Part I: Project Information

GEF ID
10497

Project Type
FSP

Type of Trust Fund
GET

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

Project Title
AGRI3 A Forest Conservation and Sustainable Agriculture Fund for Developing Countries

Countries
Global

Agency(ies)
CI

Other Executing Partner(s)
Cardano Development

Executing Partner Type
Private Sector

GEF Focal Area
Multi Focal Area

Sector
AFOLU

Taxonomy

Land Degradation, Focal Areas, Sustainable Land Management, Sustainable Agriculture, Sustainable Pasture Management, Sustainable Forest, Food Security, Forest, Forest and Landscape Restoration, Influencing models, Deploy innovative financial instruments, Stakeholders, Private Sector, Non-Grant Pilot, Individuals/Entrepreneurs, Financial intermediaries and market facilitators, Capital providers, SMEs, Gender Equality, Gender Mainstreaming, Sex-disaggregated indicators, Beneficiaries, Gender results areas, Participation and leadership, Capacity Development

Rio Markers

Climate Change Mitigation

Significant Objective 1

Climate Change Adaptation

Significant Objective 1

Biodiversity

Significant Objective 1

Land Degradation

Significant Objective 1

Submission Date

9/23/2022

Expected Implementation Start

11/1/2022

Expected Completion Date

11/1/2034

Duration

144In Months

Agency Fee($)

1,211,532.00

A. FOCAL/NON-FOCAL AREA ELEMENTS

Objectives/Programs	Focal Area Outcomes	Trust Fund	GEF Amount($)	Co-Fin Amount($)
CCM-2-6	Demonstrate mitigation options with systemic impacts for food systems, land use and restoration impact program	GET	10,263,468.00	119,000,000.00
LD-1-1	Maintain or improve flow of agro-ecosystem services to sustain food production and livelihoods through Sustainable Land Management (SLM)	GET	866,000.00	9,000,000.00
LD-1-2	Maintain or improve flow of ecosystem services, including sustaining livelihoods of forest-dependent people through Sustainable Forest Management (SFM)	GET	866,000.00	9,000,000.00
LD-1-3	Maintain or improve flows of ecosystem services, including sustaining livelihoods of forest-dependent people through Forest Landscape Restoration (FLR)	GET	866,000.00	9,000,000.00
BD-1-1	Mainstream biodiversity across sectors as well as landscapes and seascapes through biodiversity mainstreaming in priority sectors	GET	600,000.00	5,538,532.00
		Total Project Cost($)	**13,461,468.00**	**151,538,532.00**

B. Project description summary

Project Objective

AGRI3 will de-risk USD 1 billion of private sector financing and provide USD 15 million in technical assistance for forest conservation, restoration and sustainable agriculture in developing countries and emerging markets to address climate change and land degradation.

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

Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing($)	Confirmed Co-Financing($)
Component 1: Forest conservation/ transformation to sustainable and climate-smart agriculture	Investment	**Outcome 1.1:** Forested lands are protected and sustainably managed Indicator 1.1.1: Number of hectares of forested lands under improved management (GEF core indicator 4.1) Target 1.1.1: 41,000 hectares of forest under improved management Indicator 1.1.2: tCO2eq of carbon emission avoided/ sequestered (GEF core indicator 6.1) Target 1.1.2: 12,000,000 tCO2eq of carbon emission avoided/ sequestered	**Output 1.1.1.1** 48 company plans are developed for forest conservation/restoration and the transition to sustainable and climate-smart agriculture in a gender-inclusive manner **Indicator 1.1.1.1** Number of company forest conservation/ restoration and/or sustainable and climate smart agriculture plans developed and finalized **Target 1.1.1.1** 48 company plans for forest conservation/restoration and the transition to sustainable and climate-smart agriculture in a gender-inclusive manner **Output 1.2.1.1** USD 1 billion of Partnerbank financing for sustainable agriculture and forest conservation/restoration mobilized through de-risking and/or delivered with specific conditions related to these themes. Indicator 1.2.1.1a Amount of funding deployed in de-	GET	13,461,468.00	151,538,532.00

Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing($)	Confirmed Co-Financing($)
				Sub Total ($)	13,461,468.00	151,538,532.00
Project Management Cost (PMC)						
	GET					
			Sub Total($)		0.00	0.00
			Total Project Cost($)		13,461,468.00	151,538,532.00

Please provide justification

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

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Investment Mobilized	Amount($)
Donor Agency	Government of the Netherlands	Grant	Investment mobilized	35,000,000.00
Private Sector	Rabobank	Loans	Investment mobilized	50,000,000.00
Private Sector	To be mobilized after GEF grant	Equity	Investment mobilized	26,538,532.00
Other	To be mobilized after GEF grant	Grant	Investment mobilized	25,000,000.00
Donor Agency	Government of the Netherlands	Grant	Investment mobilized	5,000,000.00
Other	To be mobilized after GEF grant	Grant	Investment mobilized	10,000,000.00
			Total Co-Financing($)	**151,538,532.00**

Describe how any "Investment Mobilized" was identified

To support the establishment of the Fund, the Dutch Government (Ministry of Foreign Affairs, or MFA) announced in January 2020 that it would be an anchor investor in the Fund with a grant of USD 40 million, of which USD 5 million is designated for the Technical Assistance Facility (TAF). An additional USD 10 million will be mobilized during implementation for the TAF. Rabobank, as cornerstone investor, committed an additional USD 50 million loan to the Fund in 2020 to match any risk bearing capital which is invested into the fund. The Fund is a blended finance structure, it will utilize public finance to attract private capital. Concessional finance from governments and impact facilities such as GEF, blended with USD 77 million from development and impact funds (e.g. MDB/DFI funds) and commercial bank loans that will be mobilized during implementation, will build a USD 150 million capitalized fund that can extend up to USD 306 million of bank guarantees and sub-debt, which in turn will unlock a total of up to USD 1 billion of impact financing from commercial lenders and other potential financiers. The Fund is open ended, evergreen and open architecture, aiming to involve as many interested parties as possible, including commercial and development banks, financial institutions and DFIs that subscribe to these ambitions. For the ?Other? source of Co-financing to be mobilized after the GEF grant, this includes a further USD 25 million in the capital preservation asset class in which the Government of the Netherlands has invested. This is a first loss tranche with 0% ROI and could include donors, impact investors or other donor agencies. A further USD 26.5 million is to be mobilized in equity, it is envisioned that the GEF

investment will add to the credibility of the fund and attract other investors to unlock the asset classes of junior and senior participations which is key to the success and governance of the Fund. The overall Co-financing amount has increased from the PIF to reflect the updated funding structure of a USD 150 million capitalized fund that can extend up to USD 306 million of bank guarantees and sub-debt, which in turn will unlock a total of up to USD 1 billion of impact financing from commercial lenders and other potential financiers.

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

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount($)	Fee($)	Total($)
CI	GET	Global	Biodiversity	NGI	600,000	54,000	654,000.00
CI	GET	Global	Climate Change	NGI	10,263,468	923,712	11,187,180.00
CI	GET	Global	Land Degradation	NGI	2,598,000	233,820	2,831,820.00
				Total Grant Resources($)	**13,461,468.00**	**1,211,532.00**	**14,673,000.00**

E. Non Grant Instrument

NON-GRANT INSTRUMENT at CEO Endorsement

Includes Non grant instruments? **Yes**

Includes reflow to GEF? **Yes**

F. Project Preparation Grant (PPG)

PPG Required **true**

PPG Amount ($)

300,000

PPG Agency Fee ($)

27,000

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount($)	Fee($)	Total($)
CI	GET	Global	Multi Focal Area	NGI	300,000	27,000	**327,000.00**
				Total Project Costs($)	**300,000.00**	**27,000.00**	**327,000.00**

Core Indicators

Indicator 3 Area of land and ecosystems under restoration

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)
91000.00	87000.00	0.00	0.00

Indicator 3.1 Area of degraded agricultural lands under restoration

Disaggregation Type	Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)
	50,000.00	87,000.00		

Indicator 3.2 Area of forest and forest land under restoration

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)
41,000.00			

Indicator 3.3 Area of natural grass and woodland under restoration

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

Indicator 3.4 Area of wetlands (including estuaries, mangroves) under restoration

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)
650000.00	741000.00	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)
50,000.00	41,000.00		

Indicator 4.2 Area of landscapes under third-party certification incorporating biodiversity considerations

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)
100,000.00			

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)
500,000.00	700,000.00		

Indicator 4.4 Area of High Conservation Value or other forest loss avoided

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

Indicator 4.5 Terrestrial OECMs supported

Name of the OECMs	WDPA-ID	Total Ha (Expected at PIF)	Total Ha (Expected at CEO Endorsement)	Total Ha (Achieved at MTR)	Total 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?e (direct)	18400000	18400000	0	0
Expected metric tons of CO?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?e (direct)	18,400,000	18,400,000		
Expected metric tons of CO?e (indirect)				
Anticipated start year of accounting	2021			
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?e (direct)				
Expected metric tons of CO?e (indirect)				
Anticipated start year of accounting				
Duration of accounting				

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

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

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

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

Indicator 11 People benefiting from GEF-financed investments

	Number (Expected at PIF)	Number (Expected at CEO Endorsement)	Number (Achieved at MTR)	Number (Achieved at TE)
Female	120,000	90,000		
Male	180,000	210,000		

	Number (Expected at PIF)	Number (Expected at CEO Endorsement)	Number (Achieved at MTR)	Number (Achieved at TE)
Total	300000	300000	0	0

Provide additional explanation on targets, other methodologies used, and other focal area specifics (i.e., Aichi targets in BD) including justification where core indicator targets are not provided

Part II. Project Justification

1a. Project Description

PART 1: CHANGES FROM THE PIF

a) the global environmental and/or adaptation problems, root causes and barriers that need to be addressed (systems description)

During the project preparation phase, this section was built on from the PIF to expand on the environmental problems, root causes and barriers. The PIF only included high level information on the environmental problems and barriers and did not address the root causes in detail.

The environmental problems were expanded on to include biodiversity loss, climate change and land degradation in the project target country/regions of Brazil, Indonesia, and West Africa. Although it should be noted that the fund is global, with a focus on MICs and LICs and will not operate exclusively in these countries or regions.

Three root causes identified during the project preparation phase include;

- Business as usual farming operations continue to practice unsustainable agriculture and drive deforestation;
- Conventions within the finance sector favoring short term lending over the longer-term financing required for sustainable transitions; and
- Lack of access to financial products that support long term, higher risk lending to shift to sustainable agricultural practices.

The barriers to addressing these environmental problems and root causes includes a;

- Perceived and actual high risk of financing sustainable agriculture;
- Lower capacity from financiers to adapt their standard financial products to support more sustainable agricultural production; and
- Lack of bankable sustainable business models for lenders to target.

b) the baseline scenario and any associated baseline projects

In the PIF, the baseline scenario section only included the associated baseline projects table, without a broader analysis of the baseline scenario. This analysis has been built out in Section 3B.

The associated baseline projects table was also expanded to include 8 more comparable projects that were identified as addressing the environmental problems that AGRI3 seeks to address.

c) the proposed alternative scenario with a description of outcomes and components of the project

The Theory of Change was amended to align with the Results Framework, include the barriers, root causes and environmental problems identified, and key underlying assumptions.

There were no changes to the overall component or outcomes from the PIF, although there are some changes at output and target levels as shown in the Table below.

Table 1 Changes to Outputs and targets from the PIF

What was in the original PIF	What has changed?	Why?
Output 1: Plans for forest conservation and restoration, i.e. transition to agro-forestry models, enrichment of agricultural land with trees, special biodiversity zones adjacent to agricultural land are developed	**Output 1.1.1.1** 48 company plans are developed for forest conservation/restoration and the transition to sustainable and climate-smart agriculture in a gender inclusive manner (A company includes existing or future clients of Partnerbanks, including primary producers, processors, traders, wholesalers, technology providers, input providers, corporates and local financial institutions)	? Inclusion of ?*restoration and the transition to sustainable and climate-smart agriculture*? within this Output, which was previously a separate Output. This is because the potential composition of the 48-company pipeline is not known and therefore an exact split between forest conservation/restoration and sustainable climate-smart agriculture plans is not possible to accurately or meaningfully predict. There is also likely to be multiple companies combining forest conservation/restoration and agriculture plans ? Inclusion of ?In a gender inclusive manner? as result of the gender mainstreaming check against the Results Framework to ensure that the development of plans will seek opportunities to include gender issues within them
Output 2: Plans for at least 48 companies for the transition to sustainable and climate-smart agriculture are developed	Output combined with Output 1.1.1.1	? As detailed under Output 1.1.1.1 above
Target 1.2.2: 50,000 ha?s revitalized	Target 1.2.2: 87,000 hectares of degraded land restored	? This has been updated according to the most recent case study-based calculations

Output 3: USD 1B of financing for sustainable agriculture and forest conservation is de-risked and/or delivered with tailored conditions	**Output 1.2.1.1** USD 1 billion of Partnerbank financing for sustainable agriculture and forest conservation/restoration mobilized through de-risking and/or delivered with specific conditions requiring the integration of sustainable agriculture and forest conservation/restoration within transactions financed.	? Change in wording to be clear that the USD 1 billion is mobilized via de-risking but not all of the 1 billion is de-risked. The phrase ?tailored conditions? has also been edited for increased clarity
Output 5: At least 300,000 farmers and farm workers, with an estimated 40% female, are trained in sustainable forest management and sustainable ag practices	**Output 1.2.1.3** 300,000 farmers and farm workers trained in sustainable agriculture and forest management practices **Target 1.2.1.3** 300,000 farmers and farm workers trained, 30% of whom are female	? AGRI3 aims to train at least 300,000 (90,000 female and 210,000 male) farmers and farm workers in sustainable forest management and sustainable agricultural practices. At least 30% of the participants are to be female, where the context allows. This is a realistic target based on the female workforce participation from existing projects supported by AGRI3 and its forthcoming pipeline. This training is intended to help these workers to actively contribute to implement the agreed sustainable management practices.

d) alignment with GEF focal area and/or impact program strategies

No significant changes from the PIF, other than the inclusion of the FOLUR Program.

e) incremental/additional cost reasoning and expected contributions from the baseline, the GEFTF, LDCF, SCCF, and co-financing

The ProDoc elaborates on the PIF to better link the environmental problems and the potential of AGRI3 to scale solutions. More detail has also been included to show the lock up period and GEF financial added value, a revised capitalized fund figure of USD 151.50 million to reflect the latest financing information. As the fund has been in operation 2 years since the initial PIF submission. The fund continues to review the capital structure in order to ensure guarantee capacity, adequate tranching, manage costs and deliver investor returns ?The fund has made adjustments to account for the GEF investment and also increased certain tranches and reduced others ? increasing the capital preservation tranche, and reducing the debt tranche. The underlying cash investment aligns with the projected guarantee capacity of the fund. This has been reflected in the model, reviewed and approved by CI ? GEF.

f) global environmental benefits (GEFTF) and/or adaptation benefits (LDCF/SCCF)

The following targets that relate to the global environmental benefits have been updated since the PIF:

? GEF Project Indicator 3 Area of land restored (Million Hectares) ? The previous figure proposed of 91,000 hectares of degraded land restored has been updated to 87,000 hectares according to the most recent case study-based calculations. These recalculations are based on a revised average figure of area of degraded land restored by concessions of six case studies (see Appendix XVIII for more details). The previous Indicator 3.2 (Area of Forest and Forest Land restored) that was 41,000 hectares at PIF level has been moved to Indicator 4.1 (Area of landscapes under improved management to benefit biodiversity) for the CEO END. This 41,000-hectare figure relates to land (forests) under improved management and is therefore better aligned with Indicator 4.1.

? GEF Project Indicator 4 Area of landscapes under improved practices (excluding protected areas) (Hectares) ?The previous figure of 50,000 hectares for 4.1 has been updated to 41,000 hectares according to the most recent case study-based calculations. There is no figure for Indicator 4.2 in the CEO END, as AGRI3 will be more broadly focused on bringing land under improved practices (4.1) and improved management (4.3) and is not exclusively focused on third-party certification. This will help to avoid double-counting between the Sub-Indicators. For 4.3, the revision from 500,000 hectares to 700,000 hectares is based on the extrapolation of six case study-based calculations that assessed the agricultural area under sustainable management and area of (HCV/HCS) forest (brought under active management for protection objectives). With the inclusion of the 41,000-hectare figure from Indicator 3.2 to 4.1, the overall figure for this Indicator is now 741,000 hectares.

? GEF Project Indicator 11 Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment ? This has been amended from 40% of the 300,000 farmers and farm workers trained, to 30%. This is based on updated information regarding female workforce participation with the existing projects supported by AGRI3 and its forthcoming pipeline.

g) innovativeness, sustainability and potential for scaling up

No significant changes from the PIF, other than the inclusion of more detail and information to demonstrate the sustainability, innovativeness and potential for scaling up of AGRI3.

h) Rationale for changes in EA in relation to the PIF

In relation for the PIF, the EA has been changed from Mirova to Cardano Development for the following reasons;

? Due to Brexit, Mirova Natural Capital, a UK based entity, was no longer able to provide advisory services in the Netherland's without significant disruption to the Fund's operations;

? A strategic decision was made at the time by the AGRI3 partners and investment advisers for Cardano to take on Fund lead advisor role and Fount to lead on Investment Advisor role;

? Mirova has been maintained as an Impact and E&S adviser to the fund and support with relevant staff for a transition period until 2022;

? Cardano was appointed for their extensive experience in managing guarantee and credit risk funds, making them the best placed adviser to take on the role; and

? Cardano currently manage a number of funds focused on unlocking financial markets for environment and development, to achieve the SDGs - this includes Guarantco, ILX fund and TCX.

i) Changes in project duration

The project duration has been changed from 20 years to 10 years to be aligned with the GEF investment in the Fund. The proposed investment is for CI to participate in the Fund as a ?Senior Participant?. The Fund has different return-risk profiles dependent on the category of investor. The Senior Participant category has a target return of gross IRR between 0 - 5% and a lock-up period of 10 years. As explained further below, the need for investment in this asset class is highest so a Senior Participation will be the most catalytic for the GEF.

Based on Conservation International due diligence review, it is recommended that CI join the fund as a senior participant with a 10-year term to mitigate CI?s overall risk in this investment. Recommendation of 10 years investment is made considering the following: 1). Substantial financial risk as an equity participant in the fund, 2). additional operational and fiduciary risk to CI as a GEF Implementing Agency, 3). 10-year time considered as reasonable period for market maturity and achieving financial stability for fund, 4). Market precedent as observed from other investors in the fund, 5). Built in optionality for CI to hold the investment longer as necessary contingent on fund performance and impact delivery.

j. Ongoing operations of the fund

It should be noted that the fund is currently in operation and has been since the original PIF was submitted. This means that things are being updated and are not static ? and can shift, even between quarters and months, as new deals, processes and partners are identified and there may be additional changes before GEF first disbursement.

PART 2: UPDATED PROJECT DESCRIPTION

a) The global environmental and/or adaptation problems, root causes and barriers to be addressed

The Global Environmental Problem

AGRI3 seeks to address the role of the finance sector in driving three major global environmental problems (see Section 3.D for further information) and to mobilize additional finance to support solution to address these challenges:

1. **1. Climate change** ? widely recognized as an existential crisis for our species and that of countless animal and plant species globally, anthropogenic emissions of greenhouse gases continue to rise globally. A key emissions source in recent decades has been forest loss and unsustainable agricultural practices which increase emissions from soil degradation. For example, global agriculture and forestry, especially production of high deforestation-risk commodities, has driven over 70% of tropical forest loss in the last decade. Just seven commodities; cattle, oil palm, soy, cocoa, rubber, coffee and plantation wood fiber, were responsible for 71.9 million hectares of deforestation between 2001 and 2015. This deforestation in turn contributes to climate change through emissions of carbon previously sequestered in trees and soils. Recent data suggests that the Agriculture, Forestry and Other Land Use (AFOLU) sector is responsible for almost a quarter of global greenhouse gas emissions. At national levels, AFOLU emissions in Brazil in 2014 accounted for 77% of its carbon emissions profile, and in Indonesia for an estimated 50-60% of emissions in 2016. Climate change is of course a positive feedback problem in that emissions from forest loss result in climatic variations causing forest drying and increased fire-related emissions, thus exacerbating the problem. These climatic variations also have important social consequences, increasing the vulnerability of human communities and the ecosystems on which they depend.

2. **2. Land degradation** - in addition to forest loss, AGRI3 aims to address the continued depletion of soil resources. This is a major global challenge both to food production capacity, and to the health of ecosystems threatened by agricultural expansion due to soil depletion. The GLASOD study estimated that nearly 2 billion ha (22.5%) of agricultural land, pasture, forest and woodland globally had been degraded since the mid-twentieth century. In Brazil an estimated 140 million ha of land was degraded based on official data as of 2015, and in Indonesia this figure was officially

estimated at 24 million ha in 2013. In both countries we can expect the degraded areas as of 2021 to be substantially larger. Key causes include overgrazing, deforestation, unsustainable agricultural activities (28%), water over-extraction and pollution. Land degradation is also of great concern from an economic perspective, with studies estimating the annual costs of land degradation due to unsustainable land management and neglect to be in the region of USD 231 billion, annually.

3. Biodiversity loss ? often as a result of climate change and land degradation and particularly linked to deforestation, global declines in biodiversity are dramatic and sustained in recent decades. WWF?s Living Planet Index is one of the most systematic monitoring initiatives for biodiversity globally and latest data show an average 68% decrease in the population sizes of mammals, birds, amphibians, reptiles and fish between 1970 and 2016. These global averages are more acute regionally, in Latin America and Africa. The Atlantic Forest in Brazil is now reduced to only 12% of its former extent, and over 2,000 amphibian species in Latin America are under threat of extinction. Losses of biodiversity are particularly high in global wetlands, which have been reduced by 85% in area based on WWF global data. Agricultural practices including forest clearance on land and in coastal zones is identified as a primary cause of this biodiversity loss.

? A transition towards sustainable food and agriculture supply chains is therefore required to reverse these trends in the selected regions. It is estimated that this transition would cost USD 200 billion per year by 2030. As it stands, only USD 6-8 billion is allocated to sustainable supply chains on an annual basis.

? A key source of finance for agribusinesses are the institutions that comprise the mainstream finance sector. However, current business models that are financed, can have negative environmental impacts on land use, biodiversity, and ultimately, forests. Therefore, mobilizing finance, including commercial banks and other investors, towards more sustainable business models, that address environmental challenges, has the opportunity to deliver large scale positive impacts across the land use sector, as described in more detail below.

Root Causes

Root cause 1: Business as usual farming operations continue to practice unsustainable agriculture and drive deforestation

? There are many reasons why unsustainable farming practices are the norm at present in the Fund?s target countries. These include lack of access to suitable finance, poor governance, regulatory enforcement, education and training gaps, market signals and other reasons. As a result unsustainable practices continue to be utilized by farmers, leading to environmental degradation. These poor business practices continue to be serviced by the mainstream finance sector, who lack alternative and more sustainable business models to target. Often financial institutions may not have the internal controls, and motivations within the financial sector to rigorously screen client activities in order to avoid the financing of environmentally destructive activities.

? Commercial banks? exposure to forest risk commodities remains high despite sustained targeting by NGO campaigns and various CEO sustainability commitments over the last decade. Based on an assessment by Forests 500, 63% of the financial institutions (representing USD 2.7 trillion of assets under management) do not have any sustainable farming and deforestation policies. According to Forests & Finance, since 2015 commercial banks have provided USD 154 billion in loans and underwriting into the production and trade of selected forest risk commodities (pulp and paper, cattle, palm oil, soy, rubber & timber) across Southeast Asia, Brazil and West Africa. This lack of progress demonstrates that voluntary measures alone are insufficient.

? Even for those financial institutions that do have commitments to sustainable agriculture and forestry, those commitments are likely to take several years to realize and implement, and high-risk borrower relationships often take banks several years to exit, for legal and other reasons which the banks may not have full control over. It is also important to note that a lot of the financial institutions that have commitments and policies in place are major international banks. Local domestic banks in producer countries such as Indonesia are lagging behind.

? In **Indonesia** (and Southeast Asia) commodity-driven deforestation, forestry and small-scale agriculture are the primary drivers of tree cover loss. In terms of commodity-driven deforestation in Indonesia, palm oil, pulp and paper, and rubber are the main drivers. Bank lending is the most important form of financing for companies operating in forest risk commodity supply chains, making up two thirds (USD 66 billion) of the total financing received by these companies between 2010 and 2018. Palm oil specifically tends to be financed by Southeast Asian lenders and Indonesian banks are the most exposed to forests-risks relative to the total size of their loan books. In contrast, European lenders are more selective in their lending or may simply have a wider choice of higher performing clients to bank. Of the loans committed by European banks between 2010 and 2018, 69% were to companies that achieved the highest sustainability score from ZSL?s Sustainability Policy Transparency Toolkit (SPOTT), compared to only 33% of loans committed by Southeast Asian banks.

? In **Brazil**, in 2019, 2.6 million hectares of natural forests were lost driven mainly by commodity-driven deforestation, forestry and small-scale agriculture. The production of cattle, soy

and pulp and paper are key drivers of deforestation in the country. According to Forest & Finance data, Banco do Brasil is the largest provider of credit to forest-risk companies (USD 30 billion), this is largely due to its role as the largest operator of Brazil?s Agriculture Finance Program (Cr?dito Rural). It is reported that BNDES was the largest provider of investment to companies operating in agricultural commodities in Brazil (USD 3.8 billion). Over half of BNDES investments were in the beef sector, and little less than half was invested in the pulp and paper sector.

? In **West Africa**, agricultural expansion, cutting of firewood and the expansion of commercial logging are key deforestation drivers. For example in Cote D?Ivoire small-scale agriculture is a key driver together with commodity-driven deforestation. In the broader Central and West Africa region however, timber and rubber are key sectors driving deforestation. The largest sector attracting finance is rubber. With the majority of financing coming from Chinese banks, CITIC is the largest provider of investment to forest-risk companies (USD 500 million). Commercial banks do not tend to directly invest into cocoa production in West Africa, but they do invest indirectly into input providers and buyers.

Root cause 2: Conventions within the finance sector favor short term lending over the longer term financing required for sustainable transitions

? Of direct relevance to AGRI3 is the misalignment between finance providers and those seeking to raise finance for sustainable land use activities. This misalignment stems partly from the fact that transitions needed to move farmers towards more sustainable farming practices require long term investment and, in many cases, higher up-front expenditures that farmers and many agricultural value chain actors cannot self-finance. It also arises as the majority of commercial banks? sector policies favor short-term lending, as longer term lending is not as readily available, with only a select few capital providers that are bucking the trend.

? Some of the key points made by AGRI3?s key stakeholders during the Fund?s consultations focused on the low cost of capital for conventional farming - consultees noted that for conventional farming practices in Brazil and Argentina, access to reasonably priced short tenor bank loans was very good so that most farmers considering forest clearance could if desired access affordable financial support to do so. Long term loans which allow farmers to invest in more sustainable practices were not considered to be anywhere near as readily available.

Root cause 3: Lack of access to financial products that support a shift to sustainable agricultural practices

? Through the targeting of appropriately designed loans, equity investments, guarantees, trade finance and working capital facilities, commercial banks can have a positive impact in reducing environmental impacts associated with agriculture through improving access to technology, training and enabling long-term land management plans.

? However, current practices and norms within the finance sector limit this positive impact potential. A 2016 WWF assessment of banks? operating in the Amazon Biome concluded that international agreements and risk management frameworks focused on environmental sustainability for the finance sector created in the last decade are insufficient to guarantee the health of forests. Their concerns were focused on their voluntary-based approach, applicability to certain types of transactions only, and a focus on specific sectors as opposed to wider landscapes. In Indonesia and the broader ASEAN region a similar conclusion was drawn, with WWF recommending ASEAN banks to be more proactive to address risks in their portfolios and capture the business opportunities brought about by the transition to a sustainable economy.

Barriers to Addressing the Environmental Problems and Root Causes

The barriers to tackling the root causes described in the previous section, which AGRI3 can contribute to addressing include the following:

Barrier 1: Perceived and actual high risk of financing sustainable agriculture projects

? The majority of commercial banks perceive the risks attached to innovative sustainable business models and longer-term sustainable agriculture investments to be high and regard the types of investments required and types of financing (e.g. long loan tenors) as incompatible with prudent and increasingly stringent banking regulations (including Basel 3 and 4). In the cases where longer-term financing is available, this tends to be at very high interest rates or with restrictive terms and conditions (e.g. collateral requirements) which are not viable for farmers adopting more sustainable practices (and can affect their bottom line at least during the transition to these practices).

? In addition, the high returns associated with short-term industrial-scale crop rotations, contribute to maintaining the status quo or even enhancing unsustainable production. As the perceived risk levels of newer sustainable models and associated financing required (e.g. long-term agriculture financing) can be unattractive to major banks in comparison to prevalent agricultural loan products, the majority of commercial banks lack incentives to change, and sustainable land use projects will find their cost of capital to be prohibitively high even if products exist for them. Stakeholders also emphasized that banks were considered generally to have limited capacity to fully assess risks of certain value chain issues in key deforestation commodities such as palm oil.

To address this it will be necessary to help them develop improved understanding and measures to manage perceived and actual risks associated with financing ?sustainable? agriculture including:

•Project-level risks (e.g. lead time risk, technological risk, environmental risk, and operational risk);

•Economic risks (e.g. long term movements in interest rates, exchange rates and inflation);

•Smallholder risks - smaller farmers are particularly susceptible to shocks from markets and natural disasters. They also might not have the required physical collateral or other sources of income to insure the loan;

•Market risks (e.g. variations in prices of goods, availability of factors of raw materials, land, skilled labor, uncertain demand for new ?sustainable? products);

•Legal, country and political risks (e.g. contract enforcement, government stability). Given the strategic importance of agriculture for food security, agriculture is particularly susceptible to the risks associated with regulatory change; and

•Nature-related risks (e.g. climate change, natural disaster and soil degradation).

Barrier 2: Lower capacity from financiers to adapt their standard financial products to support more sustainable agricultural production.

Commercial and mainstream finance, in general, does not cater for the financing of more sustainable land use business models. Financial institutions lack the risk appetite, as well as the capacity, awareness and interest to assess and develop suitable commercial terms to support more sustainable production by their clients. This is preventing access to finance to support more sustainable business models (e.g. in high deforestation risk commodities). The type of financing available varies by region, geography and crop, however there are a number of examples where current financial products do not meet the needs of agribusinesses:

? Palm oil (Indonesia and West Africa) - for replanting to increase productivity the tenor of commercial loans may need to be up to 13 years. However, an acceptable tenor for some commercial banks would be a maximum of 7 years;

? Soy (Brazil) ? longer tenors may not be available for longer term regenerative techniques e.g. a tenor of 8 years is perceived as too long term by some commercial banks;

? Coffee (Brazil, Indonesia and West Africa) - tree crops require renovation and rehabilitation that typically costs USD 3,000 to 5,000 per hectare. After this initial upfront investment, farmers require capital until the crops become productive (2-3 years). Traditionally, commercial banks can be unaware of these seasonal cash flows;

? Cattle (Brazil) ? Brazil, which is the second-largest producer of beef in the world, has a highly fragmented national rural credit system. A small number of larger farmers received the majority of rural financing. Smaller Brazilian farmers (including cattle farmers) struggle to obtain long-term

credit for sustainable agriculture practices (e.g. zero tillage crops, pasture renewal, integrated crop-pasture-forestry systems), and 85% of all farmers do not even have access to credit in general; and

? Cacao (Indonesia and West Africa) - farmers struggle to access finance due to lack of collateral, uncertain repayment capacities, and lack of appropriate financial mechanisms aligned with crop cycles.

Without sufficient interest and capacity of banks, to adjust loan size, tenors and pricing at commercial terms, as well as the perceived and actual risks, financing will remain unavailable and prohibitive for those clients looking to make the transition to more sustainable agriculture production. Although in some rare examples niche longer loan tenor products do exist these tend to be by exception (e.g. the Santander-TNC-Bunge long term soy loan product for the Brazilian Cerrado).

Given this current context, and without a targeted effort to improve mainstream banks? perceptions of risk and return for sustainable land use projects, there is the possibility that historic rates of bank-facilitated deforestation will continue for the foreseeable future.

Barrier 3: Lack of bankable sustainable business models for lenders to target.

Despite the efforts of development agencies, environmental NGOs and many public and private sector entities in recent decades, many agricultural subsectors suffer from a general lack of sustainable business models and well established companies. Organic and no till farming, rotational grazing and precision irrigation practices, for example are still very rare in many regions and crop types. Work is required to promote sustainable practices to the mainstream farming community, and there continues to be a valuable role for banks with the expertise and motivation to do this.

How does AGRI3 address these barriers and change this baseline scenario?

AGRI3 seeks to mobilize commercial finance at scale for projects and businesses which:

? Prevent deforestation and stimulate reforestation: acceleration of sustainable management of forests and legal reforestation obligations, transition to agroforestry as well as protection of high conservation/high carbon stock forests that enhance soil fertility, carbon sequestration, water management and biodiversity.

? Contribute to sustainable and efficient agricultural production: implementing innovative agricultural solutions such as Integrated Crop, Livestock and Forestry (ICLF) practices that have an impact on lowering GHG emissions, restoring degraded land, enhancing water management, improving soil fertility, sequestering carbon, building climate change resilience and/or protecting biodiversity while maintaining or substantially increasing yield for local farmers including smallholders.

? Improve rural livelihoods: improving the living standards of farmers, including smallholders, in order to reach sustainable inclusive growth, with particular attention paid to gender equality, eradicating child labor, promoting fair labor and wages, and alleviating poverty.

AGRI3 seeks to meet commercial lenders? requirements for risk sharing mechanisms that will enable them to provide finance to projects which promote sustainable agriculture, forest conservation and support rural livelihoods. In particular, AGRI3 aims to stimulate investment into these practices by providing partial credit guarantees (and potentially subordinated debt structures) that help Partnerbanks to manage specific financial risks associated with projects, as noted above. In addition, guarantees can help to extend loan tenors to aid the development of projects or business models in sustainable land use that require longer repayment cycles or include non-cash generating activities (e.g. forest conservation), but which sit outside bank own tolerances for providing longer tenor loans.

The Technical Assistance Facility (TAF), managed by IDH, will also help Partnerbanks assess and develop transactions that support sustainable agriculture and forest conservation/restoration outcomes. This approach is explained further in Sections F and G.

b) The baseline scenario and any associated baseline projects

Current Baseline (Business-as-Usual Scenario) / Future Scenarios without the Project

Below we outline the current business-as-usual (BAU) scenario within the broader finance sector, and for AGRI3, with some initial conclusions on the extent to which this is likely to address the global environmental problems outlined above in the future.

As AGRI3 continues to originate transactions, and does not yet know the full composition of its pipeline or portfolio, it would be difficult to include a baseline that would feed into a GEB calculation. Therefore the baseline scenario is a largely qualitative analysis. In addition, we have indicated that the baseline is 0 for all Core Indicators ? in the absence of AGRI3 supported activities. Prior to the start of an investment in a transaction, AGRI3 will work with Partnerbanks and their clients to ensure that a baseline is set against AGRI3?s KPIs and the GEBs. This baseline may use existing or proxy data (e.g. national/subnational deforestation rates) and will be informed by the theory of change for the specific transaction (submitted during the investment review process).

Broader finance sector current baseline and recent developments

<u>i) Guarantee instruments for sustainable agriculture</u>

Guarantees have traditionally been used in development finance to mobilize additional private investment to promote development and welfare in developing countries. According to the Convergence database over one-third of blended finance transactions (35%) have used a guarantee, representing an aggregate capital flow of USD 77 billion. However, the majority of these guarantees are being deployed to the energy sector, financial services, infrastructure, health and housing. Although used to good effect in other sectors, just 11% of guarantees in projects tracked by Convergence are targeted at conventional agricultural projects.

For example:

? The Green Climate Fund (GCF), as of January 2021, reported providing USD 79.8 million in support in the form of guarantees, accounting for 1% of its overall funding amount. However, this is not exclusively in agriculture and forestry, with the majority potentially going towards an energy efficiency project.

? GuarantCo, managed by Cardano Development, provided USD 15.4 million in guarantees towards agriculture-supporting infrastructure as of 2019, equivalent to just 1.7% of its overall funding.

? Although the Africa Agriculture and Trade Investment Fund (AATIF) offers guarantees, senior debt/ mezzanine and risk-sharing instruments, these are not sustainability-linked, and are usually limited to 5-8 years in tenor with ticket sizes of USD 5-30 million.

While there have been a number of guarantee facilities for agricultural development, those guarantees which are targeted at *sustainable* agriculture are still very few:

? &Green offers loan or guarantee instruments with the capacity to provide tenors of 5-15 years and ticket sizes of USD 5-15 million directly to private companies in agricultural value chains. It has stricter selection criteria than AGRI3 and limits its investments to specific jurisdictions that meet its Jurisdictional Eligibility Criteria. The fund has made three investments to date in rubber, palm oil (both in Indonesia) and soy/cattle (in Brazil), totaling USD 64 million.

? The Dutch Fund for Climate and Development (DFCD) focuses on high impact investment themes including forestry, climate-smart agriculture, and restoration of ecosystems to protect the environment. Although it is not exclusively focused on agriculture and forestry, its Land Use Facility which is managed by FMO offers equity, grants, debt and guarantees to projects that have been identified as part of the Origination Facility. The DFCD does not provide financing to projects based in Brazil.

? Clarmondial?s Food Securities Fund is an open-ended investment fund that uses a blended finance approach to provide working capital to agricultural companies that operate in emerging markets and aggregate produce from farmers, particularly smallholders. By offering loans and guarantees that cover the entire agricultural cycle, the fund enables its borrowers to provide increased pre-harvest support to farmers.

? USAID has been instrumental in guaranteeing sustainable agriculture funds:

? In 2014 USAID?s Development Credit Authority (DCA) made a USD 133.8 million, 10-year loan portfolio guarantee for the Althelia Climate Fund (now part of Mirova), which assumes 50% of the risk. This guarantee helped to catalyze investments from AXA Impact Management and the Church of Sweden.

? A similar risk sharing guarantee from USAID DCA of USD 50 million was provided for the Althelia Sustainable Ocean Fund which has USD 132 million in commitments from the European Investment Bank, IADB, FMO, Caprock Group and others.

ii) Non guarantee instruments for sustainable agriculture

Aside from the rare examples above of guarantees for sustainable land use lending, only a handful of niche financiers currently offer the kinds of long tenor, concessional products that sustainable land use activities require. Examples include:

? The Global Agriculture & Food Security Program (GAFSP) - this aims to coordinate with national governments and ministries of agriculture to finance gaps in agricultural development assistance. The program has more of a focus on social impact, rather than sustainable land use and does not work directly with commercial banks. GAFSP focuses on providing grants and concessional funding to agricultural projects (not guarantees).

? The IDH Farmfit Fund is an impact fund focused on smallholder farmers which aims to enable banks and businesses to invest in farms that were previously considered to be too high a risk. The fund is also supported by a second loss guarantee facility from USAID (up to USD 250 million). The fund operates in similar sectors and regions to AGRI3; however, it has a shorter tenor (up to 10 years) and does not have specific environmental impact targets.

? The Livelihoods Carbon Funds (LCF) provides upfront financing to project developers for large-scale project implementation and maintenance over periods of 10 to 20 years. The funds receive result-based payments for the risks they bear in the form of carbon credits. These credits are used to finance ecosystem restoration, agroforestry and rural energy projects to improve food security for rural communities and increase farmers? revenues.

iii) Other recent efforts to promote increased appetite within banks towards sustainable agriculture lending

? There are some examples of efforts to improve banks capacity in risks assessment processes and product development within sustainable land use activities. For example, in 2020, Banco Da Amazonia built capacity on agroforestry lending through support from the Partnerships For Forests programme, supporting loan officers to assess the commercial aspects and creditworthiness of agroforestry projects. There are also broader initiatives such as the Taskforce on Nature-related Financial Disclosure (TNFD) and Finance for Biodiversity Banking pledge which aim to incorporate biodiversity-related risks into the bank?s risk assessment and disclosure.

? However, the impact of these initiatives on the sustainable agriculture ?fluency? levels of frontline bank relationship managers in AGRI3?s target regions is expected to be only very limited, and sustained efforts to engage these banks in sustainable agriculture-related transactions are badly needed. As stakeholders commented during our consultations, progressive producers are

specifically now asking for banks to strengthen their internal capacity and range of products available in order to support the design and deployment of loan products suitable for sustainable agriculture project.

The AGRI3 Fund?s current status

In 2017, the UN Environment Programme and Rabobank announced at the World Business Council for Sustainable Development in Mexico City an ambitious Partnership for Forest Protection and Sustainable Agriculture (FPSA) with the aim to unlock at least USD 1 billion in finance towards deforestation-free, sustainable agriculture and land use. Over the course of 2018, the Partnership expanded to include the Dutch Development Bank (FMO) and the Sustainable Trade Initiative (IDH).

The Fund was born out of a partnership of organizations striving to design a way to finance the challenges of sustainable agriculture and forest protection at scale. Following a request for proposals, Mirova Natural Capital, Fount and Cardano were selected as Investment Advisors, as well as each taking a seat on the Management Board.

The advisory functions are as follows:

? FOUNT is responsible for deal analysis, execution and monitoring, financial analysis, deal structuring, guarantee pricing, E&S assessment and monitoring.

? Cardano Development is responsible for the Fund?s risk/pricing policy, capital adequacy policy and application of principles in specific transactions as well as middle- and back-office functions, and financial and non-financial reporting.

? Mirova supports the Lead Investment Advisers and is responsible for the analysis of the E&S risks and impacts of all transactions.

To support the establishment of the Fund, the Dutch Government (Ministry of Foreign Affairs, or MFA) announced in January 2020 that it would be an anchor investor in the Fund with a grant of USD 40 million, of which USD 5 million is designated for the Technical Assistance Facility (TAF). The TAF is managed by IDH and can provide TA grants to support pre investment and post investment activities to the funds potential and future investments, as well as support market reconnaissance and enable sharing of lessons, tools and knowledge with the global community (see further information provided in Section 3A (Output 1.2.1.2). Rabobank, as cornerstone investor, committed an additional USD 50 million loan to the Fund in 2020 to match any risk bearing capital which is invested into the fund.

In 2020, The Fund closed its first two transactions in China and Brazil:

? The investment in China (a USD 5.85 million guarantee for Rabobank?s USD 10 million investment, 3 years) is linked to sustainable pepper farming in the larger Chongqing region. The loan supported a local input?s provider to provide training, advisory and high-quality inputs, market access and guaranteed prices. This enables farmers to switch from poor yielding crops to more lucrative and sustainable pepper cultivation. This can increase the capacity and income of potentially over 3,000 farmers.

? The investment in Brazil (a USD 2 million guarantee for Rabobank?s USD 5 million investment, 10 years) is linked to forest protection and renovation of degraded pastureland in Mato Grosso. This investment provides financing for forest replanting, forest protection (2581 ha) and restoration of degraded pastureland (1200 ha) to increase productivity in line with recognized environmental and social guidelines, which will enable cattle intensification without the clearing of new land.

During this initial phase of the Fund, AGRI3 will build up a diversified portfolio of investments aimed at closing transactions that deliver positive social and environmental impacts and provide ?proof-of-concept? for financiers and businesses operating in the sector.

It is in this area that GEF support is critical to increase the avaliability and scale of funds so as to support the funds transactions and develop ?proof-of-concepts? as quickly as possible. In addition, GEF participation in the Fund will help to provide a level of credibility and security that will attract other investors and partners to the Fund, increasing liquidity and expanding the network of the Fund. This will help to speed up the scale and impact of AGRI3, that under a BAU scenario would not be achievable in the short-term.

It should be noted that the fund is currently in operation and has been since the original PIF was submitted. This means that things are being updated and are not static ? and can shift, even between quarters and months, as new deals, processes and partners are identified and there may be additional changes before GEF first disbursement.

To what extent does the BAU scenario address the environmental problems identified?

The BAU forecast outlined in this section is that of a very small number of institutions committing to provide in the region of USD 0.7 billion (including guarantees and funds for direct investment) to sustainable agriculture projects *in total over the course of their financing instruments? lifetimes*. This compares with the estimated USD 200 billion that the World Economic Forum and Tropical Forest Alliance estimate is required *per year* by 2030 to reverse drivers of deforestation in the Fund?s target regions.

This highlights that the current handful of well-intended financing initiatives currently in the market will not make a substantial impact on the commercial financing dynamics supporting the environmental problems explained in Section D. Without a means to engage multiple mainstream financial institutions on this issue and incentivize them to consider sustainable agriculture financing as a part of their future core business activities, it is highly unlikely that meaningful changes to the BAU funding flows will occur in time to avert continued and dramatic losses of forest and ecosystem degradation.

Considering the above analyses, it appears unlikely that the future direction of sustainable finance for agriculture will change significantly. At a country and regional level this may mean rates of deforestation, biodiversity loss and land use related emissions continue to rise considerably:

? Forecasts for Indonesia suggest that agricultural and forestry related emissions in Indonesia are set to increase by at least 300 million tCO2e annually between 2020 and 2030, reaching a forecast 1,300 million tCO2e. Land degradation (targeted by the national land degradation neutrality plan of Indonesia, 2016) projections in Indonesia total approximately 120,000 square kilometers ? split roughly evenly between forests and farmland. Indonesia has one of the world?s longest lists of vulnerable, threatened, endangered or critically endangered fauna (1,129), most of which are linked to habitat loss from deforestation and degradation.

? In Brazil, the forecast increases in emissions related to land use change and forestry are also dramatic ? from a recorded 353 million tCO2e in 2018, projected to increase annually to reach 765 million tCO2e in 2030. Recent research indicates that with current trends in deforestation between 19-36% of the Amazon?s species richness could be lost by 2050.

? West Africa ? Across the Guinean Forests of West Africa, deforestation remains a significant issue, and between 1975 to 2013 28% of this forest was lost. At a national level, in 2019, C?te d'Ivoire lost 242kha of natural forest, equivalent to 56.1 million tCO2e. The vast majority of this was driven by small-scale agriculture (236,000 hectares), with a small amount from commodity-driven deforestation (4,870 hectares). In 2019, Ghana lost 87.4kha of natural forest, equivalent to 21.4 million tCO2e. This was driven by small-scale agriculture (84,100 hectares), and from commodity-driven deforestation (3,650 hectares). These patterns of deforestation and degradation will continue to threaten the 2,000 amphibian, bird and mammal species found across The Guinean Forests of West Africa.

Associated Baseline Projects

Table 2 below provides a summary of the Associated Baseline Projects for this project

Table 2: Associated Baseline Projects

PROJECT NAME	YEARS (START-END)	BUDGET (USD)	DONOR(S)	OBJECTIVES/BRIEF DESCRIPTION OF HOW IT IS LINKED TO THIS GEF PROJECT
Partnership for Forest Protection and Sustainable Agriculture	2017-current	Tbd	n/a	UN Environment / Rabobank partnership aiming to enhance public/private partnerships in Forest Protection and Sustainable Agriculture; this partnership helped to form the AGRI3 Fund
IDH FarmFit Fund	2020-current	100 million	Unilever, Mondelez, Rabobank	Exclusively smallholder-focused finance fund with which AGRI3 may collaborate
&Green Fund	2019 - current	125 million	Government of Norway	Impact Fund with which AGRI3 may syndicate and join together on large transactions to share resources and knowledge sharing.

Mastercard ? Rabobank	2019 - current	Tbd	n/a	Initiative for digitizing agricultural supply chains; may provide digital infrastructure that could support some AGRI3-supported projects.
Food Loss Facility	2020 ? current	Tbd	Tbd	Initiative by World Bank, Rockefeller Foundation, IFAD, FAO, Netherlands Government and Rabobank to reduce food losses; may have overlapping projects with AGRI3
The Rabo Rural Fund	2011 - current	60 million	Rabo Foundation and Rabobank	Focuses on SMEs and farmer cooperatives in commodity value chains by providing loans and loan guarantees jointly with local financial institutions.
Green Climate Fund (GCF)	2010 - current	10.3 billion	Developed countries	The GCF provides financing in the form of loans, equity, guarantees and grants to support developing countries to achieve their Nationally Determined Contributions (NDCs). Historically, the GCF has financed energy, water and transport infrastructure, but has recently expanded to include agriculture and forestry within its remit. As of 2018, only USD 118 million of ?loans, equity or guarantees? has been provided to agriculture-related projects. Over 90% of GCF agri-sector funding was in the form of grants and co-funding.
Global Agriculture & Food Security Program (GAFSP)	2010 - current	1.6 billion	Australia, Canada, Japan, the Netherlands, the United Kingdom, and the United States	The GAFSP Private Sector Window uses blended finance solutions and concessional funding to support projects designed to improve the livelihood of smallholder farmers in developing countries. The GAFSP invests across the entire food supply chain, from farm inputs to logistics and storage, to processing and financing, the Private Sector Window specializes in early-stage agribusiness projects with a high potential for development impact.

USAID?s Development Credit Authority	1999-2021	5.5 billion	U.S Treasury	The United States Agency for International Development?s (USAID) Development Credit Authority (DCA) uses partial credit guarantees to mobilize local financing for entrepreneurs. The DCA has now merged with the Overseas Private Investment Corporation to form the U.S. International Development Finance Corporation. As shown in Section 2 the DCA has used guarantees into some key agriculture and forestry funds.
Africa Agriculture and Trade Investment Fund (AATIF)	2011 - current	146 million	BMZ, KfW, Deutsche Bank	The Africa Agriculture and Trade Investment Fund (AATIF) is a blended finance vehicle that invests in agricultural production and businesses along the agricultural supply chain in sub-Saharan Africa. Through its investments, AATIF aims to increase food security, strengthen income among people employed in the agricultural sector, and strengthen the competitiveness of local agriculture businesses, , making it of relevance to AGRI3.
Dutch Fund for Climate and Development (DFCD)	2019 - current	?160 million	Dutch MFA	The DFCD allows for investments in projects aimed at climate adaptation and mitigation in developing countries in order to prevent the deterioration of social, economic and human development. It could offer collaborative opportunities for AGRI3, particularly as FMO is also a participant.
LDN Fund	2017 - current	120 million	UNCCD, Global Mechanism, Mirova	The LDN Fund is a blended finance vehicle investing in projects that directly or indirectly reduce or reverse land degradation. It invests debt (mezzanine, profit-sharing loans) and equity (minority and majority positions), with investment sizes ranging from $5-20 million and a tenure of 10 to 15 years. It could offer collaboration opportunities for AGRI3 (noting its TAF is GEF-financed).

Tropical Landscape Finance Facility (TLFF)	2018 - current	95 million	UNEP, ICRAF, BNP Paribas, ADM Capital	The Tropical Landscape Finance Facility (TLFF) is an Indonesian government-endorsed blended finance facility, focused on sustainable agriculture and renewable energy expansion in Indonesia.
Food Securities Fund	2021 ? current	750 million	Clarmondial, Citbank, Vistra Fund Management, USAID, Bureau for Food Security (BFS)	Food Securities Fund is an open-ended investment fund that uses a blended finance approach to provide working capital to agricultural companies that operate in emerging markets and aggregate produce from farmers, particularly smallholders. There is an opportunity for potential collaboration in shared financing and knowledge sharing.

More information on the Fund pipeline can be found in the ProDoc APPENDIX XVII: Examples of projects in the AGRI3 Fund pipeline

More information on how the GEBs will be incorporated into the Fund?s investments is included in the APPENDIX XVIII: Maximizing Global Environmental Benefits (GEBs) through the Fund investments.

c) The proposed alternative scenario, with a brief description of expected outcomes and components of the project

Alternative scenario to the BAU - Increased participation of commercial banks in sustainable land use deals due to reduced transaction risk profiles

Mainstream commercial lenders will require a de-risking facility in order to actively target sustainable land use borrowers. There is growing evidence that partial credit risk guarantees and other risk sharing facilities can attract finance into sustainable land use projects by creating a more appealing risk-return profile for the banks. According to the OECD, between 2012-2015 USD 81 billion was mobilized from the private sector, predominantly from guarantees. Commercial bank investments are most often catalyzed by guarantees - based on an analysis of 500 organizations that have invested in finance transactions with guarantees, half of the investments were from commercial banks. As stakeholders commented in consultations, their experience working with credit guarantees is very positive. Although these facilities are catalytic for many investors, they are considered to be very few and far between.

AGRI3 will provide guarantees, and in some cases subordinated, debt to cover the particular risks associated with the financing of forest conservation, sustainable agriculture and rural livelihoods projects. These guarantees ? to a total of USD 300 million - will be used to de-risk and catalyze private commercial debt and create projects and transactions which, due to their high-risk profile and longer finance horizon, would not be possible without them. Such guarantees have potential to indirectly influence land use change by facilitating improved access to finance for sustainable land use projects and business models, and by allowing companies implementing longer term sustainability measures to compete for funding against banks? BAU client base (those companies raising finance for shorter term, often unsustainable agricultural practices).

An independent assessment of the Fund (commissioned by the Dutch Ministry of Foreign Affairs) found AGRI3 to be the only fund model in which commercial bank?s are taking the lead in providing senior debt and a client network to fund sustainable land use activities.

This client network is referred to as ?Partnerbanks?, these are commercial banks that subscribe to AGRI3 goals. The Fund will leverage the Partnerbank?s client network to identify farmers and other projects who are candidates for transition to forest conservation and sustainable agricultural production models.

If other consortia were motivated to replicate a successful guarantee model this could unlock a large volume of ?patient capital? which is currently undeployed due to a severe lack of quality of suitable projects. Although hard to quantify, if such a guarantee instrument was replicated, and was able to source quality pipeline projects through networks of Partnerbanks, this could have a significant positive impact on global credit flows to the agri sector and result in an alternative to the BAU scenario currently forecast. Although it varies, guarantees can attract and leverage 3-4 times the capital invested. For example, GuarantCo is able to leverage 3x for each $1 of capital in the form of guarantees.

In conclusion only a sustainable land use-dedicated credit guarantee for Partnerbanks, serving as a model for others to replicate, is likely to change the BAU scenario significantly and this forms the basis for this GEF project.

The Fund?s operating model offers a cost-effective means of financing sustainable agriculture at four levels of analysis:

1. **Financial leverage -** based on an independent assessment of the Fund, it is realistic that the Fund will be able to leverage USD 1 billion in investments. Using USD 150 million to offer USD 306 million in guarantees (and potentially subordinated debt) means that each dollar in the Fund will ?cover? just over two dollars? worth of guarantees. Over time this coverage ratio could increase to 1:4, in terms of guarantees. This is relatively

conservative, and the overall leverage is much higher in terms of attracting USD 1 billion of loans (1:7). The assessment also carried out a cost-benefit analysis of the Fund and finds that the overall benefits of AGRI3 outweigh the costs. AGRI3 will result in net benefits of USD 130 million. Commercial parties, farmers and other value chain stakeholders all stand to gain from the Fund. The biggest benefit comes from CO2 emissions avoided which are worth USD 90 million.

2. **Reduced administrative and management costs** - those costs associated with mobilizing USD1 billion of agriculture sector financing through guarantee mechanisms are proportionately lower than those associated with trying to achieve the same level of investment through one or more impact investment funds. Over the period of 2021 to 2023 the annual fund management costs will be approximately 0.03% of the USD 1 billion target (an average of USD 3.1 million per year).

3. **Replication of processes and tools** - in terms of ways to facilitate increased participation of commercial banks in sustainable agriculture debt and equity provision, AGRI3?s open architecture and its Partnerbank strategy offer the possibility of developing and rolling out standardized support, agri-sector analysis and tools to assist staff in multiple banks when assessing opportunities for financing sustainable agriculture. Compared with other BAU scenarios which require bespoke training and systems to be delivered to individual banks on an ad-hoc basis, this is a cost-effective way of assisting several banks in parallel, or sequence, with their transition towards sustainable agri-financing.

4. **Higher deal flow and efficient origination processes** - a key cost for many sustainable land-use investors is the process of origination and client due diligence. However, using the in-country branch networks of Partnerbanks (and any non-bank institutions which choose to participate in deals) in target countries presents an effective way to overcome recognized bottlenecks in deal flow which are faced by many niche sustainable land use impact investors which lack the client base and relationships that established commercial lenders have.

5. **Long term financial sustainability**: Cost effectiveness is also about how the fund maintains financial sustainability to ensure ongoing delivery of the fund, considering the cost base and the income.

The fund maintains financial sustainability, by ensuring revenues cover cost, and above that ensure returns for investors. The fund (as with other gurantee facilities) does this by building a portfolio of guarantees, for which it receives ongoing and regular fees from those guarantees, which over time will cover the start up costs, ongoing operational costs and replenish. It also places cash on deposit as security for gurantees, as funds are not invested as in an equity or debt fund, so it is able to receive returns on its cash deposit as well.

The fund projects it will build a portfolio of guarantees of approximately USD 300 mn. The fund is able to use the USD 150 mn cash to support a guarantee capacity of USD 300 mn, assuming 50% leverage with the cash collateral. Effectively this means the fund can receive income on USD 300 mn of guarantees, rather than on the USD 150 mn of cash. Once a guarantee obligation ends, then the cash is released, allowing the fund to recycle cash for future guarantees ? if feasible? making for an effective use of cash. In future, the cost base of the fund will also be adjusted in line with AUM after year 5 in order to ensure that the management costs are commensurate with the funds asset base.

Objective, Components, Expected Outcomes, Targets, and Outputs

AGRI3?s objectives

Overarching International Goals. The overarching goal of AGRI3 Fund is to contribute to sustainable land use practices at scale by combining sustainable and efficient agricultural production with forest protection, restoration and reduction of GHG emissions. As these activities take place mostly within rural areas, AGRI3 also aims to improve rural livelihoods, gender equality and food security within the transactions it supports.

Impact Objectives

The Fund aims to provide guarantees and other subordinated debt structures to support commercial banks "(Partnerbanks") and other financial institutions to mobilize capital by de-risking and catalyzing investment propositions (?Transactions?) in order to:

- **Prevent deforestation and stimulate reforestation:** acceleration of sustainable management of forests and legal reforestation obligations, transition to agroforestry as well as protection of high conservation/high carbon stock forests that enhance soil fertility, carbon sequestration, water management and biodiversity.

? - **Contribute to sustainable and efficient agricultural production:** implementing innovative agricultural solutions such as Integrated Crop, Livestock and Forestry (ICLF) practices that have an impact on lowering GHG emissions, restoring degraded land, enhancing water management, improving soil fertility, sequestering carbon, building climate change resilience and/or protecting biodiversity while maintaining or substantially increasing yield for local farmers including smallholders.

? - **Improve rural livelihoods**: improving the living standards of farmers, including smallholders, in order to reach sustainable inclusive growth, with particular attention paid to gender equality, eradicating child labor, promoting fair labor and wages, and alleviating poverty.

AGRI3 will also have an impact on cross-cutting areas, for which specific activities will be conducted within the TAF. The TAF will be managed by IDH and set up as a separate facility, but ?linked? to the Finance Fund?s activities, working closely with the Fund Manager and the Investment Advisers. The TAF will provide pre-investment support, post investment TA, support learning and knowledge sharing and provide impact monitoring and reporting of projects

Investment Objectives

The Fund's investment objective is the collective investment, and generating a return in connection therewith, for the Participants (investors), taking into account the investment principles and restrictions included in the AGRI3 Investment Policy.

The Fund aims to primarily achieve such an objective:

a) by issuing Guarantees to Beneficiaries who grant loans to Borrowers in order to guarantee part of the repayment obligations of such Borrowers;

b) by making Investments to support the (contingent) payment obligations of the Fund under such Guarantees,

c) by issuing subordinated loans directly to Borrowers or, and

d) all other investments in accordance with and subject to the AGRI3 Investment Policy. The Fund will focus on risk mitigation products (partial guarantees), although in some cases liquidity instruments (like subordinated debt) may be required because of local regulatory issues or market conditions or project dynamics.

In addition, AGRI3 aims to:

? Provide partial risk guarantees and credit enhancement instruments to Partnerbanks to catalyze finance in sustainable land use projects;

? Develop a diversified portfolio of guarantees and credit enhancement tools across geographies and agricultural commodities that adequately balances risks and returns to the Fund;

? Maintain liquidity and adequate coverage of guarantees to ensure the preservation of capital within the Fund; and

? Raise additional funds from a range of investors to support scaling up of the Fund?s financial and E&S impacts.

For more information on the terms and conditions for participation see Appendix XV.

AGRI3?s Strategic Pillars

? AGRI3 is built on a set of strategic pillars that makes the Fund unique and fully additional:

Credit enhancement tools

? Guarantees and subordinated loans provided by Fund will allow Partnerbanks to leverage their lending activities and supply chain positions to finance transactions that would otherwise not be possible due to their tightly defined risk statements. Guarantees will be used to support activities that meet the Fund's E&S framework and generate demonstratable impacts against the Fund's key objectives and impact KPIs.

Beneficiaries

Through the provision of these de-risking instruments, AGRI3 will support Partnerbanks to make loans to clients throughout agricultural value chains. These clients could include to primary producers, processors, traders, wholesalers, technology providers, input providers, corporates and local financial institutions. The ultimate beneficiaries, or target group, of all transactions of the Fund will be farmers. The farmers can be approached either directly, through input suppliers, cooperatives or through off-takers (direct and indirect). Farmers will include large, medium, small and smallholder farmers. By working with different actors in the value chain, the intention is to benefit a greater number of farmers. For example, traders often provide financing to farmers they purchase crops from, and increasingly traders require sustainably produced crops. Providing loans to traders to then lend to farmers, under the condition they implement certification standards, leads to impact at scale. This value chain approach is crucial to the overall goal of the AGRI3 Fund in transitioning to more sustainable practices and removing deforestation in agricultural value chains. Examples of the Fund working with different organizations across the agricultural value chain are included in the APPENDIX XVII: Examples of projects in the AGRI3 Fund pipeline. It is expected that the Fund will help benefit at least 300,000 farmers and farm workers.

Unlocking private capital at scale and leverage

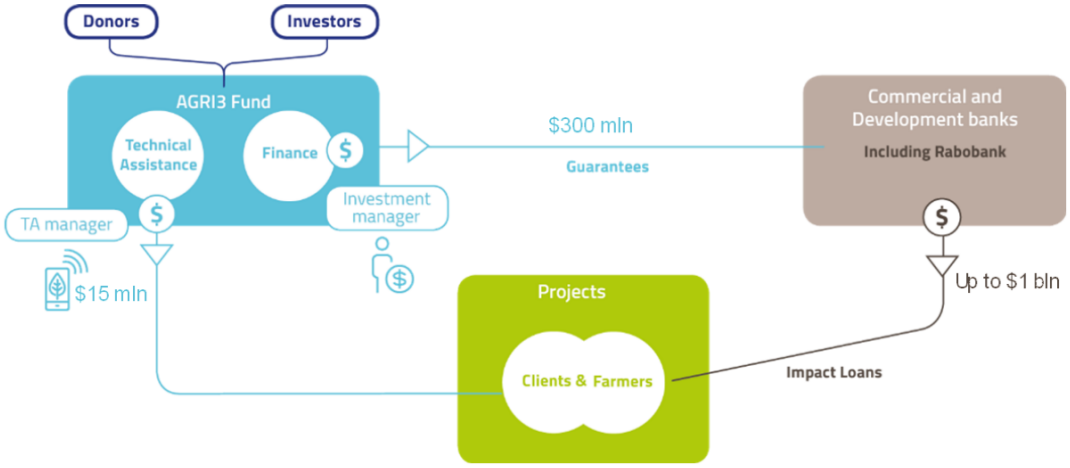
The Fund will be used to catalyze USD 1 billion of public and private capital to support investments in sustainable agriculture, sustainable forestry and rural livelihoods. The AGRI3 capital will correspond to up to an estimated USD 300 million in outstanding guarantees (the ?AGRI3 exposure?) which are used to catalyze private commercial debt to an amount of USD 1 billion (the ?AGRI3 financing?) and thereby making projects and deals possible that would otherwise not have taken place.

During the initial phase the Fund will build up a diversified portfolio of investments (primarily foreseen to be guarantees) and a related track record. Realizing this will allow a better understanding of the portfolio?s risk profile and hence reduce the cash collateral requirements for the Fund?s guarantees. Ultimately, after a number of years, we expect that the Fund will work towards obtaining a solid rating, thereby further lowering collateral requirements and thus increasing leverage.

Open architecture

? The Fund will be open architecture, allowing for new public and private financial partners to participate. The Fund will be open to all eligible financial institutions, such as commercial banks and DFIs in search of sustainable solutions for their clients. To warrant a maximum commitment of the banks to the Fund, it is expected that all banks that apply for credit enhancement tools from the Fund on behalf of their clients will also contribute to a certain extent to the funding of the Fund itself (i.e. become Participant in the Fund). Figure 1 below summarizes this open architecture.

Figure 1 Overall AGRI3 Structure



Financial and impact additionality

The Fund must remain complementary and additional to commercial lending, whilst acting within the financial parameters set by investors. The aim is not to create market distortions by crowding out private sector investments. In addition, the Fund aims to achieve positive environmental and social impact and in line with Impact KPIs as established in the Fund's E&S framework.

Best-in-class ESG

All projects receiving debt from commercial banks, as part of a Fund project, need to be compliant with the Fund's E&S Framework. The E&S framework has been developed with the UNEP and builds on E&S requirements of the founding partners. In addition, all projects will need to comply with all applicable policies, laws and regulations, related to environmental and social aspects of operations, in the jurisdictions and countries in which they operate. The E&S requirements of new investors of debt providers will also be taken into account when they enter the Fund.

Achieving impacts at scale

In order to create impact, the Fund will concentrate on projects that provide a maximum contribution to the Fund's investment objectives and Impact KPIs, and with significant potential to scale. Therefore, priority will be given to larger farming and land use projects, where the environmental and social impact is highest. This could either mean assisting large scale farmers in their transition to deforestation-free or more sustainable production or by reaching out to larger numbers of smaller farmers in one program.

Deal sourcing

Uniquely, the Fund's credit enhancement tools will support transactions sourced from existing clients of commercial banks participating in the Fund. It is expected that these can be actors throughout the agricultural value chain who are motivated to develop sustainable land use solutions. Rabobank, as a cornerstone of the Partnership, is to provide the deal sourcing at inception phase of the Fund. The opportunity to leverage on such existing client relationships, thus lowering the entrance barrier to source eligible business, is viewed as a particular strongpoint unrivaled by other funds. A second wave of deals is expected to come from other commercial banks and potentially from impact funds or DFIs that participate in the Fund. More information on deal sourcing is provided below.

Innovation

It is envisaged that AGRI3 will support the scale up of innovative farming practices technologies, acting as an example to the rest of the financial and agricultural sector. Innovations should have been proven and can be rolled out to other farmers. In addition, as the commercial banks build up a track record with these (often longer terms) transactions and will feel more comfortable entering into the transactions without the support of a Fund.

Technical Assistance

At farm level, crucial elements in encouraging change are the availability of appropriate finance, know-how and non-financial long-term support to farmers. At the level of commercial banks, the risks associated with more innovative models are often perceived as high. This is why the Fund has a TA Facility which will support the activities of the Fund. This will not only support farmers in shifting to techniques and approaches that are more sustainable but also ensure the investment readiness of more innovative projects to facilitate access to finance (pre-investment) and ensure the success of these projects (post-investment).

Geographic Focus

The Fund has a global scope and ambition, but with a focus on middle income (MICs) and lower income countries (LICs) that are also eligible for GEF funding. In line with the strategy to create impact efficiently, the Fund will initially focus on Latin America, Southeast Asia and Africa, with particular focus on Brazil, Indonesia and West Africa, as those are countries have a mature agricultural and forestry sector and are likely to yield the best impact returns on time and resources invested. Other jurisdictions ? particularly elsewhere in South-East Asia, sub-Saharan Africa and Latin America ? will also be targeted contingent on the availability of eligible transactions. Best efforts will be made to conduct transactions in LICs and LMICs within 2 years of the Fund?s inception.

In order to maximize the chances of success in terms of environmental and social benefits, climate impacts, minimize risks and foster links with the Fund?s objectives, there is a preference for countries and jurisdictions a preference for those where forests or other natural ecosystems are at risk of being converted to large-scale. The preference is to support transactions in locations where there is a high risk of deforestation or the transaction plays a part in landscape level initiatives, where there is potential for high impact. Transactions can be considered in other types of locations in eligible countries.

Transactions taking place within countries that are subject to financial or banking sanctions will not be eligible for investment.

Sectors:

The Fund aims to undertake transactions in a wide range and combination of crops and agricultural commodities provided that transactions meet the funds eligibility criteria and does not include activities as noted in the fund?s exclusion list (see Appendix XIX).

In the first instance, these are likely to be cattle, soy, palm, coffee, cocoa. The Fund will move to those sectors as potential transactions become available and as determined by the Fund Managers.

Eligibility Criteria

Investment criteria will guide the selection of bankable projects that are likely to fulfil the impact framework. The following are the key criteria for assessment of the Fund:

i) Impact criteria: Eligible projects should focus on at least one of the first two impact objectives (Forest Protection and reforestation, and Sustainable Agriculture) of the Funds and always contribute to the third (Improved Rural Livelihoods).
ii) Eligibility and Exclusion list: Transactions should not be on the Fund?s exclusion list (see Appendix XIX) and be eligible for funding. A schedule of indicative eligible projects and a schedule of excluded activities will guide the selection of bankable projects that are likely to fulfil the impact framework.
iii) Alignment with the ESG framework: Transactions should identify, manage and mitigate ESG risks in line with AGRI3?s E&S impact framework.
iv) Financial assessment: Transactions should have an attractive risk return profile and align with the AGRI3 Pricing Policy.
v) Additionality: any application for financing must pass a strict additionality test. This comprises of two additionality tests: (1) Beyond business as usual, demonstrating that in the impact fields targeted by the client?s use of funds is beyond BAU practices for the company/country/sector; and (2) there is a lack of available commercial finance to support the project.
vi) Project economics and business case: Critical to the sustainability of any transaction is a sound economic, business model or investment case related to the use of funds supported by AGRI3.
vii) Legal: The project will need to demonstrate it has a legal basis to operate as planned and meets all relevant local and international legislation and regulations.

Financial Instruments Used

The Fund aims to de-risk and facilitate eligible investments for Partnerbanks. In this light, the Fund will focus on risk mitigation products (partial guarantees), although in some cases liquidity instruments (like sub-ordinated loans) may be required because of local regulatory issues. In this respect, investment instruments at the inception of the Fund are:

? Pari passu risk participation - Losses on a transaction with a single counterparty (or portfolio) are split between the bank and the Fund according to a pre-defined ratio (typically 50/50 but can vary). Both parties rank equal on the repayment waterfall.
? Tenor extension - The guarantee only kicks in at a given date in the future after which AGRI3 provides a full guarantee absorbing the 100% of the risk after that given date. This type of transaction will be provided where Partnerbanks are fully comfortable with the client and transaction risk but has a hard stop on tenor of the exposure.
? Maturity subordination - Combination of tenor extension and pari passu, in which the Fund guarantees the same absolute amount during the lifetime of the loan, which covers 100% of the credit risk after a given date.
? Subordinated guarantee- a guarantee on a bank?s loan facility that is provided to a company with equity capitalization. This guarantee is more comparable to regular subordinated debt, as the equity providers take the first loss position. AGRI3 provides a guarantee and has a subordinated position compared to the bank?s facility.
? First loss risk participation - AGRI3 provides first loss guarantees, i.e. where all of the loss is covered by the AGRI3 guarantee, up to an agreed maximum.

The fund will also work with Partnerbanks to identify other forms of partial guarantees in order to support its impact and financial objectives.

The terms of the guarantees for each individual transaction, including duration and coverage, will be determined in consultation with the Partnerbank and AGRI3 during the investment process. All guarantees provided are partial guarantees and will indicatively cover 30- 50% of the exposure of a loan.

The composition of the portfolio and concentration limits for different financial instruments will be determined after the first 2 years or 12 deals of the fund.

Transaction size
The typical contribution by the Fund for each investment will be in the range of USD 3 ? 15 million USD to enable projects from USD 5 to 50 million. Exceptions may apply, in case projects are larger than these limits, or pilot-projects that are smaller but scalable, provided they demonstrate significant impact. Exceptions will be reviewed and decided on by the Fund Managers.

Security and leverage limits
At the inception of the fund, it is expected that all transactions will be secured with 100% cash collateral (i.e. no leverage).

During the first 2 years the Fund will build up a diversified portfolio of investments and related investment track record. After 2 years an analysis of the portfolio will be conducted by the Fund Managers to determine whether the cash collateral requirements can be lowered. Ultimately, the fund will aim to work towards obtaining a solid rating at which point, in consultation with Partnerbanks, the leverage limits will be set by the fund.

Currency
The Fund is expected to predominantly transact in USD, the same currency as its obligations to its investors, where the balance provides a natural hedge.

Guarantees that are provided in local currencies have an FX risk that is contingent until there is a call, at which point it may be exposed directly to FX risk if the loan is not in USD (which will then drive the need to hedge the FX risk, which may or may not be possible at reasonable rates). The expected decrease in guarantee fees for local currency guarantees, as a result of expected depreciations, are not currency risks as there is a commensurate reduction in exposure. Apart from that, the Fund aims to build up a diversified portfolio of various currencies which can be expected to further mitigate this risk.

Transaction sourcing during the investment process
Transactions will largely be sourced with existing clients of Partnerbanks, such as large traders and corporations in the agricultural value chain.

i. Initial application: Once a potential transaction has been identified, Partnerbanks of the fund will discuss initial concepts with AGRI3. It is expected that at this stage an initial Project Opportunity

Note (?PON?) will be presented to the AGRI3 Investment Advisers, outlining the key details of the deal. The AGRI3 Investment Adviser team will then assess the eligibility of the investment against the alignment of the AGRI3 Investment Policy, E&S and financial assessment framework. Should the concept be eligible then the Investment Advisers will provide initial feedback on the structure, pricing and impact potential of the transaction and key considerations for the application stage. If the project is not eligible, or further information is needed to assess eligibility, then this will be discussed with the Partnerbank.

AGRI3 will not invest in projects funded through other initiatives supported by GEF. AGRI3 will also, on a best-efforts basis, prohibit double-accounting of results realized by otherwise GEF-funded projects.

ii. Full application: Eligible concepts will be asked to provide detailed information about their proposed transaction including details about the proposed E&S impact, financial structure and business model (including management and operations). This will be presented in an application form to the fund. Once the relevant information in the application has been clarified and reviewed, the AGRI3 Investment Adviser team will present a decision to the Partnerbank either (1) to proceed to investment committee; (2) to not proceed and to be reassessed to see if any changes can be made or more information provided.

To receive financing from AGRI3, any application for financing must pass a strict additionality test. This tool comprises of two additionality tests: (1) Beyond business as usual, demonstrating that in the impact fields targeted by the client?s use of funds, of sustainable agriculture, forest protection and rural livelihoods, are beyond BAU practices in the country/sector; and (2) Lack of available commercial finance. To be successful an applicant must meet the required criteria under each of the two tests.

iii. Investment Committee - Initial Approval: Should a decision to proceed be made, then an Investment memo will be developed by the AGRI3 team to be presented to the Investment Committee as an IC1 Screening Memo. The IC-1 Memo will also include any initial recommendations for Technical Assistance (if needed and applicable), a draft term sheet and a detailed plan for the Due Diligence. The Investment Committee will use the available information to evaluate the deal to determine the alignment with the fund?s investment policy, E&S standards, impact framework and financial risk-return profile of the transaction.

Once the Investment Committee has reviewed the Investment memo and supporting information then they will present a decision to the Partnerbank either that the transaction should (1) proceed to due diligence; (2) not proceed and to be reassessed to see if any changes can be made or more information provided. Should the decision be made to proceed to due diligence, it is understood that this will constitute an initial approval of the commercial terms of the transaction by the IC. Deviations from this will occur only if due diligence leads to significant and material findings that would require revaluation of those terms.

iv. Due Diligence: The due diligence process will include gathering and assessing more detailed documentation to validate and improve the level of information, especially with regards to E&S risks and impacts, borrower profile, project workings (incl financial return and impact) and production model.

Based on the due diligence findings, the AGRI3 team aims to further refine the draft Term Sheet. This will include any key financial terms and E&S requirements from the project. In cases where further E&S measures are required to meet the funds E&S standards, then this will be discussed with project team and developed into an Environmental & Social Action Plan (ESAP), which established milestones to be reached during the duration of the project. As necessary, the fund will also provide any further details of Technical Assistance needs and a request to the TA facility.

v. Investment Committee ? Final Approval: Following the due diligence process AGRI3 team will submit a final and updated Investment Memo for the Fund?s participation in the transaction (financially and in kind through technical assistance) to the Investment Committee for approval.

Once the Investment Committee has reviewed the Investment memo and supporting information then they will present a decision to the Partnerbank either that the transaction should (1) proceed to contracting; (2) not proceed and to be reassessed to see if any changes can be made or more information provided.

If need be, it could suggest at this stage additional Due Diligence or conditions precedent for the approval and/or disbursement.

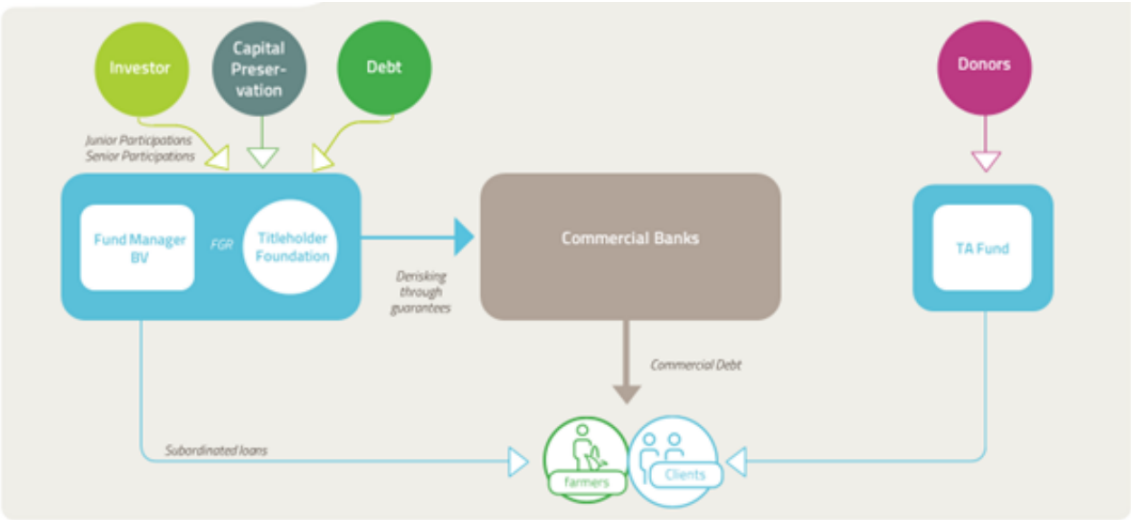
vi. Final negotiations, contracts and disbursement: If the investment proposal is approved, this is the time for final negotiations and/or reviews. Contract negotiations take place between the Partnerbank and AGRI3. Legal documentation between the bank and the client should be completely mirrored by the risk sharing agreement between the Partnerbank and AGRI3. As much as possible, subject to the type of transaction, country, counterparty and other elements, the legal documentation is drafted and negotiated in line with the guarantee master agreement.

vii. Administration, monitoring and reporting: Once the legal documents are agreed and transaction is executed, the Partnerbank client moves into the monitoring phase. During due diligence and legal negotiations, a schedule of monitoring and reporting will have been agreed, including the regularity of that process, and data to be collected. This should as in line with Partnerbanks clients reporting to the bank. This will include regular management reporting, E&S reports as well as audited annual financial statements when available, which will be collated by the Investment Advisers.

Funding flows

As the first originator of deals at country office level, Rabobank will set up a separate facility within Rabobank to receive the guarantees. The collateralization of these guarantees is expected to be 100% of guarantee exposure to begin and will fall to 50% average over the lifetime of the fund. As set out above, the ability to seek leverage will be dependent on investor and Partnerbank review of the fund and underlying portfolio and willingness to accept a lower form of security. The current flow of loans and guarantees to Rabo and AGRI3 is provided below in Figure 2.

Figure 2 The AGRI3 Fund?s funding flows



Technical Assistance

The AGRI3 Technical Assistance (TA) facility has been established to accelerate the development of investable opportunities and maximize their impacts, as well as de-risk investments made by the Fund. The TA Facility will be managed by IDH and set up as a separate facility, but ?linked? to the Finance Fund?s activities, working closely with the Fund Manager and the Investment Advisers. Technical assistance through the TA Facility is related to:

? **Market reconnaissance:** supporting the fund in entering new markets including developing scoping studies, business case development, design of incentive schemes, TA for financial product development and capacity assessment of key enabling partners (e.g. a local bank or NGO).

? **Pre-investment support:** project design support, to build a strong and balanced portfolio of bankable projects for the AGRI3 fund. The intention is that TA provided should lead to a potential for the Fund within 24 months? time.

? **Post-investment TA:** to projects in the implementation phase, so that project developers have greater capacity to implement projects to a higher technical standard and/or with increased positive social and environmental impacts.

? **Enhanced Impact Monitoring:** supporting the Investment Adviser in monitoring and reporting on the funds Impact KPIs.

? **Learning and knowledge sharing:** taking insights from transactions and publishing them in a variety of formats including workshops, publications and tools.

For each transaction that is reviewed by the Fund Managers, the TA facility will work with the fund to identify transactions that require support, and procure relevant expertise, either from IDH who manage the TA facility, or other external providers. As described earlier in this section, the TA Facility is a separate facility that is linked to the Fund and will not directly be financed by GEF.

AGRI3 GEF Project Objective

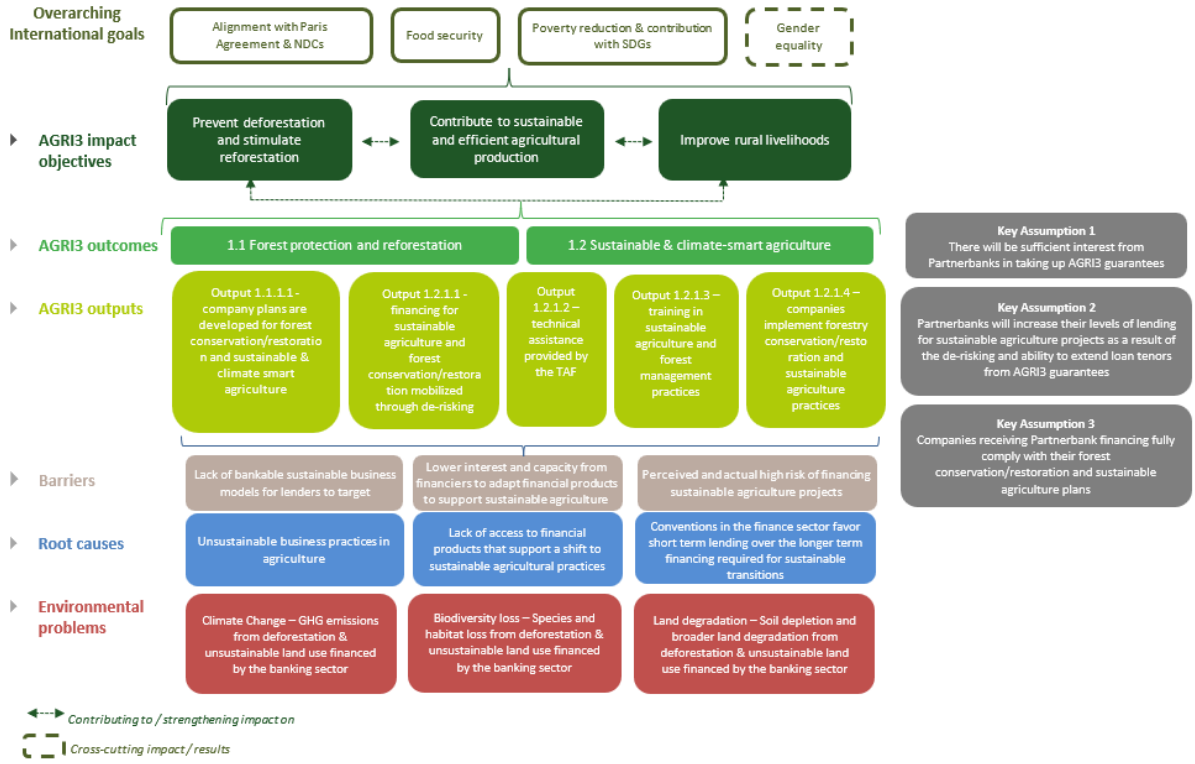
The objective of this GEF Project is to de-risk USD 1 billion of private sector financing and provide USD 15 million in technical assistance for forest conservation/restoration and sustainable

agriculture in developing countries and emerging markets to address climate change and land degradation.

A longer-term objective of AGRI3 is to ensure business models that are based on deforestation-free, low carbon, and sustainable commodity production that is equitable, and which ultimately becomes the norm, not the exception.

Theory of Change

Figure 3 below provides the overall Theory of Change for the Fund, with its key elements described further below.



Objective-level indicators:

a. Total private sector financing for forest conservation/restoration and sustainable agriculture in developing countries mobilized via de-risking (USD 1 billion).

b. Number of companies receiving financing from a Partnerbank supported by AGRI3 supported loans and/or technical assistance (48 companies).

GEF Project Outcomes

Due to its integrated approach to forest conservation and sustainable agriculture, AGRI3 consists of one component

Component 1: Forest conservation/ transformation to sustainable and climate-smart agriculture.

This Component encompasses all finance mobilized by AGRI3 and the transactions that it will support for the protection and sustainable management of forests and the transition to sustainable and climate-smart agriculture in its target countries and regions.

This Component will have the following outcomes:

Outcome 1.1: Forested lands are protected and sustainably managed.

Outcome Indicator 1.1.1: Number of hectares of forested lands under improved management (GCI 4.1).

Outcome Target 1.1.1: 41,000 hectares of forest under improved management.

Outcome Indicator 1.1.2: tCO2eq of carbon emission avoided/ sequestered (GCI 6.1).

Outcome Target 1.1.2: 12,000,000 tCO2eq of carbon emission avoided/ sequestered.

Direct forest protection occurs by bringing existing forested lands under protection and sustainable management, by introducing sustainable agroforestry models, by planting tree and biodiversity zones around agricultural land and by allocating land for reforestation. The indirect ? but potentially effective ? way of forest and biodiversity conservation is by reducing pressure on land because of expansion of food production as an economic activity. This is not only the consequence of an increasing global population and changing diets, but equally driven by degrading lands and climate change, threatening agricultural production as evidenced by stagnating yields, increasing climate risk, and loss of livelihoods for many ? and especially smallholder farmers.

Although normally restricted in their ability to finance such a transaction via regular commercial debt, the risk sharing structure of AGRI3 allows Partnerbanks to participate in them. This will be measured by hectares of forest land now under protection/sustainable management within transactions that AGRI3 supports (see Results Framework).

This Outcome will be achieved through:

Output 1.1.1.1: 48 company plans are developed for forest conservation/restoration and the transition to sustainable and climate-smart agriculture in a gender inclusive manner.

Indicator 1.1.1.1: Number of company forest conservation/ restoration and/or sustainable and climate smart agriculture plans developed and finalized.

Target 1.1.1.1: 48 company plans for forest conservation/restoration and the transition to sustainable and climate-smart agriculture in a gender-inclusive manner.

This could include plans for the transition to more sustainable agricultural production models, enrichment of agricultural land with trees, protection of forest adjacent to agricultural land in line with legal requirements and forest restoration. These plans are a key part of the application document that Partnerbanks have to complete to received AGRI3 support, and are reviewed and fed back on during the application process by AGRI3 to ensure they are aligned with AGRI3?s Impact Objectives and targeted GEBs (please see Appendices XVII and XVIII for further information). The contents of the plan will then be referenced in the investment information of AGRI3.

The initial plans are developed between Partnerbanks and their clients (farmer, farmer organization, forest manager, agroforestry producer), and then feedback and input is provided by the AGRI3 Fund Manager. It is also possible that following approval of the plan as part of the application process, further support may be provided by the TAF to further enhance the transactions potential environmental and social impacts.

These plans typically describe the foreseen transition from the existing situation (degraded land, degraded forest, suboptimal production, monoculture etc.) to a more sustainable models including agro-forestry models, enrichment of agricultural land with trees, special biodiversity zones adjacent to agricultural land, improved soil quality management by organic/regenerative farming and minimal tillage techniques and/or reduction of the use of synthetic chemicals.

For example, with specific soft commodities it may include certification from an external national or international agency, which may include biodiversity conservation and enhancement considerations. The plans will often act as an alternative to indirectly expanding the agricultural production by expanding agricultural areas ? which could either result in deforestation or increases pressure on available land which indirectly leads to deforestation. Plans may also include the client waiving on legal deforestation rights ? in exchange for (financing) support to implement an alternative, more sustainable production model. The plans, once agreed and once other eligibility criteria are satisfied, lead to disbursement of the finance, potentially the technical assistance and on to the implementation phase and the monitoring and reporting of environmental impacts.

Outcome 1.2: Agricultural areas implement sustainable/ climate-smart agriculture practices.

Outcome Indicator 1.2.1: hectares of agricultural lands under sustainable management (GCI 4.3).

Outcome Target 1.2.1: 700,000 hectares of agricultural lands under sustainable management.

Outcome Indicator 1.2.2: hectares of degraded agricultural lands restored (GCI 3.1).

Outcome Target 1.2.2: 87,000 hectares of degraded land restored.

Outcome Indicator 1.2.3: tCO2eq of carbon emission avoided/ sequestered (GCI 6.1).

Outcome Target 1.2.3: 6,400,000 tCO2eq of carbon emission avoided/ sequestered.

Sustainable and climate-smart agriculture aims to decrease the environmental footprint of agricultural production in terms of GHG emissions, soil degradation, loss of biodiversity, excessive water utilization and leakage of synthetic chemicals.

It should also lead to positive impacts including reducing emissions or even turning agricultural production into a carbon sink; gradually restoring soil quality and revitalizing degraded lands; making room for preservation of biodiversity and forest; reducing ground water utilization; minimizing the use of synthetic chemicals; promoting organic and regenerative farming; and optimizing yields within existing boundaries of farm lands. This is reflected in Outcome 1.2. This will be reflected in impact KPIs on agricultural land under sustainable management and be reported and monitored upon.

An example of the kind of projects leading to this outcome, could be the financing of micro-irrigation systems enabling smallholder farmers in India to drastically reduce their water usage up to 70%, reducing fertilizer and increasing their crop yield substantially. Other examples may include integrated crop livestock models (ICLF) whereby agroforestry is combined with crop rotation and limited cattle stock resulting in higher yield from the land, less emissions and increased tree cover.

Outcome 1.2 will be delivered by the following outputs (along with Output 1.1.1.1):

Output 1.2.1.1: USD 1 billion of Partnerbank[147] financing for sustainable agriculture and forest conservation/restoration mobilized through de-risking and/or delivered with specific conditions related to these themes.

Indicator 1.2.1.1a: Amount of funding deployed in de-risking products to Partnerbanks.

Target 1.2.1.1a: USD 150 million fund that can extend USD 306 million of de-risking products to Partnerbanks

Indicator 1.2.1.1b: Amount of Partnerbank finance mobilized as a result of de-risking.

Target 1.2.1.1b: USD 1 billion of Partnerbank finance mobilized as a result of de-risking.

The AGRI3 funding structure consists of a USD 150 million capitalized fund that can extend up to USD 306 million of bank guarantees and sub-debt, which in turn will unlock a total of up to USD 1 billion of impact financing from commercial lenders and other potential financiers. The targeted USD 1 billion in financing is unlocked by AGRI3 guarantees that secure parts of the finance structure ? for example the riskiest elements by a first loss guarantee or the tail end of the loan through a tenor extension. The use of this finance is then monitored (see Section 6) to ensure that the project/business implements the sustainable management and practices and for measuring the planned environmental and social benefits. Underperformance in these areas will in principle be flagged and lead to additional support ? e.g., provision of additional TA.

Output 1.2.1.2: A total value of USD 15 million of technical assistance to implement the transitions is made available from the Technical Assistance Facility (TAF).

Indicator 1.2.1.2: USD value of technical assistance made available.

Target 1.2.1.2: USD 15 million of technical assistance made available.

The Technical Assistance Facility (TAF) will be managed by IDH and is separate from other IDH technical assistance facilities, including the LDN Technical Assistance Facility, funding will be mobilized and directed towards three main areas [150]:

A. Market reconnaissance

If the Fund is preparing for market entry in a new region, sector or impact area and lacks the knowledge and network required to do so, the TAF can support in market reconnaissance (?pre-pre investment?). Market reconnaissance TA will only be awarded where it can be demonstrated that this significantly strengthens the potential of AGRI3 to invest in the sector / geography within the next 24 months, and/or significantly strengthens and/or scales up the impact of AGRI3 in the sector / geography.

Market reconnaissance technical assistance can entail scoping studies, business case development, design of incentive schemes, TA for financial product development and capacity assessment of key enabling partners (e.g. a local bank or NGO).

B. Individual transactions

AGRI3 (potential) investment projects will require different types of TA depending on the type of project, the context, key identified risks, degree of ?investment readiness?, and other factors.

TA support for projects could be to strengthen the project in terms of:

? Investment readiness;

? Maximizing social and environmental impacts; and

? Enhanced impact monitoring (monitoring for adaptive management, learning and building proof of concept).

For individual transactions, or projects that are being considered by Fund for investment, TA can be used to strengthen investment readiness (pre-investment) and enable the potential investee projects to meet the Fund?s ESG and impact criteria and financial criteria.

Likewise, as the AGRI3 fund and its investees are pioneering innovations, after the investment has taken place (post-investment), new skills and capacities need to be built. The TA facility can support projects post-investment, with the aim of maximizing the project?s positive social and environmental impacts, and reducing project risk, related to the financial risk, ESG risk and the risk of the project falling short on its targeted impact on rural livelihoods, sustainable agriculture and/or forest protection.

AGRI3 investment projects will also need to report on their progress towards the targeted impacts, which will often require new measuring and reporting skills and tools. Monitoring of impacts, broader project delivery effectiveness and potential ESG risks will also be key to develop proof of concept around innovative investment projects, and credibly demonstrate the business case and impacts of the investment projects. This will be instrumental in scaling up and crowding in of additional investments in sustainable land use. Here, the TA Facility can support enhanced impact monitoring, which can include the development of monitoring tools and skills, as well as in developing impact evidence for selected projects (baseline studies, impact studies).

C. Learning and knowledge sharing

Finally, the TA facility has a global learning and knowledge sharing mandate, to support the overall growth of the sustainable land management investment sector. The Fund will seek to spread

the lessons learned and knowledge gained on a sectoral, national and international basis. This will involve taking insights from the application of technologies, financing modalities, deal structures and impact generation and publicizing them in a variety of formats including workshops, publications and tools.

TA funding can also be used for developing learning and knowledge sharing of successful products. Such support could extend to:

? Preparing a financial product that can be used by other partners and banks;

? Develop proof of concepts of new approaches to enable duplication or scale up by others; and

? Publications that compile lessons learned, experiences and opinions among the various stakeholders involved in a project (e.g. project developers, investors, experts supporting the Fund, NGOs, local authorities), and disseminate results and impacts achieved such as case studies and briefings on particularly important issues where AGRI3 / the TAF is generating new learning.

D. How the TAF will operate

The AGRI3 Fund Managers and the AGRI3 TA Manager jointly identify potential TA projects, after which the TA manager does an eligibility check, to be approved by the IDH Program Director. If the potential TA project is eligible, TA needs are defined in more detail, and the approach to contracting is defined (through a proposal or terms of reference). These documents will where needed be checked with the Client and the Partner Commercial Bank and modified if so required.

After this, a Project Selection Note (PSN) is written by the TA manager in cooperation with the Fund manager. This PSN is submitted to the AGRI3 Investment Committee for approval.

There are two possible contracting routes after approval:

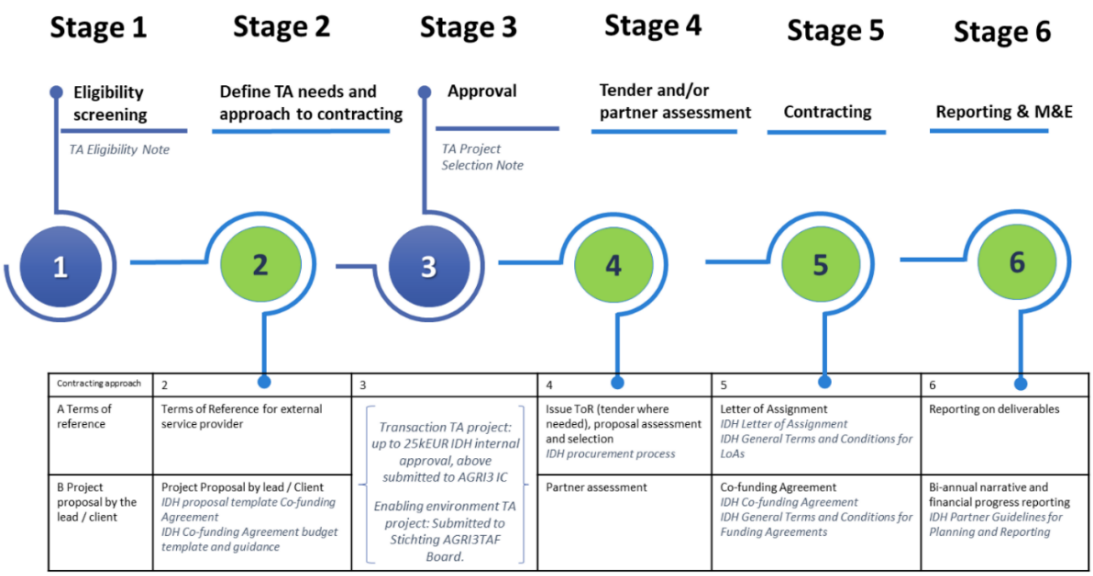
1. the TA Manager will develop a Terms of Reference in case of an assignment (contract form: Letter of Assignment; will be tendered if above EUR 50.000)

2. or request a proposal from the project partner in case of a project (contract form: Co-Funding Agreement). The TA manager will in cooperation with the Fund manager identify potential parties for providing the requested services and possibly further refine and update the TA needs in line with regulations on public procurement.

Contracting is done on a basis of IDH?s standard templates. The templates referenced below and included in the appendices can be updated by IDH during implementation of the AGRI3 TAF. Monitoring and assessment of TA provided is done on basis of standardized reporting.

A detailed overview of this process is outlined in Figure 4 below:

Figure 4 An overview of the AGRI3 TAF contracting process



In addition, the TA Manager may be asked to provide support and input to narrative progress reports to be submitted on a quarterly basis in line with IATI, and other reports developed by the AGRI3 Fund Manager for the relevant Fund governance bodies and stakeholders, including IATI reporting.

Output 1.2.1.3: 300,000 farmers and farm workers, trained in sustainable agriculture and forest management practices

Output 1.2.1.3: 300,000 farmers and farm workers, trained in sustainable agriculture and forest management practices.

Indicator 1.2.1.3: Number of farmers and farm workers (disaggregated by sex) trained in sustainable forest management and sustainable agriculture practices.

At least 300,000 farmers and farm workers are trained in sustainable forest management and sustainable agricultural practices.[151][1] This is intended to help these workers to actively contribute to implement the agreed sustainable management and practices ? e.g. by on-farm or in-forest execution of agreed measures, e.g. planting trees, developing biodiversity zones, the responsible use of chemicals, different ways of plowing etc. The content of the training will be aligned with the content of the plans (Output 1.1.1.1) and the Technical Assistance (Output 1.2.1.2).

Output 1.2.1.4: 48 companies implement forestry conservation/restoration practices and/or implement sustainable and climate-smart agricultural practices through AGRI3 loans

Indicator 1.2.1.4: Number of companies implementing forestry conservation/restoration practices and/or implementing sustainable and climate-smart agricultural practices through AGRI3 loans.

Target 1.2.1.4: 48 companies implementing forestry conservation/restoration practices and/or implementing sustainable and climate-smart agricultural practices through AGRI3 supported loans.

Here the entire up-stream part of the value chain ? linked to the 48 companies ? is transformed to sustainable forest management and/or sustainable agricultural production. Per ?company? (or supply chain) this includes 1 or more (up to several thousands of) farms or forest management companies, depending on their size.

Progress against this target will be tracked by monitoring the implementation of the plans described under Output 1.1.1.1. AGRI3 will work with Partnerbanks and their clients to develop a monitoring plan, along with a template for collecting data. Partnerbanks and their clients will report major updates on project progress on a regular basis (quarterly/semi-annually) in this predefined template, depending on the project, and provide annual reporting to AGRI3 on KPIs. There may also be site visits by the AGRI3 team or contractors depending on the project context.

More information on the Fund pipeline can be found in the ProDoc APPENDIX XVII: Examples of projects in the AGRI3 Fund pipeline

More information on how the GEBs will be incorporated into the Fund?s investments is included in the APPENDIX XVIII: Maximizing Global Environmental Benefits (GEBs) through the Fund investments.

d) Alignment with GEF Focal Area and/or Impact Program Strategies

Climate Change Focal Area. Both AGRI3?s focus on forest conservation, strategies that combine food production and forest conservation (agroforestry, enrichment of agricultural areas with trees or biodiversity zones), as well as its focus on sustainable and climate-smart agriculture and sustainable intensification, directly relate to GEF?s Climate Change Objective 3 to ?Foster enabling conditions for mainstreaming mitigation concerns into sustainable development strategies". AGRI3?s contribution to this objective is expressed in Core KPIs such as Area of land restored (ha), Area of landscapes under improved practices (ha) ? both forest and agricultural land ? and of course GHG emissions mitigated (tons of CO2e).

Land Degradation Focal Area. Transactions supported by AGRI3 will help farmers restore degraded land, e.g. e.g. restoring low fertility soil through the use of nitrogen-fixing agroforestry tree species and cropping systems. Not only does this have a direct effect on available areas of productive land, reducing the pressure on converting ecosystems, it also increases the carbon sequestration capability of the land and paves the way for ongoing improvement of soil health and preservation of biodiversity. This directly feeds into the GEF?s LD Focal Area strategy goal of ?harnessing private capital and expertise to finance investments in sustainable land management, in particular in co-operation with the LDN fund and other innovative financing mechanisms".

AGRI3 has targets related to the area of degraded land restored (87,000 ha), area of agricultural land under sustainable management (700,000 ha) and area of forests under improved management (41,000 ha) which together represent a significant positive contribution to the Land Degradation Focal Area.

Biodiversity Focal Area. AGRI3 will support transactions that are sustainably managing forests, transitioning to agroforestry, as well as protection of high conservation/high carbon stock forests that enhance soil fertility, carbon sequestration, water management and biodiversity. This is a direct contribution towards GEF?s Biodiversity Objective 1 to ?Mainstream biodiversity across sectors as well as landscapes and seascapes.?

AGRI3 will support transactions that contribute to sustainable land use. This could include sustainable agricultural practices such as sustainable soil management, crop rotation and Integrated Crop, Livestock and Forestry (ICLF) practices. These sustainable practices have the potential of boosting yields on existing land, reducing pressures on native ecosystems and biomes. This directly contributes to supporting GEF?s Biodiversity Objective 2 to ?Reduce direct drivers of biodiversity loss?.

AGRI3 does not have the capability to demonstrate direct preservation of species but can indicate where sustainable management is applied in biodiversity-sensitive regions. AGRI3 can directly contribute to the following GEF indicators related to the Biodiversity Focal Area;

? Area of landscapes under improved management to benefit biodiversity (hectares, non-certified)
? Area of landscapes that meet national or international third-party certification that incorporates biodiversity considerations (hectares)
? Area of High Conservation Value Forest (HCVF) avoided (hectares)
? Area of land restored (forest, natural grasslands and shrublands, wetlands) (hectares)

Linkages with other GEF Projects and Relevant Initiatives

The fund always aims to coordinate with relevant funds and initiatives in countries and regions where there is overlap with the activities of the fund and the funds partners. AGRI3 does this to identify suitable projects , exchange knowledge, develop potential partnership opportunities and support national and regional capacity building. For example the fund is part of the UNEP and TNC lead Innovative Finance for the Amazon, Cerrado and Chaco (IFACC), which aims to support coordination of financing for sustainable agriculture and forest conservation in the region. The fund also regularly coordinates with other funds active in regions where it operates including the &green fund, Farm Fit and Landscape Resilience Fund.

In addition, the fund seeks to engage with broader global coordination and knowledge exchange platforms. The fund is part of the Tropical Forest Alliance (TFA), a WEF New Champion and also attends coordination events of the Global Landscape Forum (GLF) and engages with other initiatives such as UN Ecosystem Restoration through partners UNEP.

AGRI3 will not invest in projects funded through other initiatives supported by GEF. AGRI3 will also, on a best-efforts basis, prohibit double-accounting of results realized by otherwise GEF-funded projects. Table 3below summarizes potential linkages with other GEF Projects and relevant initiatives. AGRI3 will be careful to avoid double-counting risks in the coordination process.

The FOLUR Program - In countries where the GEF-funded FOLUR program is active, synergies for active knowledge exchange and networking will be explored, where viable. yet double investment and/or double impact accounting is prohibited by the AGRI3 investment guidelines. Therefore, this coordination with FOLUR will be primarily via sharing networks and knowledge and referring project opportunities to one another ? again, avoiding double investment or accounting. Of the 27 countries, there are a number of potential overlaps. in geographies where AGRI3 operates or plans to operate. Notably the fund currently operates in Brazil, and plans to scope opportunities in West and East Africa, Central America and South East Asia (incl. Indonesia and India).

The fund has not yet held discussions with the FOLUR lead agency, but when evaluating new investments where there are overlaps, will engage with the relevant lead to identify opportunities for collaboration.

Table 3: Other Relevant Projects and Initiatives

GEF Projects Other Projects/Initiatives	**Linkages and Coordination**
CPIC Conservation Finance Initiative - Scaling up and Demonstrating the Value of Blended Finance in Conservation	Knowledge exchange of different blended finance structures and lessons learnt in the agriculture and forest conservation sector.
Risk Mitigation Instrument for Land Restoration	Potential collaboration in de-risking land restoration initiatives in Latin America (being careful to avoid double-counting risks).
Food Securities Fund	Potential collaboration in shared financing (being careful to avoid double-counting risks) and knowledge sharing.
Piloting Innovative Investments for Sustainable Landscapes	Potential collaboration in de-risking transactions in the seven target landscapes of the project in Brazil, Indonesia and Liberia (being careful to avoid double-counting risks).

FOLUR Child Projects	There are currently 27 projects countries identified for the FOLUR Program, with significant coverage in AGRI3?s initial areas of geographic focus. As an example, one of the Projects is entitled ?Sustainable Multiple Use Landscape Consortia - Vertentes Project? in Brazil. AGRI3 could collaborate here in the priority landscapes to support transactions aligned with FOLUR goals financed by Partnerbanks ? should such opportunities arise. AGRI3 can also collaborate in knowledge exchange and networking with FOLUR.
Relevant GEF Projects in AGRI3 initial target countries/regions	There are a range of relevant projects currently under implementation in Brazil, Indonesia and West Africa addressing the GEF Biodiversity, Climate Change and Land Degradation Focal Areas, which AGRI3 will review on a case-by-case basis for coordination and potential collaboration at a national level.

e) Incremental/additional cost reasoning and expected contributions from the baseline, the

GEFTF, LDCF, SSC, CBIT and co-financing

The Baseline Section (2.F) details how investments into forest protection and sustainable agriculture are still largely unknown by commercial banks, private equity funds, and institutional investors. As Section 2D describes, this situation needs to change urgently to address the pressing environmental problems of climate change, land degradation and biodiversity loss within these sectors. AGRI3 will provide guarantees to Partnerbanks to finance sustainable and innovative agricultural business models that help with mitigation and adaptation to climate change impacts and increase the area of land being managed and restored to improve the provision of ecosystem services, conservation and sustainable management of land. This could be transformative and help to provide a ?proof of concept? to a wider community to mainstream sustainable practices across the agricultural and financial value chain. It is paramount that a ?proof of concept? of how investment can be scaled up is demonstrated as quickly as possible.

GEF participation in the Fund will be vital to its development, scale up and success as the GEF contribution will provide a level of credibility and security that will attract other investors to the Fund.

GEF financing (USD 13,461,468) is requested for senior participation in the AGRI3 Fund with a targeted IRR of between 0 - 5% (following a 10 year ?lock up? period ? see Appendix XV). The additionality of GEF is in the fact that GEF will be the first investor in this asset class, after investments of the Netherlands Government and Rabobank in different asset classes. This anchor investment by GEF will help other investors to come in as junior or senior participant as well.

The reason to ask for an investment as senior participant, rather than junior, is because the need for investment in this asset class is highest. Depending on other public investment coming in, AGRI3 may choose to merge ?junior participant? and ?senior participant? asset classes into one. These asset classes will always be senior to the ?capital preservation? asset class in which the Netherlands Government has invested

Concessional finance from governments and impact facilities such as GEF, blended with doors funds, MDB/DFI funds and commercial bank loans, builds a USD 150 million capitalized fund that can extend up to USD 306 million of bank guarantees and sub-debt, which in turn will unlock a total of up to USD 1 billion of impact financing on commercial conditions.

AGRI3 targets four categories of investors:

a. a first loss tranche a capital preservation (e.g. 0% ROI) target. USD 35 million is provided by the Netherlands Government;

b. second, junior participants will absorb losses superseding the first loss. The Fund is estimating a gross IRR target of between 0 - 7% with junior participants. Instead of having junior participants, the Fund may choose to increase the number of Capital preservation impact investors;

c. third, senior participants investors will absorb losses superseding the first and second loss. The Fund is estimating a gross IRR target of between 0 - 5% with senior participants

d. lastly, debt will be provided by debt providers (typically, commercial bank) at rates between 2 ? 4% - depending on lenders terms.

Note, IRR amounts are expected to be realized after full investment in the fund. In all cases, projections are only estimates of future results, based upon a current information and future assumptions including performance of portfolio investments future growth of the portfolio, returns on guarantees, returns on collateral, collateral coverage and the funds investment period. They are therefore subject to change and are not guaranteed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. It is the fund strategy to support higher risk, innovative and more sustainable business models using credit enhancement and risk mitigation products. Whilst it is the Funds belief that this model could be commercially viable it is possible that there are risks of losses in the underlying portfolio and in the model of the fund.

Currently, commitments have been made in the first and fourth category. The gap needs to be closed by impact investors investing in junior or senior equity. GEF could play a catalytic role in this regard by making the first investment in these categories (as senior participant) and lead other equity investors (junior and senior participants) to invest in forest conservation and sustainable agriculture. GEF provides clearly demonstrable additionality by becoming the first investor in these asset classes. In addition, investors in this fund become participants into the FGR structure and actively contribute to the governance and strategy of the fund, adding their knowledge and networks to support the funds development.

Over time the Fund will work towards obtaining a rating, thereby further lowering collateral requirements but also providing opportunities for a significant larger pool of investors to participate in the Fund. The investment would have a lock-up period of 10 years, after which the participation can be sold with Fund Manager?s consent; CI as the GEF Agency can exit after 10 years when reporting is fully established. The Fund is evergreen, but initially has a foreseen lifetime of 20 years.

f) Global environmental benefits (GEFTF) and/or adaptation benefits (LDCF/SCCF)

AGRI3 will play an important role in mobilizing public and private capital at scale from commercial banks, DFIs, impact investors and institutional investors to actively prevent deforestation; stimulate reforestation; contribute to efficient sustainable agricultural production and value chains; reduce carbon emissions and improve rural livelihoods. This will help to tackle the following GEF-7 Programming Directions and Objectives/Goals

? **Climate Change Focal Area Strategy**
  - *Objective 3. Foster enabling conditions for mainstreaming mitigation concerns into sustainable development strategies*- AGRI3 will strengthen access to finance for agribusinesses and farmers to reduce their GHG emissions and contribute to GHG sequestration and help with climate adaptation. This will be achieved by offering risk reduction mechanisms to the banking industry that incentivize them to increase levels of financing to those agribusinesses and farmers for activities which support sequestration and adaptation, such as renovation of degraded lands, regenerative agriculture techniques, forest protection and restoration. Strengthening climate resilience is central to the project?s activities ? for example promoting climate-smart agricultural techniques can help farmers adapt to impacts of climate change such as reduced yields and food quality. Through the promotion of activities around climate resilience, AGRI3 can also help provide additional income opportunities and jobs.

? **Land Degradation Focal Area Strategy**
  - *Goal 3. Harnessing private capital and expertise to finance investments in sustainable land management, in particular in co-operation with the LDN fund and other innovative financing mechanisms ?* Transactions supported by AGRI3 will help farmers restore degraded land, e.g. restoring low fertility soil through the use of nitrogen-fixing agroforestry tree species and cropping systems. Not only does this have a direct effect on available areas of productive land, reducing the pressure on converting ecosystems, it also increases the carbon sequestration capability of the land and paves the way for ongoing improvement of soil health and preservation of biodiversity. Through the provision of guarantees alongside TA, AGRI3 will increase flows of private capital invested in sustainable land management, and will actively collaborate with other innovative financing mechanisms (e.g. the LDN Fund ? see Section 3B) to build pipeline and support their outcomes.

? **Biodiversity Focal Area Strategy.**
  - *Objective 1. Mainstream biodiversity across sectors as well as landscapes and seascapes ?* AGRI3 will help to improve and change production practices in the agribusiness sector so that they do not undermine or degrade biodiversity.
  - *Objective 2. Address direct drivers to protect habitats and species* ? AGRI3 will contribute to forest protection by bringing existing forested lands under protection and sustainable management, examples could include supporting forest management activities, introducing sustainable agroforestry models, by planting tree and biodiversity zones around agricultural land and by allocating land for reforestation.

The Table below shows the Global Environmental Benefits (GEBs) that AGRI3 will contribute to along with the relevant GEF Core Indicators and GEF Project indicators. Please see Appendix XVIII for more information on how the Global Environmental Benefits and Core Indicators will be monitored and reported on during implementation.

Table 4: How AGRI3 indicators and targets link to the GEF GEBs

GEF GEBs	GEF Core Indicator	AGRI3 Indicators	Unit	AGRI3 Target	Method for data collection
Land Degradation ? Improved provision of agro-ecosystem and forest ecosystems goods and services, and conservation and sustainable use of biodiversity in productive landscapes. **Biodiversity** ? Conservation of globally significant biodiversity.	**Area of degraded agricultural land restored** **(Core Indicator 3.1)**	Indicator 1.2.2: hectares of degraded lands restored	Ha	Target 1.2.2: 87,000 hectares of degraded land restored	Partnerbank reporting and potentially remote sensing
	Area of landscapes under improved practices (Core Indicator 4.1)	Indicator 1.1.1: Number of hectares of forested lands under improved management	Ha	Target 1.1.1: 41,000 hectares of forest under improved management	Partnerbank reporting and potentially remote sensing
	Area of landscapes under sustainable land management in production systems **(Core Indicator 4.3)**	Indicator 1.2.1: hectares of agricultural lands under sustainable management	Ha	Target 1.2.1: 700,000 hectares of agricultural lands under sustainable management	Partnerbank reporting and potentially remote sensing
Climate Change ? Mitigated GHG emissions and conservation and enhanced carbon stocks in agriculture, forest and other land use.	**Carbon sequestered or emissions avoided in the AFOLU sector** **(Core Indicator 6.1)**	Indicator 1.1.2: tCO2eq of carbon emission avoided/ sequestered	t CO2eq	Target 1.1.2: 12,000,000 tCO2eq of carbon emission avoided/ sequestered	Fund Manager reporting based on calculating emissions with conversion factors
		Indicator 1.2.3: tCO2eq of carbon emission avoided/ sequestered	t CO2eq	Target 1.2.3: 6,400,000 tCO2eq of carbon emission avoided/ sequestered	Fund Manager reporting based on calculating emissions with conversion factors

GEF GEBs	GEF Core Indicator	AGRI3 Indicators	Unit	AGRI3 Target	Method for data collection
Land Degradation ? Improved provision of agro-ecosystem and forest ecosystems goods and services, and conservation and sustainable use of biodiversity in productive landscapes.	**Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment (Core Indicator 11)**	Indicator 1.2.1.3: Number of farmers and farm workers (disaggregated by sex) trained in sustainable forest management and sustainable agriculture practices	People	Target 1.2.1.3: 300,000 farmers and farm workers trained, 30% of whom are female	Partnerbank reporting and potentially remote sensing

Summary of Core Indicator calculation methodology

These targets are all based on baseline data from six selected case studies and multiplying these figures by AGRI3?s targeted number of transactions over a 20-year period. For the carbon mitigation figures (Core Indicator 6.1) these have been validated with IPCC-based models including FAO Ex-Act. (see Appendix XVIII for more details).

Rationale for changes in relation to the PIF

GEF Project Indicator 3 Area of land restored (Million Hectares) ? The previous figure proposed of 91,000 hectares of degraded land restored has been updated to 87,000 hectares according to the most recent case study-based calculations. These recalculations are based on a revised average figure of area of degraded land restored by concessions of six case studies (see Appendix XVIII for more details). The previous Indicator 3.2 (Area of Forest and Forest Land restored) that was 41,000 hectares at PIF level has been moved to Indicator 4.1 (Area of landscapes under improved management to benefit biodiversity) for the CEO END. This 41,000-hectare figure relates to land (forests) under improved management and is therefore better aligned with Indicator 4.1.

GEF Project Indicator 4 Area of landscapes under improved practices (excluding protected areas) (Hectares) ?The previous figure of 50,000 hectares for 4.1 has been updated to 41,000 hectares according to the most recent case study-based calculations. There is no figure for Indicator 4.2 in the CEO END, as AGRI3 will be more broadly focused on bringing land under improved practices (4.1) and improved management (4.3) and is not exclusively focused on third-party certification. This will help to avoid double-counting between the Sub-Indicators. For 4.3, the revision from 500,000 hectares to 700,000 hectares is based on the extrapolation of six case study-based calculations that assessed the agricultural area under sustainable management and area of (HCV/HCS) forest (brought under active management for protection objectives). With the inclusion of the 41,000-hectare figure from Indicator 3.2 to 4.1, the overall figure for this Indicator is now 741,000 hectares

Indicator 11 Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment ? This has been amended from 40% of the 300,000 farmers and farm workers trained,

to 30%. This is based on updated information regarding female workforce participation with the existing projects supported by AGRI3 and its forthcoming pipeline.

More detail on these calculations is outlined in the APPENDIX XVIII: Maximizing Global Environmental Benefits (GEBs) through the Fund investments.

g) Innovativeness, sustainability, and potential for scaling up

Innovativeness

Innovation at Fund level

The Fund is unique in its funding and partnership model with financial institutions including commercial and development banks, financial institutions and DFIs who become Partnerbanks of the Fund. The Fund will harness the power and origination capacity of large banks to transition to sustainable practices across agricultural and financial value chains at a much larger scale that would normally be achievable via traditional direct impact fund models.

The risk sharing mechanism of AGRI3 (i.e. guarantees) can also support the development of new and innovative loan products, targeted at changing sector dominant business models, with the aim to be able to standardize and scale these loan products out over multiple clients.

Innovation at the transaction level

AGRI3 can help Partnerbanks engage in transactions they wouldn?t normally engage with whilst keeping within their risk appetite and gain more familiarity with transactions supporting longer term transitions to sustainable agriculture and forest conservation. This could help to change the current predominant view with the commercial banking sector in particular that lending and investing in sustainable agriculture is not profitable.

Potential models supported by the Fund may also encourage Partnerbanks to work with clients to integrate agtech solutions for smallholders wherever possible. This could include innovations such as satellite-based insurance programs, data analytics and remote sensing to optimize production, digital and social media footprint to improve access to financing and financial inclusion, reduced post-harvest losses and water-efficient irrigation technologies.

For many Partnerbank clients some of the Fund E&S requirements will also be new and require them to innovate, along with new, more sustainable production practices that they adopt.

Sustainability

Long term sustainability of AGRI3

The Fund itself is evergreen, but with an initial planned lifetime of 20 years, and this long timespan will also allow AGRI3 to operate as a revolving fund in which initial investment and proceeds are used repeatedly to invest in additional transactions. The Fund?s open architecture will allow it to involve as many interested parties as possible, including eligible commercial and development banks, who could also become participants in the Fund. In addition, the fund aims to leverage its existing capital to be able to increase its potential guarantee exposure, therefore generating ongoing returns with its existing capital. Therefore, the size of the portfolio will be increased over time, increasing returns and the long-term sustainability of the fund.

Cost effectiveness is also about how the fund maintains financial sustainability to ensure ongoing delivery of the fund, considering the cost base and the income.

The fund maintains financial sustainability, by ensuring revenues cover cost, and above that ensure returns for investors. The fund (as with other gurantee facilities) does this by building a portfolio of guarantees, for which it receives ongoing and regular fees from those guarantees, which over time will cover the start up costs, ongoing operational costs and replenish. It also places cash on deposit as security for gurantees, as funds are not invested as in an equity or debt fund, so it is able to receive returns on its cash deposit as well.

The fund projects it will build a portfolio of guarantees of approximately USD 300 mn. The fund is able to use the USD 150 mn cash to support a guarantee capacity of USD 300 mn, assuming 50% leverage with the cash collateral. Effectively this means the fund can receive income on USD 300 mn of guarantees, rather than on the USD 150 mn of cash. Once a guarantee obligation ends, then the cash is released, allowing the fund to recycle cash for future guarantees ? if feasible? making for an effective use of cash. In future, the cost base of the fund will also be adjusted in line with AUM after year 5 in order to ensure that the management costs are commensurate with the funds asset base.

Transaction level sustainability

AGRI3 looks for scale and repeatability to maximize sustainability impact over time. The intent is that the types of investments and projects will grow into a stage where blended finance and public funding support is not needed anymore and can be picked up by regular commercial finance/private capital going forward as ?business as usual?.

It is highly desirable for the Fund that, upon exit of the deals, the projects continue to perform well and maintain at least the same standards as during the Fund?s investment, against its ESG policy. Although the Fund cannot be expected to be responsible for a project?s performance post exit, the Fund will in all cases consider what the implications for E&S performance will be, and how it may be affected. If there are substantive changes in the project (e.g. change in project/business management), the Fund and Partnerbank may conduct due diligence on the new changes and the potential for upholding the Fund?s E&S standards.

Staff within Partnerbank clients and farmers engaged in transactions may also develop E&S action plans which are expected to be executed by the companies which will lead to enhancing the

environmental and social performance of transactions. This will help further strengthen the long-term sustainability of their E&S performance. Eligible transactions may also benefit from either formal capacity building from the TA Facility or informal support from the AGRI3 Fund Manager during transaction development and execution.

Broader impacts on the market

It is envisaged that the leading role of the transactions supported by AGRI3 will have a demonstration effect for other actors in the sector, encouraging others to engage in similar transactions beyond the direct involvement of the Fund. In addition, the commercial banks that participate in AGRI3 transactions and build up a track record with these (often longer term) transactions should feel more comfortable entering into the transactions of these nature in the future without the support of AGRI3.

Replicability and Potential for Scaling Up

Replication and scale-up of AGRI3-supported transaction models

? Over time, the number of successful transactions supported by AGRI3 will provide a portfolio of examples of different ?investment-ready? sustainable agriculture and forest conservation/restoration business models. This will provide a wealth of lessons learned on what works well and hasn?t worked well which will be actively shared via the Fund?s knowledge management and communications efforts (see Section 3N). These transaction models can then be replicated by other funding initiatives with potentially an even greater success rate.

Replication and scale-up of the Fund model

? If the Fund is successful, then the Fund approach (or elements thereof) could be replicated by other consortia seeking to bring together donors, impact investors and the banking sector to finance sustainable agriculture and forest conservation/restoration at scale.

Broader influence on the banking sector

? Fund?s long-term objective (as stated in Section 3A) is to play a catalytic role within the broader sector that has impact at a scale far larger than the USD 1 billion mobilized by the Fund itself.

? The risk mitigating instruments provided by the Fund allow Partnerbanks to execute transactions that would typically exceed their risk appetite. During this process they can collect

data on these new transaction types which can then be used to update their risk assessments and modelling of financing sustainable agriculture and forestry projects. As these banks build up a track record with these transactions the hope is they will eventually feel more comfortable entering into the transactions without the support of a Fund similar to AGRI3. Eventually this will allow them to adopt this type of financing into their business-as-usual operations, which has the potential to greatly scale up the impact of AGRI3 beyond the transactions it has supported directly.

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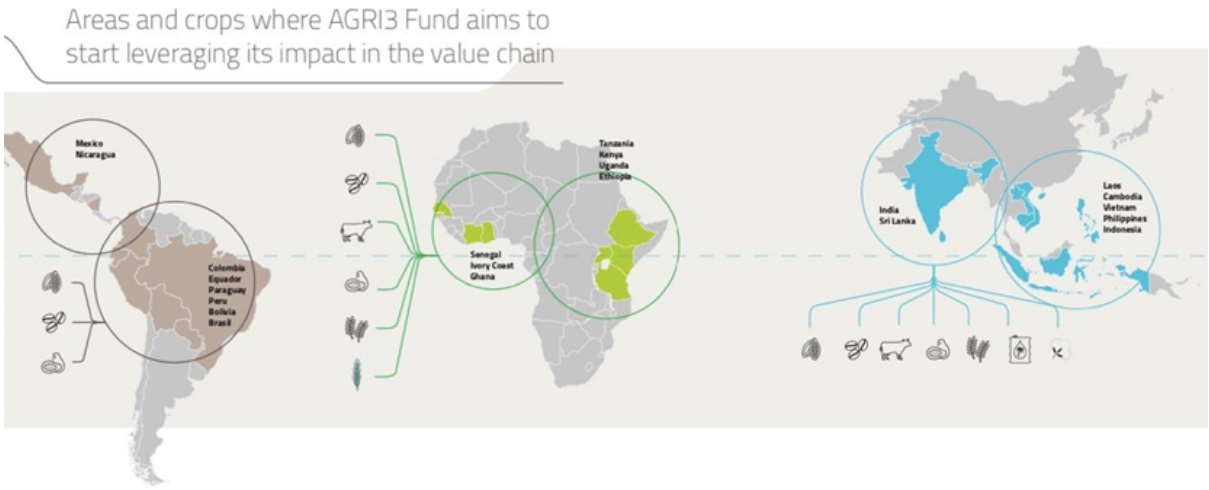
APPENDIX XV: Key terms to investors and investees of the ProDoc.

1b. Project Map and Coordinates

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

Figure 5: Project Map



1c. Child Project?

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

2. Stakeholders

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

Civil Society Organizations Yes

Indigenous Peoples and Local Communities

Private Sector Entities Yes

If none of the above, please explain why:

Please provide the Stakeholder Engagement Plan or equivalent assessment.

Stakeholder Engagement Plan included and uploaded.

During the development of this CEO Endorsement there were extensive stakeholder consultations, where 20 separate interviews were carried out virtually with key stakeholders. These consultations were valuable in providing guidance on stakeholders? experiences, their needs and expectations.

Some of the key messages from this engagement included:

? The additionality of the Fund as an innovative approach to delivering impact and achieving scale, through its Partnerbank strategy targeting commercial banks;

? The potential for AGRI3 to be transformative through replication and catalyzing action from other commercial banks; and through use of Partnerbank?s networks and client relationships to create deal flow (recognized as a key challenge in sustainable land use financing at present)

? The transition financing needs of farmers in forest risk commodity supply chains are often distinct from short term ?conventional? agribusiness in terms of smaller loan sizes, longer grace periods and more concessional pricing. This creates an opportunity for AGRI3 to fill gaps in certain markets where commercial banks are not typically offering these terms;

? The importance of GEF finance for the overall success of the Fund ? although the fund seeks a ?blended finance? approach from several funding sources, GEF support is nevertheless crucial at this stage in reaching the fundraising target required. GEF support will also be helpful in raising the profile of AGRI3 internationally.

A summary of these interviews is provided in the full version of the Stakeholder Engagement Plan Appendix X. These interviews helped to validate the rationale for the Fund with stakeholders as well as to inform how the Fund will engage with stakeholders in future.

The Fund plans to maintain regular engagement with its key stakeholders involved in transactions (Partnerbanks, Agribusinesses, NGOs & CSOs and indirect stakeholders), investor-related stakeholders (current and potential investors) and partner and delivery-related stakeholders (IDH, UNEP and FMO) during the implementation phase of the project.

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

Stakeholder Name and Function	**Stakeholder?s Interest**	**Impact of Project on Stakeholder**	**Influence of Stakeholder**	**Risk Management**

Stakeholder Name and Function	Stakeholder?s Interest	Impact of Project on Stakeholder	Influence of Stakeholder	Risk Management
Partnerbanks	The AGRI3 Fund will provide risk sharing mechanisms to Partnerbanks that will enable them to provide loans to clients investing in sustainable agriculture and forest protection and restoration. This stakeholder group should see the Fund as an opportunity to provide loans to clients for new investments and complementary to their current portfolio. However, they could see the Fund as a competitor if they are implementing their own guarantee programs in sustainable agriculture and forestry.	Through the use of guarantees, the Fund will de-risk and catalyze private commercial debt from Partnerbanks aimed at projects and transactions in sustainable agriculture and forestry which, due to their risk profile and loan terms (e.g. tenor) would not be possible without AGRI3 support. This could open new business opportunities for these banks and help them explore sustainable agriculture financing to a greater degree than if AGRI3 did not exist.	Partnerbanks originate transactions for the Fund, leveraging their own client network to identify potential transactions from agribusinesses and other projects aimed at transitioning to more sustainable business models (i.e., in forest conservation and sustainable agriculture). Partnerbanks can also be an important source of investment into the AGRI3 Fund. The Partnerbanks will also ensure their client Environmental and Social Action Plans (ESAP) are adhered to (where applicable). This is a list of actions needed to comply with the AGRI3 E&S Impact Framework and will be developed between AGRI3, the Partnerbank and the client. They will also be a key source of technical monitoring data for AGRI3?s reporting against the Results	**Medium/High risk.** There is a risk that the AGRI3 Fund will not attract a sufficient number of Partnerbanks. To manage this risk, the Fund has developed a strategy to identify and engage with Partnerbanks. This work is being supported by the Fund?s partners including Rabobank, UNEP, FMO and IDH, all of whom have networks of banks that they work with globally and regionally. Rabobank as a founding Partnerbank of the Fund will help to provide a proof of concept that AGRI3 is an attractive partner for other banks/Partnerbanks. This relationship with Rabobank should make it easier for the Fund to engage more Partnerbanks in the future and provide confidence in the Fund?s strategy and operations. In addition, by requiring transactions supported by the Fund to show additionality (why they cannot be financed on usual commercial terms) the Fund mitigates the risk of competing on commercial transactions.

Stakeholder Name and Function	Stakeholder?s Interest	Impact of Project on Stakeholder	Influence of Stakeholder	Risk Management
Agribusinesses with operations in target regions and sectors	The Fund will support Partnerbanks to provide loans to sustainable agriculture and forestry projects aligned to the needs of agribusinesses. AGRI3 could help these companies access finance to be able to realize their commitments to achieving sustainable agricultural supply chains and protecting/restoring forests.	Agribusinesses will benefit from access to finance (i.e. loans) from the Partnerbanks of the AGRI3 Fund, which support the requirements of sustainable projects (e.g. through longer tenors). This will enable agribusiness to invest in projects that have commercial, social and environmental outcomes (e.g. higher productivity), delivering on sustainability commitments, reducing project-level risks and increasing commercial returns.	This stakeholder group is key to the overall objectives of the AGRI3 Fund in transitioning to more sustainable practices and removing deforestation in agricultural value chains. If agribusinesses do not show significant interest in developing the types of transactions AGRI3 and Partnerbank seek to support, then it could lower the development of the portfolio, disbursement of funds and undermine the scale and overall impact achieved by the project.	**High risk.** There is a risk that AGRI3 cannot source a sufficient pipeline of deals from agribusinesses. This risk can be mitigated by existing and future Partnerbanks such as Rabobank who are engaging their existing clients to develop potential transactions. As the Fund builds its Partnerbank network this will further strengthen the pipeline of agribusinesses. The diversity and strength of the networks held by AGRI3?s advisers such as Mirova Natural Capital, FOUNT and Cardano will also ensure a strong pipeline of agribusinesses for the Fund. In addition, the Fund is supported by the AGRI3 Technical Assistance Facility which will support the development of the Fund?s pipeline of deals from agribusiness.

Stakeholder Name and Function	Stakeholder?s Interest	Impact of Project on Stakeholder	Influence of Stakeholder	Risk Management
NGOs & CSOs working in sustainable agriculture and forest conservation in target geographies and sectors	These organizations have a mandate to promote nature conservation and environmentally sustainable agriculture, along with positive social impacts from the industry. They will have a strong interest in ensuring that transactions supported by AGRI3 maximize these benefits and do no harm to the environment or society. They may also directly participate in transactions via partnerships with Partnerbanks and their clients and view AGRI3 as an opportunity to further their private sector engagement goals.	If the AGRI3 Fund succeeds in its objectives, this can mutually support the environmental and social objectives of these NGOs & CSOs. Equally, if the AGRI3 transactions lead to environmental or social issues or this could threaten the NGO/CSOs work as well as leading to reputational risks and delivery risks for AGRI3. Finally, if NGOs & CSOs are engaged directly in transactions this could support and scale up the impacts of their work in the targeted area.	If NGOs & CSOs are supportive of AGRI3 this could help add to its credibility and likelihood of successfully engaging other stakeholders. If NGOs & CSOs are not supportive or actively critical of AGRI3 this could negatively impact its reputation and ability to engage Partnerbanks and partners. If NGOs & CSOs actively participate in transactions this could help strengthen the environmental and social impacts of AGRI3 with the benefit of their networks, expertise, and implementation capacity.	**Medium Risk.** There is a risk that NGOs and CSOs are not supportive of the AGRI3 Fund or supported projects, impacting the reputation and ability to engage partners. AGRI3?s E&S due diligence processes, contract terms and transaction monitoring are designed to ensure that transactions do not have negative social or environmental impacts. AGRI3 is engaging NGOs and CSOs during the stakeholder engagement phase to get their advice and input on how the Fund can improve its environmental and social performance and further mitigate against potentially harmful outcomes. Additionally, IDH and UNEP sit on the Steering Committee of the Fund and provide guidance on issues of key concern to NGOs, amongst other strategic advice.

Stakeholder Name and Function	Stakeholder?s Interest	Impact of Project on Stakeholder	Influence of Stakeholder	Risk Management
Indirect stakeholders	The projects supported by AGRI3have their own stakeholders whose interests typically include the provision of good quality employment and operations that enhance, and do not damage the environment or local communities.	Through the transactions it supports, AGRI3 enters into an indirect relationship with these stakeholders. AGRI3 can influence, where needed, the ways in which Partnerbanks and clients engage with these stakeholders.	If key project stakeholders (e.g. workers or relevant communities) are not properly engaged, then this could lead to issues in the delivery of projects supported by AGRI3 transactions. In addition, if workers or communities have unresolved grievances with clients participating in transactions supported by AGRI3 and the Partnerbank?s, they could raise complaints about the Fund and hence damage its reputation with other stakeholders.	**Low Risk** These risks are mitigated by rigorous application of the AGRI3 E&S Impact Framework through due diligence, contracting and transaction monitoring, and by early disclosure of any proposed transactions which enables any concerns to be raised by AGRI3 before an investment is made.

Stakeholder Name and Function	Stakeholder?s Interest	Impact of Project on Stakeholder	Influence of Stakeholder	Risk Management
Current investors in the AGRI3 Fund	These are the current investors in the AGRI3 Fund. The Dutch Government (Ministry of Foreign Affairs, or MFA) provided the Fund with a reimbursable grant of USD 40 million. Rabobank, as cornerstone investor, has committed a USD 50 million loan towards the Fund. They therefore have a strong interest in the progress and success of AGRI3.	For these initial investors the impact of the project will vary. For the MFA the AGRI3 Fund will enable them to meet their impact and development objectives. For Rabobank the Fund will enable them to fulfil broader objectives with regards to engaging their existing clients, fostering positive environmental and social impact, developing new partnerships and de-risking and facilitating investment into eligible projects.	The influence of these current investors includes: ? Governance, structure and decision making ? sitting on various committees of the Fund; ? Strategy and policy ? with the ability to direct investment strategy and set Fund policies; ? Investor engagement ? engaging other investors; and ? Exposure and marketing of the Fund. Therefore, retaining and engaging with the current investors and encouraging them to engage other investors is vital to the success of the project.	**Medium/High risk.** Although unlikely in the short-term due to contractual agreements and lock-up periods, there is a risk in the long-term that the current investors could leave or become disinterested in the Fund. To manage this all investors will be actively involved in the Fund through; ? Governance roles and reporting to identify risks; ? Influence on investment decision making and strategy to ensure the Fund continues to develop; and ? Contractual commitments.

Stakeholder Name and Function	Stakeholder?s Interest	Impact of Project on Stakeholder	Influence of Stakeholder	Risk Management
Potential investors in the AGRI3 Fund	This stakeholder group could see the Fund as an opportunity for investment, a complementary partnering opportunity, or they could see the project as a competitor if they are targeting similar end-clients with their existing Funds or direct investment opportunities.	The Fund provides investment opportunities for impact investors, and perhaps more also opportunities to participate as a partner in transactions AGRI3 supports.	Impact investors seeking capital preservation, or junior or senior participation could directly participate in the Fund, as well as being involved in individual transactions on a case-by-case basis. As participants they will have the opportunity to be involved in Participants? Meetings. Their investments may also help encourage other investors to participate. If an impact investor views AGRI3 as a competitor, they may be unwilling to invest or be involved in the Fund.	**Medium risk.** If AGRI3 is not able to attract other investors to invest or partner, this could slow down the scale up of the Fund. However, GEF could play an anchor investor role and attract other investors to the Fund. AGRI3 also has a fundraising strategy which includes identifying and engaging a range of potential impact investors over the next 2 years. The Fund is working with the AGRI3 partners to engage with potential investors through their networks.

Stakeholder Name and Function	Stakeholder?s Interest	Impact of Project on Stakeholder	Influence of Stakeholder	Risk Management
Current partners of the AGRI3 Fund	These partners have been central to the initial development of the AGRI3 Fund, sit on the Steering Committee and are involved in the delivery of the Fund.	The partners involved in AGRI3 are leading organizations in the fields of environmental and social performance, commercial banking and development finance. If successful, the Fund could enhance their reputation and provide more opportunities for them to be involved in similar Funds and financial mechanisms. The success of the Fund will also enable the partners to meet their environmental and social impact goals. However, any actual or perceived failings on a Fund or transactional level to achieve its mission could damage the reputation of these organizations.	The AGRI3 partners are actively involved in the delivery of the Fund. This includes as Partnerbank (i.e. Rabobank), as TA facility manager (i.e. IDH) and as E&S adviser (i.e. UNEP). They are also actively involved in the governance of the Fund, for example through the Steering Committee which provides strategic and policy guidance of the Fund and safeguard its core values. The partners of the Fund are therefore key in helping the Fund to achieve or not achieve its objectives.	**Low risk.** In comparison to other stakeholders these Partners are already fully engaged in the AGRI3 Fund and have the ability to influence its strategic direction in alignment with their own interests. However, the Fund ensures continued engagement and buy in by actively communicating through the various governance bodies and operational aspects of the Fund.

[1] AGRI3 (2021). *Draft Information Memorandum.*

Select what role civil society will play in the project:

Consulted only; Yes

Member of Advisory Body; Contractor;

Co-financier;

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

Executor or co-executor;

Other (Please explain)

3. Gender Equality and Women's Empowerment

Provide the gender analysis or equivalent socio-economic assesment.

The GMP includes a detailed gender analysis and action plan that aims to provide a framework for the implementation team to ensure that women

and men will be equitably treated in the project and receive equitable benefits. The gender analysis and action plan were developed following the

Conservation International?s Gender Policy (2019), AGRI3?s Gender Policy, GEF 2020 Strategy, GEF Policy on Gender Mainstreaming, GEF?s

Gender Equality Action Plan (2014), GEF policy on Environmental and Social Safeguards, and GEF Policy on Public Involvement in GEF

Projects.

Based on the gender analysis (which can be found in full in the Appendix), AGRI3 expects that for transactions within the Fund?s portfolio:

1. Client organizations (often an aggregator) to have safeguards that respect the rights of women. This includes complying with relevant national legislation and international standards; having policies and procedures that ensure a safe environment prohibiting discrimination or sexual harassment, having a grievance mechanism with a remit and suitable processes to include complaints about discrimination and sexual harassment, and identifying risks to women in their value chain and using their business leverage as possible to mitigate such risks;
2. An assessment of the transaction's potential to contribute to gender equality and the possibility to have explicit gender targets; and
3. Transactions to be monitored to ensure safeguards are maintained and any incidents are reported and managed appropriately.

Clients with transactions that the AGRI3 supports, as well as Partnerbanks, are expected to have human resources policies and processes that reduce barriers to women within the workforce and that are compliant with the International Labour Organisation?s fundamental conventions on labor rights, including no discrimination in respect of employment. The existence of such policies and processes is checked during the ESG assessment of prospective transactions.

The organizations involved in managing the Fund and their staff members, e.g., advisors, Fund managers, consultants are expected to comply with similar expectations, i.e., ensuring a safe working environment; not condoning or committing any form of gender-based violence or sexual harassment, promoting and contributing to gender equality, in line with their individual company policies related to gender and diversity.

Project Level	**Activities to Mainstream Gender into Output**	**Target**	**Resources Required**	**Budget**	**Responsibility**
Component 1: Forest conservation/ transformation to sustainable and climate-smart agriculture					
Outcome 1.1: Forested lands are protected and sustainably managed					

Output 1.1.1.1 48 company plans are developed for forest conservation/restoration and the transition to sustainable and climate-smart agriculture in a gender-inclusive manner.[2]	? Proposals for AGRI3 support will include gender analysis, where applicable[3]. ? Where relevant, clients of Partnerbanks supported by AGRI3 are encouraged to assess and identify opportunities to strengthen participation of women in developing company plans.	? Evaluate gender responsive actions in 100% of proposals for AGRI3 support for forest conservation and restoration and the transition to sustainable and climate-smart agriculture to include gender-responsive actions. ? Encourage women's participation in the development of all company plans where the context allows, via guidance, review and feedback to Partnerbanks .[4]	? AGRI3 ESG specialist with experience in gender mainstreaming in environment and sustainable development. ? On a case-by-case basis the use of specialist consultants who are able to advise and guide Partnerbanks and their clients on how to undertake specific gender responsive activities.	? No specific budget allocation needed as costs of these activities are already integrated into AGRI3?s Fund management budget.	**Cardano Development**
Outcome 1.2: Agricultural areas implement sustainable/ climate-smart agriculture practices					

Output 1.2.1.1 USD 1 billion of Partnerbank financing for sustainable agriculture and forest conservation is de-risked and/or delivered with tailored conditions.	? Proposals for Partnerbank financing for sustainable agriculture and forest conservation includes an evaluation of gender analysis, when relevant.	? AGRI3 to require all Partnerbanks to consider gender issues when developing the financing conditions for their clients.	? Staff within the AGRI3 Fund who are able to advise and guide Partnerbanks companies on how to undertake gender responsive activities.	? No specific budget allocation needed as costs of these activities are already integrated into AGRI3?s Fund management budget.	**Cardano Development**
Output 1.2.1.2 A total value of USD 15 million of technical assistance to implement the transitions is made available from the Technical Assistance Facility (TAF).	? Evaluate opportunities to integrate and support activities that promote gender equality within the Technical Assistance provided to companies, when required.	? The TAF to evaluate opportunities to integrate gender analysis into the design of all TA provided and include gender responsive actions wherever relevant.	? Staff within the TAF have sufficient knowledge of gender issues to assess the potential for and integrate gender-related activities into TA packages provided to companies.	? No specific budget allocation needed as costs of these activities are already integrated into the TAF?s Fund management budget.	**TAF**

Output 1.2.1.3 300,000 farmers and farm workers, trained in sustainable agriculture and forest management practices.	Partnerbank clients will: ? Collect sex-disaggregated data. ? Actively consider in the assessment process opportunities to integrate gender issues in training and consultation with Partnerbanks. ? Evaluate the opportunities for the participation of women in the design and development of the trainings.	? All Partnerbank clients will review opportunities to ensure that training is structured and delivered at times when it is accessible and available to women/men farmers and agricultural workers. ? 100% of training packages are designed with the active consideration for the integration of gender issues within them. ? At least 30% of participants are female[7] where the context allows.	? Staff within the AGRI3 Fund who are able to advise and guide Partnerbank clients on how to undertake gender responsive activities in training delivery.	? No specific budget allocation needed as costs of these activities are already integrated into AGRI3?s Fund management budget.	**Cardano Development**

Output 1.2.1.4 48 companies implement forestry conservation/restoration practices and/or implement sustainable and climate-smart agricultural practices through AGRI3 loans.	? Forestry conservation practices and sustainable and climate smart agricultural practices carried out by Partnerbank clients include gender-responsive activities, where the context of the transaction allows (e.g., where there are women engaged in the workforce, as farmers and/or are directly affected by the transaction). ? Clients of Partnerbanks are encouraged to undertake active outreach to help ensure participation of women (where possible) in forest conservation practices and sustainable and climate-smart agricultural practices.	? All forestry conservation practices and/or sustainable and climate-smart agricultural practices to include clear gender responsive activities where the transaction context allows.[8]	? Staff within the AGRI3 Fund who are able to advise and guide Partnerbank clients on how to undertake gender responsive activities.	? No specific budget allocation needed as costs of these activities are already integrated into AGRI3?s Fund management budget.	**Cardano Development**

AGRI3 aims to train at least 300,000 (90,000 female and 210,000 male) farmers and farm workers in sustainable forest management and sustainable agricultural practices. At least 30% of the participants are to be female, where the context allows. This is a realistic target based on the female workforce participation from existing projects supported by AGRI3 and its forthcoming pipeline. This training is intended to help these workers to actively contribute to implement the agreed sustainable management practices.

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

Yes

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

Improving women's participation and decision making Yes

Generating socio-economic benefits or services or women Yes

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

Yes

4. Private sector engagement

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

The overall objective of the Fund is that AGRI3 will de-risk USD 1 billion of private sector financing for forest conservation/restoration and sustainable agriculture in developing countries and emerging markets to address climate change and land degradation. All transactions must include private sector participation but also may include participation by Development Finance Institutions (DFIs). The Fund will not be directly managing the delivery of projects ?on the ground? but does work with Partnerbanks and clients to ensure that transaction level stakeholders are taken into account in the project structuring, pre and post-investment:

Partnerbanks: These are commercial and development banks, financial institutions and DFIs that align with AGRI3 goals, are active in financing the agricultural sector in AGRI3?s target regions and may have an interest in (or are already) engaging AGRI3 in their client transactions. The Fund aims to address the limited capacity of commercial banks to finance sustainable and innovative agricultural solutions by providing additional de-risking financial instruments, e.g., credit guarantees, to a series of ?Partnerbanks?. These instruments will enable those Partnerbanks to provide loans and investments to agribusinesses that are pursuing more sustainable practices.

The Fund supports Partnerbanks to be able to make loans for eligible investments undertaken by their clients. The development and sourcing of projects is led by the Partnerbanks and their clients. The Fund will not be directly managing the delivery of projects ?on the ground? but does work with those Partnerbanks and client to ensure that transaction level stakeholders are consulted in the project structuring, pre and post investment. In addition, the Fund works with or engages with other stakeholders relating to the transactions it supports, investment into the Fund, and broader partnerships for development and effective delivery against the Fund?s objectives.

Agribusinesses with operations in target regions and sectors: These are the target clients of Partnerbanks and can include organizations throughout the agricultural commodity value chain, but with the ultimate beneficiaries being farmers. The development and sourcing of projects is led by the Partnerbanks and their clients. AGRI3 could help these companies access finance to be able to realize their commitments to achieving sustainable agricultural supply chains and protecting/restoring forests.

Agribusinesses will benefit from access to finance (i.e. loans) from the Partnerbanks of the AGRI3 Fund, which support the requirements of sustainable projects (e.g. through longer tenors). This will enable agribusiness to invest in projects that have commercial, social and environmental outcomes (e.g., higher productivity), delivering on sustainability commitments, reducing project-level risks and increasing commercial returns.

There are also private sector investor stakeholders including:

Current Investors in the AGRI3 Fund: Early investors in the AGRI3 Fund that have advised on the structuring of the Fund and can help engage and attract other investors and Partnerbanks. As key stakeholders in the Fund, they will be kept up to date by the AGRI3 Fund Management Board through regular reporting. Rabobank, as cornerstone investor, has committed a USD 50 million loan towards the Fund. For Rabobank the Fund will enable them to fulfil broader objectives with regards to engaging their existing clients, fostering positive environmental and social impact, developing new partnerships and de-risking and facilitating investment into eligible projects.

Potential Investors in the AGRI3 Fund: Potential investors into the AGRI3 Fund could include impact investors, and commercial banks. These stakeholders could invest into the AGRI3 Fund, as well as participating or co-investing in individual transactions. During the implementation phase, AGRI3 has a fundraising strategy which includes identifying and engaging a range of potential investors. The Fund is working with the AGRI3 partners to engage with potential investors through their networks. The Fund provides investment opportunities for impact investors, and perhaps more also opportunities to participate as a partner in transactions AGRI3 supports. Impact investors seeking capital preservation, or junior or senior participation could directly participate in the Fund, as well as being involved in individual transactions on a case-by-case basis.

Appendix V of the uploaded ProDoc has more detailed information on private sector engagement.

5. Risks to Achieving Project Objectives

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

Critical risks and mitigants related to the Fund are presented in the Table 4 below.

Table 4 Risk Assessment and Mitigation Planning

Risks	Brief description	Rating High (H), Substantial (S), Modest (M) Low (L))	Risk Mitigation Measures
Transaction flow risk	Inability to deploy capital in a swift manner.	M	AGRI3 and Rabobank work closely together. Rabobank has a strong pipeline of potential transactions, with strong sectorial and investment knowledge. Gradually, respectable additional banks and/or other financial institutions are expected to provide a strong pipeline.

Risks	Brief description	Rating High (H), Substantial (S), Modest (M) Low (L))	Risk Mitigation Measures
Operational risk	Risk of loss incurred for failed internal processes. Risk of substitution of EA.	L	Cardano Development internal controls, support functions, and AIFM-quality processes will be used by Cardano Development for AGRI3, including anti-bribery and anti-corruption policies and procedures, etc. To ensure the risk of the EA substitution is low, AGRI3 carefully selected Cardano Development as the EA for this project as they have extensive experience in managing guarantee and credit risk funds, including Gurantco ? and have extensive experience of working with Dutch based funds. However, should for any reason, there be a requirement for the EA to be replaced, then the fund?s governance has been established in order to protect the ongoing delivery of the fund. This includes the legal requirement for the EA to support an

Risks	Brief description	Rating High (H), Substantial (S), Modest (M) Low (L))	Risk Mitigation Measures
Liquidity risk	Financial difficulty in meeting obligations associated with financial liabilities.	M	AGRI3 will start with providing guarantees which are 100% backed by cash deposits, which will minimize liquidity risk. This will be the situation in the first years, after which AGRI3 may be able to reduce its cash requirements, through counter guarantees and in an even later stage through portfolio diversification and based on a proven track record. In general terms, liquidity risk can be mitigated by careful cash flow management, which includes (i) maintaining sufficient cash and available funding in relation to committed guarantees or contingent credit facilities, and (ii) the ability of AGRI3 to meet its financial liabilities on time, under both normal and stressed conditions; without incurring unacceptable losses or risking damage to AGRI3?s reputation.

Risks	Brief description	Rating High (H), Substantial (S), Modest (M) Low (L))	Risk Mitigation Measures
Interest rate risk	Risk that the value of future cash flows of an asset/ financial instrument fluctuates due to changes in market interest rates.	M	AGRI3?s interest rate exposure on the guaranteed portfolio is contingent in nature and only crystallizes upon the occurrence of a guarantee being called. Given that calls are expected to be limited, it is therefore not expected to be a material risk.
Country risk	Financial risk that a country?s government will suddenly change its policies (e.g. capital controls) or is linked to instability in a country. Economic and political disruptions (exchange rate controls, regulatory change, corruption, etc.) or financial crises may adversely affect the activities of investee companies and hence, AGRI3?s portfolio returns.	M	AGRI3?s investments will be spread over a number of countries/sectors to diversify the risks. A loss due to sector, political or country risks will thereby not significantly affect AGRI3?s portfolio.

Risks	Brief description	Rating High (H), Substantial (S), Modest (M) Low (L))	Risk Mitigation Measures
Market risk	Risk of losses for the Fund arising from a fluctuation in the market value of the positions in liquid assets that the fund holds, attributable to a change in the market variables.	M	The fund initially will only be holding cash on deposit, with the relevant returns associated with term deposits. Other liquid assets will be considered by the fund at a later stage, when there is sufficient capital to do so. Any investment in liquid assets (such as bonds) will be with the aim of preserving capital and liquidity for guarantees, rather than maximizing capital. It is expected that the fund will only invested in bonds which are highly rated.
Regulatory risk	Sudden changes in local legislation could negatively affect business operations.	L	AGRI3 has a multi-country focus. This diversifies the risks across countries and any country limits will result in portfolio diversification.

Risks	Brief description	Rating High (H), Substantial (S), Modest (M) Low (L))	Risk Mitigation Measures
Currency risk	Risk that the value of future cash flows of AGRI3 transactions fluctuates because of changes in FX rate, and currency risk ? related credit risk at the level of the Rabobank and other banks? clients.	M	The Fund is expected to predominantly transact in USD, the same currency as its obligations to its investors, where the balance provides a natural hedge. The fund may also offer local currency guarantees. Guarantees that are provided in local currencies have an FX risk that is contingent until there is a call, at which point it may be exposed directly to FX risk if the loan is not in USD (which will then drive the need to hedge the FX risk, which may or may not be possible at reasonable rates). The expected decrease in guarantee fees for local currency guarantees, as a result of expected depreciations, are not currency risks as there is a commensurate reduction in exposure. Apart from that, the Fund aims to build up a diversified portfolio of various currencies which can be expected to further mitigate this risk.

Risks	Brief description	Rating High (H), Substantial (S), Modest (M) Low (L))	Risk Mitigation Measures
Credit / default risk	Credit or default risk is the risk that an obligor company defaults which will trigger guarantee payments by AGRI3.	S	This risk is mitigated through: ? Detailed analysis of the transactions to determine the potential for losses, as well as a portfolio of guarantees which will provide more and more diversification; ? Alignment of interests: Rabobank is equally incentivized to minimize losses, as the Fund is only providing partial guarantees; ? In case of first loss guarantee: Rabobank typically aims to allocate (part of) the first loss exposure to various parties in the value chain such as off-takers, which increases the commitment to make the transaction a success; and ? Monitoring ? ongoing monitoring to identify potential default risks before they arise ? Security: recourse to the assets of the client, for instance land.

Risks	Brief description	Rating High (H), Substantial (S), Modest (M) Low (L))	Risk Mitigation Measures
Project risk	The risk of losses related to operational incidents arising on the project.	S	Main project risks are examined in advance during a thorough due diligence process (client meeting, document review, site visit), and using regular risk reporting and monitoring during the period of the investment. As above for credit risk, the fund will monitor project operations and financials and where risks are identified for a project or the underlying investment, work with Partnerbanks to identify means of mitigating defaults.

Risks	Brief description	Rating High (H), Substantial (S), Modest (M) Low (L))	Risk Mitigation Measures
ESG risk	Working mainly with farmers, including smallholders, in countries with weak rule of law, E&S risks are enhanced which can feed into operational and project risks listed above. E&S risks can also trigger reputation risks.	L	E&S risks are examined in advance during a thorough due diligence process as per the AGRI3 E&S framework, and, where required, third-party consulting firms. Transactions should identify, manage and mitigate E&S risks in line with the funds E&S framework. The category of risk associated with this project (the AGRI3 Fund) has been classified as Category C during the ESG Screening for this project (Business activities with minimal or no adverse environmental or social risks and/or impacts, according to the IFC). Based on this screening it was identified that AGRI3 could trigger risks associated with Resource Efficiency and Pollution Prevention, Labour Management Procedures, and Community Health, Safety and Security Risk. To mitigate these risks, AGRI3 has developed

Risks	Brief description	Rating High (H), Substantial (S), Modest (M) Low (L))	Risk Mitigation Measures
Reputation risk	The partners involved in AGRI3 bring solid reputations in the fields of environmental and social performance. Such a reputation is fragile and actual or perceived failings of the Fund to achieve its mission at a micro or macro scale could damage the ability of the Fund to raise future rounds of finance and attract new partners.	M	The objectives of the Fund and how it differs from other ?green? agricultural funds needs to be clearly communicated consistently in all materials. The client screening already done by the commercial bank partners is one layer of protection against entering into transactions with undesirable counterparties. The Investment Advisor will be responsible for conducting a screening assessment looking out for potential reputational issues of the clients. On an ongoing basis the combined monitoring of operations for the bank and AGRI3 fund investment advisor will keep the fund alerted of any emerging issues and the investment advisor will use their experience to manage such situations and the reporting of them.

Risks	Brief description	Rating High (H), Substantial (S), Modest (M) Low (L))	Risk Mitigation Measures
Partnerbank identification	Bringing onboard new partnerbanks takes longer than expected resulting in reduced deal flow	L	The fund is working with various partners including Rabobank, UNEP and IDH to bring on board new partnerbanks. Rabobank in particular have an extensive range of banking and other relationships to support the fund in their efforts and a partnerbank strategy is already being implemented. In addition, in the short term, there is pipeline available from Rabobank to meet the funds deal flow targets.

Risks	Brief description	Rating High (H), Substantial (S), Modest (M) Low (L))	Risk Mitigation Measures
Co-financing risk	Further USD 60 million in co-financing not reached	L	USD 90 million has already been secured in co-financing and the GEF will play a catalytic role as a senior participant in the Fund which will further encourage other organizations to participate. A substantial focus of the work of the AGRI3 Fund Managers in the coming years is to engage potential co-financiers, leveraging the growing interest in investment in sustainable land use and conservation from investors worldwide. As an evergreen fund, with open architecture, the fund has a longer-term time horizon to be able to also identify and bring on board new financiers. In addition, as the fund leverages its existing capital to grow the portfolio and returns, then this will also help to mitigate costs if the fund has a smaller size in the short term.

COVID 19 Risks and Opportunities

Table 5 COVID-19 Risk Analysis

i) Availability of technical expertise and capacity and changes in timelines	Reinstatement of COVID-19 containment measures are likely over the course of project development and possibly into implementation.	M	The current partners and investment advisors of the Fund have been collaborating remotely since the start of the COVID-19 pandemic. They have managed to leverage networks that they currently have in the target regions and sectors. During this time the Fund has managed to close two transactions in Brazil and China and will be able to continue operating remotely into the future.
	Capacity and experience for remote work and online interactions as well as limited remote data and information access and processing capacities that projects will need to strengthen.	M	Rabobank, UNEP, IDH, FMO, FOUNT and Cardano Development all have significant experience of remote work and online interactions, dating back to before COVID-19. However Partnerbanks and their clients may have less experience and potential capacity for effective remote working which could have a moderate impact on the speed of project progress.
	Changes in project implementation timelines.	L	The timelines for this project were conceived in the early stages of COVID-19 and already account for any slower progress that may be encountered due to the remote working challenges identified above for Partnerbanks and their clients.
	Changes in baseline (both ongoing and forthcoming projects).	L	No changes in the baseline are anticipated as a result of the COVID-19 pandemic.

	Change in conditions of beneficiaries.	M	The COVID-19 pandemic has had a detrimental impact on agricultural production in some commodity value chains of relevance to AGRI3. This may actually increase the needs of Fund beneficiaries to have access to finance to support their operations and adopt more productive and sustainable agriculture practices. In other cases where supply chains are significantly automated, and demand has maintained they have not been substantially affected.

ii) Stakeholder Engagement Process	Mobility and stakeholder engagement	M	The typical Partnerbanks, impact investors, current partners, current investors that are being engaged by the Fund should have good connectivity and capacity for remote work and can therefore be engaged remotely. The project origination process could be affected, although as this process depends on Partnerbanks located within the same country/locality as their clients, their ability to source projects should not be significantly affected. Some local NGOs & CSOs as well are agribusiness operating in the target regions might be more limited in their connectivity and ability to be engaged remotely. If in-person engagement is required for these stakeholder groups, for example during project due diligence, then AGRI3 will ensure it has the appropriate safety protocols in place, for example only engaging in small groups, maintaining physical distancing, using and providing personal protective equipment etc.
iii) Enabling Environment	Government focus on environment during crisis	L	The Fund is currently supported by the Dutch Government. COVID-19 has highlighted the need for policymakers to make decisions to ensure food supply chains continue to function in the short term, while also investing in the long-term goal of a resilient, sustainable and productive food system.[1] The Fund can help governments to achieve this goal.

iv) Financing	Co-financing availability	L	No changes in secured co-financing are anticipated as a result of the COVID-19 pandemic. On the contrary donor and investor interest in sustainable land use and climate change has increased since the advent of the COVID 19 pandemic.
v) Direct impact of COVID-19 on AGRI3?s operations	The direct impact of COVID-19 on the operations of AGRI3 and its ability to meet its workplan and objectives	M	These risks are minimal for the management of the Fund as the Partners, Fund Managers and Investment Advisors have the ability to work effectively from remote locations. Where staff of these organizations need to work in office environments these workplaces will be COVID-secure. This includes measures to ensure social distancing is maintained, workplaces are frequently cleaned, PPE is worn at the appropriate times and locations and workspaces have adequate ventilation. One clear limitation COVID-19 places on AGRI3?s operations are its ability to conduct site visits to Partnerbanks and client sites. Whilst there is no full substitute for in-person field visits, where required due diligence and monitoring will be conducted virtually until COVID travel restrictions are eased in AGRI3?s target countries.

[1] OECD (2020). COVID-19 and global food systems. Available online: http://www.oecd.org/coronavirus/policy-responses/covid-19-and-global-food-systems-aeb1434b/

Table 6 COVID-19 Opportunity Analysis

Opportunity Category	Potential	Project Plans
i) Can the project do more to protect and restore natural systems and their ecological functionality?	H	The Fund will enable the acceleration of sustainable management of forests and legal reforestation obligations and help farmers transition to business models that improve and enhance natural systems ? for example agroforestry or the protection of high conservation/high carbon stock forests that enhance soil fertility, carbon sequestration, water management and biodiversity.
ii) Can the project regulate the consumption and trade of wildlife?	L	The fund does not support any projects which are involved in the consumption or trade of wildlife. As well as having a robust E&S Framework which can be used to mitigate and monitor these risks in the target areas (including specific exclusion measures related to the wildlife trade), under certain conditions and in certain geographies, transactions supported by Fund can provide an alternative source of income and livelihood to the trade of wildlife/wild meat through increased employment and livelihood opportunities in sustainable agriculture for rural communities.
iii) Can the project include a focus on production landscapes and land use practices within them to decrease the risk of human/nature conflicts?	H	As well as preventing deforestation and stimulating reforestation, the Fund will contribute to sustainable and efficient agricultural production. This could include restoring habitat, creating corridors, and altering human-wildlife-livestock contact which can reduce disease emergence. [1] E&S analysis conducted by the Fund on each transaction will identify human/wildlife conflict risks, and where necessary, put in place mitigants to prevent it.
iv) Can the project promote circular solutions to reduce unsustainable resource extraction and environmental degradation?	H	The Fund will promote sustainable production of agricultural commodities, this includes reducing GHG emissions, increasing production yields under verified standards, restoring degraded land, and bringing more hectares under sustainable management.

Opportunity Category	Potential	Project Plans
v) Can the project innovate in climate change mitigation and in engaging with the private sector?	H	The Fund is unique in its engagement with financial institutions including commercial and development banks, financial institutions and DFIs who become Partnerbanks of the Fund. The Fund will enable these banks to finance sustainable and innovative agricultural business models that help with mitigation and adaptation to climate change impacts. This could be transformative and help to provide a proof of concept to a wider community of banks, financial institutions and value chain partners to mainstream sustainable practices across the agricultural and financial value chain.

[1] IPBES (2020). Workshop Report on Biodiversity and Pandemics of the Intergovernmental Platform on Biodiversity and Ecosystem Services. Available online: https://ipbes.net/sites/default/files/2020-12/IPBES%20Workshop%20on%20Biodiversity%20and%20Pandemics%20Report_0.pdf

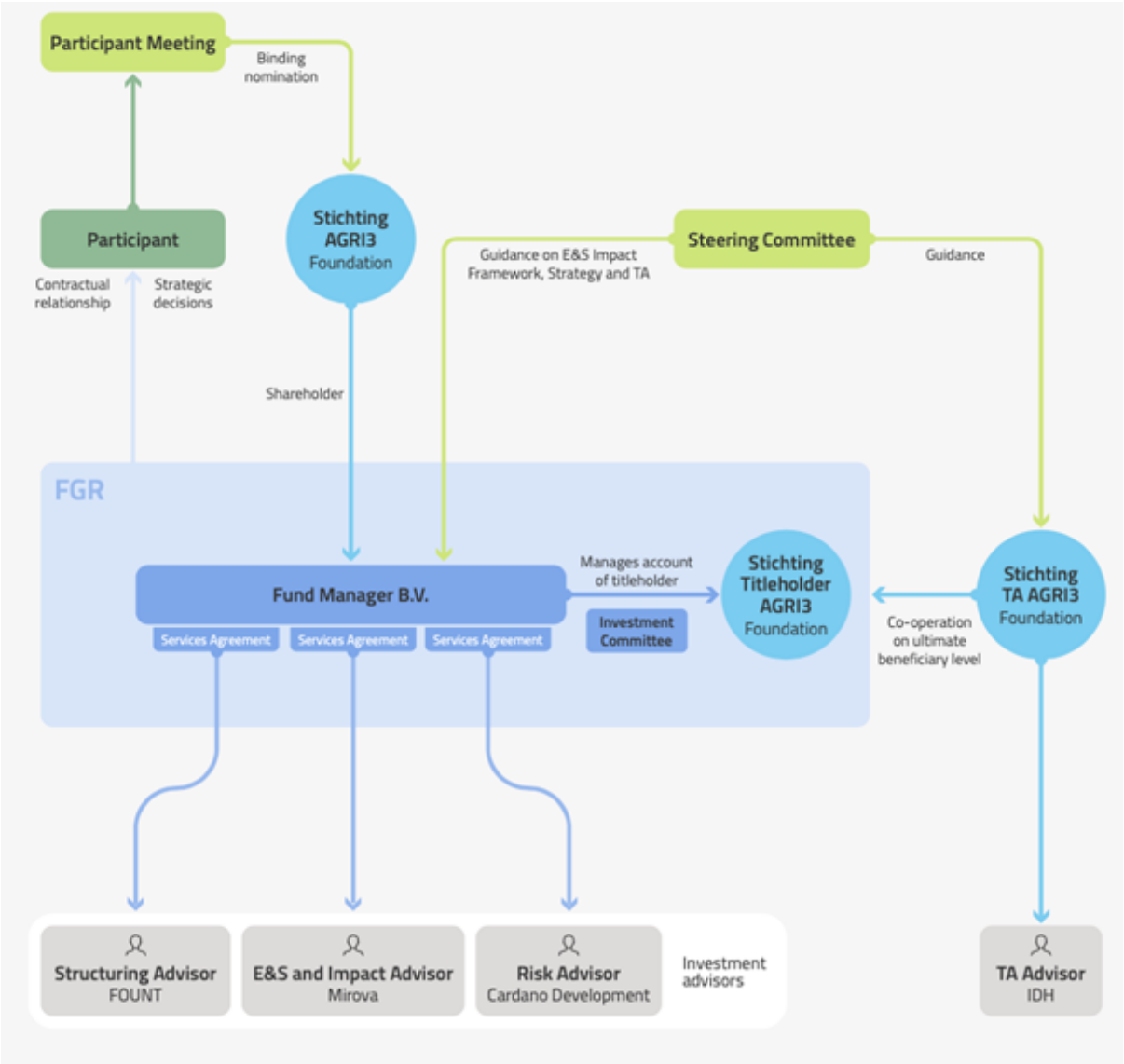
6. Institutional Arrangement and Coordination

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

A. Execution Arrangements and Partners

The overall governance structure of the Fund is summarized in Figure 6 below. It should be noted that as part of the Government of Netherlands grant, the fund will undergo an independent evaluation after 2 years of operation ? expected in Q2 2022. The scope of the evaluation is still to be determined, but is likely to include a review of the fund?s portfolio, governance structure and operationsThe current governance structure of the fund will be reviewed to assess its effectiveness and that of the various stakeholders:

Figure 6: Overview of the AGRI3 Fund Structure



The Fund Manager

? AGRI3 Fund Manager B.V. is the Fund Manager of the Fund. It is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, having its office address at *Amstelveenseweg 760, 1081 JK Amsterdam, Netherlands, and registered with the Dutch Commercial Register (Handelsregister) under number 72908114.* The Fund Manager has been incorporated specifically for the management of the Fund. The Fund Manager does not manage any other investment funds and does not have any discretionary mandates. Stichting AGRI3 is the sole shareholder of the Fund Manager.

? The Fund Manager is charged with the portfolio and risk management of the Fund, including implementing the investment objectives of the Fund, i.e. the collective investment of the Fund Assets. The Fund Manager is further charged with marketing, fundraising, valuation and administration of the Fund.

? The Fund Manager has the overall responsibility for the (daily) operations of the Fund. Additionally, it has to ensure smooth cooperation with the AGRI3 TA Foundation and all other relevant stakeholders.

The Management Board

? The Management Board of the Fund Manager consists of Joost Zuidberg (Co-CEO Cardano Development), and Bob Assenberg (Founding Partner and Co-Owner, FOUNT B.V.). The appointment, resignation and suspension of the Management Board members will be governed by the Articles of Association of the Fund Manager and the Terms and Conditions.

Stichting AGRI3

? Stichting AGRI3 is the sole shareholder of the Fund Manager. The Steering Committee will make binding nominations in relation to the appointment of the management board members of Stichting AGRI3. The management board will consist of two independent board members. As the sole shareholder of the Fund Manager, Stichting AGRI3 may appoint, suspend and dismiss the management board members of the Fund Manager.

? Prior to providing approval and/or advice by Stichting AGRI3, the Fund Manager will notify Stichting AGRI3 of all decisions, approvals and advice provided by the Fund Manager, the Participants' Meeting, the Investment Committee and the Steering Committee with respect to the relevant action or matter, as soon as practicable after they have been taken. In addition, any (general) advice of the Steering Committee will also be shared with Stichting AGRI3. Further, the Fund Manager will timely provide Stichting AGRI3 with all information necessary to provide approval and/or advice under the Terms and Conditions.

Stichting Titleholder AGRI3

? Stichting Titleholder AGRI3 is the Titleholder of the Fund. The Titleholder is a foundation (*stichting*) with its office address at Mauritskade 63, 1092 AD Amsterdam, the Netherlands, and is registered in the Trade Register of the Chamber of Commerce under number 72906669.

? All Fund Assets shall be legally owned by and will be administered in the name of the Titleholder. All Fund Obligations shall be assumed by the Titleholder as debtor, in its own name but for the account and risk of the Participants of the Fund. The Fund Manager is the sole member of the management board of the Titleholder.

? The Titleholder AGRI3 shall not resign as titleholder of the Fund. They can be removed as titleholder in accordance with the Fund Governance Annex. Upon the removal of Stichting Titleholder AGRI3, a successor titleholder shall be appointed in accordance with the provisions of the Fund Governance Annex no later than thirty (30) Business Days after the date of occurrence of the event that caused the removal of Stichting Titleholder AGRI3.

The Investment Advisors and delegation by the Fund Manager

The Fund Manager has delegated activities to the Investment Advisors, including deal analysis, E&S assessment, execution, disbursement, monitoring, financial and non-financial reporting. It will perform the PMU functions for this GEF Project, with Cardano Development as the EA.

? The advisory functions are as follows:

? FOUNT is responsible for deal analysis, execution and monitoring, financial analysis, deal structuring, guarantee pricing, E&S assessment and monitoring.

? Cardano Development is responsible for the Fund?s risk/pricing policy, capital adequacy policy and application of principles in specific transactions as well as middle- and back-office functions, and financial and non-financial reporting.

? Mirova support Fount and Cardano in providing analysis of the E&S risks and impacts of all transactions ? this is for a transition period until Q1 2022.

? The Fund Manager's liability towards the Fund and the Participants will not be affected by the fact that the Fund Manager has delegated certain functions to the Investment Advisors. In view of the above delegation to the Investment Advisors a conflict-of-interest policy is in place.

Participants? Meeting

? The Participants' Meeting will be installed by the Fund Manager upon the Fund (i) having at least 2 Participants who participate for an amount of at least USD 5 million each, and (ii) in aggregate for an amount of at least USD 20 million. The Fund Manager can decide to grant the rights and obligations of the Participants' Meeting to one Participant upon the request of that relevant Participant.

? All Participants (excluding the Initial Participants) will be part of the Participants' meeting, unless they do not wish to be part thereof. The Participants' Meeting decides on the relevant strategic issues in relation to the Fund and any other matters that the Fund Manager, at its sole discretion, wishes to put forward to the Participant Meeting.

Functions specific to the GEF Project

? CI-GEF is the GEF Project Agency for this project where they will sit on the Participant?s Meeting, representing GEF?s investment in the Fund. The CI-GEF Project Agency will provide project assurance, including supporting project implementation by maintaining oversight of all technical and financial management aspects, and providing other assistance upon request of the Executing Agency (see below). The CI-GEF Project Agency will also monitor the project?s implementation and achievement of the project outputs, ensure the proper use of GEF funds, and review and approve any changes in budgets or workplans. The CI-GEF Project Agency will arbitrate and ensure resolution of any execution conflicts.

? As the Participant?s meeting has decision-making powers on the strategic direction of the Fund it is considered the most appropriate body to play the ?Project Steering Committee? role for this GEF Project. Figure 8 provides further information of reporting and funding flows related to the GEF project.

? The AGRI3 fund manager is legally the responsible party. Cardano and Fount are Investment Advisers to the fund. Cardano has been nominated as the EA for the purpose of the GEF investment and will oversee the work of Fount and be responsible for their work to be carried out. Fount will carry out the E&S and impact assessment matters.

? The Executing Agency is Cardano Development who will be responsible for oversight and management of all project related reporting to the CI-GEF Project Agency, ensuring the monitoring and evaluation activities are carried out in a timely and comprehensive manner, the day-to-day operations of the Fund, and collaborating with the TAF and other key stakeholders.

Rationale for changes in EA in relation to the PIF

? In relation for the PIF, the EA has been changed from Mirova to Cardano Development for the following reasons

  ? Due to Brexit, Mirova Natural Capital, a UK based entity, was no longer able to provide advisory services in the Netherland's without significant disruption to the Fund's operations;

  ? A strategic decision was made at the time by the AGRI3 partners and investment advisers for Cardano to take on Fund lead advisor role and Fount to lead on Investment Advisor role;

  ? Mirova has been maintained as an Impact and E&S adviser to the fund and support with relevant staff for a transition period;

  ? Cardano was appointed for their extensive experience in managing guarantee and credit risk funds, making them the best placed adviser to take on the role; and

  ? Cardano currently manage a number of funds focused on unlocking financial markets for environment and development, to achieve the SDGs - this includes Guarantco, ILX fund and TCX.

The Investment Committee

? The Investment Committee is composed of key employees of the Investment Advisors Vincent Gradt of Mirova, Bob Assenberg of Fount and Joost Zuidberg of Cardano. All members of the Investment Committee are and will be appointed by the Fund Manager. Members of the Investment Committee may be suspended or dismissed by the Fund Manager.

? The following decisions of the Fund Manager will be subject to the prior approval of the Investment Committee:

  a. investments and divestments of the Fund; and

  b. investing in or managing of a new investment fund having substantially the same investment strategy as the Fund before the earlier of (i) the date of resignation or removal of the Fund Manager, and (ii) the date of termination of the Fund (this decision being subject also to the prior approval of Stichting AGRI3).

? Each member of the Investment Committee is entitled to cast one (1) vote. Unless specifically set forth otherwise in the Terms and Conditions, the Investment Committee shall adopt resolutions by absolute majority of the votes cast.

Steering Committee

? The Steering Committee is an advisory body only and not a decision-making body of the Fund. Members of the Steering Committee will consist of representatives of the founding partners of the Forest Protection and Sustainable Agriculture Partnership (the "**Partnership**"). i.e. of Rabobank, UNEP, FMO and IDH (see more detail in Figure 7 below). The founding partners of the Partnership, acting jointly, will be entitled to appoint, suspend and/or dismiss

any advisors to the Steering Committee and/or any additional members of the Steering Committee.

? The overall function of the Steering Committee is to:

a. provide the overall strategic and policy guidance for the Partnership and the Fund. If and when deemed appropriate, the Steering Committee may for instance propose to the Fund Manager changes impacting the E&S and Impact Framework and the Investment Strategy.

b. represent the mission of the Fund and review overall compliance with and safeguard the core values of the Fund, particularly in relation to the E&S and Impact Framework; and

c. ensure interaction and serve as the key connection between the key organizations involved in the Partnership, the Fund, the TA Foundation, the TA Advisor, Rabobank (in its capacity as Lender) and other Lenders, as well as discuss progress.

Figure 5: Current Members of the AGRI3 Steering Committee

The United Nations Environment Programme is the leading global environmental authority that sets the global environmental agenda, promotes the coherent implementation of the environmental dimension of sustainable development within the United Nations system, and serves as an authoritative advocate for the global environment. Its mission is to provide leadership and encourage partnership in caring for the environment by inspiring, informing, and enabling nations and peoples to improve their quality of life without compromising that of future generations.

Rabobank is a bank by and for customers, a cooperative bank, a socially- responsible bank. Next to its ambitions as a general bank in the Netherlands, Rabobank is committed to be a leading bank in the field of food and agriculture worldwide. Embracing the ?Growing a Better World Together? mission, as well as the ?Banking for Food? strategy for its international activities, the bank is continuously exploring ways to support its clients in food and agriculture value chains to change to more sustainable practices. Its large client base and international knowledge networks are considered strong assets in sourcing viable and impactful transition projects.

The Dutch Development Bank (FMO) is committed to helping transform food systems in developing countries. In this respect, FMO increasingly focuses on Low-Income-Food-Deficient-Countries (LIFDCs) in Sub-Sahara Africa, Southeast Asia and Latin America. In addition to food security, FMO also focuses on forest protection and agro-forestry, engaging smallholders and women in inclusive value chain models and labor intensive agro-sectors.

The Sustainable Trade Initiative (IDH) convenes companies, Civil Society Organizations, governments and others in public-private partnerships. IDH promotes sustainable agriculture and forest protection through its Landscapes program, supporting land use planning for production, protection and inclusion. It also mobilizes investments and learning around business models that for smallholder inclusion and business models that combine land use intensification with forest and ecosystems conservation.

The TA Advisor

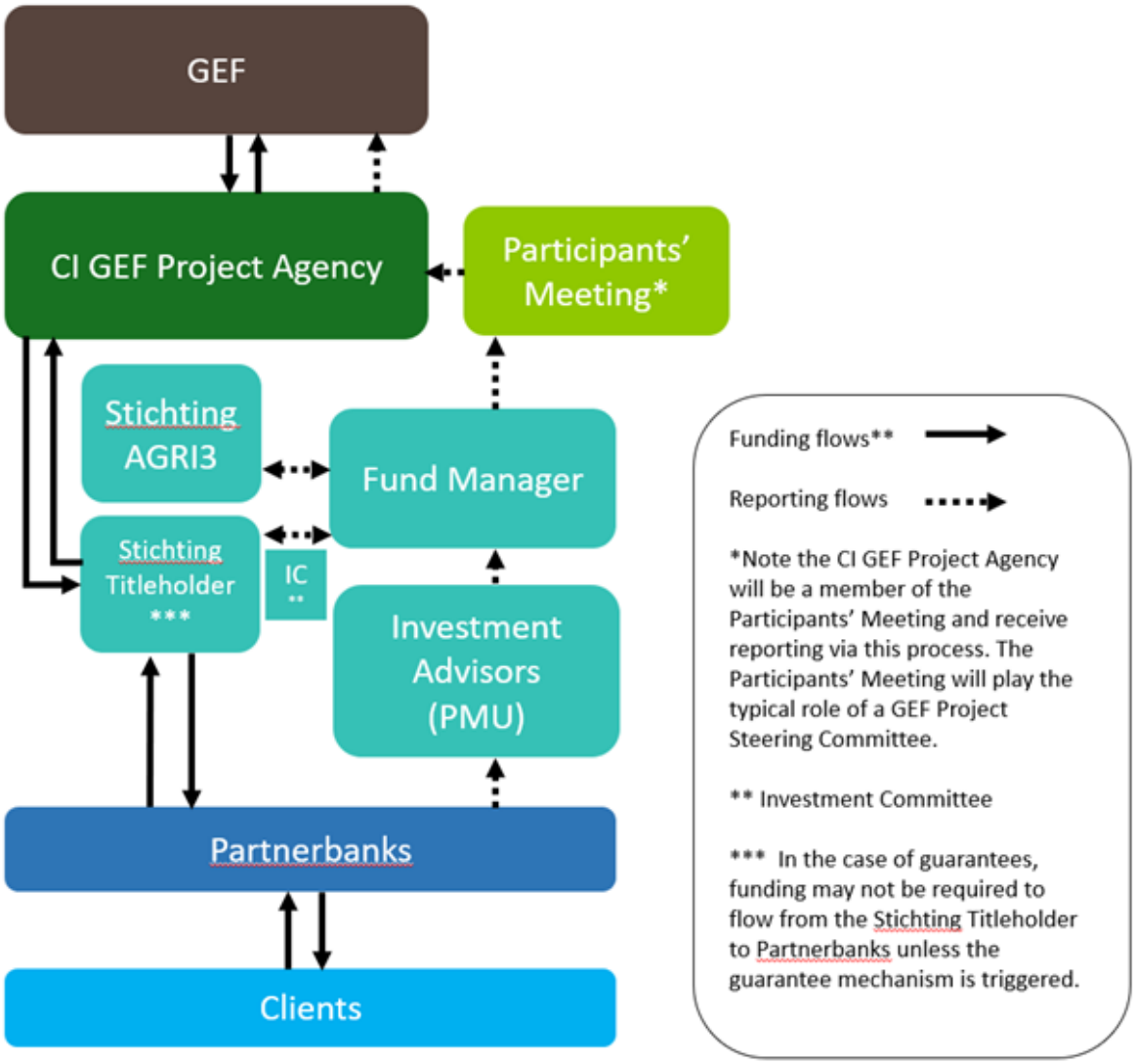
? The Technical Assistance Facility is managed by the TA Manager, IDH, and is overseen by Stichting TA. The TA Facility will provide grants and technical assistance to support transactions of the fund to reduce potential E&S risks and to maximize the impact of the Fund, including but not limited to accelerating pipeline development, post investment support to investment projects, and project impact studies and monitoring. The activities of the TA Foundation and the TA Manager are set out in the Cooperation agreement between the AGRI3 Fund Manager, the TA foundation and the TA manager.

? Although Stichting TA AGRI3 and the TA facility are separate of the Fund, it will work in close collaboration with the Fund.

B. Project Execution Organizational Chart

? Figure 6 below provides an overview of the key bodies and funding and reporting flows for the GEF Project specifically. As stated in the key below, the CI GEF Project Agency will also be a member of the Participants? Meeting, alongside the other Participants who also sit on the Participants? Meeting.

Figure 6: Overview of the Project Execution Organizational Chart



Coordination:

AGRI3 will not invest in projects funded through other initiatives supported by GEF. AGRI3 will also, on a best-efforts basis, prohibit double-accounting of results realized by otherwise GEF-funded projects. Table 3 below summarizes potential linkages with other GEF Projects and relevant initiatives. AGRI3 will be careful to avoid double-counting risks in the coordination process.

The FOLUR Program - In countries where the GEF-funded FOLUR program is active, synergies will

be explored, yet double investment and/or double impact accounting is prohibited by the AGRI3 investment guidelines. Therefore, this coordination with FOLUR will be primarily via sharing networks and knowledge and referring project opportunities to one another ? again, avoiding double investment or accounting.

Table 3 Other Relevant Projects and Initiatives

CPIC Conservation Finance Initiative - Scaling up and Demonstrating the Value of Blended Finance in Conservation	Knowledge exchange of different blended finance structures and lessons learnt in the agriculture and forest conservation sector.
Risk Mitigation Instrument for Land Restoration	Potential collaboration in de-risking land restoration initiatives in Latin America (being careful to avoid double-counting risks).
Food Securities Fund	Potential collaboration in shared financing (being careful to avoid double-counting risks) and knowledge sharing.
Piloting Innovative Investments for Sustainable Landscapes	Potential collaboration in de-risking transactions in the seven target landscapes of the project in Brazil, Indonesia and Liberia (being careful to avoid double-counting risks).
FOLUR Child Projects	There are currently 19 child projects identified for the FOLUR Program, with significant coverage in AGRI3?s initial areas of geographic focus. As an example, one of the Child Projects is entitled ?Strengthening sustainability in commodity and food systems, land restoration and land use governance through integrated landscape management for multiple benefits in Indonesia?. AGRI3 could collaborate here in the priority landscapes to support transactions aligned with FOLUR goals financed by Partnerbanks.
Relevant GEF Projects in AGRI3 initial target countries/regions	There are a range of relevant projects currently under implementation in Brazil, Indonesia and West Africa[2] addressing the GEF Biodiversity, Climate Change and Land Degradation Focal Areas, which AGRI3 will review on a case-by-case basis for coordination and potential collaboration at a national level.

[1] https://www.thegef.org/sites/default/files/web-documents/10201_IP_FOLUR_Annex_Child_Projects.pdf

[2] As an example of the range of projects under implementation in Brazil, see here: https://www.thegef.org/projects-faceted?f[]=field_country:32&f[]=field_p_latesttimelinestatus:606&f[]=field_p_regionalcountrylist:32

7. Consistency with National Priorities

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

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

The Fund would contribute to overarching multilateral priorities, plans and policies with national components as outlined in Table 7 and Table 8, as well as national policies in countries of the AGRI3 Fund including Indonesia, Brazil, Ghana, Cote D?Ivoire and Senegal as outlined in Table 9 below. However the fund will also be aiming to work in other geographies and a similar approach will be undertaken to align with the relevant priorities/plans/policies

Table 7: Overall Consistency with National Priorities, Plans and Policies

National Priorities, Plan and Policies	Project Consistency
National Bio Strategy Action Plan (NBSAP)	The Fund could contribute to the following Strategic Goals of the NBSAPs; ? Address the underlying causes of biodiversity loss by mainstreaming biodiversity across government and society; ? Reduce the direct pressures on biodiversity and promote sustainable use; ? Improve the status of biodiversity by safeguarding ecosystems, species and genetic diversity; ? Enhance the benefits to all from biodiversity and ecosystem services; and ? Enhance implementation through participatory planning, knowledge management and capacity building. All the initial target countries of the Fund are party to the CBD and have developed an NBSAP.
CBD National Report	The Fund transactions will directly contribute towards Aichi Biodiversity Targets (CBD decision X/2) that can be reported in the CBD National Reports; ? Target 5. By 2020, the rate of loss of all natural habitats, including forests, is at least halved and where feasible is brought close to zero, and degradation and fragmentation is significantly reduced; and ? Target 7 By 2020 areas under agriculture, aquaculture and forestry are managed sustainably, ensuring conservation of biodiversity.

UNFCCC National Determined Contribution (NDC)	AGRI3 supported transactions will help parties meet their commitments set out in NDCs relating to the following areas; ? REDD +; ? Peatlands; ? Land degradation; ? Sustainable land management; ? Forest conservation; ? Sectoral GHG emissions; ? Forest cover; ? Sustainable forest management; and ? Reforestation.
Paris Agreement	In article 5 of the Paris Agreement it emphasizes the importance of the existing efforts to mitigate climate change through land use activities, particularly those related to forests and REDD+. The Agreement also recognizes ?the fundamental priority of safeguarding food security and ending hunger, and the particular vulnerabilities of food production systems to the impacts of climate change?. Transactions supported by the Fund will make a direct contribution to these areas.
UNCCD Reporting	The AGRI3 fund will directly contribute to the UNCCD, specifically to the ?The future strategic framework of the Convention (Decision 7/COP.13)?. Within the Fund's E&S and Impact framework, Primary Indicator 2.1a (Area of degraded land restored within concessions of funded projects) is specifically focused on supporting financing of transactions to restore degraded land. The Fund will support farmers that aim to improve land and forest productivity and protect existing natural capital. This will support the achievement of the following objectives in the UNCCD strategic framework: ? Strategic objective 1: To improve the condition of affected ecosystems, combat desertification/land degradation, promote sustainable land management and contribute to land degradation neutrality; ? Strategic objective 2: To improve the living conditions of affected populations; and ? Strategic objective 5: To mobilize substantial and additional financial and non-financial resources to support the implementation of the Convention by building effective partnerships at global and national level.

UNCCD LDN Targets	Where relevant and applicable, AGRI3 will also contribute to land degradation targets and national plans as set under the LDN target setting process. Of the countries prioritized in AGRI3?s pipeline development (Brazil, Indonesia and West Africa), to date Indonesia, Ghana and C?te d'Ivoire have set and published LDN targets on the UNCCD website.[1] These are targets on forest conservation, forest rehabilitation and sustainable agricultural production including soil and water conservation. Of course, AGRI3 is not a public sector instrument - and as such, not responsible for realizing government-set targets. However, almost all of the targets in principle qualify under AGRI3 eligibility criteria and results framework. Therefore there is a strong overlap with UNCCD LDN targets.
SDGs	The Fund directly contributes to the following SDG goals; ? SDG 2 (zero hunger) - AGRI3 KPIs, Number of farmers and farm workers trained in sustainable forest management and sustainable agricultural practices; ? SDG 13 (climate action) - AGRI3 KPIs, GHG emissions mitigated (tons of CO2e) as well as the overall objective to mobilize Climate Finance; and ? SDG 15 (life on land) - AGRI3 KPIs, Area of land restored (ha), Area of landscapes under improved practices (ha). The Fund also contributes to a limited extent also to SDG 5 (gender equality) and SDG 12 (responsible consumption and production).

Table 8 National Strategy alignment with relevant conventions for the target countries of the AGRI3 Fund

Country	NBSAP	CBD National Report	UNFCCC National Determined Contribution (NDC)	Paris Agreement	UNCCD Reporting	UNCCD LDN Targets	SDGs
Brazil	✓	✓	✓	✓	✓		✓
Indonesia	✓	✓	✓	✓	✓	✓	✓
Ghana	✓	✓	✓	✓	✓	✓	✓
Cote D'Ivoire	✓	✓	✓	✓	✓	✓	✓
Senegal	✓	✓	✓	✓	✓		✓

AGRI3 will also contribute to a set of international policy commitments of governments and industry as below:

1. **New York Declaration on Forests of the United Nations Secretary- General?s Climate Summit**, through elements of the Action Agenda for Companies and Business Associations and against the goals, criteria and indicators of the progress assessment;

2. **The Bonn Challenge** to bring 150 million hectares of the world?s deforested and degraded land into restoration, as implemented through national and regional commitments; and

3. **The Consumer Goods Forum (CGF)** resolution pledging to mobilize resources within their respective businesses to help achieve zero net deforestation.

The Fund will work with the private sector and NGOs to support these efforts.

Table 9 Consistency with National Policies for the target countries of the AGRI3 Fund

Brazil	
National Rural Credit System (NRCS)	The main form of agricultural support in Brazil is concessionary credit to provide working capital to farmers. Any rural-focused solutions and stakeholders in Brazil supported by the Fund could also likely benefit from receiving concessionary capital from the NRCS.
Low-Carbon Agricultural Programme (ABC)	Launched in 2010, the ABC aims to meet a pledge made at the 2009 Copenhagen climate conference by helping to lower emissions from agriculture by 38% by 2020 through funding low-interest loans for activities such as agroforestry, improving soil uptake of nitrogen, and rehabilitating degraded pastureland. However, it currently represents a small share of supported rural credit provided by the government and environmental compliance standards to be eligible for the ABC were loosened, thereby reducing the programmes ability to mitigate emissions. Concessionary credit from the ABC could supplement capital provided by the Fund in supporting and scaling sustainable agriculture solutions.
Investment Roadmap from ?Unlocking Brazil?s Green Investment Potential for Agriculture?	Prepared by the Ministry of Agriculture, Livestock and Food Supply (MAPA) and the Climate Bonds Initiative (CBI), the investment roadmap from the report titled ?Unlocking Brazil?s Green Investment Potential for Agriculture? provides an overview of the opportunities for investors interested in investing in Brazil?s sustainable agriculture, and the different elements needed to leverage this market. The roadmap identities USD 163 billion worth of opportunities for Agri green finance in Brazil. The Fund could provide capital for the various investment opportunities identified in the roadmap. As well, the technical assistance proposed in this project would likely increase the bankability and feasibility of some of the opportunities identified in this investment roadmap.
Plan for Adaptation and Low Carbon Emission in Agriculture (ABC+)	The Ministry of Agriculture, Livestock and Food Supply released a 2021 revision of this strategy to run from 2020 to 2030. The strategy focuses on strengthening institutional governance and monitoring and evaluation systems, and supplying economic incentives for the set-up of new market instruments to support sustainable agriculture. The Fund would mobilize capital and provide technical assistance to bolster bankability of projects and technologies that likely align with the sustainable agriculture solutions that the ABC+ aims to support.

Indonesia	
National Long-Term Development Plan, 2005-2025	One of the objectives of this strategy is to develop rural areas through the promotion of agricultural production and agro-industry by building capacity, developing infrastructure, and enhancing access to information, markets and financial services. The Fund and the technical assistance would help meet these goals.
Revitalization Strategy for Agriculture, Fisheries and Forestry, 2005-2025	The plan provides an integrated revitalization strategy that covers agriculture, fisheries and forestry. While the revitalization strategy is not explicitly focused on low-carbon agriculture, it provides sub-strategies relevant to increasing investment into low-carbon agricultural development including: food security development, agricultural financing, use of agricultural land resources, and development of new agricultural products. The Fund would likely support solutions and stakeholders that complement the goals of modernizing and increasing global competitiveness of key Indonesian agricultural sectors.
Indonesia Master Strategy on Agricultural Development, 2013-2045	Developed by the Ministry of Agriculture, the objective of this strategy is to achieve a sustainable agriculture bio-industry system, focusing on seven pillars. The strategy will be implemented through seven terms of 5-year National Mid-term development Planning. The Fund would support solutions and stakeholders complementary to the goals of this strategy.
National Mitigation Action Plan on Greenhouse Gas Emission Reduction	The plan includes provisions relevant to sustainable agriculture including goals around sustainable peat-land management, reduction in the rate of deforestation and land degradation, and development of carbon sequestration projects in forestry and agriculture. The Fund would support projects and stakeholders complementary to the goals of this plan.
Ghana	
Ghana Forest Investment Program (GFIP)	The FIP aims to finance country specific efforts to address the underlying causes of deforestation and forest degradation. The FIP Is a targeted programme under the Strategic Climate Fund (SCF) of the Climate Investment Fund (CIF), and Ghana was among eight countries chosen as a pilot for the FIP. The GFIP mandate includes providing logistics support to farmers and farmer groups to reduce deforestation. The Fund and its technical assistance would also help build capacity among farmers in practicing low-carbon agriculture that would likely also reduce deforestation.
Medium-Term Agricultural Sector Investment Plan (METASIP)	The plan includes priorities for investment into the agricultural sector relevant to the activities of the Fund including Sustainable Management of Land and Environment and Increased Growth in Incomes.
Food and Agricultural Development Policy, 2008-2020 (FASDEP II)	The FASDEP II includes provisions relevant to sustainable agriculture including calling for an effective agricultural policy that would enhance the positive influence through carbon sequestration, contribution of tree cover for conservation and improved quality of soil, and more. The policy is being succeeded by FASDEP III, where NGOs have advocated for the inclusion of agroecology. The Fund and its technical assistance would help achieve the goals of the FASDEP II and III by boosting private sector investment in sustainable agriculture practices.

Cote D?Ivoire	
Cote D?Ivoire Climate-Smart Agriculture Investment Plan	Identifies a prioritized set of 12 investments and actions needed to boost crop resilience and enhance crop yields for more than 2.2 million beneficiaries and their families, helping them adapt to climate change. The Fund and its technical assistance would complement various outcomes and national scale investments from the plan, including improving agricultural producers? access and ability to successfully leverage financial products and services, and increase their ability to manage climate-related risks.
National Agricultural Investment Plan II, 2017-2025	The plan aims to increase private sector?s role in boosting Ivorian agriculture. The Fund would benefit from the outcomes of the plan and help achieve its main goals.
Senegal	
Plan for an Emerging Senegal (PSE), 2015-2035	20-year strategy to guide the implementation of economic and social development policies adopted in 2014. While sustainable agriculture is not an explicit focus of the PSE, there are goals around nutrition, optimal use of natural resources and sustainable development that are pertinent to sustainable agriculture. The PSE includes overarching socioeconomic and development goals that are relevant to the activities of the Fund and its technical assistance.
National Agricultural Investment Programme, 2009-2020 (PNIA)	A programme to help implement some of the guiding economic and social development policies from the Plan for an Emerging Senegal (PSE), the PNIA includes goals around mobilizing private sector funding for food security and nutrition. The plan is also aligned with the Economic Community of West African States agricultural policy. The Fund would further mobilize private sector finance into agriculture which is one of the main goals of this programme.
The Agricultural, Forestry and Pastoral Law, 2004-2024 (LOASP)	This law provides guidelines for the development of the agricultural sector and poverty reduction, targeting relevant objectives including increasing agricultural exports, improving the quality of produce, and increasing private investment in agriculture and rural areas. The Fund would support solutions and stakeholders complementary to the law?s goals of increasing private investment in agriculture, and further developing the country?s agricultural sector.

8. Knowledge Management

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

There is a dedicated Communications and Knowledge Management Working Group (WG) consisting of the founding partners of the Forest Protection and Sustainable Agriculture Partnership (Rabobank, UNEP, FMO and IDH ? see Section 5A)), the AGRI3 Fund Manager, Partnerbanks, IDH and Investment Advisors. The objective of the WG is to ensure the Communications and Knowledge Management approach is coordinated across the partners and managed consistently.

The WG will meet on a bi-monthly basis to:

? Review the results of communications and knowledge management efforts during the previous two months, identify what worked well and any lessons that can be learnt;

? Prioritize and decide what information on specific topics should be communicated, in what format and on which platforms in the upcoming given time period (e.g. within the forthcoming quarter);

? Review the calendar of forthcoming events and opportunities for communicating to the relevant audience; and

? Discuss and agree priorities for knowledge management in the forthcoming quarter.

? This WG will be coordinated by a dedicated Communications and Marketing manager, who will be responsible for implementing Communications and Knowledge Management plans agreed with the WG.

The AGRI3 Communications and Knowledge Management Plan

The overall objectives of this Plan (see Table 9) are the following:

1. **To support the development and effectiveness of the transaction portfolio;**

Here AGRI3 is seeking to raise awareness amongst Partnerbanks, their clients and other transaction developers that the Fund exists, what its impact objectives are, the type of transactions it is seeking to support and how to engage with AGRI3. It should also help AGRI3, Partnerbanks and their clients reflect on lessons learnt and continually improve to enhance the performance of the Fund and the transactions it supports.

2. **To market the Fund to new investors and potential Partnerbanks; and**

Here AGRI3 is seeking to communicate the Fund?s value proposition to new investors and potential Partnerbanks, its credibility, additionality in the marketplace, commercial proposition for investors and the benefits of using AGRI3 guarantees to offset risks in their transactions.

3. **To promote the Fund concept, progress and lessons learnt more generally.**

Here AGRI3 is seeking to highlight the broader need for change in the finance sector towards sustainable agriculture and forestry and how the methods used by AGRI3 may be more broadly applicable and adopted by industry peers. This is combined with raising general awareness of the Fund and its impact objectives, achievements and lessons learnt to date.

Table 9 provides more detail on the Communications and Knowledge Management Plan. This Plan will be adaptive in nature and AGRI3 will seek feedback from its key stakeholders to maintain its relevance and effectiveness over time.

Table 9: AGRI3 Communications and Knowledge Management Plan

Target Audience	Timeline	How it will contribute to the project?s overall impact	Proposed deliverables	Budget[171]	Responsibility
1. AGRI3 governance bodies and partners	? 2022-2032	? Effective internal communications and knowledge management will help the Fund Manager and Investment Advisors continually improve their approach to transaction development and the efficiency of Fund operations ? Sharing internal evaluations regularly with the Steering Committee and receiving their feedback will help the Fund continually improve its strategy, policies, and planning processes ? The quarterly and annual reporting process will also help track the progress of the Fund and serve as key reference for new staff or partners to understand how the Fund has developed since inception. These will also help ensure the Participants Meeting can make well-informed decisions to guide the Fund?s development	? Quarterly reports ? Annual reports ? Internal evaluation reports ? Updated strategic documents ? Financial models ? Minutes of the Steering Committee	? Reporting ? staff time for drafting ? USD 20,000 per year approx. for staff time ? Stichting and Steerco costs ? USD 50,000 per year for the participants and support ? Evaluation ? USD 30,000 every two years for fund evaluation	? AGRI3 Fund Management
			Subtotal	**USD 850,000 (over project timeline)**	? As above

Target Audience	Timeline	How it will contribute to the project?s overall impact	Proposed deliverables	Budget[171]	Responsibility
2. Project developers	? 2022-2032	? Improving the awareness and engagement of existing clients of Partnerbanks, and other projects developers that can bring transactions to AGRI3 ? Effective communications with these organizations should also help them better understand what type of transactions that are of interest to the Fund, and any adaptations that may be needed before bringing them forward ? improving efficiency in the process ? Through a combination of the above both the quantity and quality of transactions in the pipeline should improve	? Fact sheets for individual transactions ? Project impact assessments ? Inclusion of information on transactions on the AGRI3 website ? Key investment process materials (e.g., templates, policies etc.) on the website ? Impact reports for each year ? Articles and blog posts on new deals ? Webinars/knowledge sessions/events on new deals	? AGRI3 comms lead ? USD 25,000 average per year to lead on the development of these products ? Comms and marketing support ? USD 10,000 for production and editing services ? Also supported by the TA budget, see below on item 4.	? AGRI3 Fund Management and TAF
			Subtotal	**USD 350,000 (over project timeline)**	? As above

Target Audience	Timeline	How it will contribute to the project?s overall impact	Proposed deliverables	Budget[171]	Responsibility
3. Investors and Partnerbanks	? 2022-2032	? Effective communications with potential Investors and Partnerbanks can help generate greater interest in the Fund, eventually leading to greater levels of investment and an expanded Partnerbank network ? This will help the Fund increase its level of participation in a greater number of transactions and increase its overall impact as a result ? Sharing information and analysis of AGRI3 transactions amongst Partnerbanks, will help improve their understanding of the factors that contribute to a successful AGRI3 transaction, along with helping them learn from other projects. It will also help current Partnerbanks reflect on and improve their performance on an ongoing basis.	? Updated investor deck ? Partnerbank pitch deck ? Partnerbank terms and conditions ? Fund brochure ? Fund 2?pager ? AGRI3 Information memorandum ? Articles/press releases on new investments into the fund ? Case studies including lessons learned and key insights	? As above ? AGRI3 comms lead ? USD 25,000 average per year to lead on the development of these products ? Comms and marketing support ? USD 10,000 for production and editing services	? AGRI3 Fund Management
			Subtotal	**Same as 2, no additional budget required**	? As above

Target Audience	Timeline	How it will contribute to the project?s overall impact	Proposed deliverables	Budget[171]	Responsibility
4. Peers and the broader public	? 2022-2032	? Effectively communicating lessons learnt and examples of successful AGRI3 transactions in sustainable agriculture and forest conservation/restoration business models (potentially through the creation of ?Blueprint? models of successful transactions) will help encourage wider replication of the AGRI3 approach and impact beyond its immediate pipeline ? Sharing this information could also help other investors and banks improve their understanding of sustainable agriculture and forest conservation transactions, enabling them to update their risk assessment process of similar projects ? Effective promotion of the Fund across its industry peers will help strengthen its credibility and reputation, eventually leading to greater interest and support for the Fund	? ?Blueprint? documents capturing the structure and key design aspects of successful AGRI3-supported transactions, which can be replicated by others in the sector ? Website updates: ●Webpage for funds? investments (to be updated for every new transaction) ●Press releases on new transactions ●Articles related to AGRI3?s transactions ? Social media posts: information on new transactions, blogs ? Impact report ? Participation and presentations at in-person or virtual events that are promoting: o Food and food security o Sustainable agriculture o Biodiversity conservation ? Broader publicity: inclusion in articles in a financial / impact investing news outlet for example ? Other material: Promotional videos showcasing fund ambitions, progress so far, transactions etc.	? Knowledge management and dissemination budget from the TA facility ? USD 250,000 for market reconnaissance upfront cost for various studies; USD 40,000 average per year for learning and dissemination activities; USD 30,000 average per year for events and workshops ? UNEP mainstreaming support ? average of USD 60,000 per year to support dissemination amongst broader peer group	? AGRI3 Fund Management and TAF

Target Audience	Timelin e	How it will contribute to the project?s overall impact	Proposed deliverables	Budget[171]	Responsibilit y
			Subtotal	**USD 1,550,000 (over project timeline)**	? As above
			Total	**USD 2,750,000**	AGRI3 Fund Management

How the TA Facility will support Communications and Knowledge Management

The AGRI3 Technical Assistance (TA) Facility will be managed by IDH and set up as a separate facility, but ?linked? to AGRI3 activities, working closely with the Fund Manager and the Investment Advisers. The TA Facility may support Communications and Knowledge Management in the following ways:

? Conduct in-depth transaction assessments and development of case studies;

? Take non-commercially sensitive insights from these transactions and make them publicly available where appropriate in a variety of knowledge-sharing formats including workshops, publications and tools; and

? IDH will be able to utilize the key findings and learnings from its management of other separate TA Facilities (e.g., LDN Fund and The &Green Fund) and apply them within the Fund.

? In addition to the support provided by the TA Facility, UN Environment will also promote AGRI3 case studies, and their lessons learnt, along with broader promotion of the AGRI3 model.

9. Monitoring and Evaluation

Describe the budgeted M and E plan

Project monitoring and evaluation will be conducted in accordance with established Conservation International and GEF procedures by the project team and the CI-GEF Project Agency. The project's M&E plan will be presented and finalized at the project inception workshop, including a review of indicators, means of verification, and the full definition of project staff M&E responsibilities.

A. Monitoring and Evaluation Roles and Responsibilities

? Cardano Development will be responsible for initiating and organizing key monitoring and evaluation tasks. This includes the project inception workshop and report, quarterly progress reporting, annual progress and implementation reporting, documentation of lessons learned, and support for and cooperation with the independent external evaluation exercises.

? Cardano Development is responsible for ensuring the monitoring and evaluation activities are carried out in a timely and comprehensive manner, and for initiating key monitoring and evaluation activities, such as the independent evaluation exercises.

? AGRI3 Partnerbanks are responsible for providing required information and data on underlying transactions to support project reporting, including results and financial data, as necessary and appropriate. Partnerbanks report to the Cardano Development on a semi regular basis - as determined in the development of the individual transactions (e.g. quarterly/semi annually/annually)

? The Participants? Meeting (playing a Project Steering Committee function) will play a key oversight role for the project, with quarterly meetings to receive updates on AGRI3 implementation progress, in line with the responsibilities set out in the funds governance documents.

? The CI-GEF Project Agency plays an overall assurance, backstopping, and oversight role with respect to monitoring and evaluation activities.

? The CI General Counsel?s Office with the Grants and Contracts Unit are responsible for contracting and oversight of the planned independent external evaluation exercises at the mid-point and end of the project.

B. Monitoring, Evaluation and Project Management Costs Activities

The Monitoring and Evaluation process for the project will include the following activities:

Inception workshop

? A project inception workshop will be held within the first three months of project start with the project stakeholders. The inception workshop will be used to detail the roles, support services and complementary responsibilities of the CI-GEF Project Agency and the Cardano Development.

Inception workshop Report

? AGRI3 will produce an inception report documenting all changes and decisions made during the inception workshop to the project planned activities, budget, results framework, and any other key aspects of the project. The inception report should be produced within one month of the inception workshop, as it will serve as a key input to the timely planning and execution of project start-up and activities.

Project Results Monitoring Plan for Objective, Outcomes, and Outputs

? The Project Results Monitoring Plan will be refined by the Cardano Development, and aligned with the funds current reporting procedures, which will include objective, outcome and output indicators, metrics to be collected for each indicator, methodology for data collection and analysis, baseline information, frequency of data collection, responsible parties, and indicative resources needed to complete the plan. This will be aligned with the existing Annual Reporting process for the Fund (See Appendix III). Appendix III provides the Project Results Monitoring Plan table that will help complete this M&E component.

? In addition to the objective, outcome, and output indicators, the Project Results Monitoring Plan table will also include all indicators identified in the Safeguard Plans prepared for the project, thus they will be consistently and timely monitored. It is expected that the project will submit the Project Results Monitoring Plan simultaneously with the annual Project Implementation Report.

? The monitoring of these indicators throughout the life of the project will be necessary to assess if the project has successfully achieved its expected results.

Baseline Establishment

? Baseline information (which are aligned to the results framework and core indicators) will be collected for each transaction at the commencement of AGRI3?s support for each transaction.

GEF Core Indicator Worksheet

? The relevant section of the GEF Core Indicator Worksheet was updated for the CEO endorsement submission. This worksheet will also be updated i) prior to mid-term review, and ii) prior to the terminal evaluation.

Participants? Meetings

? Participant?s meetings will be held quarterly. Meetings shall be held to review the financial and impact performance of the fund, discuss implementation issues and identify solutions. The meetings held by the Participant?s Meeting will be recorded and minutes/summaries adequately reported. In the absence of the participants meeting, which will only form with two participants in the fund, the fund will hold quarterly meetings with CI to report on progress.

CI-GEF Project Agency Field Supervision Missions

? The CI-GEF PA will review a sample of transactions on an annual basis. This will include desk based reviews and every 2 years a visit to project field sites. Oversight visits must be coordinated with the Fund and the Cardano Development and subject to the fund being able to coordinate and seek approval from the Partnerbank and client For the field visits, a Field Visit Report will be prepared by the CI-GEF PA staff participating in the oversight mission and will be circulated to the project team and members of the Board of Directors within one month of the visit. To supplement these visits, CI-GEF will conduct desk reviews. CI-GEF will alternate the desk reviews and in-person visits to ensure that these do not occur in the same fiscal year.

? Oversight visits will most likely be conducted to coincide with the timing of Participants? Meetings.

Quarterly Progress Reporting

? AGRI3 will submit quarterly progress reports to the CI-GEF PA using the CI-GEF Project Agency quarterly report template adapted to the context of AGRI3, building on the requirements of AGRI3?s other investors and current reporting formats and the management of an NGI.

Annual Implementation Report

? AGRI3 will submit an annual report according to the CI-GEF PA Project Implementation Report (PIR) template adapted to the context of AGRI3, building on the requirements of AGRI3 other investors and current reporting formats and the management of an NGI. The PIR will summarize the annual project result and progress and will include information on gender, stakeholder engagement, accountability and grievance and knowledge management. CI-GEF will rate the PIR and upload the document to the GEF portal.

Final Implementation Project Report

? Cardano Development will draft a final report at the end of the project.

Independent External Mid-term Review

? The project will undergo an independent Mid-term Review within 30 days of the mid-point of its implementation. The Mid-term Review will determine progress being made toward the achievement of outcomes and will identify course correction if needed. The Mid-term Review will highlight issues requiring decisions and actions, and will present initial lessons learned about project design, implementation and management. Findings and recommendations of the Mid-term Review will be incorporated to support project performance and sustainability during the second half of project implementation.

Independent Terminal Evaluation

? An independent Terminal Evaluation will take place within six months after project completion and will be undertaken in accordance with CI and GEF guidance. The terminal evaluation will focus on the delivery of the project?s results as initially planned (and as corrected after the mid-term evaluation, if any such correction took place). Cardano Development in collaboration with the PSC will provide a formal management answer to the findings and recommendations of the terminal evaluation.

Financial Statements Audit

? Annual Financial reports submitted by Cardano Development will be audited as part of the broader Fund audit process and in line with the funds current audit processes.

ESG Audit

? ESG audits will be conducted during the project implementation period every 2.5 years. For efficiency these audits may be integrated within the evaluation processes required by other investors in AGRI3. CI-GEF ESG audit requirements, specifically to ensure that the projects are delivering the intended global environmental benefits measured through the core indicators and that projects are complying with the Environmental and Social Safeguards (ESS). If integrated with other processes, the CI-GEF agency will review the audit TOR before posting to ensure that it meets the GEF requirements. The precise scope of the audit will be agreed with CI-GEF PA during implementation.

? The source of the funding for the activities under the M&E plan is from the fund management fee, except for the CI-GEF supervision missions and desk reviews as these activities are covered by the GEF agency fee.

The Project Results Monitoring Plan Appendix (Appendix III) provides information that will help complete this M&E component.

10. Benefits

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

Sustainable agriculture and forestry can help farmers to realize short-term and long-term economic benefits. According to the FAO, there is a direct positive correlation between growth in agriculture and the eradication of hunger and poverty. Agriculture is on average twice as effective in reducing poverty as non-agriculture sectors, and five times more effective than other sectors in resource poor low-income countries. However, the current trajectory of growth in agriculture is unsustainable and the negative environmental impacts from agriculture could increase 50-90% by 2050.

To reverse this trajectory, there is a need for more investment into sustainable agriculture. This investment is crucial to increasing food production to meet growing demand, improving the access of vulnerable people to food, and by stabilizing markets so that prices are affordable for consumers and remunerative for producers. Investments in agriculture can improve the resilience of rural incomes and livelihoods by addressing climate change, conserving natural resources and facilitating the transition to sustainable agriculture.

A key component of the Fund is improving rural livelihoods and farmers are the ultimate beneficiaries of all transactions related to the Fund. Each transaction should have a strong focus on improving rural livelihoods and the project?s Result Framework specifies that at least 300,000 farmers and farm workers will be trained in sustainable forest management and sustainable agricultural practices.

The Fund will help transition farmers to climate-smart agricultural practices which helps to address the interconnected challenges of climate change and food security. Climate-smart agriculture can help increase productivity (e.g., from improved water and soil conservation), it can help enhance farmer resilience (e.g., via agricultural practices to reduce vulnerability to drought, pests, diseases and other climate-related shocks) and reduce emissions (e.g., increasing carbon sequestration through improved soil health and avoiding deforestation).

Through this model the Fund is aiming to achieve the following key outcome targets over twenty years. These targets are all based on average figures from six selected case studies, and multiplying this average by AGRI3?s targeted number of transactions (see Appendix XVIII for more details):

- 87,000 hectares of degraded land restored (contributing to GEF Core Indicator 3.1)
- 41,000 hectares of forest under improved management (contributing to GEF Core Indicator 4.1)
- 700,000 hectares of agricultural lands under sustainable management (contributing to GEF Core Indicator 4.3)
- 18,400,000 tCO2eq of carbon emissions avoided/ sequestered (Over 20 years - contributing to GEF Core Indicator 6.1)
- 300,000 farmers and farm workers trained, 30% of whom are female (contributing to GEF Core Indicator 11).

11. Environmental and Social Safeguard (ESS) Risks

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

Overall Project/Program Risk Classification*

PIF	CEO Endorsement/Approval	MTR	TE
	Low		

Measures to address identified risks and impacts

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

The EA will be required to undertake the following measures:

I. Resource Efficiency and Pollution Prevention

Prepare and implement a Resource Efficiency and Pollution Prevention Plan to avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from project activities; to promote more sustainable use of resources, including energy and water; to reduce project-related emissions of Greenhouse Gas (GHG); to avoid or minimize generation of hazardous waste; and to minimize and manage the risks and impacts associated with pesticide use.

II. Climate Risk and Related Disasters

Screen each project for climate risks and propose mitigating actions for the Partnerbank to undertake with their client.

Other Plans

Apart from the safeguard policy, the project is required to comply with the GEF?s policies on Accountability and Grievance, Gender, and Stakeholder Engagement. As such, the project is required to develop the following plans:

III. Accountability and Grievance Mechanism

To ensure that the project meets CI-GCF/GEF Project Agency?s Accountability and Grievance Mechanism Policy, the EE is required to develop an Accountability and Grievance Mechanism (template provided) that will ensure people affected by the project are able to bring their grievances to the EE for consideration and redress. The mechanism must be in place before the start of project activities, and disclosed to all stakeholders in a language, manner and means that best suits the local context.

In addition, the EE is required to monitor and report on the following minimum accountability and grievance indicators:

1. Number of conflict and complaint cases reported to the project?s Accountability and Grievance Mechanism; and
2. Percentage of conflict and complaint cases reported to the project?s Accountability and Grievance Mechanism that have been addressed.

IV. Gender Mainstreaming Plan (GMP)

The GMP (template provided) should include a gender analysis including the role of men and women in decision-making, and appropriate interventions with gender-related outcomes to ensure that men and women have equal opportunities to participate and benefit from the project.

Further, the project should examine the extent of Gender Based Violence (GBV), the likelihood of project activities contributing/exacerbating GBV, and proposed mitigation measures as needed.

In addition, the EA is required to monitor and report on the following minimum gender indicators:

1. Number of men and women that participated in project activities (e.g. meetings, workshops, consultations);
2. Number of men and women that received benefits (e.g. employment, income generating activities, training, access to natural resources, land tenure or resource rights, equipment, leadership roles) from the project; and if relevant
3. Number of strategies, plans (e.g. management plans and land use plans) and policies derived from the project that include gender considerations.

V. Stakeholder Engagement Plan (SEP)

To ensure that the project complies with the CI-GCF/GEF?s Stakeholders? Engagement Policy, the EA is required to develop a Stakeholder Engagement Plan (template provided).

In addition, the EA is required to monitor and report on the following minimum stakeholder engagement indicators:

1. Number of government agencies, civil society organizations, private sector, indigenous peoples and other stakeholder groups engaged in the project implementation phase;
2. Number persons (sex disaggregated) engaged in project implementation phase; and
3. Number of engagement (e.g. meeting, workshops, consultations) with stakeholders during the project implementation phase

Safeguard Policy	**Yes**	**No**	**Justification**
1. Environmental & Social Impact Assessment (ESIA)		**X**	No significant adverse environmental and social impacts that are sensitive, diverse, or unprecedented is anticipated.

2. Accountability and Grievance Mechanism	**X**		All GEF projects are required to have a Grievance and Accountability Mechanism in place.
3. Biodiversity Conservation and the Sustainable Management of Living Natural Resource		**X**	The project is not proposing activities that would have adverse impacts on natural or critical natural habitats, contravene applicable international environmental treaties or agreements or introduce or use potentially invasive, non-indigenous species.
4. Restrictions on Land Use and Involuntary Resettlement		**X**	The project is not proposing restrictions on land use or involuntary resettlement.
5. Indigenous Peoples		**X**	The project does not plan to work in lands or territories traditionally owned, customarily used, or occupied by indigenous peoples.
6. Cultural Heritage		**X**	The project does not plan to work in areas where cultural heritage, both tangible and intangible, exists.
7. Resource Efficiency and Pollution Prevention	**X**		There are no proposed activities related to the use of banned, restricted or prohibited substances, chemicals or hazardous materials. However, the project plans to implement sustainable and climate-smart agricultural practices.
8. Labor and Working Conditions	**X**		The necessary policies, procedures, systems and capabilities that meets the requirements set out in the GEF Minimum Standard 8 are to be assessed during the PPG Phase.
9. Community Health, Safety and Security	**X**		The necessary policies, procedures, systems and capabilities that meets the requirements set out in the GEF Minimum Standard 9 are to be assessed during the PPG Phase.

Table 10: Safeguard Categorization

PROJECT CATEGORY	**Category A**	**Category B**	**Category C**
			X

Justification:

The proposed project activities are likely to have minimal or no adverse environmental and social impacts.

During the PPG phase, the following environmental and social safeguard plans were developed following the screening process:

? Resource Efficiency and Pollution Prevention;

? Labour Management Procedures;

? Community Health, Safety and Security; and

? Climate Risk and Related Disasters.

A summary of these plans is presented below. The full versions are included in the Appendix:

Resource Efficiency and Pollution Prevention (Appendix VI)

This plan describes the process that AGRI3 will use to assess and mitigate risks related to pesticides in target countries, as well as the policies/practices that AGRI3 Partnerbanks and their clients will be required to apply. As the full AGRI3 transaction portfolio is not yet identified, it is not specific to any particular ?on-the ground? activities. Instead the plan outlines the typical pest management approaches, pesticide use, and regulatory frameworks applied in Brazil, Indonesia and West Africa for the production of soy, cattle, palm oil, coffee and cocoa. A typical process for AGRI3 engaging with Partnerbanks will be:

1) Prior to any individual transaction-related contract with a Partnerbank, AGRI3 will review relevant information and documents provided by the Partnerbank and client ? and based on this make an assessment regarding the risks related to pesticide and herbicide use.

2) This preliminary assessment of compliance with the AGRI3 E&S Framework may be followed by detailed due diligence depending on any high-risk issues identified which can include client meetings, further documentation reviews and site visits. This will depend on the region and sector that is in question.

3) Should high risks be identified, and there are not sufficient plans in place to mitigate those risks, then AGRI3 will agree an Environmental and Social Action Plan (ESAP) item to address the underlying risk within a timeframe to be agreed between the Partnerbank and the client.

4) If these don?t already exist, the ESAP will include a list of actions that the Partnerbank will ensure the client undertakes, to mitigate the risks associated with specific E&S requirements such as stakeholder engagement, grievance management, monitoring and evaluation plans.

In addition to aligning with the AGRI3 E&S Framework, transactions supported by AGRI3 aim to operate in line with the IFC Performance Standard on Resource Efficiency and Pollution Prevention (IFC PS3).

Labour Management Procedures (Appendix VII)

This plan identifies the main labour requirements and risks associated with the project and helps AGRI3 to determine the resources necessary to address project labour issues. Again, this is not specific to any particular ?on-the ground? activity. Rather it outlines labour issues present in the agricultural sector in target countries and sets out the procedures that AGRI3 Partnerbanks will be required to implement to assess and monitor when conducting transactions supported by AGRI3.

AGRI3 will expect clients of the Partnerbanks to have evidence of labour management policies and procedures established in accordance with applicable national laws. Partnerbanks should also have policies and procedures to assess and monitor their client labour management risks. Transactions supported by AGRI3 should aim to comply with IFC PS2, as per the requirements of the AGRI3 E&S Framework.

Community Health, Safety and Security (Appendix VIII)

AGRI3 will aim to identify the risks to community health, safety and security, in line with IFC PS4 for each transaction. This will also take into account relevant Partnerbank policies and relevant national laws.

The assessment will identify the current activities from Partnerbanks and their clients to mitigate and address any risks, including reviewing their relevant policies, where relevant. Where AGRI3 identifies specific risks not addressed by activities or company policies, it will provide action items to mitigate the risks as part of the Environmental and Social Action Plan (ESAP) developed with the Partnerbank financing the transaction.

Climate Risk and Related Disasters (Appendix IX)

The plan outlines key climate hazards for AGRI3 target commodities and target regions. It provides recommendations on measures that AGRI3 will take to manage climate vulnerability and risk, in terms of the overall project and specific actions.

As part of its broader E&S risk assessment process AGRI3 will screen each project for climate risks and propose a set of mitigating actions to the Partnerbank to implement with their client. The ability of the Partnerbanks and clients to take on these mitigation recommendations will depend on the resources available and alignment with commercial objectives. Examples of these mitigating actions are provided in the full plan in the Appendix.

Accountability and Grievance Mechanism Plan (Appendix XII)

The Accountability and Grievance Mechanism (AGM) details how all stakeholders related to AGRI3 can raise grievances and how these will be processed. The AGM was informed through existing policies and frameworks that AGRI3 already has in place to mitigate and address grievances, including:

? **AGRI3 Early Disclosure policy.** Prior to any completed transaction with Partnerbanks, AGRI3 has a detailed Early Disclosure Policy which provides for public disclosure of information related to transactions that the Fund aims to support. The intention is to alert stakeholders and interested parties to the transaction and provide the opportunity to raise any queries, questions or complaints about the transaction or underlying activities[1].

? **AGRI3 Environmental & Social Framework.** Partnerbanks are expected to implement and maintain a project-level complaints and grievance mechanism and ensure that the companies supported through AGRI3 also have a project level mechanism.

? **AGRI3 Integrity Policies.** These include a Complaints Policy which details the procedures in place for any complaints against its staff, or transactions it has been involved in, and how AGRI3 will respond to any complaints made by interested parties and ensure they are responded to consistently and within a reasonable timeframe.

Supporting Documents

Upload available ESS supporting documents.

Title	Module	Submitted
20220816 - AGM	**CEO Endorsement ESS**	
20220816 Submission Preliminary ESS and Analysis	**CEO Endorsement ESS**	
Safeguard Screening	**CEO Endorsement ESS**	
20211115 AGRI3 Fund Secondary Safeguard Screening Analysis Results	**CEO Endorsement ESS**	

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

Objective:	AGRI3 will de-risk USD 1 billion of private sector financing and provide USD 15 million in technical assistance for forest conservation/restoration and sustainable agriculture in developing countries and emerging markets to address climate change and land degradation.
	a. Total private sector financing for forest conservation/restoration and sustainable agriculture in developing countries mobilized via de-risking (USD 1 billion) b. Number of companies receiving financing from a Partnerbank supported by AGRI3 supported loans and/or technical assistance (48 companies)

Component 1: Forest conservation/ transformation to sustainable and climate-smart agriculture			
Outcome 1.1: Forested lands are protected and sustainably managed Indicator 1.1.1: Number of hectares of forested lands under improved management (GCI 4.1) Indicator 1.1.2: tCO2eq of carbon emission avoided/ sequestered (GCI 6.1)	Baseline 1.1.1 No hectares of forested land under improved management Baseline 1.1.2 No tCO2eq of carbon emission avoided/ sequestered	Target 1.1.1: 41,000 hectares of forest under improved management Target 1.1.2: 12,000,000 tCO2eq of carbon emission avoided/ sequestered	**Output 1.1.1.1** 48 company plans are developed for forest conservation/restoration and the transition to sustainable and climate-smart agriculture in a gender-inclusive manner **Indicator 1.1.1.1** Number of company forest conservation/ restoration and/or sustainable and climate smart agriculture plans developed and finalized **Target 1.1.1.1** 48 company plans for forest conservation/restoration and the transition to sustainable and climate-smart agriculture in a gender-inclusive manner

Outcome 1.2 **Agricultural areas implement sustainable/ climate-smart agriculture practices** Indicator 1.2.1: hectares of agricultural lands under sustainable management (GCI 4.3) Indicator 1.2.2: hectares of degraded lands restored (GCI 3.1) Indicator 1.2.3: tCO2eq of carbon emission avoided/ sequestered (GCI 6.1)	Baseline 1.2.1 No hectares of agricultural lands under sustainable management Baseline 1.2.2 No hectares restored Baseline 1.2.3: No tCO2eq of carbon emission avoided/ sequestered	Target 1.2.1: 700,000 hectares of agricultural lands under sustainable management Target 1.2.2: 87,000 hectares of degraded land restored Target 1.2.3: 6,400,000 tCO2eq of carbon emission avoided/ sequestered	**Output 1.2.1.1** USD 1 billion of Partnerbank financing for sustainable agriculture and forest conservation/restoration mobilized through de-risking and/or delivered with specific conditions related to these themes. **Indicator 1.2.1.1a** Amount of funding deployed in de-risking products to Partnerbanks. **Target 1.2.1.1a** USD 150 million fund that can extend USD 306 million of de-risking products to Partnerbanks **Indicator 1.2.1.1b** Amount of Partnerbank finance mobilized as a result of de-risking **Target 1.2.1.1b** USD 1 billion of Partnerbank finance mobilized as a result of de-risking[197][2] **Output 1.2.1.2** A total value of USD 15 million of technical assistance to implement the transitions is made available from the Technical Assistance Facility (TAF) **Indicator 1.2.1.2** USD value of technical

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

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
Part 1 ? Project information			
1. **Focal area elements.** Is the project/program aligned with the relevant GEF focal area elements in Table A, as defined by the GEF 7 Programming Directions?	[Ulrich] The project is well-aligned with the LD programming strategy, not only to LD-1-1, but to a large extent also to LD-1-2 and LD-1-3 (please select from drop down menu in Table A as appropriate). [3/23] LD 1-2 and LD1-3 added to the drop-down menu	[Ulrich] Addressed.	No response needed
	[Pascal] The project seems to be well aligned with CCM programming strategy, but a clarification is needed regarding the component 1: ?Forest conservation/ transformation to sustainable and climate-smart agriculture?. What kind of land is expected to be transformed? [3/23] Projects of the fund are not yet identified, but will be through the funds origination process, and done with the fund?s Partnerbanks?s and their client. The type of land that is expected to be transformed: 1. Agricultural Land: Agricultural production land with potential for improvement of: productivity, landscape integration and biodiversity conservation. This will lead towards: higher production (reducing land pressure and avoiding deforestation of additional land), better integration in landscapes and adding tree-or biodiversity zones, in line with local regulations and legislation. 2. Degraded land: land in use or not in use - utilizing national definitions of degraded land, e.g. potentially applying EMBRAPA's definition in Brazil - with severely reduced productivity and fertility. This will lead towards restoration of fertility and soil quality, preparing for use of agricultural production or cattle breeding, reducing land pressure and avoiding deforestation of additional land elsewhere, adding tree- or biodiversity zones. 3. Degraded forest: This may be done through either Passive upgrading (protecting it), Active upgrading (replanting, or active upgrading to more productive combined agricultural / forestry systems)	[Pascal] On degraded forests, it is not specified if the species planted will be native or exotic. Please clarify. Although not demanded explicitly, there is a preference for native species. One of the example transactions already executed included replanting of native species.	Section 3A, paragraphs 127-129 describes how transactions supported by AGRI3 will transition and restore degraded forests, where relevant and considered as part of the project.

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
2. **Indicative project/program description summary.** Are the components in Table B and as described in the PIF sound, appropriate, and sufficiently clear to achieve the project/program objectives and the core indicators?	[Ulrich] Alignment with Land Degradation focal area in the concept needs to be elaborated and a link made to global UNCCD agenda and how this contributes to LDN efforts of selected countries. Proponents might want to check the LDN fund for an example. [3/23] The AGRI3 fund will directly contribute to the UNCCD, specifically to the ?The future strategic framework of the Convention (Decision 7/COP.13). Within the Fund's E&S and Impact framework, primary Indicator 2.1a is specifically focused on supporting financing of transactions to restore degraded land (Area of degraded land restored within concessions of funded projects). The Fund will support farmers that aim to improve land and forest productivity and protect existing natural capital. This will support the achievement of the following objectives in the UNCCD strategic framework: ? Strategic objective 1: To improve the condition of affected ecosystems, combat desertification/land degradation, promote sustainable land management and contribute to land degradation neutrality: ? Strategic objective 2: To improve the living conditions of affected populations ? Strategic objective 5: To mobilize substantial and additional financial and non-financial resources to support the implementation of the Convention by building effective partnerships at global and national level The Fund will work with private sector and NGOs to support these efforts. Where relevant and applicable, AGRI3 will also contribute to land degradation targets and national plans as set under the LDN target setting process.	[Ulrich] Addressed in the review sheet but not in the PIF. [Ulrich] Contributions to LDN efforts of *selected countries* are still not specified.	Alignment with the land degradation focal area is described in Section 3D, paragraph 164. Consistency with UNCCD LDN Targets to selected countries is described in Table 7 Consistency with National Priorities, Plans and Policies.
	[Pascal] In table B it is unclear how the project resources will be distributed among the 2 outcomes (forest/agriculture). There could be 2 components or at least clearly indication of which amount is allocated to each outcome. [3/23] At this point in the project, it is impossible to make hard commitments on the exact allocation of the GEF investment over the 2 outcomes. Based on the preliminary pipeline, our expectation is that the majority of the investment (75%+) will go into agricultural production land under sustainable management; this includes landscape models that actively manage or conserve forest including HCV and/or HCS areas. The remainder will go into protection and sustainable management implementation of plain forest areas.	[Pascal] Addressed.	No response needed

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
	[David] Table B, Component 1 describes the entire project without differentiating between the project elements. This does not allow analysis of the respective project amounts or co-financing for each element. For example, not clear that several of the project elements can be supported with GEF non-grant (e.g., Output 4 TA. These details are noted in the project description so should be easy to add into Table B. [3/23] As the AGRI3 Fund is revolving by definition, with guarantees expiring and sub-ordinated loans being paid back, all investments of the Fund can be supported with GEF non-grant. The only exception is the TA Fund, which is non-revolving and which therefore should be entirely grant-funded. This application focuses exclusively on a GEF contribution from the non-grant window as Investment In the AGRI3 Fund.	We understand that the sources of TA fund are grants from ?Netherland Government ($ 5M)? and ?Others ? To be mobilized during implementation ($ 10M)? and GEF contribution is equity, does not contribute to TA. Please specify this either in the Table B, C or in the description. Also, co-financing amount should be identical from Table C and ANNEX A ?Project Financing?, now they are different from one another.	This is now specified in the co-finance Table 14 Committed Co-financing.
	[3/23] CI and Rabobank will add alignment with the BD focal area strategy after the next review.		This is now specified in section 3K, Consistency with GEF Focal Area and/or Fund(s) Strategies.

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
3. **Co-financing**: Are the indicative expected amounts, sources and types of co-financing adequately documented and consistent with the requirements of the Co-Financing Policy and Guidelines, with a description on how the breakdown of co-financing was identified and meets the definition of investment mobilized?	[David] Co-financing ratio is good. However, table C is vague ? the project should describe if the target co-financing will be loans or equity or grants. Further, Table C does not identify the 15 million TA facility investment. That should be clarified and any TA financing should be recorded in Table C. Further, page 20 references scale up to 1 billion USD, yet that figure is not listed in Table C. Clarification of which amounts are counted as co-financing is needed. [3/23] AGRI3 seeks to secure investment in the AGRI3 Fund to the amount of USD 140 mln and to secure grant funding of the TAF Fund to the amount of USD 15 mln. The AGRI3 balance sheet of USD 140 mln suffices to secure (off-balance sheet) guarantees to a total of USD 300 mln, issued to participating banks. The USD 300 mln suffices to de-risk a total of USD 1 bln of loans of participating banks to their clients to finance their investments in forest conservation and sustainable agriculture. Table C adds up to USD 142 mln. Taken together with the net investment by GEF of ca. USD 13 mln. this makes USD 155 mln which equals the targeted size of the AGRI3 Fund (USD 140 mln) plus the targeted size of the TA Fund (USD 15 mln). The funding for the TA Facility is included in Table C (Government of Netherlands $5M and $10M to be mobilized during the life of the project).	[Teayeon] Please describe the financial unlocking and TAF sources in the PIF as described in the here in the review sheet. Please clarify this as you provided in the termsheet and throughout the document.	Sources of financing for the TAF are now contained in the co-finance table (Table 13 Committed Co-financing). Note that the financing amounts have been refined and updated since the submission at PIF stage last year.
4. **GEF resource availability.** Is the proposed GEF financing in Table D (including the Agency fee) in line with GEF policies and guidelines?	yes		No response needed
5. Impact Program Incentive.	[Pascal] The alignment with the FOLUR IP (most of the AGRI3 countries and commodities are the same as in FOLUR IP) is potentially interesting to develop synergies.		No response needed
6. **Project Preparation Grant.** Is PPG requested in Table E within the allowable cap? Has an exception (e.g. for regional projects) been sufficiently substantiated? (not applicable to PFD)	N/A		No response needed

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
7. **Core Indicators.** Are the identified core indicators in Table F calculated using the methodology included in the correspondent Guidelines? (GEF/C.54/11/Rev.01)	[David] The core indicators need to be carefully analyzed and seem low compared to other $15 million investments with so much co-financing. [3/23] There was a confusion over "direct" and "indirect" GHG emissions mitigated (GEF Core Indicator 6.1). Upon clarification, all 6,000,000 ton CO2eq mitigation Is to be counted as "direct." The Core Indicators table has been updated accordingly. CO2 emissions from farms avoided / sequestered have not yet been measured as the first investments are only made now. These emissions avoided / sequestered will come on top of the calculated emissions avoided / sequestered by forest of 6,000,000 ton CO2eq and will thus further improved the benefits to climate change mitigation. At this point in time it is too early to give a precise forecast of this additional benefit.	[Pascal] The result is improved but remain relatively low. We cannot accept an explanation that CO2 emissions can?t be estimated at PIF stage. TEAM The PIF should have at least conservative estimates with logics behind how the calculation is made. Also, the number of hectares (Core Indicator 3, 4) should be specified with the logic based on the existing data available. For now, we cannot find it from the PIF. See calculation to the left	Explanations for these estimates are provided in Appendix XVIII: Maximizing GEBs.
PART 2 ? Project justification			

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
1. Has the project/program described the global environmental / adaptation problems, including the root causes and barriers that need to be addressed?	[Pascal] The proposed alternative scenario describes in general what is AGRI3 but it isn?t clearly related to the output /outcomes of the project. The description should be more specific about the project concrete activities and how it articulates with the baseline. [3/23] Page 12/13 of the PIF have been expanded by including examples of project activities leading to the foreseen outputs and outcomes of the project. Reference is also made to the AGRI3 E&S policy which has been added as an attachment.	[Teayeon, Pascal] Can you specify in which section of the PIF p12/13 the text has been completed? We do not see any updates in the alternative scenario description from the last version of the PIF (Part II. 3. proposed alternative scenario). In addition, each output of the project should be described (not only the outcomes).	Alternative scenario fully described in Section 2G, Cost effectiveness analysis of chosen alternative.
	[Pascal] As regard to the GHG benefits, the period for the estimate should be 20 years (and not 19) and the result of 500,000 t CO2e as direct benefits is much too low compared to the investment. How this result has been calculated, where does the mitigation comes from and what is the difference made between indirect and indirect? Couldn?t the CO2 emissions from farms avoided/sequestered by farms be estimated if we know the number of ha under improved practices (even in a very conservative manner)? [3/23] Core Indicators have been updated. Period for the estimate is now 20 years. CO2 emissions from farms avoided / sequestered have not yet been measured as the first investments are only made now. These emissions avoided / sequestered will come on top of the calculated emissions avoided / sequestered by forest of 6,000,000 ton CO2eq and will thus further improved the benefits to climate change mitigation. At this point in time it is too early to give a precise forecast of this additional benefit.	[Teayeon] Please refer to Core Indicator question and give more description on the calculation of estimation.	Explanations for Core Indicator contributions are provided in Appendix XVIII: Maximizing GEBs.
2. Is the baseline scenario or any associated baseline projects appropriately described?	N/A		No response needed

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
3. Does the proposed alternative scenario describe the expected outcomes and components of the project/program?	N/A		No response needed
4. Is the project/program aligned with focal area and/or Impact Program strategies?	N/A		No response needed
5. Is the incremental / additional cost reasoning properly described as per the Guidelines provided in GEF/C.31/12?	N/A		No response needed
6. Are the project?s/program?s indicative targeted contributions to global environmental benefits (measured through core indicators) reasonable and achievable? Or for adaptation benefits?	N/A		No response needed
7. Is there potential for innovation, sustainability and scaling up in this project?	N/A		No response needed

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
Project Map and Coordinates. Is there a preliminary geo-reference to the project?s/program?s intended location?	[Ulrich] The selection of countries needs to be elaborated on (criteria?) and a balance created between the low hanging fruits and more difficult geographies (including the ones that are in need, e.g. LDCFs) [3/23, *answered in termsheet section saying the answer was not saved in the portal*] While AGRI3 has a global scope, in effect it will focus on low- and middle income countries that contain considerable amounts of forest under threat with a preference for those countries that have made progress with regards to UNFCCC Redd+ mechanisms. A practical circumstance is also that AGRI3 will focus on those countries where partner banks will be disclosing client relationships that focus on forest conservation and implementation of sustainable agricultural practices. Initial focus will be on Brazil, Indonesia and India, while over time Investments will also be made in LDC (as defined by OECD) countries (as also conditioned by the Dutch Government investment). Eventually, we foresee a spread of investment over Latin America, Sub-Saharan Africa and South- and South-East Asia. Finally, CI will engage with Rabobank to understand if the Financial Model can be shared.	[Ulrich] Please elaborate country selection criteria. See the country selection criteria to the left. In addition, partner banks will have their own country selection criteria based on political risk assessment, sovereign risk rating, stability of the currency etc. For now, this means that major forest countries e.g. Brazil, Indonesia, Colombia, India, West African countries are in scope ? but that for instance DRC or Congo Brazzaville may be an issue because of political risk assessment.	This is further described in Section 2A Geographic scope, paragraphs 12 and 13. The fund has a global scope, with a focus on MICs and LICS, with a particular preference for those geographies with high forest cover and deforestation risks.

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
Stakeholders. Does the PIF/PFD include indicative information on Stakeholders engagement to date? If not, is the justification provided appropriate? Does the PIF/PFD include information about the proposed means of future engagement?	N/A		No response needed
Gender equality and women?s empowerment. Is the articulation of gender context and indicative information on the importance and need to promote gender equality and the empowerment of women, adequate?	N/A		No response needed
Private sector engagement. Is the case made for private sector engagement consistent with the proposed approach?	N/A		No response needed
Risk. Does the project/program consider potential major risks, including the consequences of climate change, that might prevent the project objectives from being achieved or may be resulting from project/program implementation, and propose measures that address these risks to be further developed during the project design?	N/A		No response needed

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
Coordination. Is the institutional arrangement for project/program coordination including management, monitoring and evaluation outlined? Is there a description of possible coordination with relevant GEF-financed projects/programs and other bilateral/multilateral initiatives in the project/program area?	N/A		No response needed
Consistency with national priorities. Has the project/program cited alignment with any of the recipient country?s national strategies and plans or reports and assessments under relevant conventions?	[Ulrich] Alignment with Land Degradation focal area in the concept needs to be elaborated and a link made to global UNCCD agenda and how this contributes to LDN efforts of selected countries. Proponents might want to check the LDN fund for an example. [3/23] The AGRI3 fund will directly contribute to the UNCCD, specifically to the ?The future strategic framework of the Convention (Decision 7/COP.13). Within the Fund's E&S and Impact framework, primary Indicator 2.1a is specifically focused on supporting financing of transactions to restore degraded land (Area of degraded land restored within concessions of funded projects). The Fund will support farmers that aim to improve land and forest productivity and protect existing natural capital. This will support the achievement of the following objectives in the UNCCD strategic framework: ? Strategic objective 1: To improve the condition of affected ecosystems, combat desertification/land degradation, promote sustainable land management and contribute to land degradation neutrality: ? Strategic objective 2: To improve the living conditions of affected populations ? Strategic objective 5: To mobilize substantial and additional financial and non-financial resources to support the implementation of the Convention by building effective partnerships at global and national level The Fund will work with private sector and NGOs to support these efforts. Where relevant and applicable, AGRI3 will also contribute to land degradation targets and national plans as set under the LDN target setting process.	[Ulrich] Contributions to LDN efforts of *selected countries (e.g. Brazil, India, Indonesia)* are still not specified. [Ulrich] Partly addressed in the review sheet but not in the PIF.	Consistency with UNCCD LDN Targets is described in Table 7: Consistency with National Priorities, Plans and Policies.

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
Knowledge management. Is the proposed ?knowledge management (KM) approach? in line with GEF requirements to foster learning and sharing from relevant projects/programs, initiatives and evaluations; and contribute to the project?s/program?s overall impact and sustainability?	N/A		No response needed
Country Endorsements. Has the project/program been endorsed by the country?s GEF Operational Focal Point and has the name and position been checked against the GEF data base?	N/A		No response needed

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
Termsheet, reflow table and agency capacity in NGI Projects. Does the project provide sufficient detail in Annex A (indicative termsheet) to take a decision on the following selection criteria: co-financing ratios, financial terms and conditions, and financial additionality? If not, please provide comments. Does the project provide a detailed reflow table in Annex B to assess the project capacity of generating reflows? If not, please provide comments. After reading the questionnaire in Annex C, is the Partner Agency eligible to administer concessional finance? If not, please provide comments.	[Avril] Type of GEF investment: they suggest a junior participation, but the financial additionality needs to be explained for that purpose. Rabobank will share the financial model with us and provide more details. [3/23] Upon request of GEF, the Financial Model has been validated and updated with the latest Information. This Model is available upon request. Based on this Model, we kindly ask GEF for a senior participation with a targeted return of 5% per annum. This return is similar to the targeted return of other participants. The additionality of GEF is in the fact that GEF will be the first investor in this asset class, after investments of the NL Government and Rabobank in different asset classes. In our expectation, this anchor investment by GEF will help other investors to come in as junior or senior participant as well.	[Avril] As described in PIF, senior participants may have a return between 0-5%; but in page 34 it says that the target ROI for the GEF is 2%. Please consistency throughout the document. In the termsheet, please include language that explicitly says that the GEF is a senior equity participant. Termsheet says that GEF participation ?will unlock a new asset class of junior and senior participants which is key to the success and governance of the Fund (conditions for junior and senior participants are given below)? How would a senior equity participation be key to unlock senior debt? That is the financial additionality which is vaguely described. We need numbers, please so as to validate our position. Was included in last version of PIF but apparently not submitted. Ben	The additionality of AGRI3 is described in Section 3A in the Financial and impact additionality (paragraph 91), the Eligibility Criteria (paragraph 103), Transaction sourcing during the investment process (paragraph 113), Section 3C additionality of GEF contribution (paragraph 158), the ?Partnerbank ? row of the Stakeholder Mapping table in Appendix XI, and the Investment Process in Appendix XVIII.

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
	Type of product offered by the fund: they mention that the guarantees should be backed by deposits or counter guarantees which may limit the universe of borrowers; we should understand collateral requirements if any. [3/23] Guarantees of the AGRI3 Fund to participating banks will be (partially) secured by cash collateral that AGRI3 poses at those participating banks. Borrowers do not notice this collateralisation of guarantees and consequently there are no additional collateral requirements for borrowers.	Please include this explanation in the termsheet in the Use of proceeds section, or other as you see fit, also please address the section that explains this in the PIF. It was not clear (section on Risks: Liquidity risks). On the guarantee operation, since this is central to the project and GEF, this area needs elaboration. Additional questions to come there: not clear if the debt financed would be funded or unfunded; if unfunded the guarantee fees plus the cost of debt provided against the guarantees could be high. How does that work in the balance sheet?	This information is provided in Appendix XV: Key terms to investors and investees.

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
	[Avril] Fund Governance and Structure: Agri 3 is an open-ended investment fund structured as a fund for joints account; under Dutch law, it is not a legal entity but a contractual arrangement sui generis between Agri 3 Fund Manager BV stitching title holder AGRI 3 and each of the participants in the fund. I am not sure what the sui-generis arrangement means or what are the implications. Investment services seem to be outsourced to Althelia/Mirova as advisor but not sure who the fund manager is, and what the responsibilities would be. They also mention several times ESG policies we have not seen: we would need to understand for example if noncompliance with ESG, would that be a cause of breach of covenants? We would need Legal DD. [3/23] Information on the FGR structure can a.o. be found in https://www.cliffordchance.com/content/dam/cliffordchance/briefings/2012/03/dutch-law-funds-for-joint-account.pdf. The Fund itself, in terms of liabilities (equity, debt), assets (cash collateral posted at participating banks and liquidity) and of-balance-sheet liabilities (guarantees) is administered in Stichting Titleholder AGRI3. The Fund Manager is Fund Manager BV - populated by Mirova/Althelia and 2 other fund managers. Legal DD will be completed during the PPG phase.	This is not enough information, I would ask to please explain the governance structure for a given project. Can simply add the full governance structure as set out in the grant application to give full detail of the roles and responsibilities ? this is pretty comprehensive . However, they also ask for the governance structure for a given project. If they are alluding to how projects will be governed, then I think we need to explain that the nature of a guarantees fund and commercial lending and how we will not be prescribing a governance structure to any investment. What is the opinion of legal counsel of CI at this preliminary stage? On the Fund capitalization plan, it sounds like commercial lenders making use of the facility will each be	Further information on the governance process for AGRI3 and how this relates to transaction management is provided in Section 5A, Transaction sourcing during the investment process paragraph 113 and Appendix XIV: Summary of Fund key processes.

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
	[Avril] Investment strategy: the proposal mentions two stages: (i) initial stage and (ii) later stage but the concepts are overall vague and are not reflected in the termhseet. The proposal also mentions the revolving aspect of the fund that is then not detailed or mentioned in the termsheet. [3/23] The initial stage is the stage of capitalisation of AGRI3 until the threshold of USD 100 mln. Above this threshold, Dutch law requires AFM supervision. Once AGRI3 surpasses this threshold, we speak of the "later stage." The structure of AGRI3 itself will not change but additional registration and governance measures will be in place. The GEF investment will in its entirety be part of the initial stage. The Fund is revolving in the sense that:Investments, plus net profit or minus net losses, will be paid back at dissolution of the Fund. Within the lifetime of the Fund, capital that was invested to secure guarantees and is freed up at the expiration of the guarantee, will be re-invested in new guarantees and thus have additional benefit in forest conservation and sustainable agriculture.	Please make this clear throughout the document. The revolving aspect, as described should be part of the termsheet. What it seemed is that Investors can be participating and leaving as they wish; what are the rules for this? Set out the lock up period and also the valuations as set out in the T&Cs and waterfall	This information is provided in Appendix XV: Key terms to investors and investees.

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
	[Avril] The proposal refers to investment criteria that was not in an Annex. The GEF should receive copy of that annex to double check that they meet our requirements from the GEBs angle. [3/23] Requested Annex is attached	The Investment Guidelines is attached, it nevertheless does not provide information on credit worthiness of the clients or how this will be assessed by the fund or the financial institution- would a financial institution share with the fund its internal methodologies of credit risk assessment? There are additional comments which need to be part of this investment criteria section.	The credit worthiness assessment will be carried out by the Partnerbanks, using their own assessment methods. Parts of these, where permitted due to confidentiality, will be shared with the fund. AGRI3 will carry out its own financial assessment of the client and transactions. This will include a review of the guarantee rationale and additionality; structure and alignment; structural and financial risks; and deal terms.

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
	[The terms of GEF investment, ROI, and maturity should be clarified. On page 33 the project leaves open for negotiation whether GEF should be a junior or senior partner, and/or accept a lowered ROI of 2%. The requesting agency should clarify the catalytic role of GEF funding under each scenario and propose which role would provide maximum risk/return benefits. Annex A provides an abbreviated term sheet and reflow schedule, but Launch dates, exit dates, tenors and other details are missing. [3/23] The requested GEF investment is gross USD 15 mln, net USD 13.461 mln. The targeted RoI (after year 5) is 5% - actual returns will vary. The maximum maturity of the investment is 20 years. GEF is kindly requested to come in as a senior participant. We forgo the initial request to accept a lowered targeted RoI of 2%.	Please address typo if ROI 2% in page 34; also we need additional language on financial additionality of the GEF taking that position. How would local currency financing impact ROI of 5% for GEF? Any strategy that is worth mentioning? Currency risk will be managed and mitigated both by the Fund, as well as in the partner bank?s finance structure. Cardano ? responsible for risk management ? will manage currency risk for AGRI3 on portfolio level.artner banks may choose to manage currency risk on portfolio level, through individual hedging or by maintaining a local currency book of the bank itself. The financial model?s assessment of a target RoI of 5% for senior participants includes currency risk. Actual RoI may of differ.	Currency risk management is covered under the ?Currency? sub section paragraphs 111 and 112 of Section 3A and in risk management Table 4 Risk Assessment and Mitigation Planning.

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
	[Avril] The fund investment will be accompanied by a TA fund that will provide pre and post investment support. It would be good to understand how the TA and investment would work together in any given investment [3/23] The AGRI3 Finance Fund and the AGRI3 Facility collaborate closely throughout the investment process. Coordination between the two bodies is facilitated by the Coordination Group composed of senior representatives of IDH and AGRI3 Finance Fund. The Coordination Group is responsible for strategic alignment, pipeline evaluation and design and oversight of TA. Where a TA need is identified in the investment process, the Finance Fund will refer that need to the TA Facility, which will review and assess the need in collaboration with the client. Where TA needs meet the criteria of the TA Facility, they will draft a scope of work and identify relevant expertise or support mechanisms. The AGRI3 Finance Fund must provide ?no objection? at this stage before the work can continue. Once the work is being implemented then the TA Facility and the AGRI3 Finance Fund will communicate and coordinate regularly as to the progress in development of the TA. Throughout the investment process the TA Facility and the AGRI3 Finance Fund work together in the following ways: Screening: preliminary assessment of TA needs, identifying potential gaps/capacity issues in within potential transactions and identifying where TA can be used to support development of an application (e.g. carry out FPIC assessment to support submission). This may be used to define actions for pre investment TA or post investment TA. Due Diligence: further screening to identify any gaps in capacity to achieve impacts or financial targets. This is usually established in an Environmental and Social Action Plan (ESAP) and relevant TA is then identified to support this. Investment Committees: during investment committees, the IC will identify and request TA support either for deals that they would like to finance, or to create investable business case for a deal. Monitoring: Once a deal has been contracted, then the TAF will also provide support in carrying out impact monitoring, for example working with clients to develop systems for monitoring and in some cases, carrying out the monitoring themselves. The Coordination Group meets at least on a quarterly basis in person. By having a formal quarterly meeting in which projects and pipeline are discussed, full alignment between the AGRI3 Fund manager and the TA Facility manager is ensured. The Coordination Group is responsible for the continued strategic alignment (including origination strategy) between the TAF and the AGRI3 Finance Fund, ensuring the facility is on target to deliver the	Please include this in the document and if linked to the guarantee, should be part of the investment guidelines (and mentioned in the termsheet. Not sure what they mean when they say ?linked to the guarantee?. It may be linked to some guarantees provided by the fund but will depend on project funded. But it will not form part of the term sheet for GEF funds, beyond the funding request.	More information is provided on the TA process under Output 1.2.1.2 in Section 3A, paragraphs 136-151.

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
Other comments	[Ulrich] Since Mirova/Althelia is mentioned as executing partner, concept needs to clarify linkage with and potential collaboration with the LDN fund and the LDN fund Technical Assistance Facility (TAF), which is funded by GEF. [3/23] Funds and TA facilities are managed separately and with "Chinese walls" between AGRI3 and LDN Fund. LDN Fund and AGRI3 may certainly collaborate or syndicate in a given, specific situation but that should be seen as coincidental rather than the rule. AGRI3 can use lessons learned and market insights from LDN but, for regulatory reasons, has to maintain strict division with regards to pipeline and transaction information.	[Ulrich] Addressed in the review sheet but not in the PIF. Also to avoid duplication, we should include in the Investment guidelines some premises that prevent to refinance /co-finance existing initatives funded by the GEF thrugh Althelia/Mirova. The additionality check of AGRI3 prevents refinancing of existing investment through Mirova/ Althelia, LDN Fund, in IDH-managed projects or anything similar. If there is a need to extend financing to a project that LDN is involved in, or co-financing/ syndication, then AGRI3 should be able to do so. In that way AGRI3 can support scaling up of projects.	This is described in Table 2 Associated Baseline Projects.

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
	IDH is closely aligned with multiple GEF projects, including a GEF-6 NGI project. Techniques to avoid duplication/double-counting should be explained and justified. [3/23] This is about impact attribution as well as potential double accounting. AGRI3 has an investment process that includes various steps assessing investment and TA potential, that looks strictly at both impact and financial additionality to ensure that we avoid cases of duplication - either in impact attribution or financial declaration. Various governance bodies (such as the TA Foundation Board, which includes a senior IDH representative) exist to ensure this strict separation. Of course, AGRI3 also aims to build on existing work, resources and lessons learned of IDH which provide opportunities for scale and cost efficiencies, however has its own, strictly separate transaction pipeline.	[Avril] This has not been addressed as part of the PIF. We suggest it becomes part of the Investment Guidelines. Please elaborate this point in the governance of the fund. The additionality check of AGRI3 and the development of a results measurement framework up-front safeguards financial additionality and prevents double-counting in impact attribution. Also IDH will be supporting through TA ? they are not originating deals. Deals are originated by partner banks mostly in their existing client network ? typically outside IDH projects.	In Appendix XVIII: Maximizing Global Environmental Benefits (GEBs) through the Fund investments i) Alignment and additionality in the Investment Process a transaction will only be deemed eligible during the pre-investment assessment stage if is not already receiving or being supported by GEF Funds.

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
	According to the Annex on the TA facility, IDH will support efforts in Brazil, India, and Indonesia. These are countries in which the GEF already has significant investments under the Food IAP and other projects. What efforts will be made to avoid duplication/overlap/doublecounting? [3/23] With regard to IDH, see above. With regard to overlap with GEF projects: AGRI3 will - in any country it enters - carry out mapping and market analysis to identify existing project and avoid duplication. AGRI3 is also willing to enter into direct conversations with GEF to double-check avoiding any overlap or - put positively - enhance synergies without double accounting, either financial or in terms of impact.	As per comment above, this should be part of the investment criteria. See comment above.	Response as per comment above

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
REVIEW DATE(S)	**03/31**	Financial additionality (in numbers) needs to be strengthen. It would be useful to better understand how and why GEF?s involvement in this structure would be meaningfully catalytic, given the involvement of the Dutch government, major banks, UNEP, etc. The proposal appears to tie up a limited GEF resource for a long period. Please include Biodiversity indicators as discussed with Rabo and CI. AGRI3?s primary focus is on forest conservation, degraded land restoration and sustainable agriculture; rather than on biodiversity as primary target. Therefore we have not included separate KPIs on biodiversity. Although we do not set separate biodiversity targets, projects must comply with the Rabobank Sustainability Policy	The additionality of GEF contributions is described under 3C. Incremental Cost Reasoning paragraphs 158 ? 163.

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
		On the Map and countries: *Many of these are FOLUR countries. As are their three of their initial target countries (Indonesia, Brazil, India). A bit odd that they don't mention FOLUR anywhere in the proposal. There should be some discussion of coordination and efforts to synergize in order to increase impacts.*	The relationship to the FOLUR Program is described in paragraph 196 and Table 9 Other Relevant Projects and Initiatives.

PIF Questions	3/9 GEF comments & 3/23 CI response	Outstanding GEF PIF Comments	Response to outstanding comments in ProDoc
		Also, throughout the document, it seems that this fund is first about livelihoods. This is from the description ?*Any projects Financed through the AGRI3 Fund* ***should*** *c ontribute to forest protection and reforestation and/or sustainable land use while all projects funded by AGRI3* ***must*** *c ontribute to improved rural livelihoods*.? I n our meeting with the Rabo people they mentioned this is first and foremost an Environmental fund and not a social one, so that should be re-written,	This has been edited ? the Impact Criteria state: Eligible projects should focus on at least one of the first two impact objectives (Forest Protection and reforestation, and Sustainable Agriculture) of the Funds and always contribute to the third (Improved Rural Livelihoods).

GEF Council Comments	PPG Response
United States	

GEF Council Comments	PPG Response
It is unclear who is offering the training for farmers that it lists as an outcome. The development of partnerships with training implementers, including government training institutes, is key, as farmers may not request loans for sustainable agriculture projects unless they are trained in what these projects look like and how to run them.	As discussed in the ProDoc in section 3 Project Strategy (paragraph 110, Deal Sourcing), transactions supported by the fund will be sourced through Partnerbanks but are not yet sourced and therefore the exact details of the training cannot be provided. The type of training, who will provide the training and who receives the training is determined in discussion with the companies as part of the transaction. Training may be provided by the companies that AGRI3 and Partnerbanks support through their lending. Alternatively, there may be other providers which can support companies in providing the training, including governments and TA providers. An example of this is provided in paragraph 80.
Norway/Denmark	
The geographical focus of the Fund is middle income and lower income countries. The fund will initially work in Brazil, Indonesia and India. Other regions will also be considered. Countries with significant progress under the REDD+ mechanism will be a priority for investment. We agree with this form of gradually expanding the coverage of the Fund. DRC and Congo Brazzaville are explicitly mentioned as an issue because of political risk assessment. This is well understood. However, we encourage the Fund to look at the possibility of considering these countries in a few years? time, especially if the political risk level changes, given their importance in terms of tropical forests. We also encourage AGRI3 to consider Gabon, a country that qualifies in terms of significant progress under the REDD+ mechanism.	This has been addressed in paragraph 116, transactions taking place within countries that are subject to financial or banking sanctions will not be eligible for investment. In addition, Partnerbanks will have their own country selection criteria based on political risk assessment, sovereign risk rating, stability of the currency etc. For now, this means that major forest countries e.g. Brazil, Indonesia, Colombia, India, West African countries are in scope ? but that for instance DRC or Congo Brazzaville may be an issue because of political risk assessment. The fund will continue to evaluate potential transactions in all eligible geographies (Including In Gabon), but the ability to source transactions is dependent on the funds ability to be able to identify suitable Partnerbanks with whom to develop and execute transactions with. This is clarified in the narrative describing Figure 1 AGRI3?s Target Countries.
We would like to see that the AGRI3 Fund cooperate and to coordinate with the &Green Fund to the extent possible and when relevant.	AGRI3 will certainly look for opportunities to partner and cooperate with other similar institutions, with similar aims, such as &Green (as outlined Table 2 Associated Baseline Projects). This Includes sharing knowledge and identifying potential transactions to cooperate on. However, the ability to cooperate on transactions will be determined by the ability to demonstrate the funds additionality on transactions (see Eligibility Criteria in paragraph 119). With funds such as &Green, where they already have significant concessional capital and are expected to support higher risk transactions, it will be harder to demonstrate the additionality case - and we want to avoid such transactions. However, we will certainly continue to evaluate these opportunities.

GEF Council Comments	PPG Response
Risk of leakage: when forest protection, conservation- / deforestation-free agriculture induce deforestation in other areas. This is dealt with by the AGRI3 in terms of monitoring the surrounding forests of a supported agricultural project. However, we recommend expanding more upon this form of risk and explaining how increased deforestation as a result of leakage will be dealt with by the Fund.	As part of the investment process, AGRI3 will carry out a leakage assessment to ensure there is a low potential for negative environmental and social impacts to be displaced elsewhere (see Appendix XVIII: Maximizing Global Environmental Benefits (GEBs) through the Fund investments).
Financial reflows: The fund is structured into various asset classes that have different return profiles. Given that AGRI3 has requested the GEF for senior participation (target net IRR 5%); how will reflows be treated?	This has been dealt with in section 7 Project Budget and Financing (C. Indicative reflows schedule) and in the term sheet. Junior and senior participations in the fund will be subject to a lockup period. During the lock up period any distributions towards Junior and Senior Participations are not in cash, but through issuance of new participation (i.e. through reinvestment). Repayment (including thus accrued distributions) in cash will only be done after relevant lock up periods. The treatment of flows Is outlined in the funds waterfall policy and in the term sheet with the GEF.
Investment class: AGRI3 has requested the GEF for senior participation (3rd loss). Which asset class does the Project Team recommend GEF invest in? As opposed to ?capital preservation (1st loss; 0% ROI)? or ?junior participation (2nd loss)? which can be argued have higher risk profiles.	The recommended asset class is equity ? this is detailed further in the term sheet.

GEF Council Comments	PPG Response
Guarantee experience: one of the main products will be issuance of guarantees. Does the investment advisor have a past track record with guarantee products?	Yes, this has been addressed in paragraphs 268-275 of the ProDoc. The Investment advisers are made up of two companies, Fount and Cardano. Each has been selected for the different combination of skills and experience that they bring to the fund including in natural capital investing, impact investment advisory and credit enhancement tools such as guarantees. Cardano Development in particular has established and delivered several successful credit guarantee facilities, including Gurantco and Frontclear: ? GuarantCo encourages infrastructure development in low-income countries through the provision of credit guarantees that enable infrastructure projects to raise debt finance. ? Frontclear facilitates access to financial markets for local institutions to local and global markets through the provision of credit guarantees to cover their counterparty credit risk. Fount and Cardano will provide advice on structuring and pricing of guarantees and the risk management of the portfolio of guarantees.
Team experience: does the team have enough capacity in the thematic and geographical areas that the fund will be investing in? What assessment has been done in relation to the investment advisors? capacity and capabilities?	We have provided more detail below on the background and experience of the fund managers and investment advisers in APPENDIX XVI: Terms of Reference for Project Positions/team Bios. The investment advisers were selected after a competitive process, overseen by a group of partners including Rabobank, FMO and IDH. Each of these Investment Adviser partners has then appointed a senior individual to take on the role of Board of the Fund Manager. This fund management board and the Investment Advisers have then undergone a full review and due diligence process during the process for the provision of the Dutch grant ? including on their relevant capabilities to support the delivery of the funds mandate. Each of the Partnerbanks will also be present in the countries being targeted, bringing further local expertise and experience to bear on transaction management.

GEF Council Comments	PPG Response
Execution cost: the renumeration/fee structure is very opaque. Please clarify.	This has been clarified in section 3 Project Strategy (paragraphs 102-130 of ProDoc) and in the term sheet. AGRI3 derives its fees from the provision of credit enhancement tools (e.g. guarantees) to Partnerbanks. These credit enhancement tools enable banks to finance projects that would otherwise fall outside their risk appetite and would therefore not be financed (additionality). This credit enhancement tool, will cover a proportion of the risk of the loan (e.g. 30%) The size of this fee is usually determined by the type of guarantee and the level of risk that is being guaranteed (the exposure). AGRI3 will offer various guarantee instruments including first loss, pari passu and tenor extension guarantees (see Financial Instruments, paragraph 120 of ProDoc). The Fund Managers and Investment advisers receive a management fee for the provision of services to the fund. The management fee for the AGRI3 fund has already been accounted for In the Dutch grant over the first 2 years of the fund and will then be a proportion of the total assets under management over the subsequent years (see Overall Project Budget, paragraph 311 or ProDoc).
Germany	
Regarding p. 17/p.39: CO2e Emission Reductions ? please clarify ER estimates ? ER from reduced deforestation or land use conversion cannot be simply increased/extrapolated for longer time periods since the baseline has to be adjusted over time (and deforestation of a specific area is only avoided once).	Further details of the calculations have been provided in Appendix XVIII (Maximizing Global Environmental Benefits (GEBs) through the Fund investments). These are based on hypothetical cases and the actual baselines and ER will be determined for each of the projects that the fund supports.
Regarding p. 17: use of Mton for metric tons should be corrected.	This has been adjusted in the document.
Clear Safeguard needed for deforestation free supply chains (p.31) ? it has to be ensured that invests don?t take cause deforestation but also that it does not take place on recently deforested areas (last 5 years) - integrate in Outcome 1.2.	The fund has in place an E&S Framework which explicitly excludes activities that cause deforestation or are linked to deforestation, and has been through the CI-GEF Agency Safeguards Screening process as set out in Section 4 (Compliance with ESMF). All transactions are reviewed for their potential impacts and risks, including deforestation risks. AGRI3 will not support any deforestation, legal or illegal, as part of its investments.

GEF Council Comments	PPG Response
The steering structure is not fully clear: Senior Investors, i.e. GEF should be represented in the Investment Board. It would be recommended to have a Civil society observer in the steering structure.	All Participants (excluding the Initial Participants) will be part of the Participants' Meeting governance body, unless they do not wish to be part thereof. The Participants' Meeting decides on the relevant strategic issues in relation to the Fund and any other matters that the Fund Manager, at its sole discretion, wishes to put forward to the Participant Meeting. CI-GEF is the GEF Project Agency for this project where they will sit on the Participant?s Meeting, representing GEF?s investment in the Fund. The CI-GEF Project Agency will provide project assurance, including supporting project implementation by maintaining oversight of all technical and financial management aspects, and providing other assistance upon request of the Executing Agency (see below). The CI-GEF Project Agency will also monitor the project?s implementation and achievement of the project outputs, ensure the proper use of GEF funds, and review and approve any changes in budgets or workplans. The CI-GEF Project Agency will arbitrate and ensure resolution of any execution conflicts. As the Participant?s meeting has decision-making powers on the strategic direction of the Fund it is considered the most appropriate body to play the ?Project Steering Committee? role for this GEF Project. There is not a role for a CSO observer in the Steering Committee which only consists of representatives of the founding partners of the Forest Protection and Sustainable Agriculture Partnership (the "**Partnership**"). i.e. of Rabobank, UNEP, FMO and IDH The governance arrangements of the fund are detailed further in section 5: Implementation Arrangements
Switzerland	
We believe the AGRI3 concept to build forest protection, reforestation and sustainable management into agricultural loans from the standpoint of risk is very sensible. Exactly for this reason, we would welcome if the aspect of climate change adaptation and resilience of landscapes as a function of forests and trees outside forests would be added to the proposal to further strengthen it.	In the AGRI3 Climate Risk and Related Disaster Management Plan there is a section that describes how certain management approaches related to forest protection and reforestation and climate smart agriculture can address climate change vulnerability and strengthen resilience. AGRI3?s impact objectives include building climate change resilience, and this is included in the criteria for selecting transactions to support.

GEF Council Comments	PPG Response
We would prefer if a larger part of the funding would be more focused on forests instead of agriculture. Currently agriculture receives the lion?s share of loans and credit in developing countries, whereas credit for forests is absent or at best exceptional. So we believe it would be appropriate for GEF to increase the de-risking of agriculture through supporting mainly the forest component of the ecosystem and targeting these activities.	One of the key ways in which AGRI3 seeks to protect standing forests is by supporting agribusiness transactions in commodity sectors and regions where commercial agriculture-driven deforestation is high, to avoid and eliminate deforestation (against BAU) and include forest restoration in the projects being financed. So even though the majority of AGRI3-supported transactions may be in the agricultural sector, there is still a strong focus on protecting and restoring forests. Furthermore AGRI3 works through Partnerbanks, and therefore can only support projects that are present in the Partnerbanks? portfolio. Agribusiness transactions are much more prevalent in Partnerbank lending portfolios than forestry transactions as they are more suited to the tenors, risk profiles and capacity and commercial interests within these banks.
It is not clear to us how funds will be channeled to forest activities through climate smart agriculture. Climate smart agriculture is not conceptually associated with any of the three mentioned forestry activities. Please further specify how the forestry activities will be associated with climate smart agriculture.	AGRI3 aims to support transactions that support forest conservation, sustainable agriculture and rural livelihoods. This may include projects that focus on forest conservation and/or sustainable agriculture. The sustainable agriculture component will aim to support models that promote climate smart agriculture, as relevant for the context of that geography or transaction. The forest component, which may be part of some transactions (e.g. forest conservation as part of agricultural production), does not necessarily mean that the forest activities will support climate smart agriculture ? although they could do under certain circumstances (e.g. agroforestry systems).
The environmental benefits related to land degradation could be phrased positively as ecosystem restoration and fit more closely to the policy goals of the UN Decade on Ecosystem Restoration.	The narrative under this environmental benefit now incorporates land restoration more strongly and frequently, as one of the main ways AGRI3 will help address land degradation.
Further, since the essence of this Fund is to address risk in agricultural and forest supply chains and investment, resilience or CC adaptation should be added.	This is now reflected more strongly under the Climate Change Global Environmental Benefit description.
We welcome that the issue of native species is addressed in the project proposal and we fully support their use. However, we think it should also be mentioned that species should be selected on the basis of their resilience as well, and genetic provenance from more extreme environments should also be added to the selection criteria.	This issue is too specific to be included in AGRI3?s project selection criteria, though when AGRI3 review and feedback on applications, this can be included where relevant as a recommendation for Partnerbanks and their clients.

GEF Council Comments	PPG Response
Please further specify how much of the funding will be targeted for smallholders, including addressing land tenure since this directly affects sustainable land-use. How much of the funding of this project will be allotted to large-scale agriculture?	The fund has no set limits on smallholder vs larger agriculture. However land tenure security will always be a part of the funds evaluation process for any smallholder related transaction. It is important at the beginning of the fund to be able to build a solid pipeline and maintain flexibility to be able to source transactions, provided they meet the already established impact objectives of the fund. Setting limits at this stage, especially given the complexities in developing suitable transactions which balance impact vs returns would simply curtail the funds ability to scale.

What STAP looks for	STAP comments	PPG Responses

Minor issues to be considered during project design: **STAP welcomes Conservation International?s project ?AGRI3 A Forest Conservation and Sustainable Agriculture Fund for Developing Countries?. This exciting proposal enabling $13.5m of GEF funds to de-risk >$1bn private sector loan funding for global environmental benefit from across the world.** **STAP urges proponents to put more explicit work into theory of change as project design proceeds (STAP?s theory of change primer may be helpful here). There is much thinking in the proposal that is fragmented and could be organised more systematically in this way. STAP feels there are three levels of theory of change needed for the project (see section 3 below). Although the core of AGRI3 is level (ii), STAP suggests each might benefit from an explicit theory of change as (ii) will not work without (i), and (iii) is stated as an explicit aspiration to inspire replication at real global scale.** **Through this, STAP also suggests more attention could be given to the durability of global environmental benefits and avoiding ?leakage? through loan design criteria which might link to national commitments such as LDN, even though AGRI3 cannot be indefinitely**		**The theory of change has been updated to align with the Results Framework, include the barriers, root causes and environmental problems identified, and key underlying assumptions.** **With regards to the durability of the benefits, this is addressed in the document. Notably in the sustainability section (Paragraph 193 of ProDoc). The Fund?s eligibility criteria have been expanded in the document (see Paragraph 119 of ProDoc), and also how it explicitly links to national commitments (including LDN via UNCCD reporting) in Table 7.** **A series of safeguard plans have been developed for the Fund that can address concerns relating to climate risk and avoiding maladaptation in the loan portfolio, including for Resource Efficiency and Pollution Prevention, Labour Management Procedures, and Community Health, Safety and Security Risk, and for Climate Risk and Related Disasters (see Appendices VI-IX).**

Part I: Project Information **B. Indicative Project Description Summary** **Is the objective clearly defined, and consistently related to the problem diagnosis?**	**Yes**	**No response needed**
A brief description of the planned activities. Do these support the project?s objectives?	**Yes, noting comments that follow**	**No response needed**
A description of the expected short-term and medium-term effects of an intervention. **Do the planned outcomes encompass important adaptation benefits?**		**No response needed**
Are the global environmental benefits/adaptation benefits likely to be generated?	**Plausible; the key issue here, as noted later, is encouraging their durability.**	**With regards to the durability of the benefits, this is addressed in the document. Notably in the sustainability section (Paragraph 193 of ProDoc).**

A description of the products and services which are expected to result from the project. **Is the sum of the outputs likely to contribute to the outcomes?**	**Plausibly: see comments on Theory of Change (ToC) below. Notably Output 6 might be adjusted to include the need for the 48 companies to not only implement a variety of improved practices which deliver global environmental benefits, but also (through diverse possible pathways) make sufficient additional cashflow to repay the loans.**	**The narrative around Output 6 (now Output 1.1.1.1) relating to the development of company plans has been clarified in paragraphs 143-146. These plans are a key part of the application process for Partnerbanks to receive AGRI3 support. The plans should align with AGRI3?s Impact Objectives and targeted GEBs, which will include an assessment of the project economics and business case. Further support may be provided by the TAF to further enhance the transactions potential environmental and social impacts.**
Part II: Project justification **A simple narrative explaining the project?s logic, i.e. a theory of change**		**No response needed**
1. Project description. **Briefly describe:** **Is the problem statement well-defined?**	**Yes: the core problem is that private sector investments in sustainable management that could deliver global environmental benefits from significant transformations in agriculture and forestry are often perceived as too risky and long- term by current private capital providers? assessment processes, even though there is good cause to believe that many such practices provide both environmental and economic returns (ie ?bankable benefits?).**	**No response needed**

Are the barriers and threats well described, and substantiated by data and references?	**Although plausible, this description is very light, and focuses only on financing barriers, as above. It would be helpful for the next stage of project development to work through and document a more comprehensive theory of change, which would raise some other barriers [which actually often seem to have been considered but are not addressed systematically ? for example an obvious barrier is aggregating investment to sufficient scale that financial institutions will take notice ? this is in fact handled by the appropriate focus on larger companies of supply chain aggregators (e.g. sugar mills) that can link to multiple managers, but key barriers like this or producer hesitation to transform, etc, need acknowledging so as to ensure a systemic rationale for the form of the intervention]. See ToC comments below.**	**The barriers are fully addressed in section E. Barriers to Addressing the Environmental Problems and Root Causes and are focused on those that the Fund will be able to address. These barriers are referenced in the Theory of Change.**
For multiple focal area projects: does the problem statement and analysis identify the drivers of environmental degradation which need to be addressed through multiple focal areas; and is the objective well- defined, and can it only be supported by integrating two, or more focal areas objectives or programs?	**Diverse problems and opportunities are identified.**	**No response needed**

2) the baseline scenario or any associated baseline projects Is the baseline identified clearly?	**The baseline is also very light ? important prior projects and potential collaborations are noted, but there is no analysis of what may happen in the absence of this particular intervention, hence no basis to quantifiably assess any incremental reasoning of benefits. E.g. are other actors creating this sort of investment anyway?**	**This is addressed in Section F. Current Baseline (Business-as-Usual Scenario) / Future Scenarios without the Project section. Paragraphs 84-86 of ProDoc provide an assessment of what may happen in the absence of the AGRI3 Fund, as it stands there are only a handful of financing initiatives providing guarantees and it is not at the scale required to address the environmental problems identified. Without a means to engage multiple mainstream financial institutions on this issue and incentivize them to consider sustainable agriculture financing as a part of their future core business activities, it is highly unlikely that meaningful changes to the BAU funding flows will occur in time to avert continued and dramatic losses of forest and ecosystem degradation.**
Does it provide a feasible basis for quantifying the project?s benefits?	**Although the benefits are plausible, the baseline is poorly defined, as above.**	**As above, this is addressed in paragraphs 84-86 of ProDoc which discusses the baseline scenario and what would happen in the absence of the AGRI3 Fund.**

Is the baseline sufficiently robust to support the incremental (additional cost) reasoning for the project?	**As above**	**This is addressed in paragraphs 87-93 of ProDoc. This concludes that only a sustainable land use-dedicated credit guarantee for Partnerbanks, serving as a model for others to replicate, is likely to change the BAU scenario significantly and this forms the basis for this GEF project. The Fund?s operating model offers a cost-effective means of financing sustainable agriculture at four levels; 1) Financial leverage, 2) Reduced administrative and management costs, 3) Replication of processes and tools, and 4) Higher deal flow and efficient origination processes.**
For multiple focal area projects:		
are the multiple baseline analyses presented (supported by data and references), and the multiple benefits specified, including the proposed indicators;	**No**	**Analysis on this has been included (with data and references) and the multiple benefits Section F and Section G.**

are the lessons learned from similar or related past GEF and non-GEF interventions described; and	**Useful related projects are identified, but there is little on explicit lessons from past interventions.**	**The lessons learned from past interventions are included in paragraphs 70-75 of ProDoc. This showed that from previous projects there are very few guarantee facilities focused on sustainable agriculture, and where financiers did provide sustainable land use lending, only a handful of niche financiers currently offer the kinds of long tenor, concessional products that sustainable land use activities require. Also, the capacity of banks to finance these sorts of is limited**
how did these lessons inform the design of this project?		**How these lessons helped to inform project design are included in paragraphs 76-83 of ProDoc. AGRI3 will build up a diversified portfolio of investments aimed at closing transactions that deliver positive social and environmental impacts and provide ?proof-of-concept? for financiers and businesses operating in the sector. It is in this area that GEF support is critical to increase the availability and scale of funds so as to support the funds transactions and develop ?proof-of-concepts? as quickly as possible.**

3) the proposed alternative scenario with a brief description of expected outcomes and components of the project **What is the theory of change?**	**A theory of change diagram is presented (p.22) but this is more a log frame than a ToC ? it does nor show the logic of addressing any barriers nor the assumptions that are made to justify the links from outputs to outcomes to impacts. The text then launches into what will be done without addressing these issues thoughtfully. STAP strongly urges a more systematic ToC process before more design is enacted. STAP?s reading is that there are really three levels of assumptions in this potentially exciting project, each of which should be acknowledged in the ToC (or perhaps more easily in more than one ToC); each has element of scaling, barriers to which should be addressed explicitly. It is clear that these have all been considered, but there is not a simple systematic articulation of them in a ToC:** **(i) that on-ground loans will create durable global environmental benefits at the same time as improving economic returns to pay back a loan; p.19 identifies 3 key pathways here ? on ag land, degraded lands and degraded forest. It might be useful to have a simple explicit ToC for each of these indicating what assumptions there are about how loans in each case will both produce benefits (these are noted on p.19) and cash flow to cover a loan. Each case has different models for aggregating demand into a loan (some case studies of which are usefully provided at the end of the PIF, again showing thought has been given to these issues but not apparently systematized). This would help provide the right measures and assurance for the project core (ii); and also open up a wider discussion about ensuring durability of the benefits, touched on below.** **(ii) that individual loans can be scaled to a portfolio with sufficient success that overall risks are managed to the portfolio target; this is the core (and very credible) part of the project, where the GEF**	**The theory of change diagram and narrative have been updated to show how it addresses the barriers and assumptions. The overall model of AGRI3 is to provide guarantees and other subordinated debt structures to support commercial banks (?Partnerbanks?) and other financial institutions to mobilize capital by de-risking and catalyzing investment propositions (?Transactions?), that will in turn create GEBs.** **With regards to the scaling up of the Transactions and the Fund model, this is explicitly addressed in paragraphs 201-203 of ProDoc.**

What is the sequence of events (required or expected) that As above will lead to the desired outcomes?	**As above**	**See Section 3: Project Strategy Objective, Components, Expected Outcomes, Targets, and Outputs**
What is the set of linked activities, outputs, and outcomes As above to address the project?s objectives?	**As above**	**See Section 3: Project Strategy Objective, Components, Expected Outcomes, Targets, and Outputs**
Are the mechanisms of change plausible, and is there a well-informed identification of the underlying assumptions?	**Scattered through the proposal there are various detailed design aspects that show a great deal of work has gone into the design of AGRI3. However, again, a more systematic ToC would enable the key assumptions to be articulated and monitored, and thus provide a better, more formal basis for adaptive implementation. On p.57, it is asserted that evaluation of implementation has already begun, but this must surely require a clear ToC with explicit assumptions to frame the data collection and evaluation?**	**The overall design of AGRI3 is outlined from paragraphs 94-132, this design then feeds into the theory of change (paragraphs 133-135).** **The AGRI3 Fund is currently in operation and has been since the original PIF was submitted. This means that things are being updated and are not static ? and can shift, even between quarters and months, as new deals, processes and partners are identified.**
Is there a recognition of what adaptations may be required during project implementation to respond to changing conditions in pursuit of the targeted outcomes?		**No response needed**

5) incremental/additional cost reasoning and expected contributions from the baseline, the GEF trust fund, LDCF, SCCF, and co-financing **GEF trust fund: will the proposed incremental activities lead to the delivery of global environmental benefits?**	**Yes, plausible. However, section 5 only addresses the financial model, not the incremental level of GEB delivery.** **In addition, there is a risk of ?leakage? which should be addressed as the project design continues ? could actions in the target areas result in pressures (e.g. on forest clearing) simply moving elsewhere? (e.g. p.31 Outcome 1.1). This is recognized in the proposal, and p.42 reasonably asserts that the ?Fund cannot be expected to be responsible post-exit? ? however, as suggested on p.27, projects could be prioritized in countries most likely to have controls on offsetting damage; similarly, though not suggested, there could be a focus on countries with an LDN commitment and projects could be required to register as contributing to the country?s LDN commitment (where appropriate), so at least there is monitoring of whether (i) the land types suffer leakage elsewhere and (ii) whether the loan recipient subsequently allows new degradation. A simple ToC on each class of activities to be funded (p.19) would help uncover options such as these.**	**The Incremental Cost Reasoning has been updated to include information on how GEF participation could be transformative and help to provide a ?proof of concept? to a wider community to mainstream sustainable practices across the agricultural and financial value chain (paragraphs 172-173).** **As part of the investment process, AGRI3 will carry out a leakage assessment to ensure there is a low potential for negative environmental and social impacts to be displaced elsewhere (see Appendix XVIII: Maximizing Global Environmental Benefits (GEBs) through the Fund investments).**
LDCF/SCCF: will the proposed incremental activities lead to adaptation which reduces vulnerability, builds adaptive capacity, and increases resilience to climate change?		**No response needed**

6) global environmental benefits (GEF trust fund) and/or adaptation benefits (LDCF/SCCF) Are the benefits truly global environmental benefits/adaptation benefits, and are they measurable?	**Yes, potentially**	**No response needed**
Is the scale of projected benefits both plausible and compelling in relation to the proposed investment?	**Yes (subject to durability of benefits in relation to leakage, as above)**	**As part of the investment process, AGRI3 will carry out a leakage assessment to ensure there is a low potential for negative environmental and social impacts to be displaced elsewhere (see Appendix XVIII: Maximizing Global Environmental Benefits (GEBs) through the Fund investments).**
Are the global environmental benefits/adaptation benefits explicitly defined?	**Yes**	**No response needed**

Are indicators, or methodologies, provided to demonstrate how the global environmental benefits/adaptation benefits will be measured and monitored during project implementation?	**OK.** **It is worth noting that the interests of GEF in monitoring are not exactly congruent with the interests of the fund ? it may be worth quarantining some monitoring funds separate to the fund operations in order that there are not perverse incentives or pressures on loan projects, such as over-burdensome monitoring on a fundamentally financial transaction. Conversely, GEF may be mainly interested in GEBs but the fund should be tracking the ability of loan recipients to develop extra cash flow as well as GEBs from their changed management, to make the loan repayments viable.** **Having said this, it is surprising that Fig.6 p.37-8 does not include some indicators of financial performance at both loan project level (e.g. improved ability to repay as a result of the loaned investment) and overall fund level, since GEF would want to know these proximate indicators that the Fund and its recipients are viable. Presumably these indicators would be collected by the Fund anyway.**	**There is information in Appendix XVIII: Maximizing Global Environmental Benefits (GEBs) through the Fund investments that shows the methodology for documenting progress on GEF Core Indicators and GEBs.** **At a transaction level, AGRI3 have developed an E&S Impact Framework that is aligned with the GEF Core Indicators and could be used to directly feed into the monitoring of these indicators. This framework will reduce the reporting burden for Partnerbanks and clients.** **This appendix also includes information on how the GEBs and other KPIs are tracked at a transaction and fund level. The fund will monitor project operations and financials and where risks are identified for a project or the underlying investment, work with Partnerbanks to identify means of mitigating defaults.**
What activities will be implemented to increase the project?s resilience to climate change?	**The project should take a TCFD approach to monitoring its own exposure to climate risks. This would probably result in a requirement that all loan recipients carry out an appropriate climate risk assessment to ensure the loan is not being provided for activities that result in maladaptation.**	**This is detailed in Appendix IX AGRI3 Climate Risk and Related Disaster Management Plan, as part of its broader E&S risk assessment process AGRI3 will screen each project for climate risks and propose a set of mitigating actions to the Partnerbank to implement with their client.**

7) innovative, sustainability and potential for scaling-up **Is the project innovative, for example, in its design, method of financing, technology, business model, policy, monitoring and evaluation, or learning?**	**Yes**	**No response needed**
Is there a clearly-articulated vision of how the innovation will be scaled-up, for example, over time, across geographies, among institutional actors?	**p.41 (and p.57) notes the intent for AGRI3 to act as a model for others, ie scaling (iii) discussed above. This intent to scale is good, but might be approached more clearly if a small ToC exercise is run to ask how a successful AGRI3 would act to best deliver this influence on others.** **As noted above, STAP is concerned about durability of benefits and felt further work on ToC could help identify more pathways by which leakage could be minimized without making it the responsibility of AGRI3. which may be helpful.)**	**Over time, the number of successful transactions supported by AGRI3 will provide a portfolio of examples of different ?investment-ready? sustainable agriculture and forest conservation/restoration business models. 202.** **If the Fund is successful, then the Fund approach (or elements thereof) could be replicated by other consortia seeking to bring together donors, impact investors and the banking sector to finance sustainable agriculture and forest conservation/restoration at scale. The Fund?s long-term objective is to play a catalytic role within the broader sector that has impact at a scale far larger than the USD 1 billion mobilized by the Fund itself. This is further elaborated in the replication and scaling up section (paragraphs 201-204 of ProDoc).**

Will incremental adaptation be required, or more fundamental transformational change to achieve long term sustainability?	**This project has the potential to drive transformative level of investment.**	**No response needed**
1b. Project Map and Coordinates. Please provide geo-referenced information and map where the project interventions will take place.	**OK**	**The map of target countries/regions is provided in Figure 1 AGRI3?s target countries.**
2. Stakeholders Have all the key relevant stakeholders been identified to cover the complexity of the problem, and project implementation barriers?	**This seems logical at this stage, but we encourage continuous review of this question as ToCs evolve.**	**Detailed stakeholder analysis and planning is contained with the Stakeholder Engagement Plan and SECTION IV: Stakeholder Engagement During PPG Phase.**
What are the stakeholders? roles, and how will their combined roles contribute to robust project design, to achieving global environmental outcomes, and to lessons learned and knowledge?	**Core partners well-explained.**	**No further response needed**
3. Gender Equality and Women?s Empowerment. **Have gender differentiated risks and opportunities been identified, and were preliminary response measures described that would address these differences?**	**Ok (attention in the safeguard noted).**	**Further analysis and planning on this topic is provided in the Gender Management Plan (GMP)**

Do gender considerations hinder full participation of an important stakeholder group (or groups)? If so, how will these obstacles be addressed?	**-**	**Further analysis and planning on this topic is provided in the Gender Management Plan (GMP)**
5. Risks. **Are the identified risks valid and comprehensive? Are the risks specifically for things outside the project?s control?**	**Key risks are identified, but are limited to institutional risk.**	A fuller analysis of risks and mitigation strategies is provided in Section F. Risk Assessment and Mitigation
Are there social and environmental risks which could affect the project? **For climate risk, and climate resilience measures:**	**It would be good to add the issue of leakage of benefits to these. And also to consider whether attention to climate change risks should be passed through the structure to make it a requirement of loans.**	**Appendix IX (Climate Risks and Related Hazards) provides a detailed analysis of the climate risks facing the project, and related responses. Social and Environmental Risk more broadly is assessed in detail via SECTION 4: COMPLIANCE WITH CI-GEF PROJECT AGENCY?S ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK (ESMF) and via the further Safeguard Screening, AGRI3 Resource Efficiency and Pollution Prevention Plan, AGRI3 Labour Management Procedures and AGRI3 Community Health, Safety and Security Risk Plan.**

6. Coordination. **Are the project proponents tapping into relevant knowledge and learning generated by other projects, including GEF projects?**	**Seems ok based on the partners? experiences, though activities such as the Sustainable Finance Initiative and the TCFD process are not noted.**	This is described under L. Linkages with other GEF Projects and Relevant Initiatives
Is there adequate recognition of previous projects and the learning derived from them?		No response needed
Have specific lessons learned from previous projects been cited?		No response needed
How have these lessons informed the project?s formulation?		No response needed
Is there an adequate mechanism to feed the lessons learned from earlier projects into this project, and to share lessons learned from it into future projects?		No response needed
8. Knowledge management **What overall approach will be taken, and what knowledge management indicators and metrics will be used?**	**Acknowledging that the project has many possible levels and purposes of monitoring and knowledge management, STAP feels the different aspects of this could be better articulated, linked to relevant ToCs, and differentiated as core Fund activities, activities required on individual loans, activities required to demonstrate GEBs to GEF (which might warrant quarantined monitoring and data management funding), or activities aimed at adaptative management of the whole AGRI3 project. (See also p.32)**	See Section N Communications and Knowledge Management, including the detailed Communications and Knowledge Management Plan for more detail on how the Fund aims to articulate this.

What plans are proposed for sharing, disseminating and scaling-up results, lessons and experience?	As noted above, the laudable intent to encourage other such funds to be established would benefit from a more structured ToC for this aspect of influence and scaling.	See Section N Communications and Knowledge Management, including the detailed Communications and Knowledge Management Plan. The influence and scaling are also addressed in paragraphs 201-203.

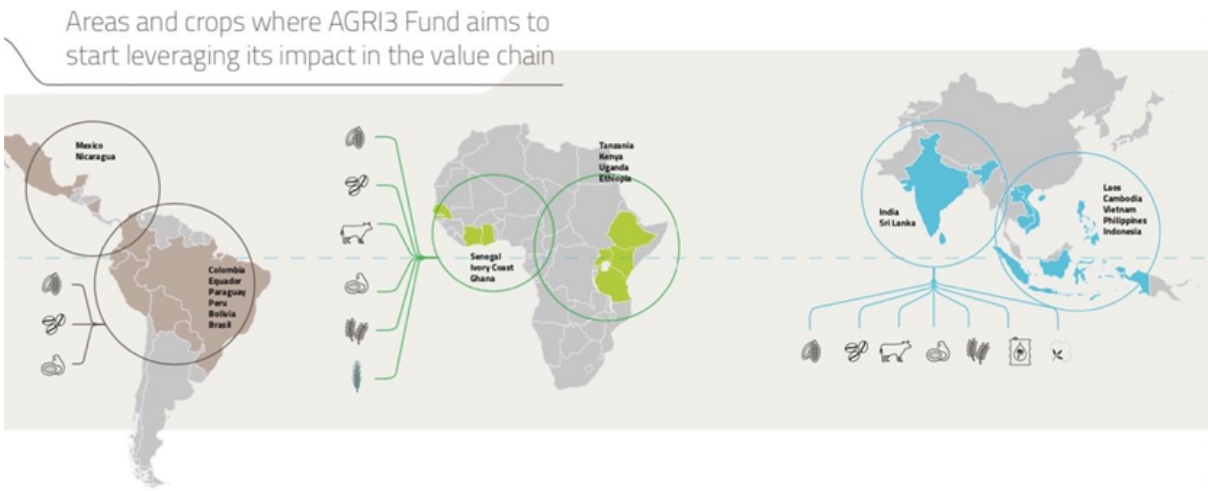
ANNEX C: Status of Utilization of Project Preparation Grant (PPG). (Provide detailed funding amount of the PPG activities financing status in the table below:

Project Preparation Activities Implemented	*GEF/LDCF/SCCF Amount ($)300,000*		
	Budgeted/ Committed Amount	*Amount Spent To date*	*Amount Unspent/ undisbursed to date*
Sub Total Consulting Services for Legal Review	72,660	26,787	45,873
Consulting Services for Legal Review	72,660	26,787	45,873
Sub Total Consulting Services for CEO Endorsement Package	227,340	204,340	23,000
Safeguards Advisor	12,000	12,000	0
ProDoc and Annexes Writers/Advisors	215,340	192,340	23,000
Total	**300,000**	**231,127**	**68,873**

Unused funds will be spent, as activities are ongoing

ANNEX D: Project Map(s) and Coordinates

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



ANNEX E: Project Budget Table

Please attach a project budget table.

Expenditure Category	Detailed Description	Total (USDeq.)	Responsible Entity (Executing Entity receiving funds from the GEF Agency)
GEF Equity Investment	Investment	$13,461,468	AGRI3 Fund
Grand Total		$13,461,468	
Other Investment (not funded by the GEF)	Knowledge Management	$ 2,750,000	AGRI3 Fund
	Monitoring and Evaluation	$ 2,100,000	

All evaluations and ESG Audits will be paid by the Fund Management Fees and following CI-GEF Guidelines.

ANNEX F: (For NGI only) Termsheet

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

Project/Program Title	AGRI3 - A Forest Conservation and Sustainable Agriculture Fund for Developing Countries
Project/Program Number	10497

Project/Program Objective	**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 that will benefit rural livelihoods in developing countries and emerging markets to address climate change and land degradation.**
Country [ies]	Global scope with a focus on middle income (MICs) and lower income countries (LICs) initially with a focus on Brazil, before expanding to other countries as pipeline allows, including in South East Asia (e.g. Indonesia) and Africa (e.g. Ivory Coast, Ghana, Senegal).
Agency presenting the Project	Conservation International

Project Financing

Sources of cofinancing, name of financier and type of cofinancing:

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Investment Mobilized	Amount ($)
AGRI3 Fund				
Donor Agency	Government of the Netherlands	Grant	Investment mobilized	35,000,000
Private Sector	Rabobank	Loan	Investment mobilized	50,000,000
Private Sector	To be mobilized after GEF grant	Equity	Investment mobilized	26,538,532
Other	To be mobilized after GEF grant	Grant	TBC	25,000,000
AGRI3 TA Facility				
Donor Agency	Government of the Netherlands	Grant	Investment mobilized	5,000,000
Other	To be mobilized after GEF grant	Grant	Investment mobilized	10,000,000
Total Co-financing				151,538,532

? Of the existing funding, Rabobank have provided a USD 50 mn term loan facility to the fund, which can be drawn down as required by the fund, to be placed as collateral for each guarantee. The facility is avaliable for a total of 15 years, with a 5 year utilization period. Loans can be placed as collateral on term deposits for up to 10 years. The starting date of the facility was August 2021.

? The grant provided by the Netherlands has a 20 year maturity from January 2020.

The fund will also aim to secure unfunded guarantees of up to USD 40 million.

Amounts of co-finance are subject to the funds ability to secure funds and are subject to change as new investors are identified.

Currency of the funds financial instruments	The Fund is expected to predominantly transact in USD, but can also offer local currency guarantees.
Currency risk	The Fund is expected to predominantly transact in USD, the same currency as its obligations to its investors, where the balance provides a natural hedge. The fund may also offer local currency guarantees. Guarantees that are provided in local currencies have an FX risk that is contingent until there is a call, at which point it may be exposed directly to FX risk if the loan is not in USD (which will then drive the need to hedge the FX risk, which may or may not be possible at reasonable rates). The expected decrease in guarantee fees for local currency guarantees, as a result of expected depreciations, are not currency risks as there is a commensurate reduction in exposure. Apart from that, the Fund aims to build up a diversified portfolio of various currencies which can be expected to further mitigate this risk. Initially, collateral amounts to be provided as security for guarantees, are expected to be deposited in USD. Where guarantees are provided in local currency, then the fund is expected to deposit the same amount in USD as collateral ? with a buffer to account for changes in FX. The fund is then expected to maintain a the same ratio of USD to the local currency to continue to have the relevant collateral amount on account.
Co-financing ratio	Co-financing ratio has been estimated at 1:9 ? taking account of a GEF investment of USD 13.5 USD and a planned fund size of USD 151.5 mn

Financial additionality of GEF resources	Please specify (i) the financing barriers addressed with the GEF blended finance resources and (ii) quantification of financial additionality. The AGRI3 Fund distinguishes between 4 asset classes in its funding mix: ? ?Capital preservation? grantors like the Dutch Government ? providing first loss, thus highest risk category ? Junior participants, investing equity with second loss risk appetite ? Senior participants, investing equity with third loss risk appetite ? Debt providers (e.g. Rabobank) The Fund may choose to remove the category of Junior participants depending on the appetite of potential cofinanciers. However Senior participants will always be senior to Capital preservation investors. Participants not only provide capital to support the funds investments, but also form an essential part of the funds governance, in being part of the Partcipants meeting. At the moment there are commitments in the Capital Preservation and Debt providers category ? and no Equity participants in the fund. Both for the governance as well as for the growth of the Fund it is imperative to fill this gap with equity investors. The GEF investment will be the first equity investor. The investment will also provide additional capital to be able to increase the funds ability to provide guarantees, leverage existing collateral amounts and mobilize loans from commercial banks. The GEF investment will also add to the credibility of the fund and attract other investors unlock the asset classes of junior and senior participations which is key to the success and governance of the Fund.
Use of proceeds	The resources will be invested in the AGRI3 Fund which de-risks investments in forest conservation, sustainable agriculture and rural livelihoods undertaken by commercial banks or other suitable financiers. The use of resources is aligned with the following GEF Focal areas/Investment Programs - Climate Change; Land Degradation; Biodiversity
Maturity of GEF financing	120 months (10 years of investment) and an additional 24 months (2 years for claw back clause).

Clawback provision	The Fund Manager may recall distributions made to a Participant to meet liabilities of the Fund that cannot otherwise be complied with provided that the aggregate amount of such recalls does not exceed the lesser of: (i) 25% of the amount of such Participant's Commitment, and (ii) the aggregate amount of distributions received by such Participant. No Participant will be required to repay distributions to the Fund following the second (2nd) anniversary of the date of such distribution, unless there are any proceedings then pending or any other liabilities outstanding which the Fund Manager determines in good faith may require the return of such distribution in the future.
Financing instruments	The Fund provides guarantees and subordinated loans to commercial banks (called ?Partnerbanks?) and other financial institutions to mobilize capital by de-risking and catalyzing investment propositions (called "Transactions") that 1) Prevent deforestation and stimulate reforestation; 2) Contribute to sustainable and efficient agricultural production; and 3) Improve rural livelihoods ? for men and women. investment Instruments at the inception of the Fund are: ? Pari passu risk participation - Losses on a transaction with a single counterparty (or portfolio) are split between the bank and the Fund according to a pre-defined ratio (typically 50/50 but can vary). Both parties rank equal on the repayment waterfall. ? Tenor extension - The guarantee only kicks in at a given date in the future after which AGRI3 provides a full guarantee absorbing the 100% of the risk after that given date. This type of transaction will be provided where Partnerbanks are fully comfortable with the client and transaction risk but has a hard stop on tenor of the exposure. ? Maturity subordination - Combination of tenor extension and pari passu, in which the Fund guarantees the same absolute amount during the lifetime of the loan, which covers 100% of the credit risk after a given date. ? Subordinated guarantee- a guarantee on a bank?s loan facility that is provided to a company with equity capitalization. This guarantee is more comparable to regular subordinated debt, as the equity providers take the first loss position. AGRI3 provides a guarantee and has a subordinated position compared to the bank?s facility. ? First loss risk participation - AGRI3 provides first loss guarantees, i.e. where all of the loss is covered by the AGRI3 guarantee, up to an agreed maximum. The fund will also work with Partnerbanks to identify other forms of partial guarantees in order to support its impact and financial objectives.

Financial model

The AGRI3 fund provides guarantees and other subordinated debt structures to support commercial banks to invest in eligible projects. The fund is a blended finance structure, combining funds from public funds, private investors, DFIs and commercial banks.

The fund receives a fee for the provision of the guarantees and for the risk that the fund is taking on the guarantee. Should the guarantee be called due to a default in the underlying loan, then the guarantee will be called and payment made under the terms of the guarantee contract with the commercial bank (either for interest or principal). Guarantees are backed by cash collateral. In line with the fund?s Investment policy, the fund may also receive income from interest on other funded assets, such as subordinated debt, although the majority of the portfolio is expected to be guarantees.

At the inception of the fund, it is expected that all transactions will be secured with 100% cash collateral placed as deposits (i.e. no leverage). During the initial phase the Fund will build up a diversified portfolio of investments (primarily foreseen to be guarantees) and a related track record. Realizing this will allow a better understanding of the portfolio?s risk profile and hence reduce the cash collateral requirements for the Fund?s guarantees. Ultimately, after a number of years, we expect that the Fund will work towards obtaining a solid rating, thereby further lowering collateral requirements and thus increasing leverage and guarantee capacity of the fund.

The fund therefore derives its income from:
? Guarantee fees paid by partner banks. These fees differ from one guarantee product to the other, and are usually expressed as a percentage of the commercial margin the bank realizes
? Interest on cash collateral deposited at partner banks ? subject to bank deposit rate changes
? Interest on liquid assets where cash collateral is invested
? Interest on funded assets, e.g. subordinated loans

The fund is managed by AGRI3 Fund Manager B.V. which receives a management fee used to pay the costs of the Investment advisers and the operation and administration costs of the fund ? including service provider costs (e.g. for Due diligence).

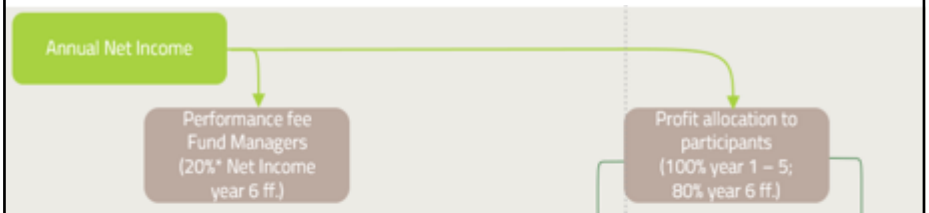
AGRI3 has the following expense categories:
? Fund management fees including operating costs ? further detail of which is provided below ? costs after year 5 will be taken as a % of the AUM of the fund
? Interest on bank loans (if applicable)
? Fees on unfunded risk participations of third parties including issuing fees
? Fund management profit sharing (20% of net income) ? after year 5 of the fund?s operation

Fund management and investment advisory fees

In USDm	Year 1 2020	Year 2 2021	Year 3 2022	Year 4 2023	Year 5 2024
i Costs of the Investment Advisors	1.12	1.26	2.00	2.25	2.50
ii Costs of the Governing Bodies	0.27	0.27	0.27	0.27	0.27
iii Costs of the External Consultants and Advisors (charged to the Fund)	0.69	0.60	0.67	0.54	0.68
Total Fund Management	**2.07**	**2.13**	**2.94**	**3.06**	**3.44**

AGRI3?s overall net IRR will, once the Fund is fully invested and at the end of its investment cycle (initially 20 years), are estimated between 1.5 ? 2%. By managing the funding mix of different asset classes, AGRI3 aims to realise a targeted gross IRR for junior participants of between 0 - 7% and a targeted gross IRR for senior participants of between 0 - 5%.

Terms and conditions for the financing instruments	(a) Fund strategy: AGRI3 is a guarantee and sub-debt fund, aiming to de-risk investment in transactions which support forest conservation, sustainable agriculture and rural livelihoods. The ambition is to unlock a total of USD 1 bln of financing from commercial banks and other suitable financiers, by derisking loans or other investments into eligible projects. AGRI3 distinguishes itself from other funds by its unique partnership with commercial banks (and other financiers) and their agricultural client base. This is supported and encouraged by the fund?s open architecture, which allows the fund to receive guarantees, or provide loans to the fund and participate in the fund?s business operations. There are a number of advantages for participating commercial banks and financiers including developing new transactions and relationships with clients with sustainable land use projects which fall outside the banks risk appetite. Therefore, the fund promotes forest conservation and sustainable agriculture on an economically viable basis for clients and for participating banks without stretching their risk appetite. For the fund, the collaboration with commercial banks secures a project pipeline that many impact funds lack. (b) Fund structure: AGRI3 is an open-end investment fund structured as a fund for joint account under Dutch law. This includes the legal entities Stichting Titleholder AGRI3 and AGRI3 Fund Manager B.V. as well as a contractual arrangement sui generis between these entities and each of the participants in the Fund. It is an investment institution as referred to in article 1:1 of the Financial Markets Supervision Act (FMSA). Further details about the funds structure is described in the Fund Documentation. (c) Governance structure of the Fund: The Fund?s assets and liabilities are held by a Dutch foundation, acting as fund depositary entity. AGRI3 Fund Manager B.V. is instructed to act as Fund Manager. The Fund Manager has delegated responsibility to manage certain elements of the fund to the Investment Advisers ? Fount and Cardano. These advisors will also be the Fund?s initial participants. The sole shareholder of the Fund Manager B.V., Stichting AGRI3, has specific decision/prior approval/advisory rights and will act in the interest of all stakeholders of the Fund. The Fund also is overseen by a Partipants meeting and Steering Committee. Further details on the governance structure of the fund are set out in the Terms and Conditions and the Investment Memo of the fund. It should be noted that the fund will have it first evaluation in Q1 next year, in line with Dutch government grant requirements, and will be reviewing the effectiveness of the fund?s current structure, including governance arrangements. (d) Fund tranches: Junior and senior participants are equity investors with an impact investment objective in the Fund: ? a first loss tranche a capital preservation (e.g. 0% RoI) target ? second, junior participants will absorb losses superseding the first loss. The Fund is estimating a gross IRR target of between 0 - 7% with junior participants ? third, senior participants investors will absorb losses superseding the first and second loss. The Fund is estimating a gross IRR target of between 0 - 5% with senior participants ? lastly, debt will be provided by debt providers (typically, commercial banks) at rates between 2 ? 4% - depending on lenders terms. GEF is requested to make an investment as anchor senior participant (after the first loss provided by the NL Government). These conditions are open for discussion.

Waterfall of payments	The waterfall describes the distribution of losses and profits (including performance fees) towards the providers of funding of the AGRI3 Finance Fund. The waterfall applies to the overall result of the Fund and the ultimate distribution will be determined on a-year-by-year-basis by the Fund Manager, In line with the Funds Terms and Conditions. **Cash waterfall: profit allocation** Should the fund be profitable, then the profits will be allocated to each of the funding categories in line with the waterfall. Profit is defined as positive Net Income (=profit after tax). This is already after payment of the interest on Debt finance, underlining the senior position of this funding category. Distributions to Debt finance are in cash. In standard accounting terms, Net income is calculated as Income after factoring in all expenses, including debts. In accounting terms, Net income is calculated as Income after factoring in all expenses, including debts. It is a standard way of calculating income. Any Debt finance obligations will be deducted first before calculating Net income. This has been included as part of the waterfall section. Costs taken account of in the Net Income calculation will include the operating expenses (e.g. Fund Management fees) and and non-operating expenses of the fund (including debt repayments and taxes). This profit will be allocated as follows. See also the diagram. ? First, 20% of positive Net Income will be distributed to the Fund Manager of AGRI3. This will only occur after year 5 and from year 6 onwards of the fund operations. Note that this is fully in line with existing market practice where funders require the fund manager to have an adequate incentive structure. Of course, this structure has been taken into account at the moment of determining the fixed management fees, as there should be an acceptable balance between fixed versus performance-based fee. ? Second, any remaining positive Net Income will be allocated towards the Junior and Senior Participations up to an amount equal to their respective target return rates. Also note that any distributions towards Junior and Senior Participations are not in cash, but through issuance of new participation (i.e. through reinvestment). Repayment (including thus accrued distributions) in cash will only be done after relevant lock up periods - up to the 5% or 7% - anything left is accrued to the capital preservation. If there are still funds left, then the remainder will be allocated to Junior and Senior tranches. ? Third, in the case that any previous losses have been allocated to the Capital preservation capital (=grant funding), any remaining positive Net Income will be allocated to compensation of these previous losses; ? Fourth, any remaining positive Net Income will be allocated to the Junior and Senior Participations. 

ANNEX G: (For NGI only) Reflows

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

Item Data	Item Data
GEF Project Number	10497
Estimated Agency Board approval date	November 2022
Investment type description	Investment
Expected date for start of investment	November 2022
Amount of investment (USD GEF funds)	USD 14,673,000 total amount requested USD 13,461,468 to be invested after Agency fees and PPG amount
Amount of investment (USD co-financing)	USD 150,000,000 - estimated total investment in the fund (USD 137,179,554 in cofinancing excluding GEF investment)
Estimated interest rate/return	Between 0 - 5% (allocated, not distributed - estimated return upon full investment of the Fund)
Maturity	10 year investment period and an additional 2 years to allow for the clawback clause. Redemption possible after 10 years and subject to liquidity, in line with the Terms and Conditions of the Fund. Option to extend after the 10 year lock up, with the option to be discussed at year 8, and subject to review.
Estimated reflow schedule	Subject to terms of redemption as set out in the Fund?s Terms and Conditions
Repayment method description	Profits allocated and retained/re-invested until final repayment date

Frequency of reflow payments	One off redemption ? - in line with the Fund?s Terms and Conditions, at the end of the initial Lock-Up Period, the Participants may request the Titleholder to redeem Participations. The time period to complete redemption will depend on the liquidity of the Fund and will be actioned in line with Fund?s Terms and Conditions. Due to the nature of the Fund any requests for redemption will need to be made at least one calendar year prior to the envisaged date of redemption. In addition, the Fund Manager will use its best efforts to honour redemption requests but cannot due to the nature of the Fund guarantee that there will be sufficient liquidity in the Fund, or that sufficient liquidity can be generated as of the relevant Cut-Off Time, to honour redemption requests (in whole or in part).
First repayment date	Dependent on redemption date, but final date estimated at December 31, 2034 (including clawback)
First repayment amount	Bullet payment at the maturity for first repayment date based on final repayment amount, as set out in the section on final repayment amounts.
Final repayment date	Dependent on redemption date, but final date estimated at December 31, 2034 (including clawback)

Final repayment amount	Subject to NAV at redemption date, as in the funds Terms and Conditions. NAV is expressed in the Fund Currency, and is defined as the value of a fund?s assets minus the value of its liabilities. Current forecasts show the following, assuming a 10 year investment period: ? Base case ? USD 17.5 mn ? Best case ? USD 18.5 mn ? Worst case ? USD 13.5 mn The final repayment amount are estimates. They are based on a number of assumptions including future growth of the portfolio, expected credit losses, returns on guarantees, returns on collateral, collateral coverage and the funds investment period. They are therefore subject to change. Note, final repayment amounts are expected to be realized after full investment in the fund. In all cases, projections are only estimates of future results, based upon a current information and future assumptions including performance of portfolio investments future growth of the portfolio, returns on guarantees, returns on collateral, collateral coverage and the funds investment period. They are therefore subject to change and are not guaranteed.
Total principal amount to be paid- reflowed to the GEF Trust Fund	13,461,468
Total interest/earnings amount to be paid- reflowed to the GEF Trust Fund	See above

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

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

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.

A**bility 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.