

Public-Private Blended Finance Facility for Climate- Resilient Rice Landscapes

Review CEO Endorsement and Make a recommendation

Basic project information

GEF ID

10929

Countries

Regional (Bangladesh, Cambodia, Viet Nam)

Project Name

Public-Private Blended Finance Facility for Climate-Resilient Rice Landscapes

Agencies

FAO

Date received by PM

12/2/2022

Review completed by PM

12/20/2022

Program Manager

Jason Spensley

Focal Area

Climate Change

Project Type

PIF

CEO Endorsement

Part I ? Project Information

Focal area elements

1. Does the project remain aligned with the relevant GEF focal area elements as presented in PIF (as indicated in table A)?

Secretariat Comment at CEO Endorsement Request

7 December 2022:

Yes

Agency Response

Project description summary

2. Is the project structure/design appropriate to achieve the expected outcomes and outputs as in Table B and described in the project document?

Secretariat Comment at CEO Endorsement Request

7 December 2022:

Yes

Agency Response

3. If this is a non-grant instrument, has a reflow calendar been presented in Annex D?

Secretariat Comment at CEO Endorsement Request

7 December 2022:

N/A

Agency Response

Co-financing

4. Are the confirmed expected amounts, sources and types of co-financing adequately documented, with supporting evidence and a description on how the breakdown of co-financing was identified and meets the definition of investment mobilized, and a description of any major changes from PIF, consistent with the requirements of the Co-Financing Policy and Guidelines?

Secretariat Comment at CEO Endorsement Request

20 December 2022:

Cleared

7 December 2022:

We note with disappointment that despite encouragement at PIF approval to increase the scale of co-finance during project preparation, this was not achieved and there has been no changes at all to the sources, types and amounts of co-finance. Please either increase co-finance, or provide an explanation of efforts undertaken to try to increase co-finance and why these efforts were not successful.

Agency Response

RE 7 December 2022:

Detailed discussions were held with partners during PPG to confirm the indicative co-financing from the PIF stage, and all co-financing letters have been obtained. Efforts were also made to increase the amount of co-financing. However, obtaining additional co-financing commitments at this stage proved to be challenging. Nevertheless, linkages with a large number of existing initiatives were identified as noted in Section 2) Baseline scenario and Section 6.b Coordination with other initiatives. While disappointing on the surface, as the proposed project aims to establish the feasibility of a proposed blended finance instrument that aims to leverage significant financing from international donors such as GCF as well as public and private investors (estimated at USD 500 million), we expect to see further hard commitments at this stage of development. The extent and timing of additional co-financing investments based on the strength of the underlying approach will materialize as the project is implemented. As a result, it is expected that co-financing will be adjusted upwards as project implementation proceeds.

This information has been added in Section 8) **Summary of changes in alignment with the project design with the original PIF** of the CEO ER.

GEF Resource Availability

5. Is the financing presented in Table D adequate and does the project demonstrate a cost-effective approach to meet the project objectives?

Secretariat Comment at CEO Endorsement Request

7 December 2022:

Yes

Agency Response

Project Preparation Grant

6. Is the status and utilization of the PPG reported in Annex C in the document?

Secretariat Comment at CEO Endorsement Request

7 December 2022:

Yes

Agency Response

Core indicators

7. Are there changes/adjustments made in the core indicator targets indicated in Table E? Do they remain realistic?

Secretariat Comment at CEO Endorsement Request

20 December 2022:

Cleared

7 December 2022:

We note with significant concern that the expected impact ambition on hectares has been halved from the time of PIF approval, and that for people trained has also been reduced. We also note the expected impact ambition was already low, especially for hectares, at the time of PIF approval. Please strive to increase the expected impact ambition from the levels at the time of PIF approval, and at the very least identify opportunities not to reduce.

Agency Response

RE 7 December 2022:

Detailed discussions were held with partners and stakeholders from the three target countries during PPG. Stakeholders expressed concerns about the ambition of the core indicator targets, given that the main purpose of this project is to establish the finance facility, rather than implementing activities on the ground. It was noted that too ambitious targets may divert the project's focus away from the establishment of the facility. The project will have a catalytic effect and will result in much larger targets in terms of hectares and beneficiaries in the future, as explained in the CEO ER.

Nevertheless, after consultation with partners, the area target has been readjusted to match the original target from PIF stage. Please find below a justification of the adjustments made in the CEO ER during PPG. For the reasons mentioned above, a further increase of the impact ambition is not recommended. It is also important to note that double-counting with the targets indicated under the GEF-7 SRLI country projects to which this project links needs to be avoided.

Core Indicator	PIF stage	CEO ER stage	Explanation
1. Total no. of direct beneficiaries	12,000	12,000	Unchanged
2. Area of land managed for climate resilience (ha)	3,000	3,000	Unchanged, based on the assumption that at least 50% of the 6,000 farmer households will apply improved practices on an average of 1 ha of land.

3. Total no. of people trained	6,500	6,250	<p>Reduced slightly by 250 based on a more realistic estimate of how many financial institutions/private sector staff will be trained per country. Based on the consultations with stakeholders, it is considered more effective to focus on a smaller number of key institutions (2-3 per country), and not more than 30 staff per institution. Therefore, an estimated 250 staff of financial institutions and private sector will be trained (rather than 500).</p> <p>As explained in the CEO ER, the target of 6,000 farmers trained will be mostly achieved through SRP co-financing and networks as well as other partners.</p>
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Part II ? Project Justification

1. Is there a sufficient elaboration on how the global environmental/adaptation problems, including the root causes and barriers, are going to be addressed?

Secretariat Comment at CEO Endorsement Request

20 December 2022:

Cleared

7 December 2022:

- A) Box 8 helps to better define the types of finance that are needed to bridge the rice finance gap, with an emphasis on a mix of funding sources and the need for blended finance structures ? it is noted that there is not an ?off-the-shelf? finance product and that the types of blended finance models need to be developed on a case-by-case basis in country. Thank you. However, the project would be strengthened by further elaborating the mechanisms needed such as debt finance (noting types of debt), first loss and credit guarantees, equity positions and funds, including those which would not be suitable as finance solutions, such as green bonds issued by companies or local banks. Please further elaborate.
- B) It is noted that the crisis in Ukraine and the associated impacts on food security, the costs of essential inputs and the supply chain challenges arising from limited supplies of fertilizers and seeds points to a need for additional financing sources, as the costs of production are

rising and governments' ability to finance may decrease. Please ensure considerations of likely cost increases are appropriately considered, as needed.

•C) Comments that do not require specific responses or changes in the CER:

- The types and nature of financing gaps across the target geographies documented in box 4 is useful to understand the relevance of the solutions to be developed. Thank you.

- Paragraphs 67-69 better articulate the types of financial risk mitigation needed to address the barriers noted in this section. Thank you.

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- Paragraphs 137-143 address more fully the types of finance mechanisms that are needed and in the contexts that these can be applied to ensure financial viability over time. In addition, the commercial gap that the blended finance facility is aiming to bridge is better defined with more clarity on the types mechanisms that are needed, the role of the actors in such structures and at what scale. Thank you.

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Agency Response

RE 7 December 2022:

A) The [Sustainable Rice Finance paper](#) cited in Box 8 identified several financing instruments, including (1) loan intermediation, (2) credit guarantee, (3) special purpose vehicle (SPV), as well as (4) the combination of multiple finance sources (e.g., commercial; large multilateral funder) and approaches (e.g., credit lines; loan guarantees; selected direct investments; technical assistance) into one larger facility or funding programme through blended finance. The exact mechanisms that will be applied by the finance facility will be established during the project implementation itself, based on the financing needs identified under Component 1 and via the demand assessment study currently being initiated by IFC. As explained in Section 3) Alternative scenario, it is currently envisioned that this would mostly involve debt finance (loans to private sector directly and through local financial institutions). First loss guarantees/subordinated tranches from international donors such as the GCF would be used as a de-risking mechanism of the facility, to attract investments from public and private investors. Green bonds/sustainable rice bonds issued by companies or local banks would be a separate mechanism and could be implemented in parallel with the facility. Additionally, as noted in the CEO ER, it is important that these investments be accompanied by technical assistance ? to build capacity among farmers, SMEs, agricultural cooperatives, financial institutions, and local and national governments and to cover some of the upfront costs needed to support a transition towards climate-resilient rice. Please refer to Paragraphs 137-143 for more details.

B) This is indeed an important consideration. Additional information has been added in Section 3) Alternative scenario, that (1) the project will consider the potentially further increasing input costs (fertilizers, seeds) in the cost-benefit evaluations (Output 1.1); and that (2) market risks and price fluctuations will be considered in the design of the financial mechanism (Output 1.3). Additional information has also been added in Section 5.A Risks that the capacity of exporting countries to boost output may be limited by high production and

input costs; and higher input costs will eventually result in higher food prices.^[1] This further emphasizes the need for engaging commercial financing.

C) Thank you for these comments, well noted.

[1] FAO Information Note (2022). [The importance of Ukraine and the Russian Federation for Global Agricultural Markets and the Risks Associated with the War in Ukraine.](#)

2. Is there an elaboration on how the baseline scenario or any associated baseline projects were derived?

Secretariat Comment at CEO Endorsement Request
7 December 2022:

Yes

Agency Response

3. Is the proposed alternative scenario as described in PIF/PFD sound and adequate? Is there sufficient clarity on the expected outcomes and components of the project and a description on the project is aiming to achieve them?

Secretariat Comment at PIF/Work Program Inclusion
7 December 2022:

Yes

Agency Response

4. Is there further elaboration on how the project is aligned with focal area/impact program strategies?

Secretariat Comment at CEO Endorsement Request
7 December 2022:

Yes

Agency Response

5. Is the incremental reasoning, contribution from the baseline, and co-financing clearly elaborated?

Secretariat Comment at CEO Endorsement Request

7 December 2022:

Yes

Agency Response

6. Is there further and better elaboration on the project's expected contribution to global environmental benefits or adaptation benefits?

Secretariat Comment at CEO Endorsement Request

7 December 2022:

Yes

Agency Response

7. Is there further and better elaboration to show that the project is innovative and sustainable including the potential for scaling up?

Secretariat Comment at CEO Endorsement Request

7 December 2022:

Yes

Agency Response

Project Map and Coordinates

Is there an accurate and confirmed geo-referenced information where the project intervention will take place?

Secretariat Comment at CEO Endorsement Request

7 December 2022:

Yes

Agency Response

Child Project

If this is a child project, is there an adequate reflection of how it contributes to the overall program impact?

Secretariat Comment at CEO Endorsement Request

7 December 2022:

N/A

Agency Response

Stakeholders

Does the project include detailed report on stakeholders engaged during the design phase? Is there an adequate stakeholder engagement plan or equivalent documentation for the implementation phase, with information on Stakeholders who will be engaged, the means of engagement, and dissemination of information?

Secretariat Comment at CEO Endorsement Request

12 January 2023:

Cleared

9 January 2023:

We note the CER indicates that "Knowledge management activities under Component 3 will ensure meaningful participation by all target stakeholders, and dissemination of relevant and timely knowledge, good practices and lessons learned". Please clearly reflect the same under Component 3. As currently drafted, the CER is not clear how relevant knowledge, good practices and lessons learned will be disseminated to all stakeholders.

7 December 2022:

Please provide a report of the specific stakeholders engaged during the project preparation phase. Currently, only groupings of stakeholders are indicated (e.g. NGOs, farmers associations, etc.).

Agency Response

, Response to 9 January comments:

In response to the comments, following has done in three parts of the project document, with additional texts highlighted in blue:

1. Output 3.2: paragraph 165 of both project document and CEO endorsement, additional text has been added, highlighted below:

1. Output 3.2: Under this Output, the project will develop and implement a knowledge management and communications strategy. Knowledge on the establishment of the financial mechanism will be captured and shared with relevant stakeholders nationally and regionally to support adaptive learning and scaling up. Knowledge products will also support the outreach to business partners and potential investors. For example, a guide could be developed for businesses on how to work with the Finance Facility ? what the opportunities are, how to access them, a summary of the criteria for projects etc. Additionally, the project will convene business partners and conduct advocacy/outreach on the financial mechanism and its scaling. **Activities under this Output will ensure meaningful participation by all target stakeholders, and dissemination of relevant and timely knowledge, good practices and lessons learned.** The establishment of market linkages will also be promoted under this output, in close collaboration with partner initiatives.

Activities	Deliverables
<p>A. Knowledge sharing. Develop and implement KM and communications strategy. Knowledge on establishment of the financial mechanisms is captured and shared in view of adaptive learning, replication and scaling. Knowledge, good practices and lessons learned will be disseminated to all relevant stakeholders. Include gender-specific considerations in the development of knowledge products.</p>	<p>Description of knowledge materials & uses (including website) and dissemination to stakeholders. KM and communications materials</p>

2. Under section 8 Knowledge Management of the project document's paragraph 228 and in CEO endorsement's Knowledge Management box para 1, the following has been added (highlighted in blue)

1. Knowledge management will be addressed in Component 3 of the project. Under Output 3.1, the project will identify and establish adaptation metrics and key performance indicators (KPIs) for program M&E, impact and Environmental, Social and Governance (ESG) monitoring of the financial mechanism. These will enable the fund to generate data and knowledge on the impacts of the fund. Under Output 3.2, knowledge related to the establishment and implementation of the financial mechanism will be captured and shared with relevant stakeholders nationally and regionally to support adaptive learning, replication and scaling up. In this way, the project will promote exchange of knowledge and information with national governments, financial intermediaries, value chain partners/counterparts/ borrowers, and farmers organizations. **Activities under this Output will ensure meaningful participation by all target stakeholders, and dissemination of relevant and timely knowledge, good practices and lessons learned.** At the beginning of the project, a KM and communications strategy will be developed.

3. Terms of Reference of the Regional Technical Coordinator (Annex M), the text highlighted in blue has been added

Knowledge management and communications

? Developing and leading the implementation of a gender-sensitive/responsive communications and knowledge management strategy in close coordination with project partners.

? Ensuring dissemination of relevant and timely knowledge, good practices and lessons learned to all relevant stakeholders.

? Coordinating the preparation of knowledge products.

RE 7 December 2022:

A detailed list of stakeholders engaged and consulted during the PPG phase is included in Annex I2. Please refer to the section **C. Stakeholder Analysis/Stakeholder Engagement Matrix of Annex I2** (p. 5 and ff.). This section summarizes the main stakeholders identified in the three countries and at the regional/global level, the key issues they raised during PPG, and the proposed means of engagement during project implementation.

A more explicit reference to the detailed list of stakeholders in Annex I2 has been added in Section 2. Stakeholders of the CEO ER.

Gender Equality and Women's Empowerment

Has the gender analysis been completed? Did the gender analysis identify any gender differences, gaps or opportunities linked to project/program objectives and activities? If so, does the project/program include gender-responsive activities, gender-sensitive indicators and expected results?

Secretariat Comment at CEO Endorsement Request

7 December 2022:

Cleared

Agency Response

Private Sector Engagement

If there is a private sector engagement, is there an elaboration of its role as a financier and/or as a stakeholder?

Secretariat Comment at CEO Endorsement Request
7 December 2022:

Cleared

Agency Response
Risks to Achieving Project Objectives

Has the project elaborated on indicated risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved? Were there proposed measures that address these risks at the time of project implementation?

Secretariat Comment at CEO Endorsement Request
7 December 2022:

Cleared

Agency Response
Coordination

Is the institutional arrangement for project implementation fully described? Is there an elaboration on possible coordination with relevant GEF-financed projects and other bilateral/multilateral initiatives in the project area?

Secretariat Comment at CEO Endorsement Request
7 December 2022:

Cleared

Agency Response
Consistency with National Priorities

Has the project described the alignment of the project with identified national strategies and plans or reports and assessments under the relevant conventions?

Secretariat Comment at CEO Endorsement Request
7 December 2022:

Cleared

Agency Response
Knowledge Management

Is the proposed ?Knowledge Management Approach? for the project adequately elaborated with a timeline and a set of deliverables?

Secretariat Comment at CEO Endorsement Request
7 December 2022:

Yes

Agency Response
Environmental and Social Safeguard (ESS)

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

Secretariat Comment at CEO Endorsement Request
7 December 2022:

Cleared

Agency Response
Monitoring and Evaluation

Does the project include a budgeted M&E Plan that monitors and measures results with indicators and targets?

Secretariat Comment at CEO Endorsement Request
7 December 2022:

Yes

Agency Response

Benefits

Are the socioeconomic benefits at the national and local levels sufficiently described resulting from the project? Is there an elaboration on how these benefits translate in supporting the achievement of GEBs or adaptation benefits?

Secretariat Comment at CEO Endorsement Request

7 December 2022:

Cleared

Agency Response

Annexes

Are all the required annexes attached and adequately responded to?

Secretariat Comment at CEO Endorsement Request

7 December 2022:

Yes

Agency Response

Project Results Framework

Secretariat Comment at CEO Endorsement Request

7 December 2022:

Yes

Agency Response

GEF Secretariat comments

Secretariat Comment at CEO Endorsement Request

12 January 2023:

Technically cleared, pending any further comments for policy adherence.

9 January 2023:

Please address the remaining comment on stakeholder engagement.

20 December 2022:

Comments provided on 7 December have been cleared.

7 December 2022:

Please address the comments provided.

Agency Response

Council comments

Secretariat Comment at CEO Endorsement Request

7 December 2022:

No comments were provided.

Agency Response

STAP comments

Secretariat Comment at CEO Endorsement Request

7 December 2022:

No comments were provided.

Agency Response

Convention Secretariat comments

Secretariat Comment at CEO Endorsement Request

7 December 2022:

No comments were provided.

Agency Response

Other Agencies comments

Secretariat Comment at CEO Endorsement Request

7 December 2022:

No comments were provided.

Agency Response

CSOs comments

Secretariat Comment at CEO Endorsement Request

7 December 2022:

No comments were provided.

Agency Response

Status of PPG utilization

Secretariat Comment at CEO Endorsement Request

7 December 2022:

Yes

Agency Response

Project maps and coordinates

Secretariat Comment at CEO Endorsement Request

7 December 2022:

Yes

Agency Response

Does the termsheet in Annex F provide finalized financial terms and conditions? Does the termsheet and financial structure address concerns raised at PIF stage and that were pending to be resolved ahead of CEO endorsement? (For NGI Only)

Secretariat Comment at CEO Endorsement Request

7 December 2022:

N/A

Agency Response

Do the Reflow Table Annex G and the Trustee Excel Sheet for reflows provide accurate reflow expectations of the project submitted? Assumptions for Reflows can be submitted to explain expected reflows. (For NGI Only)

Secretariat Comment at CEO Endorsement Request

7 December 2022:

N/A

Agency Response

Did the agency Annex H provided with information to assess the Agency Capacity to generate and manage reflows? (For NGI Only)

Secretariat Comment at CEO Endorsement Request

7 December 2022:

N/A

Agency Response

GEFSEC DECISION

RECOMMENDATION

Is CEO endorsement recommended? (applies only to projects and child projects)

Secretariat Comment at CEO Endorsement Request

12 January 2022:

Recommended for clearance, pending further comments on policy adherence.

7 December 2022:

Not yet. Several comments need to be addressed.

Review Dates

	Secretariat Comment at CEO Endorsement	Response to Secretariat comments
First Review	12/12/2022	12/20/2022
Additional Review (as necessary)	12/20/2022	1/12/2023
Additional Review (as necessary)	1/9/2023	
Additional Review (as necessary)	1/12/2023	
Additional Review (as necessary)		

CEO Recommendation

Brief reasoning for CEO Recommendations