



# GEF-6 PROJECT IDENTIFICATION FORM (PIF)

PROJECT TYPE: Full-sized Project

TYPE OF TRUST FUND:(choose fund type)

For more information about GEF, visit [TheGEF.org](http://TheGEF.org)

## 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: <sup>1</sup>	
GEF Agency(ies):	IADB (select) (select)	GEF Agency Project ID:	
Other Executing Partner(s):	EcoEnterprises Fund	Submission Date:	March -25-2015
GEF Focal Area(s):	Biodiversity	Project Duration (Months)	60 months
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. INDICATIVE FOCAL AREA STRATEGY FRAMEWORK AND OTHER PROGRAM STRATEGIES<sup>2</sup>

Objectives/Programs (Focal Areas, Integrated Approach Pilot, Corporate Programs)	Trust Fund	(in \$)	
		GEF Project Financing	Co-financing
BD-3 Program 8 (select) (select)	(select)	10,000,000	48,300,000
(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)		
(select) (select) (select)	(select)		
Total Project Cost		10,000,000	48,300,000

## B. INDICATIVE PROJECT DESCRIPTION SUMMARY

Project Objective: To provide technical and financial 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	Financing Type <sup>3</sup>	Project Outcomes	Project Outputs	Trust Fund	(in \$)	
					GEF Project Financing	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 operational success or commercialize value-added products.	-Nature-based market analysis conducted and contracts signed with selected SMEs with company's specific technical and financial needs taken into account.			150,000

<sup>1</sup> Project ID number will be assigned by GEFSEC and to be entered by Agency in subsequent document submissions.

<sup>2</sup> When completing Table A, refer to the excerpts on [GEF 6 Results Frameworks for GETF, LDCF and SCCF](#).

<sup>3</sup> Financing type can be either investment or technical assistance.

	TA		5 grants provided to further understanding, education and mainstreaming of market initiatives pertaining to Nagoya Protocol.			100,000
	TA		Technical assistance consultancies 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.	GEFTF		50,000
	Inv	Establishment of EcoEnterprises Fund III with diverse investor base and portfolio of SMEs to generate returns and impacts.	-Investment of minimum \$40 million in 20 SMEs.	GEFTF	10,000,000	48,000,000
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
Subtotal					10,000,000	48,300,000
Project Management Cost (PMC) <sup>4</sup>				(select)		
<b>Total Project Cost</b>					10,000,000	48,300,000

For multi-trust fund projects, provide the total amount of PMC in Table B, and indicate the split of PMC among the different trust funds here: (       )

**C. INDICATIVE SOURCES OF CO-FINANCING FOR THE PROJECT BY NAME AND BY TYPE, IF AVAILABLE**

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Amount (\$)
GEF Agency	IADB	Equity	3,000,000
Private Sector	EcoEnterprises Fund	Loans/Equity	45,000,000
Private Sector	EcoEnterprises Fund	Cash	300,000
(select)		(select)	
(select)		(select)	
(select)		(select)	
<b>Total Co-financing</b>			48,300,000

<sup>4</sup> 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.

**D. INDICATIVE TRUST FUND RESOURCES REQUESTED BY AGENCY(IES), COUNTRY(IES) AND THE PROGRAMMING OF FUNDS <sup>a)</sup>**

GEF Agency	Trust Fund	Country/Regional / Global	Focal Area	Programming of Funds	(in \$)		
					GEF Project Financing (a)	Agency Fee (b) <sup>b)</sup>	Total (c)=a+b
IADB	GEFTF	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
<b>Total GEF Resources</b>					10,000,000	950,000	10,950,000

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

**E. PROJECT PREPARATION GRANT (PPG)<sup>5</sup>**

Is Project Preparation Grant requested? Yes ☒ No ☐ If no, skip item E.

**PPG AMOUNT REQUESTED BY AGENCY(IES), TRUST FUND, COUNTRY(IES) AND THE PROGRAMMING OF FUNDS**

Project Preparation Grant amount requested: \$					PPG Agency Fee:		
GEF Agency	Trust Fund	Country/Regional/Global	Focal Area	Programming of Funds	(in \$)		
					PPG (a)	Agency Fee <sup>6</sup> (b)	Total c = a + b
IADB	GEF TF	Regional (LAC)	Biodiversity	(select as applicable)	70,000	6,650	76,650
(select)	(select)		(select)	(select as applicable)			0
(select)	(select)		(select)	(select as applicable)			0
<b>Total PPG Amount</b>					70,000	6,650	76,650

**F. PROJECT'S TARGET CONTRIBUTIONS TO GLOBAL ENVIRONMENTAL BENEFITS<sup>7</sup>**

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	100,000 hectares

(\*)The metrics are based on the experience of EcoEnterprises Fund in its prior two funds; nonetheless, the SMEs for EcoEnterprises Fund III have not yet been identified and thus, the influence on the indicators hereto are estimated. The actual data will be reporting upon during the mid-term and terminal evaluations.

**PART II: PROJECT JUSTIFICATION**

1. *Project Description*. Briefly describe: 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 scenario, with a brief description of expected outcomes and components of the project, 4)

<sup>5</sup> PPG requested amount is determined by the size of the GEF Project Financing (PF) as follows: Up to \$100k for PF up to \$3 mil; \$150k for PF up to \$6 mil; \$200k for PF up to \$10 mil; and \$300k for PF above \$10m. On an exceptional basis, PPG amount may differ upon detailed discussion and justification with the GEFSEC.

<sup>6</sup> PPG fee percentage follows the percentage of the Agency fee over the GEF Project Financing amount requested.

<sup>7</sup> Provide those indicator values in this table to the extent applicable to your proposed project. 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. There is no need to complete this table for climate adaptation projects financed solely through LDCF and/or SCCF.

[incremental/additional cost reasoning](#) and expected contributions from the baseline, the GEFTF, LDCF, SCCF, and [co-financing](#); 5) [global environmental benefits](#) (GEFTF) and/or [adaptation benefits](#) (LDCF/SCCF); and 6) innovation, sustainability and potential for scaling up.

1. **GLOBAL ENVIRONMENTAL PROBLEMS, ROOT CAUSES AND BARRIERS:** As the global economy grows, the deterioration of the Earth's most important asset – the environment – has accelerated. In Latin America, one of world's most biologically-rich regions, most economic activities currently being pursued in rural communities place extensive burden on fragile habitat and overexploit the natural resource base. Increasing poverty and challenges arising from climate change further threaten the region's natural systems. Scientists estimate that Latin America, home to 40 percent of the plant's biodiversity and unique ecosystems loses 40 million acres of tropical rainforest each year and 50 to 150 plant and animal species each day. 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 dedicate to preserving local ecosystems but also have no economic incentive to adopt alternate methods of development that would remedy environmental degradation or encourage the more sustainable use of the natural resources. The result is that many of the communities are not receiving a fair and equitable sharing of benefits arising from the utilization of genetic resources from their region.

As noted in the GEF-6 Programming Directions, the Millennium Ecosystem Assessment and TEEB (The Economics of Ecosystems and Biodiversity) stipulates that biodiversity underpins ecosystem goods and services that are required for the health and well-being of people and plant. Investing in small community-based businesses located near regions of important flora and fauna, will help maintain the integrity of the environment while generating income and sustainable livelihoods. Estimates place employment figures for small companies in the Americas at 40 to 60 percent and their contribution to the region's GDP at as much as 30 to 50 percent. Mainstreaming biodiversity conservation into productive sectors via Small and Medium Enterprises (SMEs) with vested interests in sustainable management of natural resources and indigenous genetic material is imperative in order to reduce pressures on valuable and globally-important "natural capital". Of particular interest are the SMEs forming part of value chains connecting users and providers of nature-based products or genetic resources.

When looking at these SMEs under the lens of the Nagoya Protocol on Access and Benefit Sharing (ABS), it is possible to see two 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, there are those 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 and those that would greatly benefit from adjusting policies and practices if their business were to remain profitable under the new business model called by the internationally legally binding Nagoya 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.

One key barrier for SMEs to gain strength and grow their operations while protecting the biodiversity of the region is access to investment capital and technical assistance. Existing funding sources are not currently designed to assist these particular SMEs, mainly because the available lending mechanisms tend to concentrate on either small sums, (which do not provide enough for the needs of these SMEs) or very large sums (that are too big for these SMEs 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 can attract commercial credit through the conventional capital markets because of the lower risk profile. SMEs 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. The objective put forth herewith is to break this barrier for this select group of SMEs through investment capital and technical assistance, that, if successful, will provide a meaningful source of income and a means to protect the biodiversity of the region.

2. **BASELINE SCENARIO:** EcoEnterprises Fund builds upon 17 years of strong portfolio management in the Latin American region and leads by example in the impact investing field. A pioneer in impact investing since 1998, EcoEnterprises Fund spun-off from The Nature Conservancy and has thus far committed \$41.5 million in 30 nature-based SMEs in 12 countries in Latin America. The Fund has proven that 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.

WB/IFC GEF has a successful history with EcoEnterprises Fund, having first made a \$1 million grant in "EcoEnterprises Fund" (PMIS 1571), the first of two funds ("EcoEnterprises Fund I"). The financing was critical to cover operational costs and technical assistance activities for SMEs and for advisory and supervision on fund management. EcoEnterprises Fund I provided proof-of concept and its portfolio companies introduced a wide variety of innovative products to the market: from organic shrimp to organic spices, from FSC-certified garden furniture to pesticide-free biodynamic flowers and smoothies made from acai sustainably harvested by a local community along the Brazilian Amazon. This Fund's capitalization reached \$6 million. GEF support was instrumental to the results and performance of EcoEnterprises Fund I which led to the launch of EcoEnterprises Fund II.

A second investment of \$5 million was made in the follow-up fund, EcoEnterprises Fund II, under the GEF-IDB-PPP MIF Public-Private Partnership Program (PMIS 4959). EcoEnterprises Fund II achieved an overall capitalization of \$36 million, six times larger than the first fund. During the 2006 GEF Mid-Term Review of EcoEnterprises Fund I's activities, the reviewers deemed the Fund's support of these businesses to be "highly relevant to GEF." Similarly, EcoEnterprises Fund II's investments are on track to significantly surpass the accumulated metrics of the first fund. EcoEnterprises Fund II focuses on leveraging and scaling impacts. The current portfolio companies employ approximately 2,800 (75 percent of which are female), work with approximately 500 communities, have combined annual sales revenues that are over \$170 million and rising rapidly, and conserve over 866,179 hectares of land. The MIF has a seat on EcoEnterprises Fund II's Advisory Board, and holds an observer seat on the Fund's Investment Committee. The MIF also invested in Funds I and II, \$2.6 million and \$3 million respectively. MIF and GEF investments leveraged additional \$28 million for Fund II. It is important to note that Fund II has already invested in one ABS company and plans to invest in at least another one.

EcoEnterprises Fund's third fund, EcoEnterprises Fund III, will be structured as a Limited Partnership with an initial capital close at \$48 million and a final capitalization expected to be \$80 million. This third fund will build off EcoEnterprises Fund's accumulated knowledge and proven experience as a prudent portfolio manager and skilled investor in biodiversity-based SMEs in Latin America. Financial instruments deployed will be similar to the first and second funds, with appropriate funding plans structured for the companies strategic growth and impact performance. Using debt, equity, and quasi-equity, the Fund will finance the expansion of SMEs with a documented history of preserving the biodiversity of the region. The financing will be directed towards such business purposes as the development of new business lines, the ramping up of existing product lines, and business expansion into new geographies and/or complementary acquisitions. The third fund's objective is to demonstrate the ability to mainstream biodiversity considerations within SMEs and private sector again through leading by example and replicating business success. There are no existing direct investment mechanisms available to this niche of SME (and those that focus on the Nagoya Protocol) in the region other than EcoEnterprises Fund's unique approach to address the needs of these companies. Fund III will make an explicit call for ABS SMEs and is expected to support at least ten ABS SME with investments and/or technical assistance.

EcoEnterprises Fund III is expected to have a similar structure to past instruments with a life of 10 years. The first 5 years is building an investment portfolio, with the remaining years maximizing portfolio returns and exiting investments through distributions and repayments. Funds normally charge a management fee of 2%. GEF's commitment will be utilized by year 5 (the duration of the GEF project) to invest in companies and for operations similar to all other Fund investors. After year 5, as an investor in the Fund, the GEF will also receive its share allocation of each distribution (i.e. repayments, dividends, interest), in common with all Fund investors. Once each Fund investor received all capital deployed, plus a hurdle rate (usually from 6%-8%), investors will receive 80% of the remaining earnings, based on the proportion of their investment in the fund. IADB through its Multilateral Investment Fund will participate in governing bodies of the Fund, including as an observer of the Investment Committee, on the Impact Committee or the Limited Partners Advisory Committee. EcoEnterprises Capital Management, LLC will serve as the General Partner of EcoEnterprises III. The team is composed by: President and CEO, CFO, Vice President for Investment, Financial Controller, and three Investment Officers.

The financial objective is to generate attractive returns for investors of between 13 to 15 percent<sup>8</sup> by investing in up to 20 SMEs and strengthening portfolio winners through subsequent financing rounds. The regions of focus will be the Andean, Amazonian, and Central American regions, including Mexico. One factor that has been instrumental in EcoEnterprises Fund's long success in the impact investment space in Latin America has been its ability to offer value-added services to its portfolio companies. These services include providing technical support for the companies' social and biodiversity initiatives, bringing in strategic partners, offering business advisory services, and addressing technical operational issues. There will be a need for companies that want to follow the Nagoya Protocol to receive technical assistance and those that do which require further hand-holding. EcoEnterprises Fund has experience in the identification and the provision of appropriate engagements to facilitate company performance in these regards. When possible, the Fund participates in Board of Directors meetings to ensure company performance, to allow for proper corporate governance oversight, and/or to identify needed areas for intervention.

### 3. ALTERNATIVE SCENARIO:

EcoEnterprises Fund has been a vanguard in biodiversity-focused businesses and is, at this point, the only dedicated investor in the field. As such, the Fund provides an excellent platform to support companies that integrate the Nagoya Protocol into their operations. The proposed project aims at providing incremental financing through a new fund, EcoEnterprises Fund III, specifically to SMEs working along the value chains linking producers and users of genetic resources. The Fund will make an explicit call for ABS SME in countries that have signed the Nagoya protocol or have intentions of doing so, while balancing its portfolio with non-ABS SME to achieve an overall fund return attractive to investors. Financial assistance will be provided by means of mainly growth capital which includes debt and equity instruments. EcoEnterprises Fund structures instruments which reflect company realities and performance needs. EcoEnterprises Fund has demonstrated experience in investing in these types of companies, with two such examples in the existing fund's portfolio and an additional ten prospects already identified for the follow-up fund EcoEnterprises Fund III. A complete assessment of the SMEs would be carried out during project preparation. Based on the experience of EcoEnterprises Fund with its prior funds under management, the project may include some grants to support building the capacity of recipients to comply with the requirement for funding using non-grant instruments (i.e. debt financing).

As this project is looking for SMEs in the niche of the Nagoya Protocol on Access and Benefit Sharing, the Fund plans to bring on board the experience of the Union for Ethical Biobusiness (UEBT). UEBT is an organization highly respected by the business community and those interested in making the Nagoya Protocol work. By having UEBT as a partner, the project will consolidate its position in the niche it is aiming at occupying. UEBT knows the Nagoya Protocol inside-out and understands the implications of its provisions on the companies sourcing from nature-based products and interested in aligning their business models with this new international legally binding protocol. UEBT will assist IADB and 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 under the provisions of the Nagoya Protocol) and recommend them to EcoEnterprises Fund for further evaluation and financial due diligence.

Outcome 1. Small and Medium Enterprises (SMEs) working on Research and Development or along value chains of nature-based products, with improved capacities for the valorization of genetic resources or commercialization of value-added products.

This project will support 10 to 20 SMEs under two categories:

1) SMEs working on Research and Development on genetic resources: These investments will allow local, national, or regional SMEs to invest in the valorization of genetic resources. That can be done by means of investments in

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<sup>8</sup> GEF equity investment will be pari-pasu with IADB (MIF) investment and will earn same returns for the equity investment.

laboratories, training, scientific exchanges and technology transfer. These SMEs are directly related to the valorization of genetic resources by means of biotechnology research. They need investment to help advance the scientific and technological processes directly related to identifying the genetic resources and their uses, as well as for introducing modifications that will transform the original natural element or component into something else with added-value.

2) SMEs working along value chains of nature-based products in compliance with the provisions of the Nagoya Protocol: These SMEs range from those that purchase from local producers to those intermediary companies working as aggregators. All these SMEs, if interested in or required to comply with the Nagoya Protocol, need to structure their business to be able to track the origin and destination of the nature-based products they use as the basis (i.e. raw material) for their business. Many of these SMEs are not in a position to provide comprehensive responses to inquiries about where they are sourcing the genetic resources or how their products enter the markets. Proper training and establishment of appropriate handling and shipping procedures may be needed. Because the prospective investees for the Fund are already established businesses, it is expected that these investments will generate reflow to be reinvested in the GEF Private Sector Initiative.

In addition to offering much-needed and otherwise unavailable investment funding for these SMEs, the Fund will also add a technical assistance component for building capacity on ABS and facilitating negotiations. This might be a way to make an investment opportunity more attractive while assuring that ABS issues are considered. EcoEnterprises Fund could also provide significant added-value to these companies in terms of networking, corporate governance, and, most importantly, partnerships with strategic investors and/or partners, generating the expected returns for the GEF and other investors in the Fund.

IADB is seeking GEF Secretariat approval to use Option 1 (limited delegation of decisionmaking authority *In Advance*) of the Operational Modalities for Public Private Partnership (PPP) Programs. Under this option, GEFSEC concurrence is established for the entire portfolio in advance at the time of PPP Program approval.

IADB will have a seat in the Investment Committee as an observer and will ensure that investments are in full compliance with GEF objectives. The Fund's Limited Partnership Agreement will possess investment guidelines endorsed by IADB.

#### 4 INCREMENTAL COST REASONING AND CONTRIBUTION FROM THE BASELINE, THE GEF TRUST FUND AND CO-FINANCING.

This project capitalizes on the formidable working collaboration of IADB and EcoEnterprises Fund spanning almost two decades, an incredible foundation upon which to launch such an undertaking. This project is counting with the experience of EcoEnterprises Fund's successful track record in engaging and managing SMEs working with nature-based products. The seasoned investment team has very effectively engaged with its portfolio SMEs to promote growth and provide them with invaluable technical assistance to further their biodiversity and social mandates. The experience the Fund has gained -- growing from its initial proof-of-concept phase, from 2000 to 2010, to the scaling-up of leverage and impact through its second fund launched in 2011-- is unmatched in the region and will help improve efficiencies and increase the cost-effectiveness of the project. The Fund has well-developed portfolio management and monitoring systems already in place and established industry networks to tap for deal generation. Due to their innovative investment strategies, multilateral organizations and institutions such as GEF and the IADB generally provide the majority of the early funding in these venture capital funds. The GEF Non-Grant Instrument will offer EcoEnterprises Fund III essential funding for technical assistance and investment that no other fund is currently able to offer given the recent implementation of the Nagoya Protocol (November 2014). Moreover, EcoEnterprises Fund III further promulgates GEF's objective to mainstream biodiversity conservation and sustainable use into production landscapes and seascapes and sectors.

Having credible and globally recognized partners as lead investors, such as GEF and the IADB will facilitate further fund raising. The proposed investment by GEF can serve as a vote of confidence to attract other investors, including co-investors in the private sector, and help mainstream the investment platform for these business models. These funds will also attract further private sector interest at the level of investee companies, as some private investors will

be attracted to firms in funds supported by the IADB-MIF and GEF. GEF's involvement as an investor would provide an important advisory opportunity, enabling GEF to draw on its extensive experience in fostering biodiversity business investments to strengthen the Fund's efforts and to advance the evolution of natural capital as an asset class.

Such GEF intervention is crucial to providing continued leadership in investment in biodiversity goods and services, which is still an underserved market, languishing for funding despite growth in the impact investment field. Importantly, the specific emphasis on investing in small companies with pioneering business models that exemplify the Nagoya Protocol has not been sufficiently encouraged nor promoted. As EcoEnterprises Fund witnessed more than 10 years ago with GEF support for the first fund, GEF's attention catalyzes change in thinking how business and conservation is achieved by seeding pioneering instruments to educate, reduce risks and replicate models.

Co-financing for EcoEnterprises Fund III will be provided and raised by the IADB and EcoEnterprises Fund. The project's capital commitment under consideration is \$10 million of a total expected capital under management for EcoEnterprises Fund III of \$80 million, with an initial closing at \$48 million. Since 1998, EcoEnterprises Fund has received funding from over 35 investors and stakeholders, and these investors will be tapped to match GEF's funds. EcoEnterprises Fund introduced EcoEnterprises Fund III at the Clinton Global Initiative in September 2014 effectively beginning the fundraising process. The Fund is seeking limited partners in the form of private companies, individual investors, international organizations, civil society organizations or community groups, multilateral development banks, national development banks, family offices, or other organizations willing to invest equity in an impact investment fund.

EcoEnterprises Fund usually provides only up to 50 percent of any given SME's capital needs and strives to share the cost burden with co-financiers and project principals, thereby minimizing the risk. In EcoEnterprises Fund's I and II, seven times the Fund's capital deployed was additionally leveraged by other financiers which was fundamental to ensuring the success of these biodiversity-focused businesses.

Conventional investors and local financiers are increasingly seeing the synergies of maximizing their returns while at the same time minimizing the environmental impact; however, most have a limited risk appetite, thus concentrating on opportunities in clean tech, renewable energy or carbon financing. EcoEnterprises Fund remains one of the only investors dedicated to supporting biodiversity-focused businesses, and GEF's reputation as a leader in the protection of global biodiversity is an invaluable asset for the performance of EcoEnterprises Fund's third fund.

## 5. GLOBAL ENVIRONMENTAL BENEFITS

If successful, this project will make a significant and meaningful contribution to the conservation and sustainable usage of the ecosystem 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. Once the SMEs have been identified along the genetic resources they employ, it will be possible to determine the global environmental benefits (GEBs) that this project would 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.

GEF- 6 encourages projects that propose innovative engagement with the private sector and sustainable business models for investment in biodiversity. Addressing overexploitation of the natural environs, habitat loss and human interface to sustain ecosystem integrity are critical for the achievement of the Aichi Targets. EcoEnterprises Fund serves as a tool in GEF's multi-pronged strategy to counter biodiversity loss by supporting the growth of businesses which provide economically valuable ecosystem goods and services which are core elements of a country's



ecological infrastructure. This leads to a recognition, integration and mainstreaming of biodiversity worth within ordinary course of business.

## 6. INNOVATION, SUSTAINABILITY AND POTENTIAL FOR SCALING UP

This project is truly innovative; there isn't currently any other fund that specifically offers financing for SMEs working under the Nagoya Protocol. If successful, this fund can serve as a bellwether to establish funds in other regions such as in Africa, Asia and the Pacific. Importantly, EcoEnterprises Fund has demonstrated through the building of sound investment portfolios composed of sustainable SMEs that such track record attracts investors and entrepreneurs alike interested in replicating efforts. This paves the way for future growth in the sector, scaling and strengthening SMEs in the process concurrent with disseminating knowledge and experience about the Nagoya Protocol.

2. *Stakeholders.* Will project design include the participation of relevant stakeholders from [civil society](#) and [indigenous people](#)? (yes ☒ /no ☐ ) If yes, identify key stakeholders and briefly describe how they will be engaged in project design/preparation.

The vision for EcoEnterprises Fund emerged out of an underlying 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.

3. *Gender Considerations.* Are [gender considerations](#) taken into account? (yes ☒ /no ☐ ). If yes, briefly describe how gender considerations will be mainstreamed into project preparation, taken into account the differences, needs, roles and priorities of men and women.

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.

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

A. **Business Risk:** The target market of the Fund is SMEs, which are generally subject to higher operating, management and financial risks than larger and more established companies. **Considerations:** Fund's diversification policies, tight screening process for identifying and approving each deal, and hands-on portfolio supervision. The

Team has experience managing larger portfolios in terms of transactions, and similarly to the first and second Fund, members of the Advisory Board and Fund's partners will not only help the Fund source the deals, but may also contribute in transaction structuring. The Fund also relies on an Investment Committee, Impact Committee and a network of local advisors, legal counsel, and specialists built over many years of work in the region.

**B. Systemic Risk:** Deterioration of the political, regulatory or financial environment may negatively affect operations, valuations and overall returns. **Considerations:** The Fund will have ten years to operate plus an additional two one-year extension and could withstand moderate fluctuations in the operating environments.

**C. Foreign Currency and Exchange Rate Risk:** Although most of the financing will be provided by the Fund in U.S. dollars some deals may be made in local currencies, presenting the risk of currency fluctuation. **Considerations:** Fund Manager will structure most of the financing in U.S dollars. This is feasible for the proposed investments because many of the companies generate foreign currency through ecotourism, organic agriculture, and forestry for export. Most of the countries in the region maintain relatively open exchange mechanisms, providing businesses with access to foreign exchange for imports and debt service.

**C. Environmental & Social Integrity Risk:** Investees have adverse impacts on the environment and surrounding communities. **Considerations:** EcoEnterprises Fund undertakes a rigorous environmental and social screening and evaluation process, including the application of an in-house monitoring and evaluation tool to investees in the pipeline. The process includes integrating specific standards for each target industry, such as criteria on biodiversity conservation, sustainable use, and community involvement. Companies may be asked to consult with experts skilled in performing fieldwork and evaluation regarding its environmental and social impact. An Impact Committee provides guidance and oversight.

**D. Deal Flow:** EcoEnterprises Fund will lack of enough pipeline to meet proposed investments. **Consideration:** EcoEnterprises Fund has compiled a pipeline for EcoEnterprises Fund III with specific emphasis on projects which adhere and support the Nagoya Protocol. This third fund continues a legacy of investing in a unique investment target and fills a void in the capital market. The Fund builds off a platform of 20 year partnerships and collaborations in-country, region and globally with numerous stakeholders to generate deal flow and identify strong transactions.

*5. Coordination.* Outline the coordination with other relevant GEF-financed 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.

*6. Consistency with National Priorities.* Is the project consistent with the National strategies and plans or reports and assessments under relevant conventions? (yes ☒ /no ☐ ). If yes, which ones and how: NAPAs, NAPs, ASGM NAPs, MIAs, NBSAPs, NCs, TNAs, NCSAs, NIPs, PRSPs, NPFE, BURs, 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.

With respect to biodiversity, the platform will directly contribute to countries' goals for achieving Aichi target 16 (By 2015, the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization is in force and operational, consistent with national legislation). The project will also contribute to achieving Target 7 (By 2020 areas under agriculture, aquaculture and forestry are managed sustainably, ensuring conservation of biodiversity). EcoEnterprises Fund will help investors and enterprises to be able to exploit the comparative advantage of the Latin America and the Caribbean (LAC) region in these sectors through investments that will expand market opportunities and help firms to reach new levels of scale and business development.

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

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 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.

### **PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)**


**A. RECORD OF ENDORSEMENT<sup>9</sup> OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S):**  
(Please attach the [Operational Focal Point endorsement letter\(s\)](#) with this template. For SGP, use this [SGP OFP endorsement letter](#)).

NAME	POSITION	MINISTRY	DATE (MM/dd/yyyy)

<sup>9</sup> For regional and/or global projects in which participating countries are identified, OFP endorsement letters from these countries are required even though there may not be a STAR allocation associated with the project.

**B. GEF AGENCY(IES) CERTIFICATION**

**This request has been prepared in accordance with GEF policies<sup>10</sup> and procedures and meets the GEF criteria for project identification and preparation under GEF-6.**

<b>Agency Coordinator, Agency name</b>	<b>Signature</b>	<b>Date (MM/dd/yyyy)</b>	<b>Project Contact Person</b>	<b>Telephone</b>	<b>Email</b>
Michael Collins IDB-GEF Executive Coordinator		03/25/2015	Paola Pedroza	(202) 623 - 3602	paolap@iadb.org

**C. ADDITIONAL GEF PROJECT AGENCY CERTIFICATION (APPLICABLE ONLY TO NEWLY ACCREDITED GEF PROJECT AGENCIES)**

For newly accredited GEF Project Agencies, please download and fill up the required [GEF Project Agency Certification of Ceiling Information Template](#) to be attached as an annex to the PIF.

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<sup>10</sup> GEF policies encompass all managed trust funds, namely: GEFTF, LDCF, and SCCF