emission reduction in accordance with ISO 14064-Part 3 Specification with guidance for the validation and verification of greenhouse gas assertions.</p>	<p><i>Technology</i></p> <p>drip irrigation installations are in fields which were previously flood irrigated.</p> <p>As an early stage company, CRAFT's investment is critical to scaling the irrigation technology.</p> <p>GEF Project: 28.5%%</p>	<p>Based on a forecast of hectares installed in emerging markets by December 2029.</p> <p>4.3- 6,371 hectares</p> <p>6.1- 2,755,940 tCO₂</p> <p>11- over 72,331 small-holder farmer beneficiaries</p>

This agricultural products company has developed proprietary varieties of a drought-tolerant, leguminous oilseed tree crop called pongamia (*Millettia pinnata*). Pongamia is one of the highest-yielding oilseed crops per acre, requiring 5-10X less land per ton of protein and oil and can be used as a source of high-protein food oil, livestock feed, biofuel, and oleochemicals. The beans from the pongamia tree contain plant protein and vegetable oil that are nutritious and functionally comparable or better than alternatives such as soy, palm and yellow pea. The Company has developed the first-ever method to refine crude pongamia oil into food-grade vegetable oil. Pongamia plant protein and vegetable oil will be carbon-negative, meaning that the pongamia trees sequester more carbon than the beans produce in emissions from field to plate.

Pongamia can be grown on fallow or degraded lands and tolerates saline soils, unpredictable moisture, and extreme heat. It requires only ¼ of the water used in traditional field crops with little to no fertilizer or pesticides, meaning that pongamia can be used to produce food and fuel in areas that can no longer be used to grow other crops, reducing the pressure for expansion of agriculture into more ecologically sensitive areas or intensification of agriculture through use of chemical fertilizers and pesticides. Pongamia varieties are non-invasive and can produce high-value protein and oil (with little added water and fertilizer) – for crop switching on land that is either currently in production but under pressure, or for “land upgrading” projects that use out-of-production, low-value, marginal land. Pongamia also allows for mixed land use through intercropping and grazing, providing both economic and environmental diversification for farmers. Pongamia helps to restore soil in degraded lands because it is a no-till crop that adds to soil carbon and is a nitrogen-fixer, thereby adding to soil nitrogen, carbon, and moisture content.

GHG offsets occur in two ways: Pongamia trees sequester carbon as they grow, and pongamia oil can be used as a low-carbon alternative to more carbon-intensive food oils, such as soy and palm. A 2019 study conducted by CarbonCo focused on quantifying live aboveground and belowground biomass stocks and carbon dioxide (CO₂) stocks over a range of ages in pongamia plantations to determine the carbon sequestration potential of pongamia for use with a Verified Carbon Standard (VCS) greenhouse gas offset project and determined that, over the course of its 30-year lifetime, a single acre of a pongamia can sequester up to 115 tons of carbon per acre.

A Comparison of Pongamia Oil to Soy and Palm^[6]

<i>Baseline</i>	<i>Intervention</i>	<i>Attribution</i>	<i>Estimated GEBs</i>
<p>Assumed a CO2 stock baseline of zero. Note that any existing trees in the baseline land use are not included in the project accounting of the project area.</p> <p>Baseline: currently no plantings or food oil</p>	<p>As part of a UN SDG commitment to reforest 50 million acres by 2030, the Government of India will plant 200,000 hectares of pongamia.^[7] Pongamia oil made from the beans can be used as a substitute for palm oil to curb deforestation in SE Asia. The planting density for the program assumes 5 pongamia trees per ha. The reforestation project is not a monoculture and instead uses a diverse mix of 20 native tree species interspersed with existing vegetation.</p> <p>Plantings: A mature pongamia tree will sequester approximately 60kg of C per year from years 3-10 and 30kg of C per year from year 11-30. Over a 30-year lifetime, a single pongamia tree will sequester roughly one ton of carbon in above-ground biomass.^[8]</p> <p>Food Oil: Using FAO data^[9], GHG emissions in terms of carbon dioxide-equivalent per metric ton of crude palm oil (CPO) production were shown to be between +3,930 to +30,240. Analysis conservatively assumes 3 tCO2e / tonne of Crude Palm Oil.</p>	<p>The Company has developed a technique for pongamia oil, making it a more feasible palm oil substitution. CRAFT's investment is critical to commercialization and scaling.</p> <p>GEF Project: 28.5%%</p>	<p>Assumes 218,940 hectares are planted and each tree has a 20 year useful life, 283,000 tons of pongamia oil are produced by December 2029. GEBs are only counted through 2043.</p> <p>3.1- 93,795 hectares of degraded land restored</p> <p>6.1- 1,468,112 million tCO2e sequestered; 396,713 million tCO2e GHG emissions avoided</p> <p>11- 20,353 beneficiary jobs created</p>

#4 - Agricultural Analytics Company

Climate change is increasing the frequency and severity of extreme weather events which has already affected farmers in many regions of the world, who are experiencing reduced crop productivity and have suffered significant losses. A 2018 World Food Programme (WFP) report showed that current increases in crop yield per hectare are significantly less than the rates of population increase. Similarly, an FAO report from 2016 shows that if climate change continues at current levels, there will be a decline in the production of major cereal crops (20–45% in maize yields, 5–50% in wheat and 20–30% in rice).

The Company has developed a farm management software-as-a-service (“Saas”) platform to drive efficiency in farming operations, improving both the productivity and quality of farmers’ yields. The digital platform incorporates remote sensing and artificial intelligence to capture and monitor farm-level data in order to deliver adaptive real time advisory and to better predict crop planting patterns in vulnerable regions. Targeted advisory services to farmers are based on crop, location, agronomy, weather, and disease forecasts. Field agents use the proprietary mobile app to periodically track farm activities, troubleshoot farm issues, and monitor harvest and educate farmers on adapting best practices around the optimal use of natural resources and agricultural inputs, such as the proper application of fertilizers and pesticides, using satellite and climate-based insights to address the issue before the occurrence. Between 2015 and 2016, smallholder farmers who adopted the technology observed their crop yields increase and subsequently experienced smaller yield improvements the following year, suggesting that that these clients have integrated the recommended agricultural techniques and quality inputs into their farming practices^[10]. The platform can also serve as a compliance tool for third-party social, environmental, quality and traceability standards.

<i>Baseline</i>	<i>Intervention</i>	<i>Attribution</i>	<i>Estimated GEBs</i>
<p>Adverse climate change is a threat to sustainable farming leading to soil degradation, decreased crop yields, lower quality produce and increased incidence of pests and insects. (ICAR expects a 9% decrease in agricultural yields from 2010-2039)</p> <p><i>Baseline:</i> Currently reaching farmers beneficiaries; hectare targets (2019)</p>	<p>A SaaS platform incorporates, crop, location, agronomy, weather and disease forecasts and remote sensing and AI to advise farmers. Adoption of sustainable agricultural practices leads to increased yields and improved crop quality.</p> <p>Smallholder farmers who adopted the technology observed yield increases and subsequently experienced smaller yield improvements the following year, suggesting that that these clients have integrated and optimized recommended agricultural techniques and quality inputs into their farming practices.</p>	<p><i>Technology Attribution:</i> A study funded by the Government of India and the World Bank calculated a 92% Adaptability Score of platform customers that demonstrated incorporation of climate-resilient agricultural practices</p> <p>GEF Project: 28.5%%</p>	<p>As of March 2020, customers were in Emerging Markets</p> <p>4.3- 2,816,520 million hectares (92% of Emerging Market total)</p> <p>11- 1,232,163 million farmers</p>

#5 - Geospatial Mapping and Imaging Company

Environmental pressures and changes are difficult to quantify because they are massive in both geographic scope and timeline. Satellite technology can rigorously characterize change and develop models based on historical data that can be used by companies, governments, NGOs and operating consortiums to forecast change.

This Company combines diverse sets of data to build predictive analytics which can be used to monitor environmental integrity and pattern-of-life across the globe. The Company has created a cloud-based supercomputing platform for the application of machine intelligence to massive data sets of satellite imagery and sensor information which enable global environment benefits such as maintaining biodiversity, monitoring sustainable supply chains, and signaling deforestation through the following applications:

Sustainable Agriculture: Limited by a shortage of reliable data about farm-level agricultural practices, the Company has been able to analyze geospatial data and provide verification into hidden components of the supply chain. The use of cover crop data enables companies spanning the agriculture supply chain, from trading to suppliers to consumer products, provide farmers with historical benchmarks to measure their yield performance against actual data and use predictive models to further the adoption of sustainable practices.

Maintaining Biodiversity, Land Preservation & Preventing Deforestation: The global demand for agricultural and timber commodities is the primary driver of tropical deforestation and efforts to reverse this trend supports climate change mitigation and biodiversity preservation. Through multiple satellite sensors, the Company is able to monitor land changes such as deforestation with the ability to differentiate between native vegetation, controlled burns, planted vegetation, and previously cleared land. This application can be used to ensure that agricultural supply chains are free of negative impacts such as biodiversity loss and carbon stock reduction.

Early-warning wildfire detector. A [2017 study conducted by WWF](#) predicted that by 2030, wildfires will destroy 55% of the Amazon rainforests. Alongside preventive measures, detecting and monitoring wildfires is also crucial to minimize destruction. Traditionally, fires are detected via planes or lookout towers, or reported by civilians, which can be an unreliable and slow process. The use of satellite data enables an automated notification within minutes of ignition allowing for continuous and complete monitoring. These satellites view the earth in near real-time, capturing images every five minutes which are ingested into the data platform. Since the images are captured in the thermal infrared spectrum, the Company can measure the temperature of the earth at the time an image is taken. From there, several algorithms are run to determine if a fire is present.

<i>Baseline</i>	<i>Intervention</i>	<i>Attribution</i>	<i>Estimated GEB</i>
<p>Palm oil is a major driver of deforestation of some of the world's most biodiverse forests. According to a WWF study, 68% of companies identify supply chain traceability as a key challenge.</p> <p>Company purchases palm oil annually; assumes yield range of 3.9 tonnes of CPO per hectare annually; Hectares under monitoring.</p>	<p>Satellite data can support and monitor sustainable supply chain commitments, such as RSPO and deforestation free policies, by using data to see how an area changes over time and creating deforestation alerts.</p> <p>The technology monitors the palm oil supply chain in Indonesia and Malaysia of a large FMCG Company to detect deforestation in near real-time and with greater accuracy. The Company whittles down the deforestation alerts using machine-learning techniques to distinguish between the vegetation of forests that need to be protected and palm plantations where fires and replanting are a natural part of the agricultural process.</p>	<p>While not the only monitoring tool, geospatial monitoring is cheaper and more effective than land based, site-specific monitoring. This approach can better determine whether deforestation or other unsustainable practices are taking place and if there is leakage, i.e. if deforestation is merely pushed off-site to nearby areas.</p> <p>CRAFT's investment supports an emerging technology with widespread application in conservation and sustainability.</p> <p>GEF Project:28.5%</p>	<p>No GEBs contributed at current phase.</p>

[1] Includes mobilized co-investments and follow-on investments from other investors, including project finance mobilized into projects deployed by the Company and technical assistance

[2] The conversion factor of 0.2075 kg CO₂/liter represents the avoided emissions associated with PET plastic bottle manufacturing. Source: California Department of Resources study, "Life Cycle Assessment of Polyethylene Terephthalate (PET) Beverage Bottles". This conversion factor is an underestimate because it does not include the avoided emissions from transportation of the bottled water to end markets. The estimate is further supported by two other studies that include both plastic bottle manufacturing and the transportation of the bottled water; both studies indicate higher GHG/liter conversion factors, ranging from 0.24-0.53 kg CO₂/liter. These studies are: University of Michigan, Center for Sustainable Systems, "Comparative Life-Cycle Assessment of Bottled vs. Tap Water Systems" (2009), which indicates avoided lifecycle GHGs of 0.2445-0.532 kg/L, and PET Water Bottle: A Carbon Footprint Assessment (2016), which estimates 0.431 kg CO₂ per 33 cl bottle. Our GHG analysis uses the lowest of all these figures, representing only the energy and GHGs avoided from PET plastic bottle manufacturing.

[9] The estimated lifecycle GHG emissions associated with hydropanels is deducted from the estimated avoided emissions. The lifecycle emissions associated with the hydropanels is estimated to be one-third of that for solar PV panels of equivalent size. As this is a new category of solar panel, no lifecycle GHG emissions studies are available specifically for hydropanels. Based on a comparison of the manufacturing process for solar hydropanels with that of multi-crystalline silicon (cr-Si) solar PV panels, it was determined that solar hydropanel manufacturing avoids the most energy-intensive and carbon-intensive

steps in solar PV manufacturing (silicon purification, silicon ingot production, and wafering) while [redacted] are largely the same. These avoided steps represent over two-thirds of the lifecycle energy and GHGs associated with cr-Si solar PV panels, with the first step (silicon purification) alone representing 45% of the total lifecycle GHG emissions. (See Fthenakis and Kim, "[Photovoltaics: Life-cycle analyses](#)", *Solar Energy*, 2010.) This study estimates lifecycle GHG emissions for multi-crystalline silicon PV are 38 g CO₂e per kWh. In our GHG analysis, we use one-third of that, or 12.67 g CO₂e per kWh, for the lifecycle emissions of solar hydropanels.

[4] Source: Aquastat, FAO

[5] 2018 Census of Agriculture, Management Analysis

[6] Source: Investancia Paraguay, MEO Carbon Solutions GmbH; * Does not include release of carbon at end of pongamia tree life; ** Inclusive of indirect land use change aspects related to soy

[7] The analysis assumes that, in the next 10 years, using capital from the Fund's investment and continued partnership with Naandi Foundation and other partners in the Araku Valley and other degraded lands in India, the company will supply pongamia seedlings as part of a 5% mix of reforestation programs covering 200,000 hectares. The assumed planting density of pongamia is 5 trees per ha (compared to the commercial plantation-based density we had been assuming of 247 trees per ha). For comparison, Naandi Foundation alone planted 50,000 ha just last year; 200,000 ha is about 0.2% of India's overall reforestation target of 95 million ha by 2030. We believe the company can deliver the projected GHG reductions just by supplying enough pongamia trees for 5% of the mix that Naandi Foundation plans to plant in the Araku Valley alone in the next few years.

[8] Based on a 2019 study conducted by Ostyra Conservation and Carbon Co LLC "Pongamia in Florida: A Rapid Assessment of CO₂ Sequestration Potential"

[9] Calculation: Emissions per metric ton of crude palm oil

https://rainforests.mongabay.com/deforestation/charts/commodities/palm-oil-emissions_cpo.html

[10] GIIN: [Understanding Impact Performance: Agriculture Investments](#)

Innovation, Sustainability and Scalability

CRAFT is a highly innovative use of catalytic capital in blended finance that can generate global environmental benefits through mobilizing capital for climate resilience and adaptation solutions: The Global Lab in 2017 confirmed that CRAFT is the first private investment strategy for climate resilience; it is the first to use blended finance to mobilize adaptation investment and to combine it with a TA Facility. The Global Lab's members fully endorsed CRAFT for its innovation (plus impact and feasibility) in 2017. ICFA similarly recognized CRAFT's innovative use of catalytic capital in its Ambassador Award in 2018. CRAFT is also an

efficient and effective instrument for catalyzing private investment in private sector-driven adaptation and climate resilience solutions and for applying, transferring, and scaling up these solutions to achieve transformative change in developing countries. The structure of the CRAFT project presents a cost-effective, efficient structure to leverage additional capital alongside both public and private investors, to scale private sector solutions, and to ensure the long-term financial sustainability of the project. Moreover, through GEF's support, CRAFT can further demonstrate how this mobilization can generate GHG emission reductions and improved land management practices through adaptation and climate resilience capacity.

First, CRAFT's innovative blended finance structure – including a targeted 20% Junior concessional layer that mitigates downside risk for Senior non-concessional investors – enables GEF's catalytic commitment to the Junior layer to mobilize at least 6.6x as much non-concessional capital into the Fund. Second, by helping to mobilize investment into the Fund, GEF's catalytic capital also helps to unlock co-investment and follow-on investment for CRAFT's investee companies, amounting to likely at least about 2x CRAFT's investments, or an additional \$500 million. Third, even larger amounts of debt and equity financing can be mobilized as investee companies deploy their technologies in large-scale projects, which could amount to 5-10x CRAFT's investments, or \$1 billion - \$2.5 billion over the Fund life. CRAFT's innovative structure thus creates a multiplier effect and a catalytic impact for systemic change that is unlocked by its 20% Junior investors.

CRAFT's commercial focus helps to ensure the long-term financial viability, sustainability, efficacy of the climate adaptation solutions supported by CRAFT and the resulting generation of global environmental benefits. CRAFT's sustainability is also ensured by its long-term fund structure with a life of 10 years and existing investor commitments. Given CRAFT has exceeded its \$75 million minimum threshold with its \$81 million first close in December 2019, it has enough resources to operate for a full 10 years, including the cost of monitoring and reporting on its activities.

A critical component of CRAFT's value-add is to capture new climate resilience-driven growth through the expansion of applications into new geographies and new sectors in need of resilience. GEF's support of CRAFT would crowd in and catalyze additional financing from a wide range of investors including foundations and family offices, private investors, development banks and governments. By showcasing the commercial and economic viability of investing in climate resilience solutions in developing countries, CRAFT's activities will catalyze the development of broader markets for climate resilience solutions. By identifying concrete examples of technologies, products and services that can support climate resilience, and by creating and disseminating case studies and data on the business case for adaptation, CRAFT can also create a demonstration effect, encouraging more public and private actors to use climate resilience solutions, more entrepreneurs and innovators to adapt their existing tools to offer these solutions (or to develop new ones), and more investors to finance them. The success of CRAFT and its investee companies to deploy capital and ultimately climate solutions will embolden private investment in these and related technologies in emerging markets, as well as donor activity to generate climate mitigation and sustainable land use benefits employing a resilience-driven approach. CRAFT's innovative approach is intended to achieve this paradigm shift and transformative effect.

The investment strategy and the investee companies can be scaled in several ways:

CRAFT's strategy is to provide growth capital and strategic assistance to scale up investee enterprises globally to meet the resilience need/opportunity. Many of the enterprises can scale further by attracting additional follow-on capital and growing organically or through acquisition. In addition, disseminating information about these investments may enable other enterprises to replicate and scale up the application of similar technologies and solutions to climate resilience.

Lightsmith can replicate and scale the CRAFT strategy through a second fund without catalytic capital. The current 1,000+ company map and 20 subsectors analysis suggest an additional USD1 billion fund could be invested following CRAFT's strategy.

Other sponsors could replicate CRAFT’s strategy of investing in resilience “tools” companies, particularly in sector-specific or country-specific strategies, as the market develops.

CRAFT’s strategy could be adapted to different stages or classes of investment, such as venture capital, PE buyouts and rollups, or public equities.

Lightsmith’s market mapping has identified early stage, mature buyout, and large public companies relevant to climate resilience.

CRAFT’s strategy can be used to extend climate resilience to real estate, infrastructure, fixed assets, and financial securities, screening each set of assets for climate risk and resilience. CRAFT companies—particularly in analytics—can be used to screen these investments.

CRAFT’s investee enterprises can deploy their products (water harvesting panels, drought-tolerant tree crops) in large-scale projects, attracting much greater amounts of debt and equity. All of these follow-on interventions can similarly support the generation and safeguarding of global environmental benefits through greater adaptation and climate resilience technologies and solutions.

Given that up to \$300 billion per year will be required to address adaptation in developing countries alone by 2030, the potential to replicate and scale both the strategy and the enterprises is very large. Moreover, by enhancing the ability to design and safeguard interventions that support GHG emissions reductions and improved land management practices that take account of the increasing physical risk and impact of climate change, the impact of the strategy on global environmental benefits can be even more scalable.

[1] GIIN: [Understanding Impact Performance: Agriculture Investments](#)

[1] Based on a 2019 study conducted by Ostyra Conservation and Carbon Co LLC “Pongamia in Florida: A Rapid Assessment of CO2 Sequestration Potential”

[2] Calculation: Emissions per metric ton of crude palm oil

https://rainforests.mongabay.com/deforestation/charts/commodities/palm-oil-emissions_cpo.html

[1] Source: Investancia Paraguay, MEO Carbon Solutions GmbH; * Does not include release of carbon at end of pongamia tree life; ** Inclusive of indirect land use change aspects related to soy

[1] Source: Aquastat, FAO

[2] 2018 Census of Agriculture, Management Analysis

[1] Includes mobilized co-investments and follow-on investments from other investors, including project finance mobilized into projects deployed by the Company and technical assistance

[1] <http://www.solaripedia.com/files/1332>

[1] Nordic Council of Ministers, 2017: Mitigation & Adaptation Synergies in the NDCs, p. 62.

[2] IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change, Topic 4: Adaptation and Mitigation, Section 4.5 “Trade-offs, synergies, and integrated responses,” p.112.

[3] For example, see: Nature 2021, “[Power sector investment implications of climate impacts on renewable resources in Latin America and the Caribbean](#)”; “Oxford Policy Management, 2019, “[The impact of climate change on hydropower in Africa](#)”; or “Grantham Institute, 2018, “[The pitfalls of hydroelectric power in drought-prone Africa](#)”.

[4] For example, see Science Advances, December 2020, “The carbon sink of tropical seasonal forests in southeastern Brazil can be under threat”; or Nature, December 2019, “Asynchronous carbon sink saturation in African and Amazonian tropical forests”.

[5] “What made 2019 extraordinary wasn’t the overall number of fires, or total fire emissions, but where they happened and how intense they were. Scientists were baffled to record fires burning in some parts of Siberia and Alaska for longer than they’d ever seen.” Laura Millan Lombrana, Hayley Warren, Akshat Rathi, “Measuring the Carbon-Dioxide Cost of Last Year’s Worldwide Wildfires,” Bloomberg Green (Feb 10, 2020). < <https://www.bloomberg.com/graphics/2020-fire-emissions/> >

[6] Preqin, “First-Time Fund Managers”, Private Equity & Venture Capital Spotlight, February 2018.

[7] Preqin, “How Important is the First Close?”, Private Equity Spotlight, May 2013.

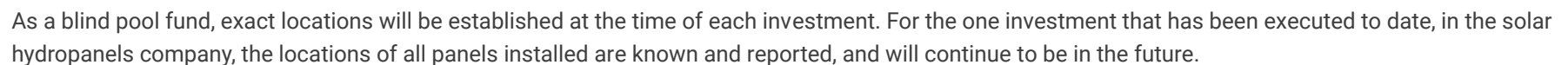
[8] Isobel Markham, “One in five LPs to slow PE commitment due to covid-19”, Private Equity International, April 1, 2020.

[9] Group of MDBs, “2019 Joint Report on MDBs’ Climate Finance,” August 2020.

[10] Comprised of \$60 million in new Senior capital and \$12.3 million effective commitments “unlocked” by existing investors.

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

Geographic Strategy: Core Countries (ODA Eligible Countries)



2. Stakeholders

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

Indigenous Peoples and Local Communities

Civil Society Organizations Yes

Private Sector Entities Yes

If none of the above, please explain why:

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

Under the CRAFT Project Stakeholder Engagement Plan (SEP), Lightsmith committed to engage in outreach to key private sector, public sector, and civil society stakeholder groups over the duration of the Project. Stakeholder engagement was extensive, including through the two mechanisms specifically mentioned in the SEP: Global Adaptation & Resilience Investment Working Group (GARI) meetings and the Climate Week 2018 Workshop in New York City. The CRAFT project incorporated gender mainstreaming into the investment and impact strategy that was prepared during the project. In addition, the project engaged over 200 stakeholder groups/organizations and over 1200 individual stakeholders through Lightsmith organized convenings. Finally, the project brought together public sector, private sector and CSOs to discuss climate resilience investments at 25 panel discussions and 2 high-level meetings. The project will take lessons learned from the initial CRAFT project and will develop a Stakeholder Engagement Plan in line with the CRAFT ESMS and with the GEF ESS.

The CRAFT strategy has been discussed with:

~200 public and private investors

35 private companies involved adaptation and resilience

Overall, through CRAFT, Lightsmith has engaged with:

~120 private sector organizations

1,200+ individuals

CRAFT and climate adaptation investment have been discussed/presented at:

25 panels discussions at **19** conferences and events globally

11 GARI meetings in San Francisco, New York, Washington DC, and London

Lightsmith approach to stakeholder engagement:

Lightsmith seeks to ensure the effective participation of key stakeholder groups, including emerging markets investors and financial actors, engineering and data companies, and others representing the views of the private sector and NGOs in emerging markets.

Lightsmith disseminates information and seeks input through various public and industry forums such as the Global Adaptation & Resilience Investment Working Group's ("GARI") meetings, climate workshops, and regional meetings in emerging markets.

Lightsmith extends stakeholder engagement to its portfolio companies and maintains channels for its Portfolio Company management teams, Portfolio Company employees, and people living in communities in which the Portfolio Companies operate to communicate with Portfolio Companies or directly with Lightsmith.

Lightsmith also maintains several communication channels with its Limited Partners (“LPs”) such as routine site visits and participation in investor meetings. Additionally, an annual report will be provided to all LPs regarding the implementation of the ESMS and the Environmental and Social performance of the Portfolio Companies.

3. Gender Equality and Women's Empowerment

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

Gender gaps intricately intersect with climate change through social, economic, ecological, physical and institutional dimensions that are experienced at the household, community and country levels. Women are often disproportionately vulnerable to the effects of climate change, which can further exacerbate gender disparities. However, evidence demonstrates that the application of a gender-lens in approaching climate action by ensuring inclusive participation in decision-making around key natural resources can reduce greenhouse gas impacts, improve resiliency, and concurrently shrink gender gaps for current and future generations.

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Lightsmith recognizes that women are often disproportionately disadvantaged and vulnerable and less able to access resources and economic opportunities. Lightsmith commits to incorporate gender safeguards at all stages of the investment process to protect against further exacerbation of gender disparities through its investment activities. CRAFT commits to maintaining a gender-lens when assessing investment opportunities, evaluating the impact of its investments, particularly among the underserved, including women. To assess and facilitate the potential for positive gender impact in our portfolio, CRAFT will:

- Consider whether a portfolio company provides a new source of income for women in climate-vulnerable communities and facilitates employment opportunities for women, particularly those operating in traditionally male-dominated industries
- Consider if a portfolio company is developing climate- smart products or services that are engaging women as key beneficiaries
- Consider the implementation of inclusive corporate policies to increase the quantity and quality of jobs held by women, improve working conditions and close gender pay gaps
- Endeavor to incorporate a gender focus when considering technical assistance / donor funding programs

In establishing the impact of its investments on communities, CRAFT takes a crossing-cutting approach to tracking and using existing relevant metrics such as: i) the number of employees, ii) the number of beneficiaries, and iii) vendors or suppliers. CRAFT is committed to applying a gender-lens in delving deeper into its impact metrics by, to the extent possible, disaggregating its data by gender. These metrics will be incorporated during due diligence and tracked throughout the holding period of portfolio company and help provide granularity on the gendered impacts of its investments.

With the aim of mitigating any potential exacerbation of gender disparities through its investment activities, The Fund commits to incorporating gender safeguards at all stages of the investment process. This includes the following:

- Conduct an assessment to identify individuals and groups that may be directly and differentially or disproportionately affected by the business activity because of their disadvantaged or vulnerable status, including women.

- When there are impacts on lands and natural resources subject to traditional ownership or under customary use, the assessment should be gender inclusive and, specifically, consider women's role in the management and use of these resources.
- Portfolio Companies will not make employment decisions on the basis of personal characteristics, such as gender, unrelated to inherent job requirements. The employment relationship will be based on the principle of equal opportunity and fair treatment, and will not discriminate with respect to any aspects of the employment relationship, as recruitment and hiring, compensation (including wages and benefits), working conditions and terms of employment, access to training, job assignment, promotion, termination of employment or retirement, and disciplinary practices. Portfolio Companies will take measures to prevent and address harassment, intimidation, and/or exploitation, especially in regard to women.

With regard to its own activities, Lightsmith has developed a Gender Mainstreaming Policy to ensure that both men and women receive fair access to social and economic benefits; do not suffer adverse effects; and receive full respect for their dignity and human rights. Specific measures work towards equitable participation of women and men in the following aspects: i) Recruitment and Procurement; ii) Meetings and Events; iii) Project Governance; iv) Strategies and Plans; and v) Monitoring & Evaluation.

Diversity and inclusion are extremely important to Lightsmith. Accordingly, Lightsmith is an Affirmative Action/ Equal Opportunity Employer of minorities, women, veterans, and individuals with disabilities, and will afford equal employment opportunity to all employees and applicants for employment. Lightsmith seeks to include women in decision-making roles within the firm.

Lightsmith expects to engage with stakeholders and beneficiaries in a number ways, which will mainstream gender considerations and will collect gender-disaggregated information from key stakeholder meetings to track gender participation and engagement.

The CRAFT Project's Gender Mainstreaming Plan (GMP) plan included several elements: (a) Recruitment and Procurement – Lightsmith seeks to ensure equitable access to benefits of the Project in the form of employment and income generating activities. Over the course of the project, women were 2 of 2 (100%) of all new employees selected, and 4 of 7 (57%) of the service provider firms selected (legal, accounting, audit/tax, recruiting, placement/fundraising, virtual administrative assistants, and IT) were women-owned or had women in leadership. (b) Meetings and Events – Lightsmith seeks to ensure equitable participation by women in the project's meetings and events. Over the course of the project, women were approximately 40% of the participants in Lightsmith-organized (or co-organized) meetings and events. Also, the Lightsmith partners speak on numerous conference panels, and Lightsmith has a policy of seeking to ensure women are included in every panel we participate in. (c) Project Governance – two of the three members of the Project Steering Committee are women (d) Investment Strategy – Lightsmith has incorporated gender mainstreaming into the investment strategy and impact strategy prepared during the project.

During the PPG phase, CI will ensure that a Gender Analysis and Gender Action Plan are completed prior to CEO endorsement submission. These documents will be in line with CI and the GEF's Gender Policy.

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

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

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

generating socio-economic benefits or services for women.

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

Yes

4. Private sector engagement

Will there be private sector engagement in the project?

Yes

Please briefly explain the rationale behind your answer.

The project will involve private sector engagement in several critical ways.

First, GEF's Junior Catalytic Capital commitment will mobilize private sector investors – such as institutional investors, endowments and foundations, family offices, insurance companies, and potentially pension funds, banks, companies, and other private investors in the Senior layer of the CRAFT fund – in fact mobilizing up to 8X of Senior commercial capital and partnering with private sector investors for 10-12 years.

Second, the project directly engages with a private sector fund sponsor and manager, Lightsmith Group, which will invest and manage the CRAFT fund and provide on-going reporting and monitoring to GEF and to the range of private sector and public sector investors.

Third, the Junior Catalytic Capital of the project will be invested in private sector companies who are involved in adaptation and climate resilience solutions and be used to apply and scale up climate resilience and adaptation technologies and solutions, particularly for the benefit of developing countries.

Fourth, the project substantially scales up CRAFT's engagement and impact on the private sector investment ecosystem. As the first private investment fund for adaptation and climate resilience, CRAFT is launching private investment flows into adaptation and climate resilience, catalyzing global markets for climate resilience solutions, and scaling up and transferring technology to developing countries to support the paradigm shift. GEF's commitment of Junior Catalytic Capital also supports the demonstration that climate resilience and adaptation solutions are a strategy for generating GHG emissions reductions and sustainable land use solutions.

The project supports engagement and scaling up of the entire private sector market for adaptation and climate resilience solutions. With the scaling-up impact of the project's Junior Catalytic Capital, CRAFT will create further engagement with the private sector by catalyzing the development of markets for climate resilience solutions. By identifying concrete examples of technologies, products and services that can support climate resilience, and by creating and disseminating case studies and data on the business case for adaptation, CRAFT can create a demonstration effect, encouraging more public and private actors to use climate resilience solutions, more private sector entrepreneurs and innovators to offer these solutions (or to develop new ones), and more private sector investors to finance them. Aligned with GEF's goals, CRAFT will create transformational and system-level impacts on the private sector through learning and market development that can be much greater than just the direct impacts from its investing.

Through its support for financially sustainable climate adaptation solutions, CRAFT will provide several opportunities to efficiently scale, replicate and further catalyse private sector solutions:

Through its direct investment activities, CRAFT will provide growth capital and strategic assistance necessary to scale investee enterprises to meet the resilience need and opportunity.

Many of the enterprises can scale further by attracting additional follow-on capital and growing organically or through acquisition. In addition, disseminating information about these investments may enable other enterprises to replicate and scale up the application of similar technologies and solutions to climate resilience.

As the first private equity fund focused on climate resilience and adaptation, Lightsmith's successful execution of the CRAFT strategy will broadly demonstrate to other sponsors the replicability of the strategy, particularly in sector-specific or country-specific strategies, as the market develops. CRAFT's strategy could be adapted to different stages or classes of investment, such as venture capital, buyouts and rollups, or public equities. CRAFT's market mapping has identified early stage, mature buyout, and large public companies relevant to climate resilience.

5. Risks to Achieving Project Objectives

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

Risks	Risk Mitigation Measures
<p>RISK 1 – Inability to identify appropriate investments: While the need for adaptation and climate resilience is significant, the field of private sector opportunities that identify as providing solutions to the impacts of climate change is still emerging, and there is a risk that the project may struggle to identify sound investments to build the pipeline within the timeframe of the project.</p>	<p>Lightsmith has already identified and mapped a pipeline of over 800 climate resilience companies and is engaged in active discussion with an actionable pipeline of 10+ promising potential investments; and Lightsmith's partners have over 25 years of relevant investment experience directly applicable to the Fund.</p>
<p>RISK 2 – Inability to raise capital for the Fund: Given that the emerging market and developing economy regions the Fund will be investing in are perceived as risky by a considerable proportion of investors, there is a risk that the amount of capital the Fund will attract will be less than estimated.</p>	<p>Lightsmith is actively engaged with several leading MDBs, DFIs, and institutional investors for investment into the Fund; and Lightsmith has identified several other institutional investors, family offices, and foundations as well as national governments that could be potential capital sources if able to raise additional junior capital.</p>
<p>RISK 3 – Failure to achieve developmental outcomes: The fund may encounter difficulties transferring technologies and solutions from developed to developing countries, including barriers to market entry and deployment. Various international equity investors often shy away from the perceived risks of investing in emerging economies.</p>	<p>Lightsmith's unique value-add will help to ensure market entry and deployment of climate resilience and adaptation technologies and solutions into developing countries through its experience and relationships. Lightsmith's partners have demonstrated prior success in designing and executing similar technical assistance facilities.</p>
<p>RISK 4 – Failure to achieve climate outcomes: The focus on commercially successful opportunities could detract from the goals of increasing Global Environmental Benefits of climate mitigation and sustainable land management in developing countries.</p>	<p>Early in the investment process, Lightsmith screens potential portfolio companies to confirm alignment with the Adaptation Solutions Taxonomy and assesses their potential to generate Global Environmental Benefits. Given the fund's unique structure and investors, the deal team and investment committee members understand the importance of impact delivery and will strive to balance it appropriately with financial returns. Through its Impact Measurement System ("IMS"), Lightsmith will assess and manage climate-change related impacts, and the translation of these impacts into Global Environmental Benefits.</p>

<p>RISK 5- Environmental and Social Performance: The risk that CRAFT will support investments that lead to significant, irreversible harm and / or damage to the physical environment or communities</p>	<p>CRAFT has developed an Environmental and Social Management System ("ESMS") with a process for screening, categorizing, appraisal, contracting and monitoring investments in accordance with the IFC Performance Standards. CRAFT's investment strategy reduces the likelihood of investments in companies potentially inducing significant E&S risks and potential adverse impacts, including: (i) significant adverse impacts to community health and safety; (ii) significant number of serious injuries and/or fatal accidents; (iii) involuntary resettlement of people; and (iv) impacts on critical habitat, indigenous peoples and cultural resources. CRAFT has appointed an experienced sustainability professional as part of the Fund's team responsible for day-to-day implementation of the ESMS and IMS and to continuously engage with and monitor portfolio companies.</p>
<p>RISK 6 – Lack of beneficiary country buy-in risk: Because there is limited formal participation of the beneficiary countries in the CRAFT Fund, there may be a lack of political buy-in, which could hamper efforts to invest in and develop markets for climate resilience solutions in those countries.</p>	<p>CRAFT will refer to country NAPs, NAPAs, and NDCs to identify critical adaptation needs and opportunities and align its investment strategy with country needs. In its investing, CRAFT will coordinate with MDBs and DFIs operating in these countries, and with country governments and development banks directly.</p>
<p>RISK 7 – Adverse impact to performance due to the COVID-19 pandemic: The widespread health crisis may adversely affect commercial activity, economies and financial markets globally, which may in turn negatively impact the fund's fundraising efforts, liquidity, hiring, performance of portfolio companies, ability to pursue acquisitions and access to equity capital markets for potential and existing investments.</p> <p>RISK 8- Inability to Exit at end of Fund's Life is a central financial risk of a growth equity investment strategy – even successful companies may not achieve an exit via sale to a larger company or IPO.</p>	<p>Throughout the COVID-19 pandemic, Lightsmith completed its first investment in a growth-stage water harvesting company, added two additional investment team members and secured \$30mm in funding (expected to close Q4 2020); and Lightsmith maintains a pipeline with promising, near-term investment opportunities, including a digital mapping company that has grown revenues by ~10% through the pandemic. The fund will continue to seek investments with the ability to generate global environmental benefits and financial returns, screening each investment for COVID-19 related risks.</p> <p>While the lack of exit would mean no funds from that investment would flow back to the investors it does not mean that the non-financial, impact objectives would not be achieved – the deployment of a company's technology may be greatly expanded, and GHG emissions or land degradation decreased – even if there is no financial exit. Furthermore, the Fund structure allows for up to two, one year-extensions with investor approval.</p>

6. Coordination

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

As Executing Agency, Lightsmith will be responsible for executing the project, including managing the various project-related activities directly, reporting on project progress, managing sub-contracts, project staffing, and use of project funds. A GEF project management unit within Lightsmith will be co-managed by Jay Koh and Sanjay Wagle. Lightsmith will designate a staff person as a GEF project coordinator to coordinate overall project implementation, handle administrative and financial aspects of the project, and ensure quality and timeliness of reporting to CI.

CRAFT is structured as an investment fund monitored by industry-standard governance, reporting, and audit mechanisms. The Fund entity, Lightsmith Climate Resilience Partners SCSp RAIF, is structured as a Luxembourg-domiciled Reserved Alternative Investment Fund ("RAIF"). The Fund has already engaged a registered Alternative Investment Fund Manager ("AIFM") that delegates investment decision-making authority to Lightsmith via an Investment Advisor Agreement. The Fund's General Partner ("GP"), which manages and controls the Fund, is also a Luxembourg entity owned by Lightsmith. SS&C Luxembourg has been engaged to provide fund administration and custodian services. Quintet Private Bank provides depositary services to the Fund.

CRAFT's core activity is to make growth equity investments in climate resilience companies. Any proposed investment must be reviewed and approved by a majority of the Fund's Investment Advisory Committee ("IAC"), which is currently comprised of Jay Koh, Sanjay Wagle, and an independent member Richard Kauffman. The majority approval must at least include an affirmative vote from the independent member.

The process by which investment decisions are made and the parties involved is outlined below.

Stage	Staffing	Documentation	Approval Body
Identification	Deal team members, Senior Investment Advisors, Strategic Advisory Board, networks	Deal pipeline database entry	Any deal team member
Initial Contact	Dedicated deal team (MD/VP + Associate/Analyst)	Update pipeline	Any deal team member
Management Meeting	MD, VP/Principal + Associate/Analyst	Update pipeline	MD or VP/Principal
Preliminary Investment Advisory Committee Approval	VP/Principal + Associate/Analyst	1-page deal summary, Investment Advisory Committee approval	Investment Advisory Committee
Initial Due Diligence	Dedicated deal team	N/A	MD or VP/Principal
Bid & Negotiations	Dedicated deal team, counsel	N/A	Deal team
Confirmatory Due Diligence	Dedicated deal team, accounting (Quality of Earnings), regulatory	Final Investment Committee Memorandum	Investment Advisory Committee
Presentation of the Deal to the AIFM	Dedicated deal team of the Investment Advisor Deal team of the AIFM	Deal Memo to be presented to the AIFM	Investment Committee of the AIFM
Investment Decision	Deal team of the AIFM Investment committee of the AIFM	Investment decision notice	Investment Committee of the AIFM
Close	Dedicated deal team, legal Legal representatives of the AIFM	Purchase & Sale Agreement, side letters	Deal team under delegated range of proposals authorized by Investment Advisory Committee; legal representatives of the AIFM

Investment team members, Managing Directors, and the Investment Advisory Committee have distinct roles in the investment process:

Identification and Initial Contact. As detailed above, Identification and Initial Contact can be done by any member of the deal team and are memorialized in a deal pipeline entry. (Identification and Initial Contact will be subject to review of conflict of interest and other processes.)

Management Meeting. An initial Management Meeting is organized. For an initial Management Meeting to be scheduled, deal teams must secure the verbal approval of a Managing Director or VP/Principal. During this Management Meeting a full presentation of a potential investment opportunity by the deal team is presented.

1-Page Deal Summary. Once a Management Meeting has occurred, the assigned deal team prepares a 1-Page Deal Summary, which is reviewed by Investment Advisory Committee. Subject to approval by the IAC, the transaction can move from the 1-Page Deal Summary Stage into Initial Due Diligence.

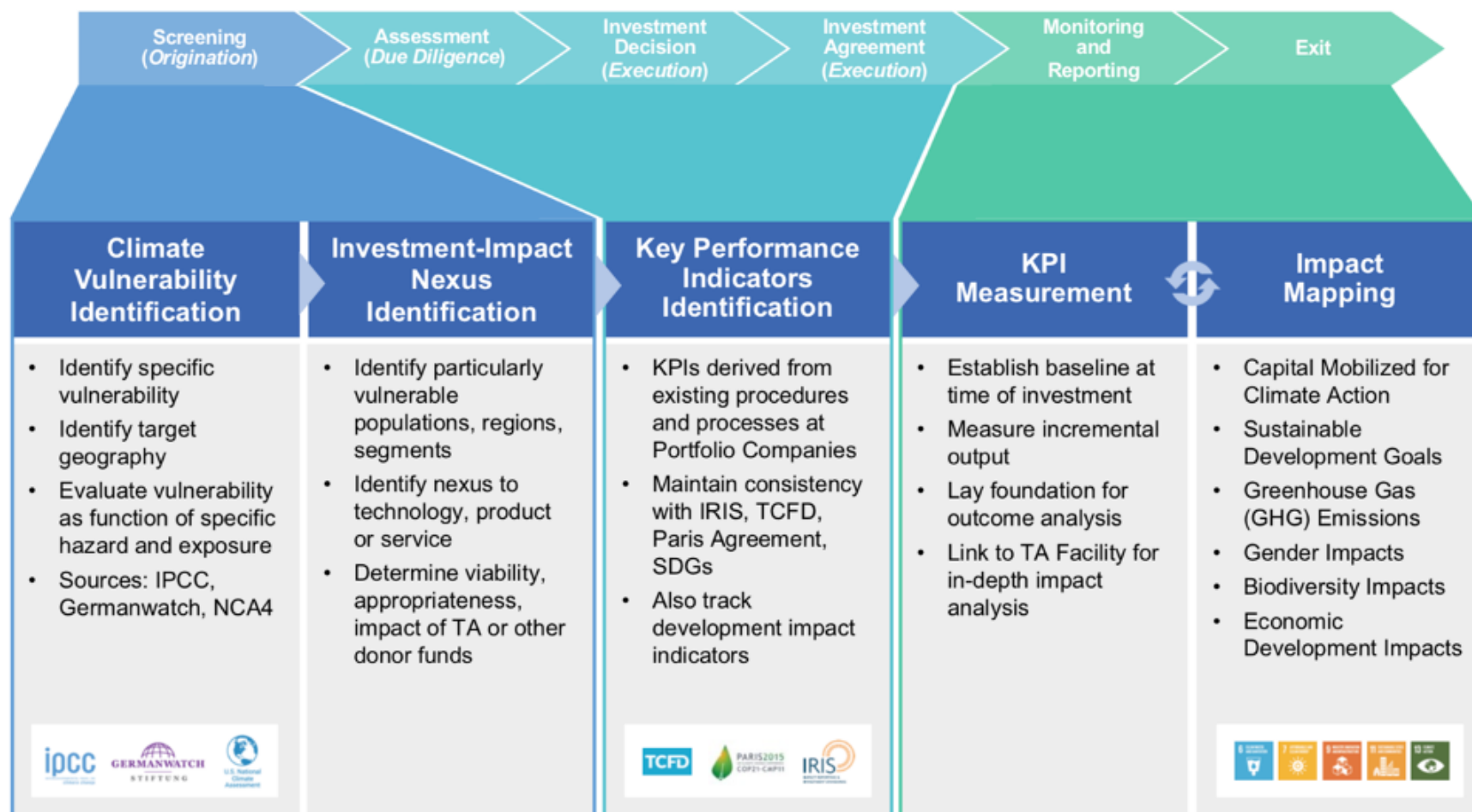
Due Diligence and Close. Should the due diligence and negotiations prove successful, the assigned deal team drafts final transaction documents and prepares an Investment Advisory Committee Memo (“ICM”) that describes the proposed transaction, detailed information from the due diligence process, and a recommended proposed deal structure and valuation. The IAC reviews and votes on the final ICM and recommended deal proposal, and if successful, the deal team submits the projected investment to the AIFM for final approval.

CRAFT’s investment process integrates the analysis of ESG risks and identification of approaches to measurement impact:

Identification and Initial Contact to 1-Page Deal Summary. During the initial stages of contact leading to the 1-Page Deal Summary (Stages 1-4), the deal team works to identify the specific climate vulnerability (described by IPCC, Germanwatch, or similar sources on climate change) that can be addressed by an investment in the target company. In addition, during Stages 3 and 4, ESG risks are identified, as well as an initial 3-5 potential KPIs of impact.

Initial Due Diligence to Investment Advisory Committee Memo. During Stage 5 (Initial Due Diligence) and during drafting of ICM, ESG risks and the 3-5 impact KPIs are finalized.

Final Due Diligence to Close. At Stage 8, formal information rights and process for ESG risks and impact KPI tracking are memorialized in the documentation with the investee company.



After investments are made, CRAFT actively monitors and supports its portfolio companies, in most cases via a board seat or board observer seat at the investee company. CRAFT provides all of its investors with quarterly and annual reporting, which includes financial statements, valuations of CRAFT's investments, updates on CRAFT's portfolio company investments, and an Annual ESG and Impact Report.

Coordination with other GEF-Funded Projects

The project will ensure collaboration with the approved GEF-7 NGI cohort of projects to share lessons learned from the portfolio of NGI projects.

Project	Coordination/Relevance
Food Securities Fund (GE FID: 10497)	The Food Securities Fund is a blended finance mechanism targeting market gap for affordable finance for experienced local agricultural stakeholders operating according to best practices in established value chains. Since CI is also the Implementing Agency for this project and this is the one of the first N

	<p>so the implementing Agency for this project and this is the one of the first N GI projects approved in GEF-7, Lightsmith will seek to learn from the experiences of the Food Securities Fund/Clarmondial.</p>
AGRI3 (GEFID:10497)	<p>AGRI3 will de-risk USD 1 billion of private sector financing and provide USD 15 million in technical assistance for forest conservation and sustainable agriculture in developing countries and emerging markets to address climate change and land degradation. Lightsmith will coordinate with AGRI in instances where they may be a geographical overlap.</p>
Livelihoods Carbon Fund 3 (GEFID:10500)	<p>The Livelihoods Carbon Fund 3 (LCF3) will build an innovative and replicable investment-model that will invest in community-based solutions to restore natural ecosystems, and establish agroforestry and regenerative agriculture systems in developing countries that will ultimately reduce GHG emissions, increase carbon sequestration, generate certified carbon offsets to climate-responsible corporates and contribute towards SDGs while delivering a steady and positive financial return to financial investors. Lightsmith will seek potential collaboration in knowledge sharing.</p>
CPIC Conservation Finance Initiative - scaling up and demonstrating the value of blended finance in conservation (GEF Project ID: 9914)	<p>The objective of CPIC is to improve biodiversity's conservation and sustainable use through blended finance models to attract increase private investment in conservation. CPIC will produce blueprints and criteria for selecting projects and look for models that are replicable at scale. Lightsmith will seek to exchange/share experiences with members of CPIC.</p>
Adaptation SME Accelerator Project (GEFID: 10296)	<p>The objective of ASAP is to build the ecosystem of SMEs involved in adaptation and climate resilience in developing countries through a program of market mapping, convening and network building, and incubation/acceleration. Since Lightsmith is also the Executing Agency for this project. ASAP could be a potential source of financing for Adaptation SMEs identified and engaged through ASAP. In addition, the demonstration of CRAFT's investment strategy would support increasing awareness in SMEs of the growth opportunities in climate resilience, encouraging more SMEs to develop local solutions for increasing adaptation and resilience.</p>
Adaptation Accelerator Program (GEFID: 10435)	<p>The objective of AAP is to catalyze investment in adaptation focused SMEs through adaptation accelerators in Least Developed Countries. AAP is executed by Conservation Ventures. AAP can potentially identify investments for the fund.</p>

7. Consistency with National Priorities

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

Yes

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

CRAFT fits in with the countries' national priorities by transferring, scaling up, and applying the technology and adaptation strategies, which most prominently feature in the NDCs and enhanced NDCs of the near-term (Annex A). CRAFT's investments in climate resilience and adaptation "tools" create the capacity in developing countries by providing the information, products, and services needed to make NDCs climate resilient. CRAFT can support Adaptation Plans (NAPs) by scaling up private sector capacity for adaptation and climate resilience. CRAFT is identified in the countries' NDCs and NAPs.

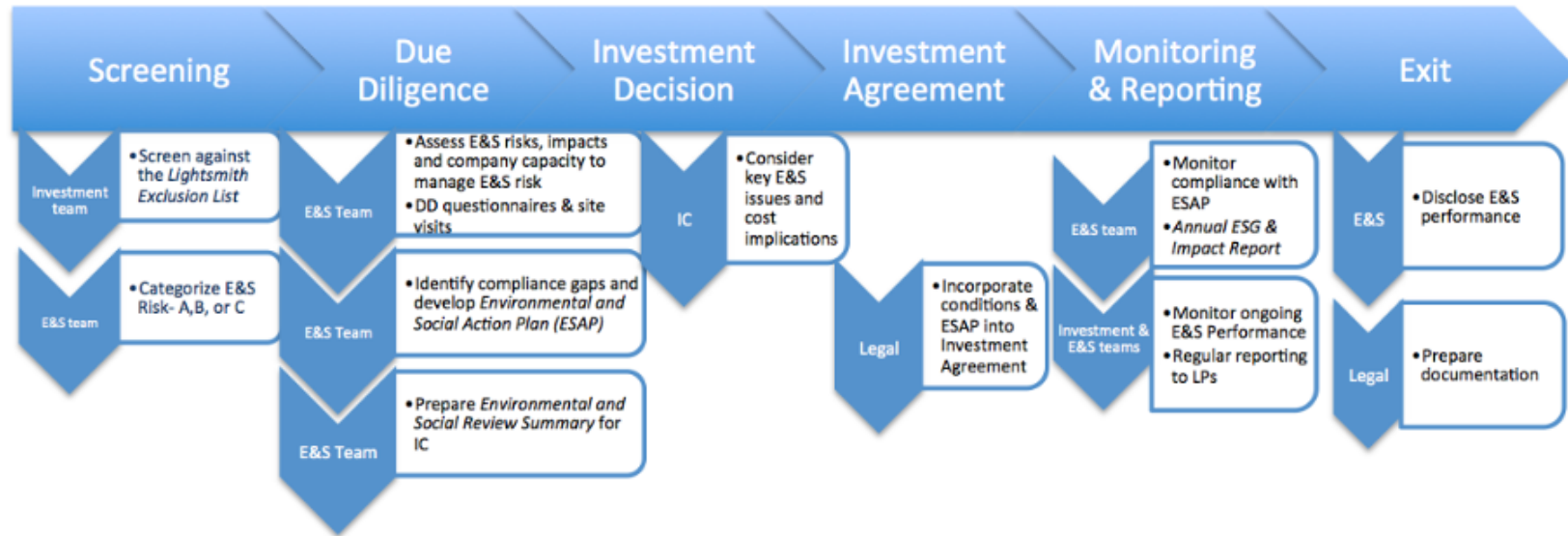
The project executing agency, Lightsmith Group, also has engaged extensively with both developed and developing countries on resilience investment, including through its participation in the Global Innovation Lab for Climate Finance, the Global Environment Facility's Sixth General Assembly in Vietnam in 2018, and numerous meetings and

CRAFT's strategy of scaling up and transferring private sector adaptation and climate resilience technology and climate strategies and plans, particularly their NDCs and NAPs, (IISD, 2019), and aligns with stated objectives of the Committee under the Cancun Adaptation Framework. CRAFT will consult with NDAs and relevant countries on each country's national climate strategy or plan and national adaptation plan.

The catalytic strategy of CRAFT can have a transformative effect on countries' ability to assess and manage risks, each characterized by specific climate vulnerabilities such as increased exposure to wildfires, droughts, and extreme weather events. CRAFT will provide valuable data about climate risks that can help inform country responses and plans.

The CRAFT strategy has been developed in consultation with civil society groups and key stakeholders, public and industry forums, climate workshops, and regional meetings in emerging markets; and partners including Conservation International, NDF, and GIZ. As part of its Environment and Social Management System (ESMS), CRAFT has a Gender Mainstreaming Plan, and a Grievance Mechanism to ensure appropriate outreach and engagement.

Environment & Social Safeguards Process



8. Knowledge Management

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

The project supports the design of the first dedicated commercial investment vehicle to focus on expanding the availability of technologies and solutions for climate adaptation and resilience. To date, Lightsmith Group has identified 20 market segments relevant to climate resilience totaling \$130 billion in annual spending. Leveraging Lightsmith's deep network of professionals within the climate space, the fund has and will continue to engage in discussions with key stakeholders to help drive and scale the adoption of innovative technologies and practices for increased productivity, sustainability and resilience.

- As Lightsmith continues to assess and monitoring the impact performance of additional investments, knowledge will be assessed and shared through the following channels:

- **Case Studies:** CRAFT will develop short case studies highlighting various interventions to demonstrate the wide-range of opportunities in adaptation investment and to further support the nexus between adaptation and the Global Environmental Benefits which will be publically posted on its website.

Stakeholder Convenings: Lightsmith will participate in annual multi-stakeholder convenings, such as the Global Adaptation Investment and Resilience Working Group ("GARI"), the foremost forum of investors and stakeholders of private investment in adaptation and resilience, to share relevant content, key results and learnings from the project. This key group of stakeholders and peers will have the opportunity to interact with Lightsmith, asking questions and discussing any aspects of the project that are not proprietary. GARI is expected to convene on a quarterly basis throughout 2021 (three or four meetings annually are also projected in 2022-2023).

Terminal Evaluation: At fund close, Lightsmith will release a report to describe the impact of interventions on the vulnerable populations in developing countries, including challenges identified and lessons learned.

Sharing of the case studies and key learnings will help highlight positive success stories to help propel the global conversation on adaptation that investing in global environmental benefits can simultaneously help create jobs, development, equality and community empowerment.

Key audiences for the knowledge generated by the project include: private sector companies in developing countries that do or can provide climate resilience solutions; accelerator / incubator programs in developing countries; development banks and emerging markets-focused private investors; national and local governments of developing countries wishing to increase their capacity for climate resilience and adaptation; early-stage investors in adaptation & resilience solutions and in developing countries; the GEF and other DFIs and donors; and civil society in developing countries. Other key audiences will be the climate change and policy communities targeted by large-scale knowledge and convening platforms such as the Global Commission on Adaptation (GCA), the Global Centre on Excellence in Adaptation (GCECA), the New Climate Economy, climate investment- and innovation-specific platforms such as EIT Climate-KIC, the World Bank Group's Climate Innovation Centers, and the Global Innovation Lab for Climate Finance, the Finance in Common Collective, as well as others to be identified in the course of the project. This project will attempt to provide valuable content to each of these audiences while balancing the necessary levels of confidentiality.

9. Environmental and Social Safeguard (ESS) Risks

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

Overall Project/Program Risk Classification*

PIF	CEO Endorsement/Approval	MTR	TE
Low			

Measures to address identified risks and impacts

Provide preliminary information on the types and levels of risk classifications/ratings of any identified environmental and social risks and potential impacts associated with the project (considering the GEF ESS Minimum Standards) and describe measures to address these risks during the project design.

All CRAFT investments will (continue to) comply with Lightsmith's Environmental and Social Management System (ESMS), which applies the IFC Performance Standards (2012) and is consistent with the CI-GEF/GCF Policy on Environmental and Social Safeguard Standards. (While developing its ESMS, to ensure alignment with the E&S policies of donor governments and multilaterals, Lightsmith incorporated input from E&S specialists at CI, Nordic Development Fund, KfW, and EIB.) All CRAFT investments will (continue to) implement E&S Safeguards appropriate to each investment, including:

Stakeholder Engagement Plan that is fit-for-purpose and proportional to the environmental and social risk;
Gender Mainstreaming Plan, including monitoring and reporting on the number of beneficiaries disaggregated by gender (target at least 30% female); and
Grievance Mechanism.

During the PPG phase, CI will work with the Lightsmith Group to ensure that safeguard plans are developed in line with the screening form (attached). CI will also conduct a secondary screening prior to CEO endorsement submission to ensure that the project complies with CI and the GEF ESS policies. Overall, CI will ensure that Lightsmith's policies (and their implementation) continue to align with CI and the GEF's policies.

Based on the safeguard policies triggered, the project is categorized as follows:

PROJECT CATEGORY	Category A	Category B	Category C
			X
<i>The proposed project activities are likely to have minimal or no adverse environmental and social impacts.</i>			

Supporting Documents

Upload available ESS supporting documents.

Title	Submitted
20210324 CRAFT Preliminary Safeguard Screening Analysis	

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

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

Name

Position

Ministry

Date

ANNEX A:

Instructions. Please submit an indicative termsheet in this section. The NGI Program Call for Proposals provided a template in Annex A 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. Termsheets submitted should include sufficient details to allow a financial expert to understand and judge the financial viability of the proposed investments. Indicative terms and conditions should be used when specific details are not yet available. Please ensure that by copying the termsheet in the section of the PIF/PFD, the format allows reviewers to read the content.

Project/Program Title	Scaling Up CRAFT: Mobilizing Private Capital to Mitigate Climate Change and Reduce Land Degradation through Cleantech Solutions			
Project/Program Number	10765			
Project/Program Objective	To mobilize and deploy an additional \$41 million in capital for innovative, scalable, enterprise-driven clean technologies and tools to reduce GHGs and support sustainable land use solutions under the Climate Resilience and Adaptation Finance & Technology Transfer Facility (CRAFT)			
Countries	Global			
Agency presenting the Project	Conservation International***			
Project Financing	Source of Financing	Name of Financier	Type of Financing	Amount (US \$M)
	<u>GEF Resources</u>			
	GEF Trust Fund	GEF	NGI	4,000,000
	Total GEF Resources			4,000,000
	<u>Co-Financing</u>			
	Private Sector	New Senior Capital	Equity	30,000,000
	Other (DFIs)	EIB & AIIB	Equity	11,000,000
	Total Co-Financing			41,000,000
	Total Project Financing			45,000,000
Currency of the Financing	U.S. Dollar			
Currency risk	N/A			

Currency risk	N/A
Co-financing ratio	Every GEF US\$1 committed to the junior layer of CRAFT mobilizes US\$7.4 of non-concessional (DFI or private) financing to the senior layer of CRAFT
Financial additionality of GEF resources	<p><i>Please specify (i) the financing barriers addressed with the GEF blended finance resources and (ii) quantification of financial additionality.</i></p> <p><u><i>Financing Barriers Addressed</i></u></p> <p>Catalytic capital in the junior layer is critical to CRAFT's success and to closing the financing gap for cleantech solutions in developing countries. Cleantech innovations outside the electric power sector – in AFOLU, industry, water, and transportation/supply chains – are being deployed slowly in developing countries. So far, there have been only limited demonstrations of how cleantech solutions can generate and safeguard GHG emissions reductions and sustainable land practices, and these solutions have not yet achieved the investment required to be deployed at scale in developing countries. While CRAFT seeks to help close the financing gap for these types of cleantech solutions, as a first-time fund and one focused on developing countries, CRAFT faces substantial headwinds in raising capital:</p> <ol style="list-style-type: none"> 1. First Time Fund Risk. Institutional investors perceive first-time funds – such as CRAFT with its new focus on climate technologies and solutions – as risky. According to Preqin, even though first-time funds on average financially outperform other funds, the number of first-time funds achieving closings dropped by 20% in 2017, falling to the lowest number since 2009.^[1] Institutional investors are investing in a smaller number of large, established managers.^[2] 2. Developing Countries Risk. Over the last several years, private investors have become less interested in developing country investments: funds raised for emerging markets private equity dropped 15% from 2014-2016, and only increased in 2017 due to a few large funds in China. CRAFT's emerging markets focus, essential to its impact theory of change, makes attracting capital more difficult. 3. COVID-19 Impact. The COVID-19 pandemic has already begun to impact fundraising for private equity funds, with one-in-five investors expecting to make fewer commitments than their original 2020 plans and 12% reducing average size of commitment. 22% of surveyed investors planned to reduce exposure to first time funds, and 12% reported they would stop all investments in first time funds.^[3] COVID-19 has also caused over USD100 billion of capital flight from developing countries in March 2020 alone, more than during the Global Financial Crisis. <p>As previous blended finance strategies in climate mitigation demonstrate, catalytic capital can overcome perceived risks and mobilize private investment.^[4] Discussions with over 50 potential investors have validated that CRAFT's junior, concessional layer is important in mobilizing private investment for this first climate resilience investment strategy. CRAFT concluded that a 20% concessional layer (US\$50 million of US\$250 million) would be sufficient to attract the remaining 80% of</p>

	<p>non-concessional investment. This proposed structure was validated by the first close of the Fund in December 2019, attracting a philanthropic, an institutional investor, and a family office into the Senior non-concessional layer, an additional US\$30+ million in approved commitments, and is further being confirmed through ongoing conversations with over 20 potential private investors currently evaluating CRAFT.</p> <p>The Fund targets a 20% concessional layer (US\$50 million of US\$250 million), which is expected to be sufficient to attract the remaining 80% of non-concessional investment. At a minimum, as per the Fund's terms, the Fund must have a minimum 15% concessional layer (as a percentage of total commitments). To date, CRAFT has secured ~US\$17 million of junior capital, able to support a total fund of US\$112 million. With US\$4.0 million of additional junior capital from GEF's blended finance resources, CRAFT will mobilize an additional US\$41.0 million, of which \$30 million will be private capital and \$11 million will be (unlocked) DFI capital to reach US\$158.0 million in fund capitalization and greater momentum to attain the full US\$250 million fund size target.</p> <p><u>Quantification of Financial Additionality</u></p> <p>A catalytic commitment to the Fund's junior layer can achieve high leverage of investment capital – as much as from commercial-rate investors to the Fund, including DFIs and potentially private investors. As per the Fund's terms, the junior layer of the Fund is required to be at least 15% of the total fund size. As such, a US\$1 of catalytic commitment to the Fund's junior layer immediately unlocks US\$7.4 of potential senior commitments to the Fund.</p> <p>GEF's financial additionality can be measured by the USD amount of additional senior commitments mobilized to CRAFT by its US\$4.0 million investment.</p>
<p>Use of proceeds</p>	<p><i>Provide a description of the use of the resources of the guaranteed instruments and their alignment with GEF Focal areas/Investment Programs</i></p> <p>GEF proceeds will be used to fund equity investments in private companies offering innovative climate technologies in developing countries, the deployment of which will support global environmental benefits such as greenhouse gas (GHG) emissions reductions and improved land management practices, thereby directly supporting the GEF's Land Degradation & Climate Change focal areas.</p> <p>GEF proceeds are expected to be invested directly into companies operating in multiple sectors whose solutions are estimated to generate the following Global Environmental Benefits. The GEF funds will be invested in each of CRAFT's investee companies at a ratio consistent with the GEF's ownership share of the fund. CRAFT calculates the projected GEBs based upon a scalar multiple of the total GEBs projected from a sample portfolio of likely investee companies that have already been identified. That 'scale-up factor' represents the factor by which the sample portfolio of \$96 M would expand to the projected fund size of \$158M. The share of the total projected GEBs generated by the CRAFT fund's investee companies attributable to the GEF is equivalent to the GEF's ownership share plus the share of the fund's investment capital that is co-invested with, unlocked</p>

by, or catalyzed by the GEF's contribution or junior capital.

Core Indicator Summary

	GEF Core Indicator	Units	Expected GEBs from Sample Portfolio	Scale Up Factor ^A	Expected GEBs from Total Fund
3.1	Areas of landscape restored	ha	200,728	1.6	329,669
4.3	Area of landscape under sustainable land management in productive systems	ha	6,041,224	1.6	9,921,893
	(ag analytics)		6,027,589	1.6	9,899,499
	(drip irrigation)		13,635	1.6	22,393
6.1	Carbon Sequestered inside the AFOLU sector	tCO ₂ e	3,141,882	1.6	5,160,116
	Direct (tree planting)	t CO ₂ e	3,141,882	1.6	5,160,116
	Indirect		-	1.6	
6.2	Emissions avoided outside AFOLU	t CO ₂ e	8,987,984	1.6	14,761,547
	(hydropanel)	t CO ₂ e	2,241,041	1.6	3,680,606
	(drip irrigation)	t CO ₂	5,897,943	1.6	9,686,573
	(tree food oil)	t CO ₂ e	849,000	1.6	1,394,368
11	Beneficiaries	#	3,434,309	1.6	5,640,388
	(hydropanel)		599,026	1.6	983,819
	(drip irrigation)		154,793	1.6	254,227
	(ag analytics)		2,636,932	1.6	4,330,804
	(tree crop)		43,558	1.6	71,538
	Fund capital Invested	USD	96,000,000	1.6	157,667,000

Financing instruments

Provide a description of the financing instrument(s) to be used with GEF resources: including but not limited to (i) debt products; (ii) guarantees; and/or (iii) equity.

The selection of one or more instruments will be require to (i) demonstrate appropriate degree of concessionalality; (ii) most efficient structures to mobilize private capital.

GEF's commitment to the junior layer of the Fund would be in the form of a Limited Partner commitment, alongside other existing and future mobilized fund investors. CRAFT deploys the capital committed to the Fund directly as equity investments into companies with cleantech solutions in developing countries. The CRAFT fund is focused on growth equity investments in private companies and does not provide debt financing or guarantees.

Terms and conditions for the

(a) **Fund strategy:**

Overview. CRAFT pursues an active growth equity investment strategy focused on innovative clea

**e financing in
struments**

ntech solutions in developing countries. Over a five-year investment period, CRAFT will invest in 8-12 growth-stage companies offering climate technologies, products, and services that deliver GHG reductions and improved sustainable land management practices. Target companies will have existing commercial products (US\$5-100 million in revenues), strong organic growth (20%+ CAGR), and capital-efficient business models. CRAFT will be an active investor, taking board seats, acquiring substantial minority positions (15-40%), and adding value by: (a) helping companies expand internationally, especially in developing countries; (b) connecting them with new customers and partners; and (c) helping them to capture climate-driven demand for their offerings. CRAFT will target commercial returns; manage environment, social, and governance (ESG) risks; and track 3-5 key indicators of impact per investment, mapped against climate action, SDGs, and gender.

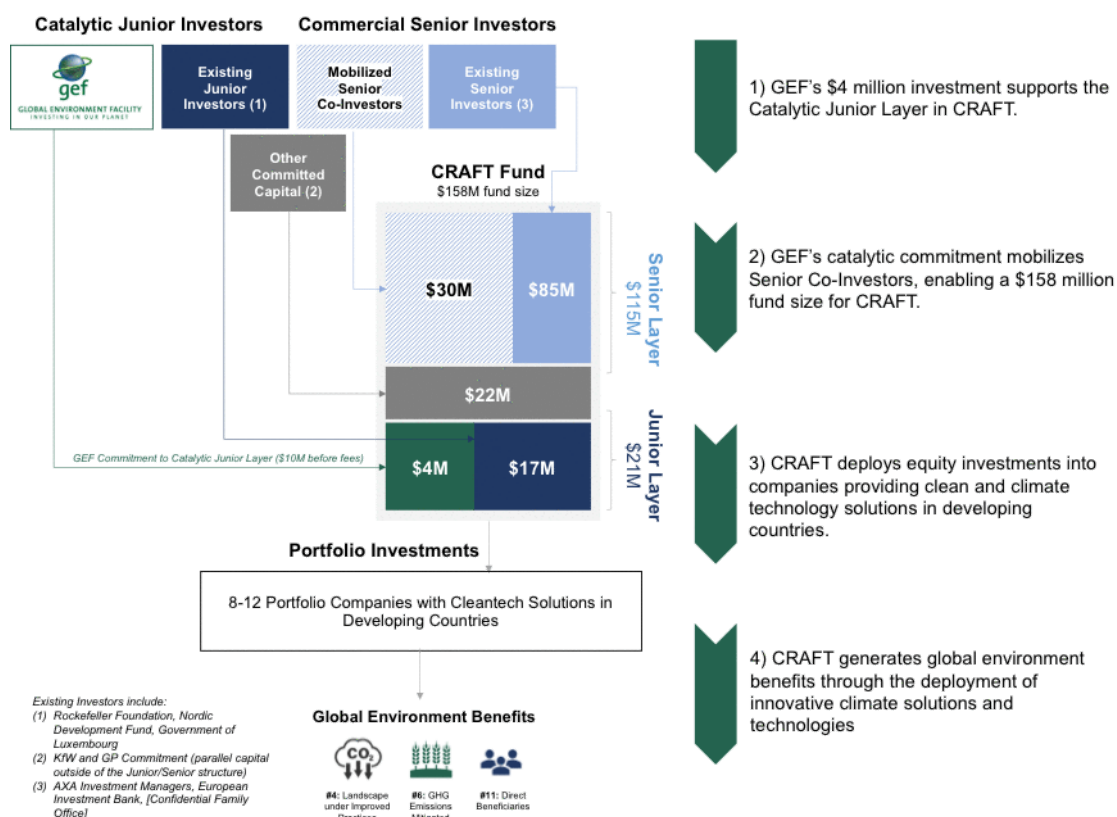
Sector Focus. CRAFT invests in companies with cleantech solutions in many sectors of the economy, including agriculture, water, energy, transportation, and finance, among others. The targeted areas for investment include resilience services, risk analytics, and resource efficiency technologies that can deliver GHG reductions and improved land management practices while helping to address key climate-related vulnerabilities.

Geographic Focus. CRAFT pursues a global investment strategy focused on transferring and expanding innovative climate technologies in developing countries. CRAFT will develop technology transfer and expansion plans in developing countries for 100% of its investments. CRAFT has further committed that at least 67% of investments will be developing country investments, as defined in the fund documents, including at least 50% of investments in companies domiciled in developing countries plus 17% of investments with substantial traceable use of proceeds for expansion in to developing countries. The remaining up to 33% of investments are unrestricted geographically and may be in companies domiciled in developed countries, but in 100% of cases will still include technology transfer and expansion plans into developing countries. Given the early stage of development of the markets for cleantech and climate solutions, all of the Fund's existing investors have agreed that CRAFT's investment approach must be global to be successful at mobilizing private capital for innovative cleantech solutions, and at transferring and expanding such technologies in developing countries.

- (b) Fund structure: The Fund entity, Lightsmith Climate Resilience Partners SCSp RAIF, is structured as a Luxembourg-domiciled Reserved Alternative Investment Fund ("RAIF"). The Fund has already engaged a registered Alternative Investment Fund Manager ("AIFM") that delegates investment decision-making authority to Lightsmith via an Investment Advisor Agreement. The Fund's General Partner ("GP"), which manages and controls the Fund, is also a Luxembourg entity owned by Lightsmith. SS&C Luxembourg has been engaged to provide fund administration and custodian services. Quintet Private Bank provides depositary services to the Fund.

As described above, the CRAFT Fund has a blended structure requiring a minimum 15% junior

layer which mobilizes 5x+ as much senior capital to the Fund. The proposed GEF commitment would be to the junior layer of the Fund.



(c) Remuneration of Limited Partners and General Partner: Net proceeds from any investments are distributed to Limited Partners ("LPs") and the General Partner ("GP") of the Fund in accordance with the Fund's waterfall, summarized below:

- (i) First, 100% to Senior LPs in repayment of their unreturned capital contributions;
- (ii) Second, 100% to Junior LPs in repayment of their unreturned capital contributions;
- (iii) Third, 100% to Senior LPs until they have received distributions equal to a 4% per annum compound interest calculated annually on their capital contributions;
- (iv) Fourth, 100% to Senior LPs and Junior LPs, *pro-rata*, until Senior LPs have received a 8% per annum preferred return on their capital contributions and Junior LPs have received a 4% per annum preferred return on their capital contributions;
- (v) Fifth, 100% to the GP until it has received a sum equal to 20% of the amounts cumulatively distributed to Senior and Junior LPs under items (iii), (iv), and this item (v);
- (vi) Sixth, the remainder shall be distributed (A) 80% to Senior and Junior LPs, with dispropor-

(vi) Sixth, the remainder shall be distributed (A) 80% to Senior and Junior LPs, with disproportionate distributions in favor of Senior over Junior LPs, and (B) 20% to the GP. Of the amounts distributable to the Senior LPs and Junior LPs under this sub-clause (vi) (A), the Senior LPs receive a fraction of such amount equal to (a) 2x Senior LPs' total percentage interests in the investment, divided by (b) the sum of the numerator and the Junior LPs total percentage interests in such investment, and the Junior LPs receive the remainder.

(d) Fund governance:

Investment Committee. The Fund has an Investment Advisory Committee ("IAC") comprised of at least three and up to four members, with at least one required to be an independent member. Currently, the Investment Advisory Committee is comprised of Jay Koh, Sanjay Wagle, and Richard Kauffman, the independent member. Proposed investments are reviewed by the IAC and approved with a majority of IAC member votes, provided that at least one of the affirmative votes is from an independent IAC member.

LP Advisory Committee. The Fund also has a Limited Partner Advisory Committee (the "Advisory Committee", or "LPAC") comprising representatives of at least three, but in no event more than six investors selected by the GP in its sole discretion. The LPAC (i) reviews valuations of the Fund's assets; (ii) addresses conflicts of interest material to the Fund; and (iii) advises on other matters at request or as provided in the Limited Partnership Agreement. The LPAC meets at least twice annually. Actions of the LPAC require the approval of a majority of its members.

(e) Pipeline of projects: CRAFT made its first investment in August 2020 in an off-grid water harvesting technology company, and currently maintains an active pipeline of 11 companies representing over US\$200 million in potential investment as summarized in the table below. A set of higher-likelihood investments from the table below were used to construct the sample portfolio for the GEBs projections. The broader investment pipeline below is representative samples of the types of companies across sectors that CRAFT seeks to invest in that may also support the generation of GEBs (see the right-most column for indicative types of GEBs that would be generated by each pipeline company). Over 1,000 additional target companies have been mapped to date, and new companies are continually identified and considered for the pipeline on a regular basis. See Illustrative Pipeline in the PIF.

SAMPLE PORTFOLIO (see detailed discussion under "Sample Portfolio" below)				
#1 - Water Harvesting Company	Solar-powered water harvesting panels for onsite drinking water production	Innovative renewable energy technology to reduce GHG emissions by offsetting fossil fuels used in manufacturing and transportation of bottled water	CCM-1-4	\$16M
#2 - Efficient Irrigation	Low-cost drip irrigation technology to	Innovative efficient irrigation technology to reduce GHG emissions by dramatically reducing energy use for pumping and by	CCM-1-4; LD 1-4	\$10M

Technology	replace flood irrigation	reducing GHGs from flooding fields; less runoff, soil erosion, and more sustainable land management		
#3 - Drought Tolerant Tree Crop	Agroforestry (non-monoculture) using a native drought-tolerant oilseed tree being planted as part of reforestation and land restoration program in tribal areas of India	Mitigation through non-monoculture agroforestry-based landscape restoration by planting native tree (5% of diverse mix of trees planted) that also provides economic significant (food oil) value	LD-1-4	\$15M
#4 - Agricultural Analytics Co.	Remote sensing and AI to advise farmers on soil management and optimize use of fertilizer and water	Maintain land productivity and ag. yields, reduce runoff; reduce resource use and GHGs	CCM-1-4; LD 1-4	\$10M
#5 - Geospatial Mapping and Imaging Company	Land use monitoring through satellite imagery and geospatial analytics platform	Restoration of landscapes, agro-forestry management	LD-1-1	\$20M
ADDITIONAL COMPANY EXAMPLES				
#6 - Agricultural Intelligence Co.	Climate and agricultural intelligence SaaS platform	Increasing resilience of land and impacts to food and agriculture value chains	LD-1-1	\$20M
#7 - Efficient Irrigation Technology	Efficient micro-irrigation technology for sustainable agriculture	Increased food production while reducing water use, fertilizer runoff, soil erosion, and energy consumption	CCM-1-4; LD 1-4	\$20M
#8 - Drought-Resistant Hybrid Seeds Co.	Hybrid and drought-resistant seed varieties	Enhanced food security through climate smart agricultural products; maintain ag & land productivity and reduce pressure on land	LD-1-1	\$20M
#9 - Precision Agriculture Co.	Precision planting technology and equipment	Precision ag. technologies that maintain/increase ag yields and improve food security while reducing water and input use (and GHGs)	LD-1-1; CCM-1-4	\$15M
#10 - Distributed Cold Chain Technology	Solar-powered, distributed cold chain processing systems for onsite processing and storage of agricultural produce near the farm	Innovative solar-powered technology with climate mitigation impacts and systemic impacts for food systems and food security	LD-1-4; CCM-1-4	\$15M
#11: Water Efficiency Metering & Software Co.	Smart water meters and water management software	Innovative hardware and software for significant water and energy savings (less pumping energy)	CCM-1-4	\$15M

[1] Prequin, "First-Time Fund Managers", Private Equity & Venture Capital Spotlight, February 2018.

[2] Prequin, "How Important is the First Close?", Private Equity Spotlight, May 2013.

[3] Isobel Markham, "One in five LPs to slow PE commitment due to covid-19", Private Equity International, April 1, 2020.

[4] EIB's GEEREF and the Danish Climate Investment Fund both used blended finance structures to mobilize private capital for climate mitigation investment funds. *Ibid.* GEEREF (<https://geeref.com/about/what-geeref-is.html>) and Convergence 2017

ANNEX B:

Instructions. Please submit a reflows table as provided in Annex B of the NGI Program Call for Proposals. Any financial returns/gains/interests earned on non-grant instruments, will be transferred to the GEF Trust Fund as noted in the Guidelines on the Project and Program Cycle Policy. Partner Agencies will be required to comply with the reflows procedures established in their respective Financial Procedures Agreement with the GEF Trustee.

Item Data	Item Data
GEF Project Number	10765
Estimated Agency Board approval date	TBD
Investment type description	Junior Limited Partner commitment to the CRAFT climate resilience growth equity fund
Expected date for start of investment	First close of the Fund took place on December 24, 2019; GEF's investment would begin immediately upon signing of the fund legal documents, targeted for November 2021
Amount of investment (USD GEF funds)	[4,490,800]total amount requested 4,000,000 to be invested after Agency fees and PPG amount
Amount of investment (USD co-financing)	41,000,000
Estimated interest rate/return	> 4.0% net IRR ^[1]
Maturity	10 years, with the potential for extension to 12 years
Estimated reflow schedule	At least one repayment in 2029, with potential for additional repayment in 2031
Repayment method description	As CRAFT's investments are realized during the life of the Fund, proceeds from realizations due to GEF will be distributed to a fiduciary account held in the interest of GEF as per the distribution waterfall as described in Annex A under " <u>Remuneration of Limited Partners and General Partner</u> ". Amounts held in the fiduciary account will be paid to the GEF in 2029 (at the end of Fund term). If the Fund term is extended for 1-2 additional years, there may be one additional payment to the GEF in 2031 of any remaining amounts held in the fiduciary account.
Frequency of reflow payments	N/A
First repayment date	N/A
First repayment amount	N/A
Final repayment date	December 24, 2029, with potential to be extended to December 24, 2031
Final repayment amount	4,900,000 ^[2]

[1] Return to GEF may be lower or higher depending on the performance of CRAFT's investments.

[2] Indicative number assumes the following: full fund size of US\$158mm, comprised of US\$23mm of parallel funding, US\$21mm of junior funding, and US\$115mm of senior funding; 10 investments with average size of US\$13mm each made from 2020 to 2024, each held for 4 years and generating a gross IRR of 13.0%; amounts held in fiduciary account earn 1.0% annual return; quarterly payment of estimated fund fees and expenses. The amount of any repayment distributed to the GEF will ultimately depend on the performance of each investment in the Fund, which may be better or worse than initially targeted/projected.

**** Conflicts of Interest Declaration**

Conservation International Ventures ("CIV") loan for \$300,000 to Lightsmith Group LLC, the Fund's sponsor: Repayment of the CIV loan is contingent on CRAFT obtaining commitments of at least \$100,000,000 in equity financing and the first capital call from CRAFT being received by its fund manager. Moving forward with a CI-GEF investment will help CRAFT achieve the events that trigger repayment of the CIV loan. CI will provide a rationale to the GEF that the recommendation for the investment is independent from our interests in repayment of the CIV loan. Further, Agustin Silvani who oversees CIV, will need to recuse himself from voting on the investment decision for CRAFT.

CI's Adaptation Accelerator Program: CI was awarded a GEF challenge award in 2019 for establishing an adaptation accelerator program ("CI AAP") to help small business in adaptation sector to benefit from enterprise acceleration and follow-on investments. The CI AAP program proposal for GEF funding is currently pending CEO approval by the GEF secretariat. It is important to note that the AAP program seeks to partner extensively with the Lightsmith Group for utilizing public facing resources that they develop as part of their Adaptation SME Accelerator Project ("ASAP"). CRAFT, at its full USD250 million size with the support of CI-GEF as a Junior LP, could be a potential source of financing for Adaptation SMEs identified and engaged through ASAP. This includes sharing of investment sectors and pipeline as well as knowledge resources. CI AAP team includes Murali Kanakasabai, who is the project lead also in-charge of due diligence for the GEF NGI submission, and Judy Reyes acting as legal advisor for the CI APP and this NGI submission. CI will provide a rationale to the GEF that our recommendation for the investment is independent from our interests in the CI AAP and that CI oversight of the Lightsmith Group entities as an investor in CRAFT will not be compromised by our collaboration with them in the CI AAP. Further, the Conservation Finance Division team will need to establish adequate ethical walls for CFD team members working on the different related transactions.

[1] Return to GEF may be lower or higher depending on the performance of CRAFT's investments.

[2] Indicative number assumes the following: full fund size of US\$158mm, comprised of US\$23mm of parallel funding, US\$21mm of junior funding, and US\$115mm of senior funding; 10 investments with average size of US\$13mm each made from 2020 to 2024, each held for 4 years and generating a gross IRR of 13.0%; amounts held in fiduciary account earn 1.0% annual return; quarterly payment of estimated fund fees and expenses. The amount of any repayment distributed to the GEF will ultimately depend on the performance of each investment in the Fund, which may be better or worse than initially targeted/projected.

The GEF Agency submitting the PIF or PFD is required to respond to the questions in Annex C of the NGI Program Call for proposals in order to demonstrate its 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).

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

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

Conservation International (CI) has ability to receive financial returns and to transfer such returns to the GEF Trust Fund. CI is currently managing one GEF-6 Non-grant Instrument. We have established a segregated GEF bank account to receive funding from the GEF and from grantees and NGI beneficiaries. Further, our accounting system transparently tracks cash inflows by source, by type of inflow, and by GEF project.

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

CI is able to monitor the compliance of Non-grant Instruments through contractual terms in agreements with NGI beneficiaries, financial and technical site visits, full audit reports, structured reporting requirements built into quarterly financial and impact reports and analytic reviews thereof.

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

CI has the capacity to monitor financial returns of NGI recipients and implements this oversight in various ways depending on the nature of the NGI. In general, CI will evaluate the projected /anticipated cash flow from NGIs based on their business plan, develop a pro forma repayment schedule with the recipient, monitor actual results against projections and ensure timely collection of reflows via the monitoring procedures described above. In addition, CI's accounting system and procedures enable us to track and report on inflows and outflows across each project and by GEF Trust Funds.

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

During the PPG phase, CI will work with project proponents to define a suitable schedule of payments. However, CI can establish reflow repayment schedules with the NGI recipients, require semi-annual repayment of reflows to CI and remit amounts collected along with relevant support to the GEF Trust Fund on a semi-annual basis.

And, in case of NGI for private sector beneficiaries:

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

CI will employ the methods described above to track and record NGI principal and financial returns. CI's GEF Agency currently has one NGI (equity/investment fund) in its portfolio, which is still in its investment period and as such has not started to distribute fund proceeds to the investors. However, CI has implemented several NGI programs over its history. CI has engaged in over 100 deals, totaling \$30 million in responsibly invested eligible sustainable enterprises through Verde Ventures, and more recently through CI Ventures has continued to successfully implement NGIs, secure repayment of principal and interest.

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

Track-record of lending or financing arrangements with public sector recipients; g) Established relationship with the beneficiary countries' Ministry of Finance or equivalent.

CI has supported public sector entities mainly through grants and have established strong relationships with governments through our country programs. The NGIs that CI is proposing would be established with private sector beneficiaries and do not involve concessional finance directly to governments.

