



GEF-6 REQUEST FOR PROJECT ENDORSEMENT/APPROVAL

PROJECT TYPE: Full-sized Project

TYPE OF TRUST FUND:(choose fund type)

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PART I: PROJECT INFORMATION

Project Title: Impact Investment in Support of the Implementation of the Nagoya Protocol on Access and Benefit Sharing			
Country(ies):	Regional: Latin America and the Caribbean	GEF Project ID: ¹	9058
GEF Agency(ies):	IADB (select) (select)	GEF Agency Project ID:	RG-Q0038
Other Executing Partner(s):	EcoEnterprises Fund; Union of Ethical Biotrade (UEBT)	Submission Date:	2016-12-02
GEF Focal Area (s):	Biodiversity - Non-Grant set aside	Project Duration (Months)	144
Integrated Approach Pilot	IAP-Cities <input type="checkbox"/> IAP-Commodities <input type="checkbox"/> IAP-Food Security <input type="checkbox"/>	Corporate Program: SGP <input type="checkbox"/>	
Name of Parent Program	[if applicable]	Agency Fee (\$)	950,000

A. FOCAL AREA STRATEGY FRAMEWORK AND OTHER PROGRAM STRATEGIES²

Focal Area Objectives/Programs	Focal Area Outcomes	Trust Fund	(in \$)	
			GEF Project Financing	Co-financing
BD-3 Program 8 (select) (select)	Outcome 8.1: Legal and regulatory frameworks, and administrative procedures established that enable access to genetic resources and benefit sharing in accordance with the provisions of the Nagoya Protocol	GEFTF	10,000,000	65,170,000
(select) (select) (select)		(select)		
(select) (select) (select)		(select)		
(select) (select) (select)		(select)		
(select) (select) (select)		(select)		
(select) (select) (select)		(select)		
(select) (select) (select)		(select)		
(select) (select) (select)		(select)		
Total project costs			10,000,000	65,170,000

B. PROJECT DESCRIPTION SUMMARY

Project Objective: To provide technical, financial and strategic assistance to Small and Medium Enterprises in Latin America and the Caribbean working in value chains aligned with the provisions of the Nagoya Protocol.						
Project Components/Programs	Financing Type ³	Project Outcomes	Project Outputs	Trust Fund	(in \$)	
					GEF Project Financing	Confirmed Co-financing
Supporting Small and Medium Enterprises (SMEs) engaged with nature based products following the principles of the Nagoya Protocol	TA	Small and Medium Enterprises working on Research and Development or along value chains of nature-based products, with ability to sustainably valorize genetic resources as part of	Nature-based market analysis conducted and contracts signed with selected SMEs with company's specific technical and financial needs taken into account.	(select)		30,000

¹ Project ID number remains the same as the assigned PIF number.

² When completing Table A, refer to the excerpts on [GEF 6 Results Frameworks for GETF, LDCF and SCCF](#) and [CBIT programming directions](#).

³ Financing type can be either investment or technical assistance.

		operational success or commercialize value-added products.				
	TA		5 grants provided to facilitate education, further understanding and mainstreaming of market initiatives pertaining to Nagoya Protocol.	(select)		50,000
	TA		Technical assistance consultancies completed to at least 10 SMEs on social and environmental, monitoring, special business, marketing or operational support and/or analysis and feasibility of raw material supply chains and enhancements.	(select)		90,000
Establishment of EcoEnterprises Fund III to generate financial returns alongside environmental and social impact	Inv	Companies and investors in the targeted sectors with enhanced benefit-sharing policies and incentives to conserve and sustainable use genetic resources increased through financial investments.	Investment of minimum \$40 million in 15-20 SMEs in countries with ABS on genetic resources related to BD as a national priority and have intention to create long-term livelihoods for local communities and to boost resilience in rural value chains.	GEFTF	10,000,000	65,000,000
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
Subtotal					10,000,000	65,170,000
Project Management Cost (PMC) ⁴				(select)		
Total project costs					10,000,000	65,170,000

C. CONFIRMED SOURCES OF [CO-FINANCING](#) FOR THE PROJECT BY NAME AND BY TYPE

Please include evidence for [co-financing](#) for the project with this form.

Sources of Co-financing	Name of Co-financier	Type of Cofinancing	Amount (\$)
GEF Agency	IADB	Equity	5,000,000
Private Sector	ANTHOS Asset Management	Equity	2,200,000
Private Sector	EcoEnterprises Fund	Grants	170,000
Private Sector	Hivos-Triodos Fonds	Equity	3,000,000

⁴ For GEF Project Financing up to \$2 million, PMC could be up to 10% of the subtotal; above \$2 million, PMC could be up to 5% of the subtotal. PMC should be charged proportionately to focal areas based on focal area project financing amount in Table D below.

Donor Agency	FMO	Equity	5,000,000
Private Sector	Delsar LLC	Equity	1,000,000
Private Sector	The Nature Conservancy	Equity	2,000,000
Public/Private Sector	Other impact investors	Equity	46,800,000
(select)		(select)	
Total Co-financing			65,170,000

D. TRUST FUND RESOURCES REQUESTED BY AGENCY(IES), COUNTRY(IES), FOCAL AREA AND THE PROGRAMMING OF FUNDS

GEF Agency	Trust Fund	Country Name/Global	Focal Area	Programming of Funds	(in \$)		
					GEF Project Financing (a)	Agency Fee ^{a)} (b) ²	Total (c)=a+b
IADB	GEF TF	Regional (LAC)	Biodiversity	(select as applicable)	10,000,000	950,000	10,950,000
(select)	(select)		(select)	(select as applicable)			0
(select)	(select)		(select)	(select as applicable)			0
(select)	(select)		(select)	(select as applicable)			0
(select)	(select)		(select)	(select as applicable)			0
(select)	(select)		(select)	(select as applicable)			0
(select)	(select)		(select)	(select as applicable)			0
(select)	(select)		(select)	(select as applicable)			0
(select)	(select)		(select)	(select as applicable)			0
(select)	(select)		(select)	(select as applicable)			0
Total Grant Resources					10,000,000	950,000	10,950,000

a) Refer to the [Fee Policy for GEF Partner Agencies](#)

E. PROJECT'S TARGET CONTRIBUTIONS TO GLOBAL ENVIRONMENTAL BENEFITS⁵

Provide the expected project targets as appropriate.

Corporate Results	Replenishment Targets	Project Targets
1. Maintain globally significant biodiversity and the ecosystem goods and services that it provides to society	Improved management of landscapes and seascapes covering 300 million hectares	<i>10 million acres</i>
2. Sustainable land management in production systems (agriculture, rangelands, and forest landscapes)	120 million hectares under sustainable land management	<i>hectares</i>
3. Promotion of collective management of transboundary water systems and implementation of the full range of policy, legal, and institutional reforms and investments contributing to sustainable use and maintenance of ecosystem services	Water-food-ecosystems security and conjunctive management of surface and groundwater in at least 10 freshwater basins;	<i>Number of freshwater basins</i>
	20% of globally over-exploited fisheries (by volume) moved to more sustainable levels	<i>Percent of fisheries, by volume</i>
4. Support to transformational shifts towards a low-emission and resilient development path	750 million tons of CO _{2e} mitigated (include both direct and indirect)	<i>metric tons</i>
5. Increase in phase-out, disposal and reduction of releases of POPs, ODS, mercury and other chemicals of global concern	Disposal of 80,000 tons of POPs (PCB, obsolete pesticides)	<i>metric tons</i>
	Reduction of 1000 tons of Mercury	<i>metric tons</i>
	Phase-out of 303.44 tons of ODP (HCFC)	<i>ODP tons</i>
6. Enhance capacity of countries to implement MEAs (multilateral environmental agreements) and mainstream into national and sub-national policy, planning financial and legal frameworks	Development and sectoral planning frameworks integrate measurable targets drawn from the MEAs in at least 10 countries	<i>Number of Countries:</i>
	Functional environmental information systems are established to support decision-making in at least 10 countries	<i>Number of Countries:</i>

F. DOES THE PROJECT INCLUDE A “NON-GRANT” INSTRUMENT? Yes

(If non-grant instruments are used, provide an indicative calendar of expected reflows to your Agency and to the GEF/LDCF/SCCF/CBIT Trust Fund) in Annex D.

PART II: PROJECT JUSTIFICATION

A. DESCRIBE ANY CHANGES IN ALIGNMENT WITH THE PROJECT DESIGN WITH THE ORIGINAL PIF⁶

A.1. *Project Description*. Elaborate on: 1) the global environmental and/or adaptation problems, root causes and barriers that need to be addressed; 2) the baseline scenario or any associated baseline projects, 3) the proposed alternative

⁵ Update the applicable indicators provided at PIF stage. Progress in programming against these targets for the projects per the *Corporate Results Framework* in the [GEF-6 Programming Directions](#), will be aggregated and reported during mid-term and at the conclusion of the replenishment period.

⁶ For questions A.1 –A.7 in Part II, if there are no changes since PIF, no need to respond, please enter “NA” after the respective question.

scenario, GEF focal area⁷ strategies, with a brief description of expected outcomes and components of the project, 4) [incremental/additional cost reasoning](#) and expected contributions from the baseline, the GEFTF, LDCF, SCCF, CBIT and [co-financing](#); 5) [global environmental benefits](#) (GEFTF) and/or [adaptation benefits](#) (LDCF/SCCF); and 6) innovativeness, sustainability and potential for scaling up.

(1) GLOBAL ENVIRONMENTAL PROBLEMS, ROOT CAUSES AND BARRIERS

Global environmental problem - Ongoing loss in biodiversity and deterioration of critical ecosystem services.

Despite all efforts, biodiversity loss around the world continues to persist and in some cases intensify. This is particularly worrisome as biodiversity underpins the functioning of the ecosystems on which the world's population depends for food and fresh water, health and recreation, and protection from natural disasters (as noted in the GEF-6 Programming Directions based on the Millennium Ecosystem Assessment). Current trends are bringing us closer to a number of potential tipping points that would catastrophically reduce the capacity of ecosystems to provide these essential services. In Latin America, one of world's most biologically-rich regions, scientists estimate that close to 40 million acres of tropical rainforest are lost each year and 50 to 150 plant and animal species become extinct each day. Given that close to 80% of the world's rural poor depend on local natural resources and biodiversity for survival and well-being, this highlights the utmost importance of developing and implementing long-term solutions that address the underlying economic, social and environmental causes and barriers to this problem.

Root causes

The global rate of biodiversity loss has not been successfully reduced because principle pressures remain unchanged. Some of the root causes that need to be addressed include:

1. **Growing agricultural demand increases pressure on habitats and ecosystem services.** As global populations and economies grow, a spiking demand for agricultural outputs has intensified the risk of overexploitation of the Earth's natural resource base and the destruction of vulnerable ecosystems and habitats. By 2050, global population is expected to reach 9.9 billion, up 33% from 7.4 billion today, a trend that is mainly driven by rapid growth in some of the least developed nations of the world and that will boost global food demand and increase food insecurity in many regions of the world. Global food production will have to increase by at least 60% by 2050, if future demand is to be met. On top of the increase in food production, several other factors fuel demand for agricultural outputs. Agriculture is an important source of fiber, energy, fuel, and industrial raw materials, and the demand for these uses is continuously growing.

Boosting agricultural productivity, e.g. through improved methods to grow and process crops, more efficient water usage, the introduction of science-based and information technologies, or the expansion of rural infrastructure and the implementation of sustainable, climate-smart agricultural practices will be key to ensuring maximized outputs and long-term resilience of the agricultural sector while at the same time protecting vulnerable, biodiverse ecosystems and landscapes as well as conserving related resources, specifically water.

In 2015, the World Economic Forum rated water scarcity to pose a greater global risk than terrorism, financial crises, or even global warming. By 2050, demand for water worldwide will be 55% higher than in 2000, while water supply will become less secure. Today, agriculture already uses 70% of the world's extracted freshwater and is extremely vulnerable to interruptions of supply due to pollution, changing rainfall patterns and deforestation. The sector's water usage is projected to rise to 89% of all extracted freshwater by 2050, further increasing pressure on natural ecosystems.

2. **Poverty and unjust benefit sharing increases the risk of overexploitation and unsustainable use of natural resources.** Globally, more than 2.5 billion people depend on agriculture and local biodiversity for their livelihood. In Latin America, around 80% of agricultural production is generated by smallholder farmers that

⁷ For biodiversity projects, in addition to explaining the project's consistency with the biodiversity focal area strategy, objectives and programs, please also describe which [Aichi Target\(s\)](#) the project will directly contribute to achieving..

are most vulnerable to the loss of natural resources due to overexploitation, changing market conditions or natural disasters, according to ALASA (Asociación Latinoamericana de Seguros Agrícolas). At the same time, unsustainable subsistence farming itself often endangers the long-term viability of the natural resource base, e.g. causing 48% of global deforestation thus accelerating soil degradation, undermining carbon sequestration and contributing to erosion, floods and mudslides. Though conservation efforts continue to gain traction to address challenges, many communities living in or near critical habitats and watersheds, faced with a daily struggle to survive, not only lack the financial means to invest in the preservation of local ecosystems but also have no economic incentive to adopt alternate methods of development as they are not receiving a fair and equitable share of benefits arising from the utilization of natural genetic resources from their region.

Fostering community based business models that enable BoP communities to equitably participate in agricultural value in accordance with the Nagoya Protocol is a key element of implementing sustainable change in the agricultural sector, boosting downstream economic benefits in agricultural supply chains and incentivizing local stakeholders to actively promote agricultural practices that would remedy environmental degradation and encourage the conservation and sustainable use of natural resources.

3. **Climate change accelerates biodiversity loss and threatens agricultural value chains.** Climate change is the pivotal issue of our time. In addition to warming temperatures, more frequent extreme weather events and changing patterns of rainfall and drought can be expected to have significant impacts on biodiversity, natural ecosystems and ecosystem services. Climate change is threatening vulnerable species, damaging food chains upon which both animals and humans depend and putting ecosystem services such as watersheds at risk and is projected to become a progressively more significant threat in the coming decades. E.g., for each degree Celsius of global warming, there will be a grain crop yield loss of approximately 5%, directly increasing food insecurity, malnutrition and poverty.

Conservation of biodiversity is key to moderating the scale of climate change and reducing its negative impacts by making ecosystems - and therefore human societies - more resilient. Identifying and implementing relevant adaptation and mitigation strategies such as climate smart agricultural strategies, that contribute to remediating degraded land, planting resilient agro-forestry systems, conserving forested land, or improving water resources will be paramount.

Barriers

Unlike other parts of the world, LAC is the only region on track for meeting its local agricultural demand by 2050. With one third of the world's fresh water resources, some of the Earth's most biodiverse ecosystems, and 28% of the world's suitable land for agricultural expansion, the natural resources of the region represent a comparative advantage that should be leveraged wisely. Mainstreaming biodiversity conservation into productive sectors by investing in Small and Medium Enterprises (SMEs) with a vested interests in sustainable management of natural resources and indigenous genetic material, strong community ties and ethical sourcing and trading mechanisms in line with the Nagoya protocol is imperative in order to permanently and responsibly reduce pressures on globally-important "natural capital".

Of particular interest are SMEs that operate near regions of important flora and fauna and/or form part of value chains that connect users and providers of nature-based products or genetic resources. Even though a confluence of global trends, such as a rapid growth in organic sectors and increasing willingness of global consumers to pay more for sustainable goods, has created a unique opportunity to invest in and scale these types of SMEs several key barriers remain.

1. **Limited access to capital.** One key barrier for nature-based SMEs to gain strength and grow their operations while protecting the biodiversity of the region is access to suitable capital. Existing funding sources are not currently designed to assist these particular companies, mainly because the available lending mechanisms tend to concentrate on either small sums, (which do not provide enough for the needs of these companies) or very large sums (that are too big for these companies to access). The businesses have been deemed "the missing middle," trapped between micro-enterprises, which benefit from the support of microfinance institutions, and the larger, more established businesses that can attract commercial credit through the conventional capital markets because of their lower risk profile. Companies with a nature conservation dimension are faced with

additional obstacles to access financing because they are innovative in scope and primarily operate in rural areas in partnership with BoP communities.

Even though some countries in the LAC region have ranked on the top of the 2015/2016 LAVCA Scorecard for having conducive policy and regulatory environments for VC and PE investors, there are still significant financing gaps in the region that need to be addressed. In addition, more investors today are concerned about the increased risk profile of agricultural investments due to the exposure to the effects of climate change. It is therefore still critical to attract more high-risk investors to consolidate the industry. It is also important to incentivize longer-term investments needed in areas such as land-use and forestry – areas traditionally underserved by traditional finance. The objective put forth herewith is to make use of a whole array of financial tools to address bottlenecks and break this barrier for this select group of companies through tailored capital.

2. **Need for technical assistance to boost productivity and resilience of agricultural value chains.** Increasing agricultural outputs to meet rising global demand and achieve food security will require boosting the rate of annual productivity growth by at least 25% per year. To do so sustainably, best-in-class examples of highly productive, sustainable agricultural business models need to be identified and scaled, while a transfer of lessons learned needs to be facilitated to less productive enterprises in the region. The current productivity gap between low and high productivity firms in Latin America and the Caribbean (LAC) has been estimated at 22%. SMEs will benefit from technical assistance that bolsters agricultural productivity through the use of technological innovation, agricultural research and the implementation of best-in-class, climate smart farming practices. Addressing this barrier is key to effectively reducing the pressure on natural resources and allowing to freeze or even shrink the sector's environmental footprint while it grows.
3. **Lack of ABS related know-how and implementation strategies.** When looking at SMEs under the lens of the Nagoya Protocol on Access and Benefit Sharing (ABS), there are two relevant groups: 1) those companies actively taking part in the production and valorization of genetic resources by means of research and development, and 2) companies that are part of value chains linking users and producers of these genetic resources. In both groups, examples can be found of companies that are proactively putting in place policies and practices to be in line with national ABS norms and/or the core provisions of the Nagoya Protocol. The majority of SMEs in the region, however, has still a significant information need regarding exact implications of ABS norms on their business models and/or best strategies to adjusting policies and practices to comply with and take advantage of newly emerging opportunities under the new Protocol. That means, adhering to the basic principles of Prior Informed Consent (PIC), Mutually Agreed Terms (MAT) and Benefit Sharing (BS) when users and providers of genetic resources engage in ABS negotiations.

IADB and GEF investment in this Fund will leverage additional resources from the international community and the private sector. This investment will promote private sector engagement in the conservation and sustainable use of genetic resources in line with the Nagoya Protocol and will address the above mentioned barriers while providing a platform for future scale-up and replication.

BASELINE SCENARIO AND/OR ASSOCIATED BASELINE PROJECTS

Baseline Projects – EcoEnterprises Fund I and II

EcoEnterprises Fund is an impact investment manager that builds upon nearly two decades of investment portfolio management in Latin American through its first two funds under management, Fondo EcoEmpresas, S.A. (Fund I, launched in 2000) and EcoEnterprises Partners II, LP (Fund II, launched in 2010).

According to evaluations conducted by International Finance Corporation, GEF and IADB/MIF on Funds I and II⁸, both funds have introduced market-based solutions to address pressing environmental challenges and needs of rural communities at the bottom of the economic pyramid. By providing growth capital to innovative SMEs whose success relies on building resilience in local communities through the creation of livelihoods and fair benefit sharing,

⁸ (i) GEF's mid-term review of the Eco-Enterprises Fund I, Final Report, by Le Groupe-conseil baastel Ltée, September 2006; (ii) IFC's EcoEnterprises Review, February 2010; (iii) MIF's first independent evaluation, October 2016 (draft).

encouraging the sustainable use and conservation of natural resources, preserving vulnerable ecosystems and bio-diverse working landscapes, and mitigating climate risks, both funds have filled a void in local capital markets and, helped to establish conservation oriented impact investments as an emerging asset class.

1. Fondo EcoEmpresas, S.A. (Fund I)

Launched in 2000 under the umbrella of The Nature Conservancy (nature.org), this fund was a hybrid “proof of concept” fund with grant-based technical assistance resources combined with investment capital. The objective of the fund was to help abate threats to biodiversity in Latin America and the Caribbean by supporting community-based, commercially-viable economic activities that encourage the sustainable use of natural resources. Pioneering a new approach to investing in community-based SMEs, the fund deployed USD\$6.4 million, investing in 23 companies in the infant organic agriculture, ecotourism, agro-forestry and sustainable aquaculture sectors to illustrate its investment proposition. All investments were exited and presently, 16 years later, 70% of fund companies are still operational. Evaluations of Fund I concluded that the Fund by investing for impact could not only help resolve pressing environmental and social issues, but also could do so while generating market-based returns for investors.

2. EcoEnterprises Partners II, LP (Fund II)

EcoEnterprises Partners II, LP, was established in 2011, oversubscribed with a capitalization of USD\$35.25 million. Like Fund I, EcoEnterprises Fund’s second fund under management focuses on sustainable SME investments in sectors such as sustainable agriculture, agro-forestry, aquaculture, and wild-harvested forest products that are critical to the creation of long-term livelihoods and community well-being. The Fund was fully deployed by early 2016, earlier than anticipated, with a focus on flexible debt and mezzanine instruments, including quasi-equity upsides, e.g. from royalty streams, warrants or convertible notes. Its first independent evaluation found that Ecoenterprises Fund II is achieving important environmental impact alongside the expectations of attractive financial returns. To date, there has been one repaid facility and close to US\$4 million distributed to LPs. Based on deal IRRs between 10% and 22% across 10 portfolio companies, Fund II is expected to surpass the IRR hurdle rate of 7% net return to LPs.

In aggregate, the two funds have invested \$41.5 million in 33 nature-based companies in 11 countries across Latin America, achieving positive financial returns alongside environmental and social impact. The group of companies that participated in EcoEnterprises I and II, currently account for the following aggregate impact indicators:

Acres sustainably managed or directly protected		7,000,000
Operating in/near conservation priority sites		28
Jobs generated		4,400
Suppliers supported		20,700
Local persons impacted		150,000
Civil society/environmental groups partnerships		400
Sales since investment	\$	831,000,000
Certifications (i.e. organic, fairtrade, FSC, ecotourism)		100%
Increased access to capital	\$	400,000,000

Baseline project - UEBT

UEBT, the Union for Ethical Bioproducts, is a member based non-profit association that promotes the ‘Sourcing with Respect’ of ingredients that come from biodiversity. Members adopt sourcing practices that advance sustainable business growth, local development and biodiversity conservation. All members of the Union are required to commit to gradually bringing their practices in line with ethical bioproducts principles. UEBT through certifications, verification systems and providing advising services, aims to help companies negotiate the regulatory minefield of trading with local producers all over the world, while ensuring that benefits reach all of those involved. UEBT was created in 2007 as a

spin off from the United Nations to promote business engagement in biotrade and members commit to support the 2020 United Nations Biodiversity targets.

(3) **ALTERNATIVE SCENARIO:** brief description of expected outcomes and components of the project

EcoEnterprises Fund III - Project Objective

Through this project, IADB and the GEF intend to promote the Nagoya Protocol, a key element to the United Nations Convention on Biological Diversity. The project's specific objective is to promote the development of SMEs along value chains aligned with the provisions of the Nagoya Protocol. To this end, GEF and MIF resources will be invested in EcoEnterprises Fund III (Fund), which has a capitalization target of US\$80 million.

Key Characteristics and Project Outcomes

- EcoEnterprises Fund III addresses the environmental problems, root causes and barriers described in Section (1), by fueling long-term economic growth at the community level through investing in those forward thinking SMEs which embed sustainability and local partnering as fundamental to the modus operandi. In this way, these models are changing the way business, conservation and social progress are achieved in the region and filling a gap in regional development efforts. Fund III is a tool to provide otherwise unavailable capital and technical support to strengthen the financial, environmental and social performance of SMEs to generate tangible results for replication and scale. Catalyzing climate smart agriculture techniques, enhancing the value received by communities for local products by incorporating ABS and encouraging the understanding of importance of collaboration among all vested parties translates into maintaining the integrity of the natural resource base and improving the lives of local peoples. The Fund intends to lend sufficient support in the form of technical assistance that will enable indigenous peoples and local communities to adequately negotiate ABS agreements with the three basic principles of the Nagoya Protocol: Prior Informed Consent (PIC), Mutually Agreed Terms (MAT) and Benefit Sharing (BS).
- While maintaining its investment approach and sector focus of its two prior funds, Fund III will focus on investment opportunities that adhere to the Nagoya Protocol on Access and Benefit Sharing. The Fund will work with UEBT through technical advisory to help showcase, shepherd and invest in SMEs sourcing from nature-based products and interested in aligning their businesses models with the international legally binding Nagoya Protocol.
- The Fund will provide growth capital to up to 18 SMEs which promote ethical sourcing and trading practices, create long-term livelihoods for local communities and boost resilience in rural value chains, while mitigating climate risks, preserving vulnerable ecosystems and biodiversity and encouraging the sustainable use of natural resources.
- Through the Fund it is expected to achieve results related to (i) improved productivity; (ii) generation of 5,000 new jobs; (iii) and furthering the objectives of the Nagoya Protocol. Some of the outputs expected from the implementation of Fund may include: (i) up to 17 SMEs to receive capital from the Fund to scale-up impact and enhance financial performance; (ii) US\$65m of capital committed by other investors in co-financing to leverage GEF resources mobilized into the Fund, (iii) up to 5 companies receive support directly through UEBT to further understand, educate and mainstream initiatives pertaining to the ABS provision of Nagoya Protocol; and (iv) at least 17 Fund's portfolio companies exit successfully; and, (vi) 10 million acres sustainably managed or directly protected, as well as others presented in the logical framework in Annex A.

Alignment with GEF Focal Areas and Aichi Biodiversity Targets: EcoEnterprises Fund is in full support of the Biodiversity focal area of the GEF and aligned with Program 8 Implementing the Nagoya Protocol on Access and Benefit Sharing. The project supports targets 1, 7, 14, and 16 of the Aichi Biodiversity targets.

Project Components: The project consists of two components:

- Component 1: The establishment of impact investment Fund EcoEnterprises Fund III,
- Component 2: A technical assistance facility to support and foster the growth of SMEs promoting sustainable supply chains in line with the requirements of the Nagoya Protocol

Both components complement each other to ensure that investments made through the Fund deliver and maximize the desired environmental and social outcomes.

Component 1. Establishment of EcoEnterprises Fund III with a diverse investor base and portfolio of SMEs to generate financial returns alongside environmental and social impact.

Project Result: The project will provide tailored growth financing to up to 18 sustainable and biodiversity-focused companies, helping them to grow, consolidate their business, and scale financial, environmental and social results. The businesses will be in countries in the region that have identified Access and Benefit Sharing (ABS) on genetic resources related to biodiversity as a national priority, are signatories to the Nagoya Protocol (i.e. Peru, Colombia, Bolivia, Guatemala, Mexico, Panama, Brazil and Costa Rica) and have the intention to create long-term livelihoods for local communities and to boost resilience in rural value chains, while mitigating climate risks, preserving vulnerable ecosystems and encouraging the sustainable use and the conservation of natural resources.

Fund Structure and Investment Focus

Capitalization	US\$80 million, initial closing at US\$40 million
Vehicle	10-year closed-end fund, with a five-year Investment Period and a five-year Divestment Period. The term of the Fund may be extended by a majority vote of the Fund ownership for up to two (2) additional one-year periods.
Focus Sectors	Sustainable agriculture, agroforestry and wild-harvested products, sustainable forestry, ecotourism, and emerging opportunities, such as those that monetize environmental benefits and/or utilize technology for impact.
Focus Regions	Biodiversity hotspots in Latin America, including Meso-America, Northern Andes, and the Amazon Basin. Priority will be given to countries that have already taken part in GEF ABS projects and thus have demonstrated political will to ratify the Nagoya Protocol in the near future.
Target companies	Small- to medium-sized companies with established revenue streams (US\$1-10 million); a market-validated product offering, and a proven business model, in growth stage, including regional and strategic expansion financing. Priority will be given to SMEs that have a proven track record and dedication to strengthening the implementation of access to Genetic Resources and ABS in their respective countries.
Deal Size	Tickets of US\$2-6 million with capacity for follow-on investments
Instruments	Mezzanine structures, with quasi-equity upsides (royalty streams, warrants, convertible notes); unique equity opportunities; senior, subordinated and/or other tailored debt instruments
Target	Growth stage, including regional and strategic expansion financing
Goal	Innovative portfolio of 15-20 community-based SMEs; hurdle rate of 7% per Fund 2; target IRR per deal 10%-25%, depending on instrument and company specifics
Selected Investors	Inter-American Development Bank, The Nature Conservancy, European Investment Bank, The Dutch Development Bank (FMO), Hivos-Triodos Fonds

Value-adding Investment Approach

EcoEnterprises Fund employs a proactive and engaged partnering approach with its portfolio SMEs to achieve results. This includes participation on Board of Directors, technical assistance on social and environmental issues, assignments on financial management, strategic planning, operational efficiencies, or the analysis of raw material supply chains. The Fund relies on an extensive group of experts to carry out these activities. EcoEnterprises Fund III will not only continue to offer this support in cooperation with its network, but also will specifically work with the Union for Ethical Biobased Trade (UEBT) on Nagoya opportunities.

Driven by the increasing attention for sustainability of natural ingredients, fair trade practices, and the evolving legislation on Access and Benefit Sharing (ABS), biodiversity based ethical sourcing is becoming increasingly important for food, cosmetics and pharmaceutical sectors which rely on biodiversity to create new, innovative raw materials for their products. For nearly two decades, the Fund has witnessed how companies manage their sourcing practices greatly affects their impact on the environment and the local community. While the Fund Manager has already invested in one ABS company through EcoEnterprises Fund II and plans to invest in another one, the perceived higher risk associated with ABS companies requires special measures to enhance funding to this niche market and ensure investments are aligned with the GEF's program targets and the Nagoya protocol.

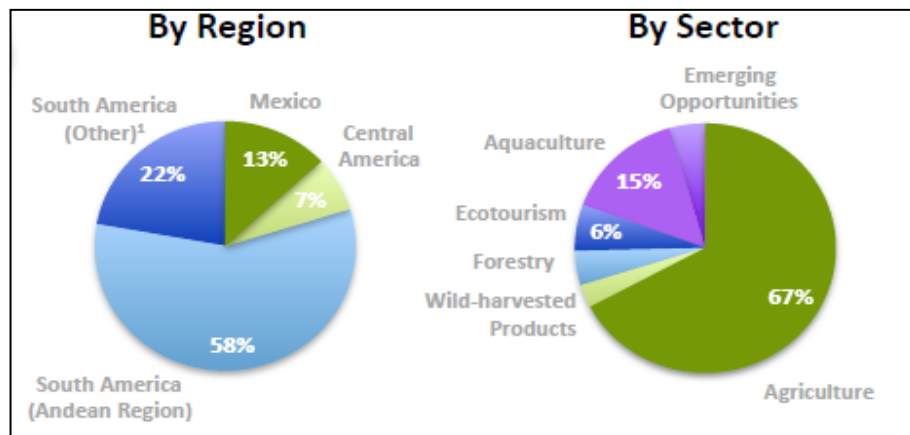
Fund III will make an explicit call for ABS SMEs, while balancing its portfolio with non-ABS SMEs to achieve an overall balanced risk level and fund financial return attractive to investors. This will allow EcoEnterprises Fund to support ABS businesses which have not received the attention and capital required to grow and succeed. To ensure alignment with GEF's strategic goals and norms pertaining to Nagoya, Fund III will rigorously benchmark prospect investments against a comprehensive set of investment criteria, including, but not limited to:

- Evidence for an ecosystem approach to overall operations that integrates ecological and social issues, as well as the interactions and processes that are involved in a productive system. This guarantees that the initiatives will be environmentally and socially responsible with regard to their impact on species, habitats, ecosystems and local communities
- Evidence for the application of a value-chain approach to overall operations, facilitating good practices related to the sustainable use and conservation of biodiversity and in promoting the equitable sharing of environmental, social and economic benefits among value-chain participants
- Evidence of adaptive management processes, contributing to the implementation and improvements of sustainable practices, and the identification of new/changing impacts on species and ecosystems
- Characteristics of ecosystems and natural habitats of managed species should be maintained
- Genetic variability of flora, fauna and micro-organisms (for use and conservation) should be maintained
- The use of natural resources should be supported by management documents, including extraction rates lower than regeneration rates, monitoring systems and productivity indexes
- The management of agro-biodiversity should include agricultural practices that contribute to the conservation of biological diversity
- Information and records of experiences should be compiled that contribute to knowledge of biodiversity
- The interaction of the organization with the other actors involved in production and commercialization should foster levels of access to information and dialogue that facilitate balanced negotiations.
- Income should be generated at all levels of the value chain, by contributing to the position of value-added products in the market, under transparent conditions
- Information and knowledge of target markets should be made available and shared among actors

UEBT will assist EcoEnterprises Fund with the final selection of criteria for eligible SMEs, screening the SMEs that fit best the objectives of this GEF project (i.e. SMEs working in R&D and along value chains) and recommend them to the Fund for further evaluation and financial due diligence.

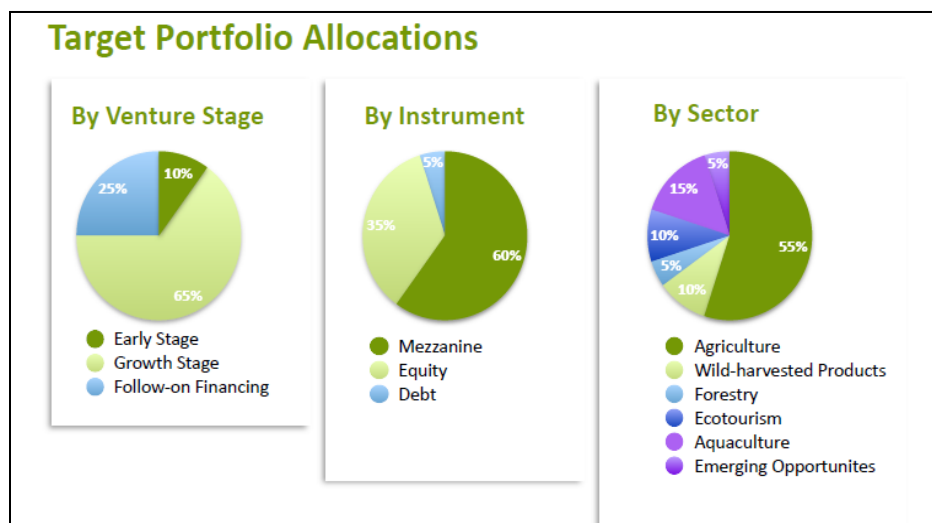
Market opportunity and indicative pipeline.

EcoEnterprises Fund III will ensure a steady pipeline flow through: (i) current list of investment-ready prospects, including follow-on opportunities from Funds I and II; (ii) network of partners, including UEBT, advisors, co-financiers and experts to source additional deals and provide portfolio support, and; (iii) industry knowledge and Latin America presence that allows identify the most compelling deals. At the moment, there are 81 deals prospects, representing US\$161 million in initial investments, and distributed in 8 countries and sectors as shown in the following graphics:



¹ Incl. Argentina, Brazil, Chile, Guyana and prospects across multiple countries

The Fund will diversify the portfolio of companies to avoid industry or sector concentration and related risks, consistent with the current investment approach of Fund I and II. The Fund will limit its financial exposure in any one investee company to less than 12% of its total committed capital (i.e. the original investment plus any follow-on investments) and will not commit more than 15% of the committed capital to any sector or to an affiliated group. The Fund will not invest more than 30% of its total committed capital in anyone country.



Supplementing the material provided above, the Fund invests in the following nature-based sectors. In doing so, it focuses on:

Sustainable Agriculture. The approach minimizes the use of harmful inputs, and employs some combination of organic fertilizers, crop rotation, integrated pest management, minimal or no use of chemical, recycling of waste materials, and more efficient and intensive production in order to increase productivity of land by improving soil

fertility and water retention. The Fund values those companies which achieve organic standards and certification from an accredited body, such as IFOAM, Demeter Biodynamic, Organic Crop Improvement Association or an in-country organization. The Fund will not invest when there has been clearing of natural vegetation that affects any biodiversity and wildlife habitats nor when there has been usage of genetically modified organisms or products made from them. Portfolio companies encourage buffer zones creation, such as vegetation along streams, to reduce land erosion and runoff. Implement soil and water conservation practices including: reducing evaporation and seepage (e.g., by keeping canals narrow and deep, covering canals, etc.) using appropriate techniques (e.g., terracing, contour ploughing, mulching) to slow runoff, replanting trees and vegetation to improve soil and water retention. The Fund promotes soil and water conservation practices as well as monitoring programs, especially intended to detect effluents.

Agroforestry is one of the most effective means to reconcile environmental goals, sustainable livelihoods and growing agricultural production. Agroforestry allows generation of agricultural income streams, while not impacting existing forests and maintaining full natural tree coverage. It is a key element of climate-smart agricultural practices as it allows for carbon storage, prevention of deforestation, biodiversity conservation, cleaner water and erosion control. Also, it reduces vulnerability by enabling agricultural lands to withstand events such as floods, drought and climate change and it restores degraded lands. Additionally, sustainable commercial forestry relieves pressure on natural forests, and it can be combined with agricultural systems (agroforestry) and/or cattle farming.

Wild-Harvested Forest Products. The Fund emphasizes sustainable harvesting of forest products evidenced through a concerted management plan which prohibits massive clearing of land, or forest conversion. Because demand may rise faster than supply once markets have been established, the Fund support products that do not exceed the sustainable yield of an ecosystem. The Fund encourages non-destructive collection techniques that do not disturb forest canopies, kill the exploited trees, over harvest, or threaten regeneration of plant species, as well as the community of animals that depend on them. Also, the Fund supports companies in which small producers and/or community members are integral stakeholders in the harvesting process.

Sustainable Forestry. The Fund pursues investments in which the forestry management plan adheres to certification standards set forth by the Forest Stewardship Council or other well-regarded sustainable forestry regimes. Opportunities in sustainable forestry also may overlap with agriculture (i.e. agroforestry) and the harvesting of forest products. The Fund will not invest in forestry practices that jeopardize natural forests and future existence of wild species, such as commercial logging on primary tropical forest, massive clearing of land and conversion of natural forests to plantations. The Fund supports low-impact production methods that also help maintain genetic, species, and ecosystem diversity within forests. The harvesting techniques do not disturb forest canopies, kill the exploited trees, or threaten regeneration of species. Natural regeneration should comprise the primary means of reinitiating a forest stand for the next rotation, however, planting is reasonable when reforesting and restoring a degraded area. Forest management should minimize waste associated with harvesting and on-site processing operations -- with organic waste left in the forest to decay while other waste will be remediated or disposed of safely so not to disturb vegetation near waterways or block streams. The Fund prefers that communities within, or adjacent to, the forest management area be given opportunities for employment, training, and other services. The Fund requires the development and regular updating of management plans to anticipate the scale and intensity of operations.

Ecotourism. The Fund seeks ecotourism investments that have minimum interference with the surrounding ecosystem, take future forest growth and wildlife habitat travel patterns into account, and employ low-impact site development techniques. The sites have been identified through feasibility and impact assessments as having adequate safeguards and mechanisms in place to uphold environmental and social standards. The Fund ensures that monitoring systems are in place to limit visitor impact, pursue local design and management of the facility and that the integrity of the local ecosystem remains intact. Additionally, the Fund encourages minimized energy consumption, energy derived from renewable sources, and waste management systems that provide for environmentally sound removal of waste. Active participation of local communities at the planning stages is a must, then providing good training and employing local people for construction – utilizing local materials and environmentally sound techniques – long-term staffing, and monitoring of the facility. Sourcing of local products is highly desired to generate positive value chains in local economies.

These are all industries in which EcoEnterprises Fund has invested in the past and understands very well. The Fund will strive to diversify the portfolio of companies to avoid industry or sector concentration. An indicative pipeline follows:

Location / Type	Description
Peru / Sustainable Agriculture, Agroforestry	<p>This project is a company dedicated to the processing and commercialization of organic products from the Peruvian Amazon, such as Amazonian oils for consumption and cosmetics, wild-harvested nuts, dehydrated exotic fruit mixes and chocolate. The company cooperates closely with local peasant and indigenous communities and worker cooperatives, contributing to the development of the country's rural north by strengthening equitable value chains based on Peru's biodiversity, and generating direct employment and market access for over 700 local smallholders and nut gatherers. Since its inception, the company has put over 200,000 ha of forest under certified organic management.</p> <p>The company is currently raising USD\$1.5- 2 million in mezzanine capital to expand local processing capacities, invest in training and certification of smallholder producers and provide working capital.</p>
Colombia / Sustainable Agriculture, Agroforestry	<p>This project intends to finance a first-mover in the large-scale production, processing, and commercialization of a local Amazonian "super-nut" that is used for extracting precious oils for applications in skin and hair care products, as well as for food supplements and snacks. The company is generating employment and economic development within remote, post-conflict zones of rural Colombia offering peasant and indigenous communities sustainable income opportunities through fair-trade pricing and wages. Reforestation efforts and the commercialization of the nuts create an important opportunity for the substitution of illegal crops in the region.</p> <p>The company is looking for USD\$2 million in debt or equity to roll out a 5,000 ha reforestation program that will scale and secure long-term raw material supply while stopping soil degradation in the area, facilitating the renewal of local watersheds and creating new habitats for local species.</p>
Colombia/ Sustainable Agriculture, Ingredients	<p>This project involves a highly innovative Colombia-based company that produces natural colorants for the food and personal care industries, enhancing the sustainable use of Colombia's biodiversity by increasing the added value of its natural resources. The company's materials and ingredients, most of which come from Colombian herbs and fruits, are sourced through a collaborative supply network with indigenous and rural communities. The company supports and fosters entrepreneurship, effectively combating poverty in some of the most vulnerable parts of Colombia and promotes the sustainable use of natural resources.</p> <p>The company is looking for USD\$1.5 million equity investment to support further product development and marketing as well as to finance the market entry in the U.S., which will allow the company to fully monetize its innovative edge in the market.</p>
Ecuador/ Sustainable Agriculture, Agroforestry	<p>This project is the first company to process and sell tea and energy drinks made from the leaves of the guayusa tree, a holly species local to the Amazon. The company is dedicated to building and improving livelihoods for indigenous farmers, while respecting and protecting cultural traditions. The company works in close partnership with the local Kichwa peoples to implement natural resource management policies and participatory wildlife monitoring. All tea is grown in biodiverse agroforestry plots, interspersed with other cash crops, subsistence crops and native rainforest species. These forest gardens allow for the maintenance of rainforest ecosystems, providing buffer zones and biological corridors around and between less-disturbed areas and plants, animals, and water sources important for the preservation of the Amazon.</p> <p>The company is now looking for up to USD\$2 million in equity to support international expansion.</p>

Peru/ Ecotourism	<p>The project is an ecotourism project that offers low-impact lodging in the Tambopata-Candamo Reserve Zone in the Peruvian Amazon, which is part of an important biological corridor that is a conservation priority because of the presence of endangered giant river otter and macaw nesting habitat. Tourism has increasingly become an important economic livelihood for the local people, mitigating the threats from illegal logging, hunting, and slash-and-burn agriculture. The company has a unique relationship with the local community of the Infierno, which owns one lodge that the company operates. The company's partnership with has generated millions in revenue for community members and supported health, school, and training programs.</p> <p>The company continues to look for long-term equity and quasi-equity financing.</p>
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Fund Management and Operational Capacities

Corporate Governance Bodies. In terms of management structure, EcoEnterprises Capital Management, LLC will serve as the Management Company for Fund III. The Fund will leverage its established platform to generate attractive financial returns for investors and achieve its strong impact objectives consistent with the current investment strategy. Through continuous optimizations from Fund I and Fund II, EcoEnterprises Fund has built reliable processes and corporate governance principles that serve as a guideline for all the Fund's activities and that are supported by a formal structure of committees, including a Limited Partner Advisory Committee (LPAC), an Investment Committee (IC) with independent members (LPs serve as observers), an audit committee (both internal and external) and an Impact Committee (IMC) with environmental and social specialists. The Fund also has lawyers in Latin America, U.S. and Europe that offer counsel and support as needed. The Investment and Impact Committees, legal advisors, many LPs and the Fund's vast partner network have been working together for nearly 20 years.

Fund Management and Investment team. The Fund's investment team builds on years of experience in managing investment funds in Latin America. Led by CEO Tammy Newmark, a leader in impact investing with a track record of 30 years in the field, and Michele Pena, COO, the Fund has a diverse skillset of qualified professionals capable of confronting any potential operational challenges. The close-knit team of 6 has a 20-year presence in Costa Rica and a 3-year presence in Colombia. It is also composed of Oksana Aguilar, controller; and Nathalie Prado, John McKenna and Julia Santander, investment officers. Each team member has 10 to 20 years' experience in financial management, investment, impact measurement, and business consulting. The team is expecting to add two more investment officers with Fund III to ensure sufficient operational capacity.

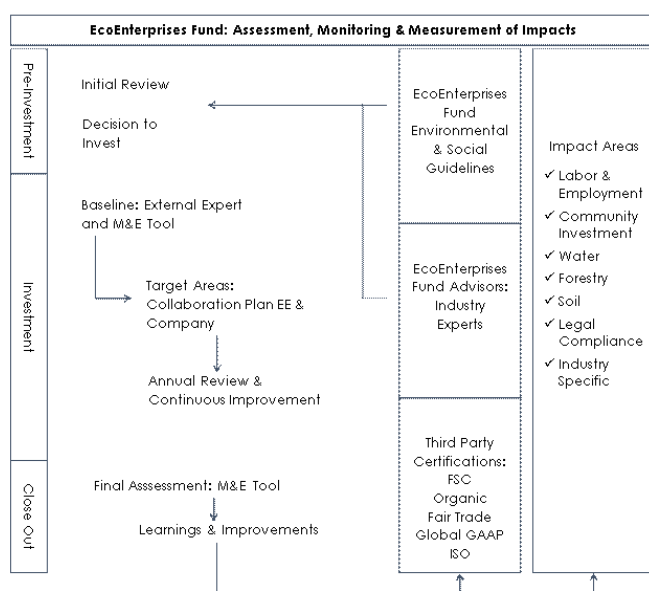
Investment Process. Before due diligence on specific opportunities, the Investment Committee receives a background summary for consideration. The Impact Committee is also looped in on social and environmental items meriting further input. Upon approval, an initial term sheet is presented to the SME and a detailed due diligence process is undertaken. At this time, site visits, management consultations and market references are pursued. In addition, the Fund meets with key stakeholders including suppliers, government and community members. The Fund prepares a formal presentation to the Investment Committee and LPs. As part of the legal process, key milestones, covenants and impact indicators are included in the final contract. Upon closing, the Fund puts together a list of deliverables to be monitored and reported upon.

Investment Management and Monitoring. The Fund performs detailed financial and impact monitoring on each of its investments. It instills best practices for good governance by engaging with management—and directly with the Board—to provide the portfolio companies with organizational stability amidst growth. The Fund also works with management to achieve appropriate certifications (e.g., FairTrade) and to develop processes for monitoring impact so each company becomes an exemplar of sustainable business practices. The Fund offers quarterly updates on each portfolio company that include financial updates, impact metrics and commentary on company performance.

The Fund counts with a well-developed proprietary system for defining, measuring and monitoring the social and environmental achievements of each SME in the investment portfolio (M&E tool). The Fund combines tools and expertise to assure company performance in line with target impact areas. To supplement these protocols, the Fund also

depend on external certifications to monitor performance. With oversight of an Investment Committee and advisory support from an Impact Committee, composed of foremost experts in biodiversity, climate, environmental and social sectors, and in consultation with industry specialists, the Fund monitors and gains insights on investments to create a diversified portfolio which maximizes return and impact value.

The Fund collects data first in due diligence and then post-investment as part of a baseline analysis undertaken in conjunction with the company and an industry specialist. The Fund's M&E tool, takes into consideration over 250 social and environmental factors and enables the Fund to document each company's approach to biodiversity as well as measure and monitor the specific biodiversity achievements of each SME in the investment portfolio. Compiling and monitoring impact indicators is an ongoing and iterative process and the Fund works with each portfolio company to boost indicators of shared interest, reviewing progress annually, and agreeing on changes for continued improvement. To track progress over time and understand portfolio impact on a combined basis, metrics are pulled from each company tool annually, including, but not limited to, jobs generated, suppliers supported, acres sustainably managed or directly protected and local persons impacted. Lessons learned are folded back into the overall portfolio management approach. As part of its monitoring, the Fund will produce a yearly social and environmental impact report, covering all portfolio companies.



The following are key over-arching criteria evaluated during due diligence, baseline analysis and ongoing monitoring during the Fund's investment process.

Environment

- All aspects of the company shall respect applicable national and local laws, administrative requirements, and international treaties and agreements to which the country is a signatory.
- The company shall employ low-impact or minimal disturbance methods, maintain biodiversity, husband organic and soil resources, limit the use of chemicals, and support buffer areas of natural habitat.
- Where activities take place in proximity to natural habitats, an investment shall aim to ease pressure on critical, threatened biodiversity resources through for instance, alternative livelihood opportunities, extension of corridors and/or maintenance of remnants, environmentally sound intensification of agricultural or wood production to prevent expansion into protected areas.
- New or existing roads, paths or other access points shall be carefully assessed to determine potential impacts on the ecosystem and local communities resulting from increased access. All roads and trails will conform to sound environmental standards and result in minimal environmental damage and social impact.

- Chemicals restricted or banned in the U.S., Europe or the host country cannot be used. Chemicals will be avoided in favor of integrated pest management, biopesticides or other management techniques (e.g., physical barriers, repellents, and good sanitation). If chemicals are used, proper equipment and training (for proper handling, storage and disposal) shall be provided to minimize health and environmental risks.
- Noise prevention and mitigation measures shall be applied where predicted or where measured noise impacts exceed the noise level guideline.
- Climate adaptation and mitigation actions to reduce vulnerabilities and any negative influences on the company and community stakeholders shall be encouraged. This includes, investment in new technologies, energy efficiency efforts and/or infrastructure improvements.
- Water monitoring and management must be considered. Water conservation efforts shall be implemented commensurate with the magnitude and cost of water use. Measures may include rain/storm water harvesting, zero discharge design, and use of localized recirculation systems.
- Appropriate environmental monitoring and evaluation methods must be integral to the company, using the Fund's M&E tool as a minimum requirement, with standardized certification protocols and/or indicators that are applied throughout the life of the investment.

Social

- All aspects of the company shall respect applicable national and local labor laws, administrative requirements, and international treaties and agreements to which the country is a signatory.
- Appropriate and ongoing assessments shall be undertaken whenever possible with the participation of local communities, and/or their representative associations or non-profit organizations, in order to determine that company's activities are in line with aggregate local needs and interests. The company that actively involves local communities in an integrated decision-making process are strongly encouraged.

Local Communities and Indigenous Peoples

- Any prospective company that causes loss or damage to the legal or customary rights, property, resources, or livelihoods of local peoples shall not be considered. There can be no impact on local cultures that would contribute to the decline of local values.
- The company shall not threaten or diminish, either directly or indirectly, the resources or tenure rights of indigenous peoples. Involuntary displacement of local populations is not allowed
- Long-term tenure and use rights to the land and/or resources shall be clearly defined, documented and legally established. Local communities with legal or customary tenure or use rights shall maintain control, to the extent necessary to protect their rights or resources, over operations unless they delegate control with free and informed consent to other agencies. Appropriate mechanisms will be established and used to resolve disputes over tenure claims.
- The legal and customary rights of indigenous peoples to own, use, and manage their lands, territories and resources shall be respected. Sites of special cultural, ecological, economic or religious significance to indigenous peoples shall be clearly identified and recognized.
- The local community, will if desired, support and actively participate in the company's activities pertaining to such resource from the planning to implementation stages. More specific training when appropriate shall be provided.

The following is a snapshot of a few biodiversity indicators presented in the Fund's M&E tool.

	INDICATOR	Y	N	NA	DATA AND/OR COMMENTS
ENVIRONMENTAL					
b	Biodiversity				If yes, please explain how it is implemented/enforced.
	- Biodiversity management plan				
	- biodiversity offsets being considered				
	- Preserves corridors to maintain natural movement of flora and fauna				
	- Change in health of corridors				
	- Threatened species, natural communities, or ecosystems				If yes, please specify.
	- # of hectares set aside as a reserve or for conservation				
	- reserve management plan				

Financial projections

The following are key portfolio level assumptions, including a fund management fee of 2.5% of committed capital in years 1 – 5, decreasing thereafter to total of 2.5% of capital deployed in transactions; yearly operating expenses reflecting Directors & Officers’ insurance, legal, audit and LP meeting and Fund related costs; and, start-up costs encompassing Fund incorporation legal expenses. Also included hereto is the LP Net IRR Calculation indicating 12% return for investors in Fund III.

In order to optimize return performance, the Fund foresees that 10 of the investments, equal to 60% of the investable capital, will be in the form of mezzanine instruments that offer potential quasi-equity upside, e.g. PIK interest, royalty streams, warrants or convertible notes. The Fund projects investment- level IRRs ranging from 9.81% to 22.76%, comparable to EcoEnterprises Fund II. Given more focus on structures with upside kickers as well as a tightening of global monetary policy which will increase rates, Fund III returns will skew to the higher end. The Fund will seek to guarantee each investment through the use of escrow accounts, shares, trusts, cash reserves, UCC filings, etc. Approximately 6 deals, will be in equity, the majority of which are assumed to be completed within the first 18 months to ensure sufficient time to maximize outcomes. To mitigate any liquidity risk, the Fund seeks a guaranteed exit (i.e. put option) on each transaction. Finally, the Fund expects to reserve some capital for straight debt deals.

KEY PORTFOLIO LEVEL ASSUMPTIONS	
Total Committed Capital - Initial Close (mid-year Year 1)	\$40.0
Total Committed Capital - Final Close (mid-year Year 2)	\$80.0
Total Capital Used	\$85.9
<i>% invested in portfolio companies</i>	84%
<i>Capital called from LPs</i>	\$68.3
<i>Capital recycled from current income on portfolio</i>	\$17.6
Investment Period	5 years
Fund Life	10 years
Investor Hurdle Rate	7.0%
Carried Interest to LPs (after Hurdle Rate)	80%
Fund Management Fee (% of Capital Committed in Investment Period, Invested Capital Thereafter)	2.5%
Annual Operating Expenses	\$125,000
Start-up / Pre-Operating Expenses	\$300,000

LP NET IRR CALCULATION	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Capital Contributed by Investors	7.5	13.1	28.6	12.4	6.6	0.0	0.0	0.0	0.0	0.0
Capital Available for Distributions	0.0	0.0	0.0	0.0	0.0	12.5	26.2	71.3	10.9	1.7
Return of Principal to LPs	0.0	0.0	0.0	0.0	0.0	12.5	26.2	29.6	0.0	0.0
Return to Achieve LP Hurdle Rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24.3	0.0	0.0
Remaining Capital Available for Distributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.5	10.9	1.7
Carried Interest to GP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.5	2.2	0.3
Excess Return to LPs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.0	8.7	1.4
Net Cash Flow to LPs	(\$7.5)	(\$13.1)	(\$28.6)	(\$12.4)	(\$6.6)	\$12.5	\$26.2	\$67.9	\$8.7	\$1.4
Net IRR to LPs	12.00%									

Component 2. Technical assistance to support and foster the growth of SMEs involved in securing their supply chains under the Nagoya Protocol

The Fund will work with UEBT through technical advisory help to showcase, shepherd and invest in SMEs sourcing from nature-based products and interested in aligning their businesses models with the international legally binding Nagoya Protocol. UEBT will assist EcoEnterprises Fund with:

- Selection criteria for eligible SMEs,
- Screening the SMEs that fit best the objectives of this GEF project (i.e. SMEs working in R&D and along value chains)
- Recommendations of leads to the Fund for further evaluation and financial due diligence and

- Expertise, training materials, networking opportunities and other resources to identify, verify, support and foster the growth of SMEs involved in securing their supply chains under the Nagoya Protocol.

At present, UEBT undertakes ingredient portfolio assessments; sourcing targets and biodiversity management systems, and, independent audits. Fund III will build off of this platform of work to create a portfolio of models to replicate.

Under this component, EcoEnterprises Fund will provide technical assistance funding to UEBT to offer:

- 5 grants to facilitate education, further understanding and mainstreaming of market initiatives pertaining to Nagoya Protocol.
- 10 SMEs support consultancies on: (i) social and environmental monitoring, (ii) special business, marketing or operation support and/or (iii) analysis and feasibility of raw material supply chains and enhancements.

(2) INCREMENTAL COST REASONING AND CONTRIBUTION FROM THE BASELINE, THE GEF TRUST FUND AND CO-FINANCING

N/A

(5) GLOBAL ENVIRONMENTAL BENEFITS

If successful, this project will make a significant and meaningful contribution to the conservation and sustainable usage of natural ecosystems to source the genetic resources throughout the value chain. The Nagoya Protocol calls not only for engagement between buyers and sellers using Prior Informed Consent, Mutually Agreed Terms and Benefits Sharing, but also for the conservation of biodiversity. This would result from the reinvestment of some of the proceeds into the conservation of species and habitats.

Initially targeted benefits of the project under consideration include:

- *Acres of land conserved:* At least 10 million acres will be preserved as part of the working landscape in which the companies sustainably access raw material supply, and/or set aside for watershed, conservation and/or ecosystem benefits, and/or reforest or convert degraded lands to productive uses.
- *Certification schemes (e.g. Organic, Fair Trade, FSC):* 100% of portfolio companies will carry the appropriate certification(s)
- *Biodiversity, waste and/or water management plans:* Biodiversity, waste and/or water management plans will be implemented for all portfolio companies (as applicable)
- *Environmental and social monitoring:* An in-depth environmental and social evaluation and annual monitoring will be carried out by the Fund for each company. Companies will assign a dedicated employee to carry out additional internal monitoring activities

Once the specific investee companies and the genetic resources they employ have been identified, it will be possible to determine the exact global environmental benefits (GEBs) that this project will be able to deliver. Based on the distribution of native vegetation, indigenous peoples and local communities in Latin America and the Caribbean, this project is expected to assist in the conservation of tropical rain forests, tropical mountain rain forests, savannas and marine ecosystems. Indeed, as research and development on genetic resources focuses increasingly on marine environments, particularly coral reefs, it is very likely that this project will render both terrestrial and marine GEBs.

(6) ADDITIONAL INFORMATION ON INNOVATIVENESS, SUSTAINABILITY AND POTENTIAL FOR SCALING UP

Innovation: Through a comprehensive value chain approach the Fund will engage with all relevant stakeholders along rural value chains, that are crucial to establish ABS mechanisms in line with the Nagoya protocol, and that have the ability to incentivize the conservation of vulnerable biodiversity and natural genetic resources in the region by equitably

sharing the value derived from them. **It is the first fund that specifically targets ABS companies to educate them on provisions of the Nagoya protocol, identify best strategies to proactively adjust to and generate business value from them.** In addition to offering direct investments and technical assistance for SMEs that work with local genetic resources, the Fund will also systematically work with corporations in relevant industry sectors, such as food & beverage and health & beauty in the region to highlight the economic value of an equitable agricultural value chain development and ABS mechanisms. Through its cooperation with UEBT as strategic partner and ABS expert, the Fund offers a unique value-adding skill set of financial and ABS related expertise to companies in the region.

Potential for scale up: the Fund is known by other financiers to have one of the most robust pipeline of potential investments in the region. Other funds have often indicated that they tend to follow the Fund's movements and try to invest in the same companies, something that has often benefited both the Fund and the SME. During the ongoing Fund III raise, the Fund has repeatedly received expressions of interest from potential co-financiers for future investments, a momentum that the Fund with support from the IADB will strategically leverage to help its portfolio companies scale returns and impacts and to channel additional third party investments in industry sectors that are most relevant under the provisions of the Nagoya protocol.

By incentivizing large corporations to chime in on the Fund's efforts to promote sustainable equitable value chains, the Fund unleashes significant potential to scale up investments in relevant projects in the region.

Sustainability: Sustainability of investments will depend on the selection of investments which in turn depends on the level of capitalization of the fund, expertise and capabilities of the fund's management team, and efficient use of human and financial resources to make viable good investments with potential to succeed. To ensure that the Fund is sustainable during the investment and divestment periods, it has to manage the capital needed to implement its strategy. Funds that cannot sustain activities over the entire operational period are at risk for failing to achieve both social, environment and financial return objectives.

The cooperation with UEBT provides further sustainability to the Project and its activities related to the Nagoya Protocol. As the Fund leverages UEBT's expertise in its investment screening and management it brings significant know-how to ABS companies, that will support their growth, further providing sustainable platforms for replication of ABS related practices. At the same time the Fund helps UEBT to broaden its outreach to potential members and serves as a platform for UEBT to promote its trade standards to a significantly larger audience. The Fund has witnessed that financing is missing for these opportunities; Fund III is targeted to take advantage of this void and demonstrate the strength of these company propositions.

A.2. Child Project? If this is a child project under a program, describe how the components contribute to the overall program impact.

NA

A.3. [Stakeholders](#). Elaborate on how the key stakeholders engagement, particularly with regard to [civil society organizations](#) and [indigenous peoples](#), is incorporated in the preparation and implementation of the project.

The vision for EcoEnterprises Fund emerged out of a belief that community well-being is at the heart of successful results -- in terms of company/portfolio performance and importantly, the long term sustainability of the natural resource base. EcoEnterprises Fund's focus on partnership goes well beyond working just with the portfolio companies, it also aims to engage all local vested parties. This is important since the SMEs often serve as a local economic engine that generate livelihoods which not only preserve critical habitats and biologically-diverse landscapes, but create desperately needed jobs (directly and indirectly) and contribute to education and technical training, food security, construction of health clinics, and access to clean water. In some cases, the communities and/or community members are shareholders in the companies and benefit from profit sharing. SMEs in which EcoEnterprises Fund has invested have worked with over 500 community, NGOs, and/or conservation groups, benefiting 120,000 local peoples.

Local entrepreneurs: Entrepreneurs will benefit directly from EcoEnterprises Fund III's investment in their companies, allowing them to grow and become local economic leaders, which should have a spill-over effect on their local communities.

Indigenous people and traditional communities: these are among the most vulnerable populations in rural Latin America and at the same time a powerful force in the conservation of Latin America's rich biodiversity, given their proximity to some of the most vulnerable ecosystems of the continent and their traditional appreciation for their inherent value. EcoEnterprises Fund's ABS investments will identify and scale those nature-based private sector companies in the region that impact indigenous peoples and traditional communities in their value chain through employment generation, business models that use local genetic resources and traditional know-how for their R&D and product development or that link users and producers of these genetic resources. The Fund in cooperation with UEBT will support these companies in the implementation and rollout of formalized, ABS mechanisms, and monitor progress made over time, helping to boost the long-term fair and equitable sharing of any resulting benefits. This will allow local communities to profit from growing sustainable business models, and achieve long-term income that helps protect their traditional lifestyles. Lastly, UEBT promotes ABS with government and policy makers and the Fund will target those countries with encourage and facilitate such mechanisms.

A.4. Gender Equality and Women's Empowerment. Elaborate on how gender equality and women's empowerment issues are mainstreamed into the project implementation and monitoring, taking into account the differences, needs, roles and priorities of women and men.

EcoEnterprises Fund is a women-owned and -managed fund, the first such in Latin America. The Fund encourages investment in women-owned businesses and welcomes women investors. Thus far, EcoEnterprises Fund has invested in four women-owned businesses. At the SME level, the Fund has engaged its portfolio companies on the hiring of women at all levels of company operations and management. Given that in many cases, the suppliers and workers at the company-level are women (75 percent of the employees working for the Fund's current portfolio companies are women), the Fund ensures that the companies invest in their well-being as well as the communities in which they live. The Fund has an impact tool that includes specific gender metrics. For Fund III, the Manager is currently evaluating cooperation with an expert partner to review and enhance its gender approach and to educate the team on opportunities to improve the gender inclusion dimension of on their portfolio businesses.

A.5 Risk. 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):

Risk	Mitigant
Business and Portfolio Management	Experienced management company and high quality network of local advisors, legal counsel in addition to investors, Investment Committee, Impact Committee, etc.
Management and Key Personnel	Key Person retention clause in the Management Agreement
Fundraising	IADB will require an initial capitalization of US\$ 40mm for the Fund to be financially viable.
Foreign Exchange, Tax, Country	The majority of the Fund's investments will generate current income and export in US Dollars. Investments are structured with consideration of tax implications for investors.
Deal Flow	On-going deal generation with in-region presence and network gives the Fund a significant reservoir of opportunities and knowledge of SMEs in the region.
Illiquidity of Fund Investments	Deals are structured to exit before the end of the Fund's life; with most transactions as debt instruments.
Portfolio companies not on track to succeed	Fund active role on the governance of each company.- IADB as observer in the Investment Committee and Limited Partner Advisory Committee.
Environmental and Social Integrity	Rigorous environmental screening and evaluation process for every prospective investment is undertaken including the application of an impact metrics tool.

A.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.

Because of its valuable natural resource base, the Latin America region has a comparative advantage that is now beginning to be harnessed, and social and economic trends across the region favor the growth of environmental sustainable businesses. IADB is the leading financial institution at the regional level and was an instrumental partner in the design and establishment of EcoEnterprises Fund I beginning in 1998 through its Multilateral Investment Fund (MIF) and then similarly in the launch of EcoEnterprises Fund II.

The MIF has extensive experience in helping to design effective investment instruments, with over 50 active SME focused investment funds supported in the region, and has been a strong force in developing best practices in the small and growing business investment niche. This experience, together with MIF's collaborative relationship with the EcoEnterprises Fund investment team established over 17 years ago, gives IADB a comparative advantage over other development agencies in terms of successful oversight and implementation of the proposed Platform.

This project will closely coordinate with the developPPP.de programme (<http://www.developppp.de/en>) of the German Ministry of Economic Cooperation and Development (BMZ). This program aims at fostering cooperation between the private sector and actors in the development field for the mutual benefit of both. Coordination will be made directly with BMZ and through the ABS-Initiative (<http://www.abs-initiative.info/>) a partner of the GEF. Based on experience with its prior two funds, once the Fund is launched, EcoEnterprises Fund III will seek formalized cooperation frameworks, detailing fund structure, roles and responsibilities, technical assistance arrangements with investors, donors and other partners. UEBT has several German members as part of its associations, one such group already a buyer of product from a Fund portfolio company. The Fund seeks market channels for its portfolio by participating in BioFach, the premier global trade fair in organic food based in Germany. Moreover, the Fund will take the lead of existing prospective anchor investors, including European Investment Bank, FMO and Triodos Bank to expand Fund III's network in Germany.

Additional Information not well elaborated at PIF Stage:

A.7 Benefits. Describe the socioeconomic benefits to be delivered by the project at the national and local levels. How do these benefits translate in supporting the achievement of global environment benefits (GEF Trust Fund) or adaptation benefits (LDCF/SCCF)?

Fund III will build off the EcoEnterprises Fund's accumulated knowledge and proven experience as a prudent portfolio manager and technical advisor for SMEs in Latin America. Fund III will provide tailored and otherwise unavailable growth capital to compelling and innovative businesses whose success relies on (1) encouraging the sustainable use and conservation of natural resources; (2) preserving vulnerable ecosystems and bio-diverse working landscapes; (3) mitigating climate risks and implementing climate-smart practices; and (4) building long-term livelihoods along rural value chains through the proactive implementation of ABS mechanisms, building resilience in rural communities, specifically indigenous people and traditional communities.

EcoEnterprises Fund views the achievement of its environmental goals as being inextricably intertwined with appropriate knowledge and engagement of the local communities in which its portfolio companies operate. As such, the Fund Manager assesses the socioeconomic impact of its portfolio utilizing a variety of measures. In particular, the number of beneficiaries—those populations positively impacted by the investments—is measured three different ways for each portfolio company: (a) number of employees, (b) number of local suppliers within the supply chain, and (c) number of people(s) in local communities that directly or indirectly benefit.

To date, EcoEnterprises Fund's portfolio companies have created 4,400 jobs (at least 50% to women), connected 20,700 suppliers to global markets, and delivered positive economic benefits for 150,000 local peoples in vulnerable communities. Fund III is expected to directly benefit 30,000 people by (a) creating opportunities for sustainable income for 5,000 people through self-employment or new job opportunities; and (b) providing access to inputs, supports and markets for 25,000 small-scale producers or farmers. In addition, Fund III is expected to indirectly benefit 150,000 people in vulnerable communities.

In addition, the Manager's monitoring and evaluation processes will seek to provide an on-going assessment of the following criteria for each portfolio company, with a special focus on those criteria related to the provisions of the Nagoya protocol and related ABS mechanisms:

- Employment of people from local community at fair wages on a timely basis;
- Provision of benefits and access to training and development for employees and suppliers, where feasible;
- Relationship and open communication with community leaders and stakeholders;
- Reliance on and incorporation of traditional knowledge base of community;
- Consideration and appropriate integration of sites with cultural, ecological, economic or religious significance;
- Purchase goods or services from community with fair, transparent pricing and terms; and
- Provision of services (e.g., health, education) to local communities where appropriate and needed;
- Reliance on and incorporation of traditional knowledge base of community;
- Use of local genetic resources;
- Long-term tenure and use rights to the land and/or resources clearly defined, documented and legally established;
- Prior informed Consent, Mutually Agreed Terms and Benefits Sharing Agreements are in place.

Finally, being a women-owned and managed fund management team, EcoEnterprises Fund gives special attention to gender considerations in the investment process, beginning at pipeline generation through to the monitoring process and evaluation of impact metrics (the Fund Manager's proprietary monitoring and evaluation tool has specific questions focused on women). Nearly a quarter of the businesses supported by EcoEnterprises Fund to date have been led by women. The Fund Manager empowered these women entrepreneurs, helping them to develop successful businesses and to establish themselves as industry leaders, serving as models for others. EcoEnterprises Fund's investments also help generate additional sustainable livelihoods for women in local communities. About half of the direct employees of the portfolio companies supported to date are women, and women represent nearly a third of the suppliers and local producers engaged by these companies as well.

A.8 Knowledge Management.

IADB through the MIF will disseminate the Fund's operational experience and relevant lessons through knowledge and communications activities that will involve the publication of external evaluations, case studies and the participation in local and international events reaching a wide variety of target stakeholders, including local and international investors, fund managers and government institutions.

For over 20 years, EcoEnterprises Fund has shared best practices through participation in industry conferences, workshops and one-on-one consultations. The Fund has co-financed transactions, worked in partnership with conservation-focused and civic NGOs, and worked in conjunction with other players in the impact investing field to further penetration and education in its work. For example, EcoEnterprises Fund has shared its tested and established monitoring and evaluation tool with other players in the industry.

EcoEnterprises Fund has worked to promulgate impact investments as an emerging asset class for a more sustainable future. In 2012, EcoEnterprises Fund published, *Portfolio for the Planet: Lessons from 10 Years of Impact Investing* (2012/EarthscanRoutledge) to this end. Key takeaways were also incorporated in the design of Fund II and III for highest outcomes. A follow-on publication will be available in late 2017.

B. DESCRIPTION OF THE CONSISTENCY OF THE PROJECT WITH:

B.1 Consistency with National Priorities. Describe the consistency of the project with national strategies and plans or reports and assessments under relevant conventions such as NAPAs, NAPs, ASGM NAPs, MIAs, NBSAPs, NCs, TNAs, NCSAs, NIPs, PRSPs, NPFE, BURs, INDCs, etc.:

The SMEs to benefit from this fund will be selected from countries that have identified Access and Benefit Sharing on Genetic Resources as a priority in their NBSAPs. Because the NP entered into force very recently, SMEs can be selected even though the countries where they operate have not ratified the Protocol. The rationale is that most if not all developing countries will ratify the NP eventually, similar to what happened with the Cartagena Protocol on Biosafety. Priority may be given to countries that have already ratified or are in the process of ratification. Special consideration will be given to those countries that have already invested GEF resources in the implementation of the protocol. These countries will be in a better position to make use of investments in their SMEs.

It is important to note that at the time of the submission of this CEO Endorsement the proposed Fund III will still be fundraising, and as a result, the SMEs to be invested in by Fund III will be only preliminarily identified. Companies targeted for Fund III investments whose business is related to ABS will be based in countries that are GEF and IADB eligible countries and that have signed the Nagoya Protocol and/or have intentions of ratifying.

C. DESCRIBE THE BUDGETED M & E PLAN: Investments made by the MIF of the IADB in venture capital investments have the following requirements: (1) annual audited financial statements, (2) quarterly financial statements, and (3) annual valuation of portfolio companies.

In addition to this information, the MIF will: (1) participate as a member in Fund III's Limited Partner Advisory Committee; (2) participate as an observer in Fund III's Investment Committee; (3) prepare an Annual Supervision Report analyzing Fund III's governance, the status of the investees and pipeline, expected realizations, and compliance with MIF-IDB environmental guidelines; and (4) sponsor two to three independent evaluations of Fund III (i.e., one evaluation at year 3, year 6, and year 10). In general, funds spend around \$150,000 per year on those activities and to cover all M&E requirements. The resources to pay for those would come from Fund II management fees, and some items can be charged directly to the Fund Manager as expenses, which is later covered by the Fund III's shareholders.

The project M&E plan is consistent with the GEF Monitoring and Evaluation policy. Fund III will have a Results Framework which includes SMART indicators for each expected outcome, as well as midterm and end-of-Project targets. These indicators, along with the key deliverables and benchmarks, will be the main tools for assessing Fund III implementation progress and whether expected results are being achieved. The means of verification and the costs associated with obtaining the information to track the indicators will be finalized and integrated in the overall program budget at time of approval of Fund III.

The IADB will submit to the GEF a yearly report on Project Implementation (covering a Fiscal Year, July to June), which will include an assessment of GEF ratings on Global Environment Objective / Development Objective, Implementation Progress, and Risks. A mid-term review will take place in project year 5 (the end of the investment period). The review will include all parameters recommended by the GEF Evaluation Office for terminal evaluations and will verify information gathered through the GEF tracking tools, as relevant. It will, inter alia:

- a. Review the effectiveness, efficiency and timeliness of project implementation;
- b. Analyze effectiveness of implementation and partnership arrangements;
- c. Identify issues requiring decisions and remedial actions;
- d. Identify lessons learned about project design, implementation and management;
- e. Highlight technical achievements and lessons learned;
- f. Propose any mid-course corrections and/or adjustments to the implementation strategy as necessary; and
- g. Verify actual direct and indirect leverage ratios (direct relates to the Fund level, whereas indirect to the investee companies).


An independent terminal evaluation will take place at the end of project implementation. The terminal evaluation will review project impact, analyze sustainability of results and whether the Project has achieved its objectives, in addition to items "d", "e", and "g" above. The evaluation will furthermore provide recommendations for follow-up activities, and will be submitted to the GEF Evaluation Office no later than 6 months after the completion of the evaluation.

GEF Tracking Tools will be updated and verified at mid-term and at the end of the project and will be submitted to the GEF Secretariat for the AMR. As per GEF M&E minimum requirements, GEF Focal Points in all participating countries will be informed and, where applicable and feasible, involved in the M&E activities of this project.

PART III: CERTIFICATION BY GEF PARTNER AGENCY(IES)

A. GEF Agency(ies) certification

This request has been prepared in accordance with GEF policies⁹ and procedures and meets the GEF criteria for CEO endorsement under GEF-6.

Agency Coordinator, Agency Name	Signature	Date (MM/dd/yyyy)	Project Contact Person	Telephone	Email Address
Michael Collins, IDB-GEF Executive Coordinator		12/02/2016	Paola Pedroza	+1 (202) 623-3602	paolap@iadb.org

⁹ GEF policies encompass all managed trust funds, namely: GEFTF, LDCF, SCCF and CBIT
GEF6 CEO Endorsement ID 9058

ANNEX A: PROJECT RESULTS FRAMEWORK

Logical Framework									
EcoEnterprises Fund III to support the Nagoya Protocol through impact investing (RG-Q0038)									
IMPACT									
To promote the Nagoya Protocol, a key element to the United Nations Convention on Biological Diversity through EcoEnterprises Fund III, an impact investing pioneer in the region which create long-term livelihoods for local communities and boost resilience in rural value chains, while mitigating climate risks, preserving vulnerable ecosystems and encouraging the sustainable use and the conservation of natural resources.	Indicator 1	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 8	Business and Portfolio Management Risk (see Document section V.)
	Number of innovative business invested by EcoE III that were scale-up (CRF450100)		5	4	6	2	1		
	Formula/Definition								
	Includes innovative business, companies and models scaled-up during Fund's life. By year.	Source: Annual reports, Investee financial reports and board meetings; Fund monitoring systems; audited financials; GIIRS assessments; external evaluations							Business and Portfolio Management Risk (see Document section V.)
	Indicator 2	Year 1	Year 3	Year 4	Year 6	Year 8	Year 10		
	Net jobs created – disaggregated by gender and age (CRF330301)	1,000	2,000	3,000	4,000	4,500	5,000		
	Formula/Definition								Business and Portfolio Management Risk (see Document section V.)
	Includes temporary jobs created during construction phase as well as permanent jobs created for plant operations. Cumulative.	Source: Annual reports, Investee financial reports and board meetings; Fund monitoring systems; external evaluations							
	Indicator 3	Year 1	Year 3	Year 4	Year 6	Year 8	Year 10		
	Local people impacted through investments in sustainable companies (CRF450300)	20,000	50,000	80,000	100,000	200,000	300,000		Business and Portfolio Management Risk (see Document section V.)
	Formula/Definition								
	Includes farmers, workers, associations impacted. Cumulative.	Source: Annual reports; Fund monitoring systems; impact reports produced by the Fund; external evaluations							
	Indicator 4	Year 1	Year 3	Year 4	Year 6	Year 8	Year 10		Business and Portfolio Management Risk (see Document section V.)
	Million Acres conserved:	1	4	5	7	9	10		
	Formula/Definition								
	Cummulative.	Source: Annual reports, Fund monitoring systems; impact reports produced by the Fund; external evaluations							Business and Portfolio Management Risk (see Document section V.)
Indicator 5	Year 2	Year 3	Year 4	Year 5	Year 8	Year 10			
Have 100% of the companies under certification regimes			9	15	17	18			
Formula/Definition								Business and Portfolio Management Risk (see Document section V.)	
Cummulative.	Source: Annual reports, Investee financial reports and board meetings; Fund monitoring systems; audited financials; impact reports produced by the Fund; external evaluations								

RESULTS									
The intended result of the project is to provide growth financing to up to 18 sustainable and biodiversity-focused companies by helping them to grow, consolidate their business, and scale their operations and impact results. The businesses will be in countries in the region that have identified Access and Benefit Sharing (ABS) on genetic resources related to biodiversity as a national priority.	Indicator 1	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Fundraising, Portfolio Management Risk and Management Risk (see Document section V.)	
	US\$68.3 million invested in 10-18 companies in sustainable markets in the region.		6 USM	16.6 USM	34 USM	54.5 USM	68.3 USM		
	Formula/Definition								
	Cummulative.	Source: Annual reports, Investee financial reports and board meetings; Fund monitoring systems; audited financials; GIIRS assessments; external evaluations							Business and Portfolio Management Risk (see Document section V.)
	Indicator 2	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5		
	Number of companies adopting best practices and new technologies introduced by EcoE III Fund (CRF450300)		5	4	6	2	1		
	Formula/Definition								Business and Portfolio Management Risk (see Document section V.)
	Includes enterprises adopting sustainable best practices and new technology, by year	Source: Annual reports, Investee financial reports and board meetings; Fund monitoring systems; impact reports produced by the Fund; external evaluations							
	Indicator 3	Year 1	Year 3	Year 4	Year 6	Year 8	Year 10		
	New suppliers supported in sustainable markets in the region.	5,000	10,000	15,000	20,000	22,000	25,000		Business and Portfolio Management Risk (see Document section V.)
	Formula/Definition								
	Cummulative.	Source: Annual reports, Investee financial reports and board meetings; Fund monitoring systems; audited financials; external evaluations							
	Indicator 4	Year 2	Year 3	Year 4	Year 6	Year 8	Year 10		Business and Portfolio Management Risk (see Document section V.)
	Acres sustainably managed or directly protected	100,000		500,000		1,000,000	1,500,000		
	Formula/Definition								
	Cummulative.	Source: Annual reports, Investee financial reports and board meetings; Fund monitoring systems; audited financials; external evaluations							

COMPONENT 1								
The objective of this component is establishment of impact investment Fund EcoEnterprises Fund III	Indicator 1	Month 0	Month 4	Month 6	Month 8	Month 10	Month 12	Management and Personal Risk (see Document section V.)
	The Fund has its first closing within 12 months of MIF approval						1	
	<i>Formula/Definition</i>							
	Source: Legal documents signed, project documents							
	Indicator 2	Year 1	Year 3	Year 4	Year 6	Year 8	Year 10	
	17 of the Fund's portfolio companies that exit successfully				2	5	17	
	<i>Formula/Definition</i>							
	Assumes base case of 5% write off rate. Cumulative.	Source: Annual reports, Investee financial reports and board meetings; Fund monitoring systems; audited financials; GIIRS assessments; external evaluations						
COMPONENT 2								
The objective of this component is to provide technical assistance to support and foster the growth of SMEs promoting sustainable supply chains in line with the requirements of the Nagoya Protocol	Indicator 1	Year 1	Year 3	Year 4	Year 6	Year 8	Year 10	Management and Personal Risk (see Document section V.)
	Number of Fund evaluations conducted				1		2	
	<i>Formula/Definition</i>							
	Source: Evaluation reports							Management and Personal Risk (see Document section V.)
	Indicator 2	Year 1	Year 3	Year 4	Year 6	Year 8	Year 10	
	Number of companies with technical assistance on social and environmental, monitoring, special business, marketing or operational support and/or analysis and feasibility of raw material supply chains and enhancements.		3	4	5	7	10	
	<i>Formula/Definition</i>							
	Cummulative.	Source: Consultancy reports; Fund monitoring systems; external evaluations						

ANNEX B: RESPONSES TO PROJECT REVIEWS

STAP Comments	IADB Responses
BD impact, species will be used and why, how this will affect global biodiversity priorities, nor statement on how the sustainability of the use of BD will be assured or monitored.	<p>This project falls under BD Program 3, objective 8 related to the implementation of the Nagoya Protocol. In this sense, its overall objectives have more to do with furthering the Protocol's implementation, a BD priority, than with targeting specific species. Nevertheless, at the specific investment level, the SMEs that the Fund aims to support will be contributing to the conservation and the sustainable use of biodiversity. The details of how each investment will contribute to this goal can only be outlined once the respective investee companies have been identified and their respective business models have been evaluated. While part of this identification and evaluation process may be undertaken during this project's design, it is primarily during its first 5 years of implementation (during the investment period) when the Fund will be actively undertaking these tasks in order to select most viable investment opportunities. One of the main project selection criteria is the value of the natural environment where the SMEs operate. That is part of the screening process. The sustainability of the BD resource sits at the core of all ABS projects.</p> <p>Please see Section A1. (3) for further details.</p>
Evidence on investment in small community-based companies in biodiversity-friendly sectors like organic agriculture, sustainable forestry, and ecotourism can be both financially viable and protect natural systems and the wealth of biodiversity for future generations	Please see Section A1 (2).
Comments from Germany	IDB Response
On traditional knowledge associated to genetic resources	<p>The role of the Fund will be to seek and invest in promising SMEs that currently adhere to or that intend to adhere to the principles of the Nagoya Protocol. In addition to providing financial assistance, the Fund actively engages and prudently manages its portfolio by providing value-added services, such as active participation in company governance, expert strategic guidance on company strategy and growth plans, and technical advisory support. Fund III intends to lend specific technical assistance that will enable the companies to adequately negotiate appropriate benefit sharing agreements with the local indigenous people and local community stakeholders that are affected by their business model. The project participation of the Union of Ethical Biotrade (UEBT), a non-profit association which promotes "Sourcing with Respect" of ingredients that come from biodiversity, with its experience, expertise and network on these issues provides the platform to address this matter.</p>
On ownership and sovereignty over GR and aTK	<p>The Fund will actively seek and prioritize potential investment opportunities in countries with experience in GEF ABS projects as advised by UEBT given the higher likelihood of said countries already having both a political and legal framework in place with a goal of leading to the ratification of the Nagoya Protocol. The Fund intends to offer technical assistance through UEBT to those SMEs it invests in, in order to further adherence to the principles of the Nagoya Protocol. The objective of the technical assistance will be to provide greater legal and regulatory transparency and understanding for the companies so they can</p>

	better implement policies that ensure enhanced benefit-sharing and that create incentives to conserve and sustainably use genetic resources. During the due diligence process, an assessment will be undertaken with these issues in mind. Again, we will be seeking the integral role of UEBT in identifying, analyzing and advising on the potential projects on this particular matter.
On selection criteria for SMEs to clarify whether the benefiting SMEs must have their seat in ODA or GEF-eligible countries or whether they can be located in other, also developed countries.	Please refer to A1 (3) alternative scenario.
On results measurement and monitoring	Please See Section C for further details.
Cooperation with German partners	Please see more detail on Section A6.
Comments from the US	IADB Response
On regional focus, partner and criteria to select SMEs	<p>Partners: IADB and GEF will make an equity investment in EcoEnterprises Fund III and will partner with the Union for Ethical Biobusiness (UEBT) on Nagoya Opportunities.</p> <p>The Fund will be managed by EcoEnterprises Capital Management, LLC, the Management Company. The close-knit Fund Management team of 6 has a 20-year presence in Costa Rica and a 3-year presence in Colombia and builds on years of experience in managing investment funds in Latin America. Led by CEO Tammy Newmark, a leader in impact investing with a track record of 30 years in the field, and Michele Pena, COO, the Fund has a diverse skillset of qualified professionals capable of confronting any potential operational challenges. In addition to the CEO and COO, it is also composed of Oksana Aguilar, controller; and Nathalie Prado, John McKenna and Julia Santander, investment officers. Each team member has 10 to 20 years' experience in financial management, investment, impact measurement, and business consulting. The team is expecting to add two more investment officers with Fund III to ensure sufficient operational capacity.</p> <p>Criteria: See section A7 and (3) alternative scenario.</p>
On indicators to measure the impact on biodiversity outcomes	Please refer to A1 (3) for further details.
On monitoring sustainable-use of biodiversity.	Please See Section C. for further details.
Comments from France	IADB Response
On type of SMEs, selection on technical, scientific and social criteria	Please see answer above.
On indicators and monitoring system	Please See Section C.
Coordination with the government focal points	Once the project and Fund III is launched, IADB and EcoEnterprises Fund will inform government focal points of the objectives of the project.
More evidence on the role of UEBT	Please See Section A.1 (1)
On coordination with BMZ	Please see answer above.

ANNEX C: STATUS OF IMPLEMENTATION OF PROJECT PREPARATION ACTIVITIES AND THE USE OF FUNDS¹⁰

A. Provide detailed funding amount of the PPG activities financing status in the table below:

PPG Grant Approved at PIF: \$70,000			
<i>Project Preparation Activities Implemented</i>	<i>GETF/LDCF/SCCF/CBIT Amount (\$)</i>		
	<i>Budgeted Amount</i>	<i>Amount Spent To date</i>	<i>Amount Committed</i>
We used in-house resources for project preparation activities. Funds will be used during first year of execution.			
Total	0	0	0

¹⁰ If at CEO Endorsement, the PPG activities have not been completed and there is a balance of unspent fund, Agencies can continue to undertake the activities up to one year of project start. No later than one year from start of project implementation, Agencies should report this table to the GEF Secretariat on the completion of PPG activities and the amount spent for the activities. Agencies should also report closing of PPG to Trustee in its Quarterly Report.
GEF6 CEO Endorsement ID 9058

ANNEX D: CALENDAR OF EXPECTED REFLows (if non-grant instrument is used). Provide a calendar of expected reflows to the GEF/LDCF/SCCF/CBIT Trust Funds or to your Agency (and/or revolving fund that will be set up)

The expected return estimate of 12% is based on the \$10 million equity investment requested from GEF (which investment will be made pari passu with the IADB and all other investors in EcoEnterprises Fund III and reflects an estimate for all investors, including the GEF. However, given the volatility of the regions where EcoEnterprises Fund invests as well as the SME profiles, there is a risk that the projected portfolio return will be adversely affected. EcoEnterprises Fund has been successful historically in structuring its deals through a combination of debt and quasi-equity financing instruments that have helped it optimize return and minimize downside portfolio risk.

Fund III will have a 10-year lifetime: 5 years to invest (the "Investment Period") and 5 years to realize value on its investments. GEF funding should be disbursed by 2021 (i.e., through the end of the Investment Period).

The calendar of expected reflows below is based on the following assumptions: a \$10 million commitment from GEF, 10-year fund life, five-year Investment Period in which the Fund Manager fully deploys capital into 18 SMEs (as described above the GEF capital will be deployed pari passu with other investors in Fund III), and a 2.5% management fee plus \$125,000 in annual operational expenses. It is assumed that the capital deployed into the SMEs will be a mix of debt, mezzanine and equity capital with transactions structured appropriately to take into account the risk/return profile of each investment. Each investment will have a unique lifetime that will depend on the structure of the transaction, ranging from 3 years to 8 years in tenor. The Fund Manager will need to exit from these investments before the closing of Fund III (i.e., by the end of the 10-year life of the fund). This will likely happen after the GEF project resources disbursements are completed (i.e., most reflows are expected to occur after Project Completion in 2021).

Please note that the expected reflows are subject to change based on the rate at which capital is deployed, the ultimate composition and diversification of the portfolio, and the precise terms (e.g., interest rate, tenor) of each transaction, which will be negotiated during the five-year investment period. The reflows below include both return of principal to GEF as well as excess returns generated by Fund III. As described above in Part II, A.1, GEF funds will have the same returns as other resources invested in Fund III.

Calendar of Expected Reflows to GEF Trust Fund:

2022: \$2.3 million

2023: \$4.5 million

2024: \$7.5 million

2025: \$1.2 million

2026: \$0.2 million