



GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET

Naoko Ishii
CEO and Chairperson

November 06, 2017

Mr. Miguel Morales
Vice President/Managing Director
Conservation International
2011 Crystal Drive
Suite 500
Arlington VA, 22202

Dear Mr. Morales:

I am pleased to inform you that I have approved the medium-sized project detailed below:

Decision Sought:	Medium-sized Project (MSP) Approval
GEFSEC ID:	9941
Agency(ies):	CI
Focal Area:	Climate Change
Project Type:	Medium-Sized Project
Country(ies):	Global
Name of Project:	Structuring and Launching CRAFT: the First Private Sector Climate Resilience & Adaptation Fund for Developing Countries.
Indicative GEF Project Grant:	\$1,045,000
Indicative Agency Fee:	\$94,050
Funding Source:	Special Climate Change Fund

This approval is subject to the comments made by the GEF Secretariat in the attached document. It is also based on the understanding that the project is in conformity with SCCF focal areas strategies and in line with GEF/SCCF policies and procedures.

Sincerely,

for Naoko Ishii

Chief Executive Officer and Chairperson

Attachment: GEFSEC Project Review Document
Copy to: Country Operational Focal Point, GEF Agencies, STAP, Trustee



GEF-6 REQUEST FOR ONE-STEP MEDIUM-SIZED PROJECT APPROVAL

TYPE OF TRUST FUND: Special Climate Change Fund

For more information about GEF, visit TheGEF.org

PART I: PROJECT IDENTIFICATION

Project Title:	Structuring and Launching CRAFT: the First Private Sector Climate Resilience & Adaptation Fund for Developing Countries		
Country(ies):	Global	GEF Project ID: ¹	9941
GEF Agency(ies):	CI (select) (select)	GEF Agency Project ID:	
Other Executing Partner(s):	Lightsmith Group LLC	Submission Date:	10/16/2017
GEF Focal Area(s):	Climate Change	Project Duration (Months)	15
Integrated Approach Pilot	IAP-Cities <input type="checkbox"/> IAP-Commodities <input type="checkbox"/> IAP-Food Security <input type="checkbox"/>		
Name of Parent Program:	[if applicable]	Agency Fee (\$)	94,050

A. FOCAL AREA STRATEGY FRAMEWORK AND PROGRAM²:

Focal Area Objectives/programs	Focal Area Outcomes	Trust Fund	(in \$)	
			GEF Project Financing	Co-financing
CCA-1	Outcome 1.2: Livelihoods and sources of income of vulnerable populations diversified	SCCF-A	170,000	283,600
CCA-2	Outcome 2.1: Increased awareness of climate change impacts, vulnerability and adaptation	SCCF-A	400,000	425,400
CCA-2	Outcome 2.3: Access to improved climate information and early-warning systems enhanced at regional, national, sub-national and local levels	SCCF-A	310,000	425,400
CCA-3	Outcome 3.1: Institutional arrangements to lead, coordinate and support the integration of climate change adaptation into relevant policies, plans and associated processes established and strengthened	SCCF-A	165,000	283,600
(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			1,045,000	1,418,000

B. PROJECT FRAMEWORK

Project Objective: To establish and mobilize resources for the Climate Resilience and Adaptation Finance & Technology Transfer Facility (CRAFT), the first private sector climate resilience and adaptation investment fund and technical assistance facility for developing countries, consistent with the goals of the Paris Agreement.

Project Components/ Programs	Financing Type ³	Project Outcomes	Project Outputs	Trust Fund	(in \$)	
					GEF Project Financing	Confirmed Co-financing
Component 1: CRAFT Investment and Impact Strategy	TA	Outcome 1.1: Fund Investment Strategy prepared	Output 1.1.1: Detailed investment theses developed	SCCF-A	242,100	278,000

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

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.

		<p>Outcome 1.2: Fund Investment Pipeline expanded</p> <p>Outcome 1.3: CRAFT Impact Strategy and TA Facility Strategy developed</p>	<p>for 4 of the 20 target market segments</p> <p>Output 1.2.1: 250 additional climate resilience companies identified and added to company database</p> <p>Output 1.2.2: At least five companies identified as high-probability potential investment transactions</p> <p>Output 1.2.3: Workshop held on private sector engagement in climate adaptation and resilience with GEF and private sector participants (e.g., during Climate Week 2018 in New York)</p> <p>Output 1.3.1: CRAFT Impact strategy, including Environmental, Social and Governance (ESG) approach and climate change adaptation impact metrics, document prepared</p> <p>Output 1.3.2: TA Facility Strategy and operations documents (investment strategy, grant guidelines, impact measurement, and operating procedures) prepared</p>			
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Component 2: CRAFT Resource Mobilization	TA	<p>Outcome 2.1: Key marketing documents written and website and online data room functional</p> <p>Outcome 2.2: Fundraising Strategy developed and implementation started</p>	<p>Output 2.1.1: Key marketing documents prepared and ready to share with investors and the public</p> <p>Output 2.1.2: Website and online data room completed</p> <p>Output 2.2.1: 200 Limited Partners (LP) investor candidates identified and prioritized</p> <p>Output 2.2.2: At least 3 placement agent candidates identified and discussions held</p> <p>Output 2.2.3: 25 LP investor candidates with discussions held</p> <p>Output 2.2.4: Potential first-close investors brought into due diligence stage with total potential commitments of at least US\$50 million</p>	SCCF-A	404,500	465,000
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Component 3: CRAFT Legal Setup	TA	Outcome 3.1: Legal structuring of CRAFT determined	Output 3.1.1: Fund structuring approach, meeting EU/US and other public/private investor requirements, defined Output 3.1.2: Key Fund legal documents drafted Output 3.1.3: TA Facility key legal documents drafted	SCCF-A	303,400	675,000
	(select)	Outcome 3.2: Fund regulatory compliance plan prepared	Output 3.2.1: Regulatory compliance plan for US, EU, and other jurisdictions defined	(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
Subtotal					950,000	1,418,000
Project Management Cost (PMC) ⁴				(select)	95,000	
Total GEF Project Financing					1,045,000	1,418,000

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. SOURCES OF CO-FINANCING FOR THE PROJECT BY NAME AND BY TYPE

Please include confirmed co-financing letters for the project with this form.

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Amount (\$)
Donor Agency	Nordic Development fund (NDF)	Grant	590,000
Private Sector	The Lightsmith Group	In-kind	728,000
GEF Agency	Conservation International	In-kind	100,000
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
Total Co-financing			1,418,000

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.

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

GEF Agency	Trust Fund	Country/ Regional/Global	Focal Area	Programming of Funds	(in \$)		
					GEF Project Financing (a)	Agency Fee ^{a)} (b)	Total (c)=a+b
CI	SCCF-A	Global	Climate Change	(select as applicable)	1,045,000	94,050	1,139,050
(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					1,045,000	94,050	1,139,050

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>hectares</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	Development and sectoral planning frameworks integrate measurable targets drawn from the MEAs in at least 10 countries	<i>Number of Countries:</i>

⁵ 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, SCCF and/or CBIT.

mainstream into national and sub-national policy, planning financial and legal frameworks	Functional environmental information systems are established to support decision-making in at least 10 countries	<i>Number of Countries:</i>
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F. DOES THE PROJECT INCLUDE A “NON-GRANT” INSTRUMENT? (Select)

(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 B.

G. PROJECT PREPARATION GRANT (PPG)⁶

Is Project Preparation Grant requested? Yes No If no, skip item G.

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

GEF Agency	Trust Fund	Country/ Regional/Global	Focal Area	Programming of Funds	(in \$)		
					PPG (a)	Agency Fee ⁷ (b)	Total c = a + b
CI	SCCF-A	Global	Climate Change	(select as applicable)	30,000	2,700	32,700
(select)	(select)		(select)	(select as applicable)			0
Total PPG Amount					30,000	2,700	32,700

PART II: PROJECT JUSTIFICATION

1. *Project Description.* Briefly describe: a) the global environmental and/or adaptation problems, root causes and barriers that need to be addressed; b) the baseline scenario or any associated baseline projects, c) the proposed alternative scenario, GEF focal area⁸ strategies, with a brief description of expected outcomes and components of the project, d) [incremental/ additional cost reasoning](#) and expected contributions from the baseline, the GEFTF, LDCF/SCCF, CBIT and [co-financing](#); e) [global environmental benefits](#) (GEFTF), and [adaptation benefits](#) (LDCF/SCCF); and 6) innovation, sustainability and potential for scaling up.

a) The global environmental problems, root causes and barriers that need to be addressed:

- Between 2003 and 2013, disasters triggered by natural hazards caused USD 1.5 trillion in economic damage and loss worldwide, with USD 550 billion of this economic damage and loss in developing countries, affecting 2 billion people (FAO, 2015).⁹ The impacts of climate change are affecting all sectors of the economy, and in particular are affecting developing countries with less capacity to adapt. Ninety percent of the total damage and losses were caused by floods and storms, which are expected to increase in frequency and/or intensity due to climate change. Significant impacts are also being felt due to chronic effects of a warming planet, such as declines in agricultural productivity, water availability, and labor productivity.
- To address these impacts of climate change, massive investments in adaptation are needed. The United Nations Environment Program (UNEP) estimates that the costs of adaptation in developing

⁶ PPG of up to \$50,000 is reimbursable to the country upon approval of the MSP.

⁷ PPG fee percentage follows the percentage of the Agency fee over the GEF Project Financing amount requested.

⁸ 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.

⁹ See p. xix, FAO (Food and Agriculture Organization of the United Nations), *The impact of disasters on agriculture and food security*, 2015. <http://www.fao.org/3/a-i5128e.pdf>.

countries alone could be as high as USD 300 billion/year by 2030.¹⁰ Yet less than 7% of public climate finance is currently being directed towards adaptation or resilience¹¹. And beyond the public sector, there is very little private sector capital being mobilized to address climate adaptation and resilience. An analysis of 40 clean technology and resources funds revealed that, aside from CRAFT, ***there is no other private equity investment vehicle focusing exclusively on adaptation and resilience, and no other investment vehicle identifies climate resilience intelligence, specifically, as an investment opportunity***¹²;

3. In Copenhagen in 2009, ***developed countries committed to mobilize US\$100 billion per year by 2020*** to assist developing countries with mitigation and adaptation, from both public and private sources, including from alternative sources of finance.¹³ The ***Paris Agreement, under Article 7, established a Global Goal on Adaptation*** of “enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change... to protect people, livelihoods and ecosystems, taking into account the urgent and immediate needs of those developing country Parties that are particularly vulnerable to the adverse effects of climate change.”¹⁴
4. ***CRAFT is based on the premise that there is an immediate opportunity to mobilize substantial amounts of public and private capital to address the need for climate adaptation.*** Specifically, there is an immediate opportunity to invest financial and intellectual capital to help grow and scale up companies that offer existing technologies, products, and services to help assess and manage the risks and impacts of climate change. These market-based solutions include: (a) climate risk analysis tools to assess and forecast climate risks in a localized, actionable way (“resilience intelligence”) or (b) products and services to manage and reduce those impacts and risks and increase climate resilience (“resilience products and services”). Investment is especially needed to bring these existing technologies and solutions to new sectors, geographies, and users, particularly in developing countries.
5. Several key barriers stand in the way for private capital to invest in climate adaptation and resilience, including:
 - ***Perceived lack of investible opportunities, whether in technologies, companies, or infrastructure projects.*** One of the main barriers to mobilizing private capital to invest in climate adaptation and resilience – which will be addressed directly by the project and by the Fund - is that investors are unable to identify any adaptation and resilience opportunities in which to invest. When asked, investors may think of resilient infrastructure as a category, but even then would not be able to name specific projects they could invest in at this point in time. And investors are not aware of companies with climate resilience solutions as a category of investment opportunities and are even less likely to be able to name specific companies. The project and the Fund will help identify and establish an entire category of investments – companies with climate resilience solutions – as an attractive area for investment, potentially mobilizing billions of dollars of private capital for investment in the future.
 - ***Low awareness about climate resilience and adaptation solutions.*** Just as lack of awareness of climate adaptation and resilience investments impedes the mobilization of private capital for

¹⁰ UNEP, *The Adaptation Finance Gap Report*, 2016.

www.unep.org/adaptationgapreport/sites/unep.org.adaptationgapreport/files/documents/agr2016.pdf

¹¹ US\$25 billion of US\$391 billion of public climate finance in 2015 went to adaptation. Climate Policy Initiative, *Global Landscape of Climate Finance 2015*. <https://climatepolicyinitiative.org/wp-content/uploads/2015/11/Global-Landscape-of-Climate-Finance-2015.pdf>

¹² Based upon research performed by the analytical team of the Global Innovation Lab for Climate Finance in context of validating the value proposition and theory of change of CRAFT. Lab Instrument Analysis, 2017. Confidential.

¹³ See par. 9, UNFCCC, Copenhagen Accord, 2009, <http://unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf>.

¹⁴ UNFCCC, Paris Agreement, 2015, https://unfccc.int/files/meetings/paris_nov_2015/application/pdf/paris_agreement_english_.pdf.

investment, lack of awareness about climate adaptation and resilience solutions (such as climate-smart supply chain analytics software, for example), prevents businesses and communities from adopting those solutions to become more climate resilient. Many companies, while offering products and services that address the impacts of climate change, do not directly identify or market these products and services as climate solutions (CPI and OECD, 2015). As a UN Global Compact report noted, “There is not yet widespread understanding even among Caring for Climate signatories of what climate adaptation is and what it means for them or for the markets they serve” (UNGC et al., 2011). In a study focused on organizations operating in the U.S. power sector, Acclimatise and NCEI (2016) found that while climate and weather data had significant value to private companies, the value of such data products and services is not well understood by most companies. The project and the Fund will help to increase awareness of the range of climate resilience solutions – including both intelligence and products/services – available for businesses and communities to improve their climate resilience. This will help to build market awareness and demand for climate resilience solutions in both developed and developing countries.

- ***Lack of operating and financing capacity*** for companies to expand their climate adaptation and resilience-related business lines, including into adjacent sectors and geographies. UNEP’s (2014) Adaptation Gap report notes both a critical need to accelerate uptake of resilience technologies within developing countries in which they are already present, as well as a need for international technology transfer, particularly of new crop varieties, water efficiency technologies, and monitoring systems. Yet companies with these climate resilience solutions often lack the operating and/or financing capacity to capitalize on such opportunities for growth and international expansion (PwC, 2010). A gap in equity finance for new as well as more established small and medium enterprises in developing countries also impedes growth (Divakaran et al, 2014). The Fund and its associated TA Facility will help provided needed capital and expertise to help companies with climate resilience solutions scale up and expand to where these solutions are needed most, including in lower-income countries,
- ***Lack of actionable, asset-specific information*** about climate risks and impacts. In order to take specific climate adaptation and resilience measures, companies need to be able to make a business case for how they will ultimately deliver financial returns (PwC, 2010; Climate-KIC and LGI Consulting, 2016). Members of the Global Adaptation and Resilience Investment Working Group (GARI) identified developing tools for understanding and assessing physical climate risk as highly important and identified a number of existing approaches and tools, but also highlighted gaps in the usefulness of these approaches for real world decision-making (GARI, 2016). In addition, matching commercial investment time frames with the uncertain time frames for the effects of climate change was seen as a particular challenge to investing in adaptation (2 Degree Investing Initiative, 2015). The Fund, by investing in companies providing “intelligence” tools for understanding and assessing the physical risks of climate change helps to overcome this barrier.
- ***Perceived risks of investing in developing countries generally, and difficulties transferring technologies and solutions from developed to developing countries, including barriers to market entry and deployment.*** Many innovative, private sector-driven solutions for adaptation and resilience are beginning to emerge, and are starting to attract venture capital and private equity funding¹⁵. However, private equity and venture capital are underdeveloped in many developing countries, and international equity investors often shy away from the perceived and actual risks of investing in emerging economies. CRAFT’s technical assistance facility (TA Facility) will help overcome barriers to applying climate adaptation and resilience solutions in developing countries. The TA Facility – like clean energy TA facilities that the Lightsmith partners have launched in the past – will provide project preparation, market development, and capacity building support. Unlike the clean energy TA facilities, which support the development

¹⁵ Climate Policy Initiative, Emerging Solutions to Drive Private Investment in Climate Resilience, 2015. <https://climatepolicyinitiative.org/wp-content/.../06/Finance-for-Climate-Resilience.pdf>

of clean energy infrastructure projects, the CRAFT TA Facility will support market entry and application of climate resilience solutions in developing countries, including reaching low-income developing countries. For example, for a drought-tolerant tree crop (one of the examples discussed in more detail below in table 3 under Paragraph 48 in the alternative scenario section), the TA Facility can provide a range of technical assistance to de-risk and overcome the barriers to market entry and initial deployment of the crop, to help with continued market development and adoption, and to support local capacity building, including:

- Market entry support to scope out and plan for bringing the drought-tolerant crop into targeted developing countries (including market studies and customer and partner identification and engagement);
- Project preparation technical assistance to enable successful initial deployments (including for example soil and water availability studies, site assessments, and regulatory and legal studies);
- Market development support such as agronomic studies providing data from field trials and outlining the business case for farmers;
- Capacity building assistance to train local farmers and government agricultural officials in the cultivation and marketing of the crop.

b) The baseline scenario and any associated baseline project

Baseline scenario:

6. In the absence of the project, the baseline scenario would be characterized by (i) continued challenges in mobilizing adaptation finance, particularly in developing countries and (ii) inability to successfully launch CRAFT.
7. First, without the project, public adaptation finance would likely continue at relatively low levels (with private adaptation finance and awareness lower still) with a slow development trajectory. This hypothesis is supported by the following:
 - As described in the Adaptation Gap Report by the United Nations Environment Program (UNEP, 2016), less than 7% of public climate finance tracked by the Climate Policy Initiative had adaptation as a principal objective, and even less than that can be attributed to the private sector;
 - As referred to above, an analysis of 40 clean technology and resources funds that were mapped to assess CRAFT's innovation revealed that *there is no other private equity vehicle focusing exclusively on adaptation and resilience investments, and no other investment vehicle identifies climate resilience intelligence as an investment opportunity*¹⁶;
 - The private sector lacks the information and data needed to systematically account for climate change impacts and risks, and efforts to respond to extreme weather events would continue to occur in a reactive and ad hoc manner based on past events and not in a forward-looking manner that systematically accounts for climate change;
 - Capital mobilization from the private sector would continue to be challenged, as would capacity in the private sector to generate information and scale up products and services; and
 - Developing countries would continue to receive limited private sector investment or technology given the absence of a dedicated investment vehicle with an aligned technical assistance facility.
8. Second, having successfully received the endorsement of the Global Innovation Lab for Climate Finance in September 2017¹⁷, partial implementation of the CRAFT is ready to begin. However, the funding and resources identified to date would not be sufficient to build out the CRAFT team, secure legal and regulatory advisors to setup and structure the Fund, further develop the Fund's pipeline, or

¹⁶ Based upon research performed by the analytical team of the Global Innovation Lab for Climate Finance in context of validating the value proposition and theory of change of CRAFT. Lab Instrument Analysis, 2017. Confidential.

¹⁷ <https://www.climatefinancelab.org/project/climate-resilience-adaptation-financetransfer-facility-craft>

conduct the fundraising discussions needed to reach a first close of the Fund. In other words, without the project, there would be insufficient resources to accomplish the activities needed for a successful launch of the CRAFT Fund.

Baseline Project:

9. The baseline project is the work the LightSmith Group has completed to date to develop the CRAFT concept and to make it ready for implementation, including achieving the following:
 - The LightSmith Group was formed as an investment firm with two founding partners focused on developing the CRAFT concept.
 - LightSmith’s CRAFT concept was entered in and won the Global Innovation Lab for Climate Finance (“the Lab”) competition out of 175 submissions in 2016. After the Lab’s nine-month, 3-stage process of development, evaluation, and feedback, the refined CRAFT concept won formal endorsement from several Lab members including national governments, multilateral development banks (MDBs), development finance institutions (DFIs), foundations, and private investors during Climate Week in New York in September 2017. ^[1]_[SEP]
 - LightSmith has brought the CRAFT concept to the point of being ready to begin formal fundraising, including the following: (a) building an active pipeline of potential investments, including a database of 450 companies with climate resilience solutions; (b) developing operational and structural plans and modeling financial performance of a CRAFT fund; (c) developing a theory of change and proposing a general approach to evaluate and measure the impacts of the Fund’s investments on climate resilience, which will be further expanded and validated through this project. ^[1]_[SEP]
 - Finally, LightSmith has engaged with several potential investor candidates and has begun to prepare materials needed to launch formal fundraising.
 - The costs of time and expenses contributed by The LightSmith Group partners – as well as by the Lab and its staff and members – over the last two years in developing the CRAFT concept are estimated to amount to approximately USD 800,000.
10. Nevertheless, it is estimated that it will take approximately 12-15 months and a budget of more than USD 2 million of additional costs to reach a first close of the Fund in mid to late 2018. ^[1]_[SEP]

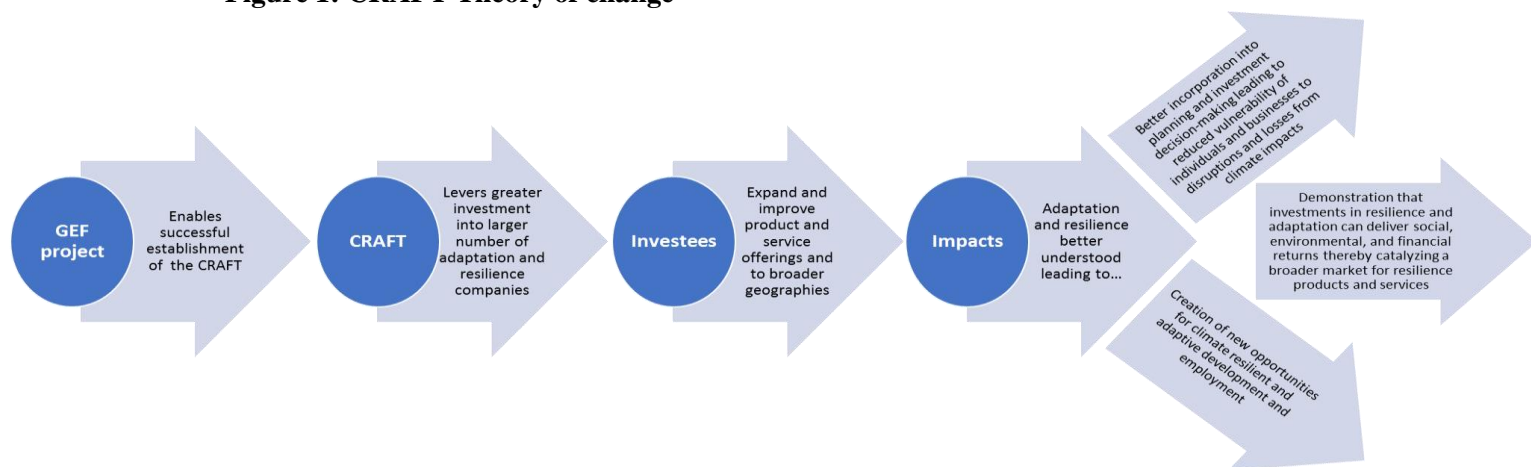
c) The proposed alternative scenario, with a brief description of the expected outcomes and components of the project. For biodiversity projects, in addition to explaining the project’s consistency with the biodiversity focal area strategy, objectives and programs, please also describe which [Aichi Target\(s\)](#) the project will directly contribute to achieving.

11. The project, described in more detail below, will support an alternative scenario that can substantially increase action and financing for climate adaptation and resilience from both the private sector and the public sector. The overall purpose of the project is to support the design, structuring, operationalization, and launch of the first dedicated commercial investment vehicle focused on expanding the availability of technologies and solutions for climate adaptation and resilience in developing countries. CRAFT is envisioned to be a USD 250 million private equity fund (the Fund) and a complementary USD 20 million technical assistance facility (the TA Facility). The Fund will invest in growth capital in private companies that already offer climate resilience solutions while the TA Facility will provide technical support to enable market entry, initial application, and capacity building for use of climate resilience solutions in developing countries.
12. Over the past two years, CRAFT has been brought from initial concept to readiness for implementation. In 2016, The Global Innovation Lab for Climate Finance (the Lab) launched a call for ideas for financial instruments aimed at addressing climate change and mobilizing billions of

dollars in private investment. CRAFT was shortlisted from 175 submissions that underwent a multi-stage, competitive selection process, and was subsequently endorsed for pilot and launch by the Lab in September 2017. CRAFT has benefited from a 9-month review, evaluation and stakeholder engagement process for innovation, impact, and feasibility supported by the Lab’s analytical team. As a result of that process, Lightsmith has received internal management approval from Nordic Development Fund to provide co-financing in the form of EUR 500,000 of grant support to prepare CRAFT for launch (please refer to Annex I: Co-financing Commitment Letters). In addition, Lightsmith has attracted potential investment interest from several MDBs and governments in CRAFT, and has begun in-depth discussions with one candidate for a large “anchor” investment in the Fund.

13. The project will enable the successful launch of CRAFT over the next 12-15 months by supporting critical activities related to operationalization, resource mobilization, and legal setup of the facility.
14. CRAFT will yield positive climate-related, environmental and social impact by (i) reducing the vulnerability of individuals and businesses to disruptions and losses from climate impacts, (ii) creating new opportunities for climate resilient and adaptive development and employment, and (iii) demonstrating that investments in resilience and adaptation can deliver social, environmental, and financial returns thereby catalyzing a broader market for resilience products and services.
15. CRAFT’s theory of change is to invest in solutions that can directly enhance the climate resilience of individuals and businesses and in doing so can catalyze a larger market for resilience solutions and investments through a demonstration effect. By expanding the availability and application of climate intelligence to new sectors and markets, including through the provision of technical assistance, CRAFT’s investments will improve understanding of, and action on, climate risks. That is, as users begin to understand and integrate climate risk into decision-making through the use of climate intelligence, visibility on opportunities to reduce climate vulnerability through the adoption of resilience products and services will be gained. The demonstration effect begins by highlighting what climate resilience solutions look like and showing that there are a range of existing companies and solutions in many sectors that can help assess and manage climate risks and impacts. Figure 1 below illustrates the theory of change linking the project and CRAFT.
16. An important part of the theory of change is how CRAFT is aligned with and will help implement key elements of the *Paris Agreement’s Global Goal on Adaptation*, including:
 - Mobilizing public and private finance from developed countries to support adaptation in developing countries
 - Developing and disseminating climate risk assessment, modeling, and forecasting tools
 - Supporting capacity building in developing countries, including for adaptation planning as well as for implementing adaptation measures

Figure 1: CRAFT Theory of change



17. The CRAFT Fund would invest in companies with climate resilience solutions in many sectors of the economy, including agriculture, water, energy, transportation, and finance, among others. To understand the potential environmental benefits of the Fund, it is helpful to understand the areas targeted for investment. Lightsmith has identified 20 market segments (Table 2) totaling USD 130 billion in annual spending on climate resilience related technologies, products, and services. These companies provide a wide range of resilience services, risk analytics, and resource efficiency technologies that can address the risks, volatility, and resource scarcity caused by climate change. These 20 resilience-related market segments and their current market sizes are shown in Table 2 below:

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

Resilience Services	USD
Coastal and shore protection	5
Climate risk, adaptation & resilience consulting	2
Disaster recovery & business continuity	2
Natural assets for resilience services	1

Risk & Weather Analytics	USD
Business risk analysis	8
Geospatial imagery analytics	3
Weather forecasting systems, services	3

Agriculture	USD
Greenhouses & vertical farming	12
Precision agriculture systems and analytics	5
Soil treatments and amendments	5
Seed treatment	6

Water	USD
Smart water management	9
Desalination equipment	9
Efficient irrigation systems	3
Water harvesting	1

Energy	USD
Microgrids, distributed generation & storage	17
Demand response	11
Smart grid systems and software	10

Transportation	USD
Logistics software and IoT	10
Cold chain equipment (Emerging Markets)	8
Supply chain analytics software and services	3

18. Some examples of companies that the Fund could invest in and their potential environmental benefits are shown in Table 3. The table below shows illustrative examples of companies from CRAFT’s investment pipeline along with the potential adaptation and resilience benefits and the other environmental benefits they might provide:

Table 3: Climate adaptation and other environmental benefits generated by the GEF-supported alternative scenario

Example Climate Resilience Solutions Company	Potential Adaptation and Resilience Benefits	Potential Other Environmental Benefits
Drought-tolerant tree crop company	<p>Key climate vulnerabilities addressed: water scarcity affecting agriculture in increasingly arid regions; declining agricultural land productivity; improved food security in arid regions</p> <p>Resilience benefits: less water dependence of agriculture from crop requiring much less water; improved food security: ability to produce high yields of food and fuel locally on arid, marginal lands, with little water and no fertilizer; improved income and livelihoods for smallholder farmers</p>	Less pressure from agriculture on forest and natural ecosystems (by opening up production from marginal lands); less water use for agriculture in arid regions; less energy use for water pumping; GHG emissions reductions from less water pumping and from beneficial land use changes; GHG emissions reductions from production of low lifecycle carbon bio-based fuel.
Drip irrigation systems company	<p>Key climate vulnerabilities addressed: water scarcity affecting agriculture in increasingly arid regions; declining agricultural land productivity; improved food security in arid regions</p> <p>Resilience benefits: less water dependence of agriculture from much greater water use efficiency</p>	Less pressure on natural water systems from excessive withdrawals in arid regions; less energy use for water pumping; GHG emissions reductions
Distributed cold chain solutions company	<p>Key climate vulnerability addressed: worsened food insecurity and increased food import dependence</p> <p>Resilience benefits: greater local food supplies by wasting less of what is produced locally</p>	GHG emissions reductions from less wasted food (and less wasted water and other inputs); GHG reductions (and livelihood/income benefits) from food processed onsite resulting in less produce transported
Renewable water harvesting company	<p>Key climate vulnerability addressed: water scarcity affecting urban and rural populations</p> <p>Resilience benefits: greater water availability independent of rainfall and surface or groundwater supplies</p>	Less pressure on natural water systems from excessive withdrawals in arid regions; GHG emissions reductions from less water pumping and less water purification and desalination
Supply chain analytics software company	<p>Key climate vulnerability addressed: supply chain disruptions due to floods, storms, and other events</p> <p>Resilience benefits: More resilient supply chains from weather and risk analytics integrated into supply chain planning and operations</p>	GHG reductions from more efficient transportation and logistics systems

Wind and hydro insurance company	<p>Key climate vulnerability addressed: financial risk to renewable energy projects due to weather volatility</p> <p>Resilience benefits: enhanced financial stability and performance of existing and new build wind farms and hydropower installations^[17]_{SEP}</p>	GHG reductions from enabling more renewable energy projects to be financed (by using insurance to address these risks)
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19. Investments in climate resilience solutions can help bring the solutions to developing countries and apply them to new sectors, resulting in important resilience and other benefits to people in developing countries. For example, through investment capital and technical assistance, CRAFT could help bring the drought-tolerant tree crop described above from India and the United States, where it is commercially available today, to drought-stricken and arid regions in Southern and Eastern Africa. The TA Facility can help by providing market entry, project preparation, market development, and capacity building support (as described in Paragraph 5). Once cultivated in Southern or Eastern Africa, the drought-tolerant crop could provide important resilience and other benefits for people, especially (a) improved income and livelihoods for smallholder farmers and (b) increased production of food in arid regions using little water and fertilizer (via livestock feed from the tree crop). In another example, an investment from CRAFT could help a business demand forecasting company with expansion to new sectors (e.g., applying their weather risk analytics to supply chain management, including to manufacturing, logistics, food and consumer products companies) and to new geographies (ensuring the business covers key developing country regions). The benefits to people in developing countries could include better supply chain risk assessment and resilience for manufacturing, logistics, industrial and food companies. Ultimately this could mean less vulnerability of jobs and income in developing countries to the market volatility and physical damage made worse by climate change.

20. The **objective** of the project is to establish and mobilize resources for the Climate Resilience and Adaptation Finance & Technology Transfer Facility (CRAFT), the first private sector climate resilience and adaptation investment fund and technical assistance facility for developing countries, consistent with the goals of the Paris Agreement. The project is structured around three components, as described below, along with associated outcomes and outputs.

COMPONENT 1: CRAFT INVESTMENT AND IMPACT STRATEGY

21. This component will facilitate the completion of the Fund’s investment strategy, including the prioritization of investment segments and the definition of detailed investment theses for prioritized segments, as well as the development of the Fund’s pipeline of potential investments, which is critical for the attraction of investors to the Fund. In addition, this component will facilitate the creation of the TA Facility’s strategy and support the creation of CRAFT’s overall impact strategy, including the environmental, social and governance (ESG) approach and definition of climate change adaptation-focused impact metrics.

Outcome 1.1: Fund Investment Strategy Prepared

22. The Fund’s investment strategy will guide activities of the Fund with respect to prioritization and allocation of Fund assets among various investments. The Fund’s investment strategy is not only necessary to the Fund’s operation; it is critical to attract investors to the Fund. Country NAPs, NAPAs, and NDCs can help inform investment strategy development through the identification of critical adaptation needs and opportunities in each country. As the baseline, a Fund investment strategy has not yet been established. In that context, the target under of the project is for the Fund’s investment strategy to be prepared. An indicator of success of this outcome is the selection of priority target market segments and the preparation of the Fund’s investment strategy.

Output 1.1.1: Investment Theses Developed

23. This output focuses on a critical part of the creation of the Fund's investment strategy and entails the development of written investment theses for several prioritized market segments. The target for this output is the selection of four initial priority target markets and the development of detailed investment theses for these prioritized segments out of the 20-climate resilience-related market segments that have already been identified. To achieve this output, indicative activities include extensive research and investigation into existing companies that offer climate adaptation and resilience solutions, as well as current and potential customers of such products and services, along with climate risk and geographical overlays to both supply and demand. An indicator of success of this output is the successful articulation of several investment theses.

Outcome 1.2: Fund Investment Pipeline Further Developed

24. Development of the Fund's pipeline of potential investments is important both to the Fund's future investment activity and to the attraction of investors to the Fund, as investors will be attentive not only to the Fund's investment strategy but also to pipeline volume and quality as a gauge of investment potential, as well as expected timing for initial deployment of the Fund's capital. As the baseline, a draft investment pipeline document has been prepared and a database of relevant companies has been established and populated with 450 climate resilience companies. As targets under the project, the Fund's investment pipeline document will be prepared and its pipeline will be more fully developed, which will position the Fund for capital raising and launch. An indicator of success under this outcome is that the Fund's investment pipeline is expanded.

Output 1.2.1: Companies Added to Database

25. This output entails the identification and incorporation of climate resilience companies into the Fund's company database. The target for this output is the identification and incorporation of 250 companies into the Fund's database of climate resilience companies. To achieve this output, indicative activities include research and investigation, including on-line, telephone and in-person undertakings, into companies that are within the target market segments of the Fund's investment strategy. An indicator of success of this output is the number of additional climate resilience companies that have been identified.

Output 1.2.2: High-Probability Transactions Identified

26. This output entails the identification of several high-probability potential transactions for the Fund. The target for this output is the identification of at least five companies that represent high-probability potential investment transactions. To achieve this output, indicative activities include scouting companies from the Fund's database and conducting preliminary diligence, both desk-research and potentially in-person, on a short-list of high-potential investees. An indicator of success for the output is the number of active potential transactions in the Fund's pipeline.

Output 1.2.3: Climate Adaptation and Resilience Workshop Conducted

27. This output entails preparation for and implementation of a workshop on private sector engagement in climate adaptation and resilience to raise awareness about climate resilience and adaptation solutions, as well as to enhance understanding of climate resilience and adaptation as an investible opportunity. The target for this output is the implementation of one workshop on private sector engagement in climate adaptation and resilience with GEF and private sector participants. Such event may be held during Climate Week 2018 in New York, U.S. To achieve this output, indicative activities include identification of participants, preparation of content, identification of an appropriate venue, as well as the implementation of the workshop, itself. An indicator of success is the carrying-out of a workshop with GEF and private sector participants.

Outcome 1.3: CRAFT Impact Strategy and TA Facility Strategy Developed

28. Development of CRAFT's overall impact strategy is important for two reasons. First an impact strategy feeds in to strategic decision-making at the time of investment by enabling consideration of

desired impacts and, second, it enables the tracking, monitoring and management of impacts from a portfolio perspective. Development of the strategy for the TA Facility is important, as it will guide the extension of technical assistance to beneficiaries. The CRAFT impact strategy and TA Facility strategy will be written documents. As the baseline, CRAFT does not yet have a developed impact strategy or a developed strategy for the TA Facility. In this regard, targets under the project include the preparation of the CRAFT Impact Strategy and TA Facility Strategy. An indicator of success under this outcome is that the CRAFT Impact Strategy and TA Facility Strategy are developed.

Output 1.3.1: CRAFT Impact Strategy Developed

29. This output entails the development of the overall impact strategy for CRAFT, including defining the environmental, social, and governance (ESG) approach and developing appropriate impact metrics, especially metrics focused on climate change adaptation impacts. The target of this output is the preparation of a written impact strategy document and ESG plan. To achieve this output, indicative activities include research and investigation into impact strategies of both public (e.g. DFIs) and private sector investors from which lessons learned will be derived to create a relevant strategy and define appropriate impact metrics for CRAFT. The Fund will have a clearly defined ESG policy and process. To develop this, the project will review leading ESG policies and standards, including the UN's Principles for Responsible Investment (PRI) and IFC's Environmental and Social (E&S) standards.¹⁸ As part of developing impact metrics, the project will attempt to define and find ways to quantify "post-project direct benefits" in the format of the Adaptation Tracking Tool. Indicators of success of this output are the preparation of CRAFT's impact strategy, its ESG policy, its climate change adaptation focused impact metrics, and a summary overview of the impact strategy.

Output 1.3.2: TA Facility Strategy Developed

30. This output involves the preparation of the strategy for the TA Facility and associated operations documents, such as grant guidelines, impact measurement, and operating procedures. The target for this output is the preparation of a written TA Facility strategy document and written operations documents. To achieve this output, indicative activities include research and investigation into technical assistance strategies and operational aspects of both public (e.g. DFIs) and private sector investors, especially related to investment funds, from which lessons learned will be derived to create an appropriate strategy and operations for the TA Facility. Indicators of success of this output are the preparation of a TA Facility strategy and operations documents, and a summary overview of the TA Facility strategy and operations documents.

COMPONENT 2: RESOURCE MOBILIZATION

31. This component will facilitate the launch of capital raising for the Fund, including preparation of key marketing documents, the establishment of an on-line presence, and creation of a secure data room for potential investors. In addition, this component will support the design and initial implementation of a fundraising strategy. These aspects are central to enable capital raising to commence.

Outcome 2.1: Marketing Documents, Website and Data Room Developed

32. Development of key marketing documents, a website and an online data room are important to launch fundraising efforts with coherent messaging and appropriate availability of information for potential investors. As the baseline, key marketing documents have not been prepared and a website and online data room have not been prepared. In that context, targets under of the project include the completion of marketing documents and online functioning of a website and data room. Indicators of success of this outcome are the development of a marketing strategy, the establishment of a website and an online data room, and investor outreach materials ready to use in road shows and other investor outreach.

¹⁸ See www.unpri.org and www.ifc.org/wps/wcm/connect/c8f524004a73daeca09afd998895a12/IFC_Performance_Standards.pdf?MOD=AJPERES

Output 2.1.1: Marketing Documents Prepared

33. This output entails the preparation of key marketing documents that are ready to share with investors and the public. The target for this output is the finalization and production of marketing/outreach materials. To achieve this output, indicative activities include content creation, design and development of marketing/outreach materials for potential investors, as well as the issuance of content-appropriate press releases. Indicators of success of this output include the preparation of a one-page overview and a public version of the marketing presentation.

Output 2.1.2: Website and Online Data Room Prepared

34. This output includes the completion of a website and online data room. Targets for this output include the completion of one website and one online data room. To achieve this output, indicative activities include are content creation, design and development of a website; as well as the design and development of a secure online data room for potential investors to share information. Indicators of success of this output include the functioning presence of a public website, as well as confirmation from Lightsmith that an investor portal and data room have been prepared.

Outcome 2.2: Fundraising Strategy Prepared and Implementation Started

35. Development of a fundraising strategy is important to guide Lightsmith's approach to the market and to target potential investors. As the baseline, while initial meetings have been held with possible investors, a fundraising strategy has not been prepared. In that context, targets under the project include the preparation of a fundraising strategy and fundraising activities started with at least USD 50 million of potential investment under due diligence. Indicators of success of this outcome include the development of a fundraising strategy and the amount of potential investment from investors engaged in due diligence.

Output 2.2.1: Investor Candidates Identified and Prioritized

36. This output entails the identification and prioritization of investor candidates in the Fund. The target for this output is the identification and prioritization of 200 limited partner (LP) candidates. To achieve this output, complementing online research and investigation, indicative activities include attending various conference and similar investor gatherings to identify potential investors, leveraging Lightsmith's networks, as well as pursuing referrals. An indicator of success is the number of LP candidates identified.

Output 2.2.2: Placement Agents Identified

37. This output entails the identification of potential placement agents for the Fund. Targets for this output are the identification of at least three placement agent candidates and discussions held with at least three of those candidates. To achieve this output, indicative activities include seeking out placement agent candidates through leveraging Lightsmith's networks, as well as pursuing referrals. An indicator of success is confirmation that placement agent discussions were held and whether one is selected.

Output 2.2.3: Meetings with Investor Candidates Held

38. This output entails holding discussions with potential investor candidates in the Fund. The target for this output is carrying-out of 25 discussions with investor candidates. To achieve this output, indicative activities include seeking out and holding meetings with potential investor candidates from the 200 LPs identified and prioritized under Output 2.2.1 above. An indicator of success is the number of LP investor candidates with which discussions were held.

Output 2.2.4: Potential Investor Commitments brought into Due Diligence

39. This output involves bringing potential first-close Fund investors into the due diligence stage. The target for this output is to have potential commitments of at least USD 50 million by first-close Fund investor candidates brought into due diligence. To achieve this output, indicative activities include deeper discussions with potential investor candidates and responding to due diligence questions

posed by such potential investors. An indicator of success is the amount of potential first-close investment commitments from investors who have been brought into the due diligence stage.

COMPONENT 3: CRAFT LEGAL SETUP

40. This component will facilitate the legal structuring of CRAFT to ensure that it is designed and brought to market with due consideration given to the requirements of applicable jurisdictions and participants. This component will also support the preparation of the Fund's regulatory compliance plan, which is a critical element of Fund design and implementation.

Outcome 3.1: Legal Structuring of CRAFT Determined

41. Support for the legal structuring of CRAFT will ensure that is designed with due consideration of legal requirements of applicable jurisdictions and participants. As a baseline, legal structuring of CRAFT has not yet been prepared. To that end, the target of this outcome is for the legal structuring of CRAFT to be prepared. An indicator of success is that the approach to structuring of CRAFT is determined in order to establish the Fund and TA Facility.

Output 3.1.1: Structuring Approach Defined

42. This output focuses on the approach to structuring the Fund, in particular the definition of design elements necessary to meet the requirements of both public and private investors, as well as those domiciled in the U.S. and European Union. The target for this output is the preparation of the Fund structuring approach. To achieve this output, indicative activities include extensive research and investigation from legal and regulatory perspectives into investor and jurisdictional requirements. An indicator of success of this output is the preparation of a summary slide of the Fund's structuring approach and a summary slide of proposed LP investment terms.

Output 3.1.2: Key Fund Legal Documents Drafted

43. This output entails the preparation of key legal documents of the Fund. The target for this output is the preparation of those key legal documents. To achieve this output, indicative activities include drafting and review of proposed Fund documents between counsel and Lightsmith. An indicator of success of this output is the preparation of a summary slide on key legal documents and sharing of public documents or filings.

Output 3.1.3: TA Facility Key Legal Documents Drafted

44. This output entails the preparation of key legal documents of the TA Facility. The target for this output is the preparation of those key legal documents. To achieve this output, indicative activities include drafting and review of proposed TA Facility documents between counsel and Lightsmith. An indicator of success of this output is the preparation of a summary slide of the TA Facility's key legal documents.

Outcome 3.2: Fund Regulatory Compliance Plan Prepared

45. The Fund's regulatory compliance plan is a critical element of Fund design and implementation. As a baseline, the Fund's regulatory compliance plan has not been prepared. To that end, the target of this outcome is for the Fund's regulatory compliance plan to be prepared. An indicator of success is that the Fund's regulatory compliance plan is completed appropriate for its jurisdictions of operation.

Output 3.2.1: Regulatory Compliance Plan Defined

46. This output entails the definition of an appropriate regulatory compliance plan for U.S. and European Union jurisdictions, as well as any other applicable jurisdictions determined through fundraising efforts. The target for this output is the preparation of a relevant, well-designed regulatory compliance plan. To achieve this output, indicative activities include extensive research and investigation from legal and regulatory perspectives into relevant jurisdictional requirements. An indicator of success of this output is the preparation of a summary slide of key regulatory requirements and the Fund's compliance plan.

d) Incremental or additional cost reasoning and expected contributions from the baseline, the GEFTF, LDCF/SCCF and co-financing:

47. This project requests additional cost coverage to establish and launch CRAFT (both the Fund and the TA Facility). As outlined above, GEF resources, together with co-financing, would fund the operationalization, resource mobilization, and legal setup for CRAFT— many of the critical components required to enable CRAFT to be launched over the next 12-15 months. As described above, absent GEF support, insufficient resources for these operational and overhead needs would be available, and CRAFT would be unable to achieve launch. Given the baseline absence of private equity funds for adaptation and resilience finance, public and private adaptation finance would likely continue at low levels, with continued lack of capital for climate adaptation and resilience investments.
48. The project’s proposed USD 1.14 million GEF grant¹⁹ will mobilize an additional USD 1.42 million of co-financing, which, together with GEF funding will provide the resources needed to successfully carry out the project. This USD 1.42 million in co-financing consists of USD 590,000 in grant funding from the Nordic Development Fund and USD 728,000 in cost sharing (in-kind) from Lightsmith (the Executing Agency), as well as USD 100,000 in cost sharing (in-kind) from Conservation International.
49. More importantly, however, the project is expected to result in the mobilization of USD 250 million of capital into the Fund for climate adaptation and resilience investments in emerging markets and developing countries, as well as USD 20 million of funding for the TA Facility to apply climate resilience solutions in emerging markets and developing countries, particularly lower income countries. To that end, GEF incremental cost support will unlock the following high-value results: (i) achieving a high leverage ratio of GEF capital to large-scale private sector investment; (ii) facilitating North-South transfer (and South-South transfer) of adaptation and resilience technologies and capacity; (iii) enabling GEF’s engagement with the private sector, particularly the finance community; and (iv) forging new collaborations in the adaptation finance arena with other leading multilateral climate funds and funders. (The rationale for GEF support is explored at greater length below in Part II, Section 7: Cost-effectiveness.)

e) Adaptation Benefits (LDCF/SCCF):

50. Once established, CRAFT will yield positive environmental and social impact by (i) reducing the vulnerability of individuals and businesses to disruptions and losses from climate impacts, (ii) creating new opportunities for climate resilient and adaptive development and employment, (iii) demonstrating that investments in resilience and adaptation can deliver social, environmental, and financial returns thereby catalyzing a broader market for resilience products and services, and (iv) delivering many environmental co-benefits, such as GHG emissions reductions, that are produced alongside the adaptation and resilience benefits.
51. The Fund that would be established as a result of the project would deliver substantial direct environmental benefits over the next decade and beyond. While it is not possible to set concrete targets for global environmental benefits that might be provided by the Fund (and its investee companies) before the project has begun and before the Fund exists or has made any investments, Table 2 in the alternative scenario above helps illustrate some of the types of benefits that might be produced.

¹⁹ Approximately US\$950,000 of net GEF contribution to the project budget after deduction of the Agency Fee and GEF-specific M&E costs.

52. The project itself will deliver environmental benefits, mainly in two categories shown in the adaptation tracking tool related to (a) building awareness of climate change impacts, vulnerability, and adaptation for at least 800 stakeholders, and (b) supporting the integration of climate change adaptation into policies and plans in at least 2 institutions. (See Annex G – Adaptation Tracking Tool.)

f) Innovation, sustainability and potential for scaling up:

53. *The project is innovative as it supports the design, structure and setup of a new type of financing vehicle that does not currently exist and has not been built before.* The project will support innovation by (i) defining a new sector for private sector investment (i.e. “climate adaptation and resilience”), and (ii) creating the first private sector investment fund focused on climate adaptation and resilience. The project will support a fund that focuses on providing growth equity to scale up existing adaptation and resilience solutions, as opposed to venture capital for new or early stage technologies or project finance for resilient infrastructure.
54. In addition, the project is innovative as it will support the creation of a *blended finance* approach that uses concessional capital to crowd in commercial capital for investing in a wider set of developing countries, at a time when private equity investment in emerging markets is declining – down 17% in 2015 and another 7% in 2016²⁰. The project supports necessary structuring elements to address these challenges, and thus the Fund will need to have an innovative legal structure, distributions waterfall, etc. While there are some examples of blended finance vehicles for the Fund to follow (Danish Climate Investment Fund, Climate Investor One, etc.), the project will help support innovative elements of design tailored for the purposes and investment mandate of the Fund.
55. Another novel feature is the Fund’s focus on investing in climate *“intelligence” solutions* (data analytics, modeling, forecasting, and engineering) to produce actionable, localized information about the risks and impacts of climate change. A key premise of the Fund’s approach to adaptation and resilience is that actionable information is the first line of defense in dealing with the risks and impacts of climate change.
56. The project is also innovative in that it will support the development of *impact metrics* to measure climate adaptation and resilience benefits provided by the Fund’s investments. As of now, there is no agreed system and very little work done on methods of measuring adaptation and resilience benefits. The project will include work on how to define 3-5 key performance indicators per investment and a system of assessing how investments help to address key climate vulnerabilities.
57. Finally, the project is innovative in its development of a new type of *technical assistance facility* that will help overcome barriers to applying climate adaptation and resilience solutions in developing countries. The TA Facility – like clean energy TA facilities that the Lightsmith partners have launched in the past – will provide project preparation, market development, and capacity building support, but it will do so to enable market entry and application of climate resilience solutions in developing countries instead of to support the development of clean energy infrastructure projects. The TA Facility will help enable application of climate resilience solutions and development of local capacity in a wider set of developing countries, including reaching low-income developing countries, than would be possible without the TA Facility.
58. The project will *support sustainable solutions* insofar as it will enable launch of CRAFT, and will catalyze co-financing mobilized alongside the proposed GEF grant. In supporting the design of CRAFT, the project will also enable the development of CRAFT’s environmental, social and

²⁰ <https://www.empea.org/newsroom/emerging-markets-private-capital-fundraising-and-investment-decline-in-2015-2/>

governance (ESG) policy and processes and impact metrics to measure the adaptation impacts of the climate adaptation and resilience solutions supported by CRAFT and to start to make the business case for adaptation and resilience. Specifically, each Fund investment will track 3-5 key performance indicators (KPIs) related to the adoption and impact of the solutions. Furthermore, because the Fund is focused on commercial returns and high-growth market opportunities (20 market segments with 20-30% CAGR), the investment and company activity is expected to be financially sustainable, and to invest in entities serving wider sustainability and resilience needs

59. The project supports overall efforts to *scale up financing* for adaptation and resilience. With the full development of the Fund, the project will help directly mobilize USD 150 million in private financing for adaptation and resilience for developing countries, as well as USD 100 million in concessional funding from public sources. Additional financing from both private and perhaps public sources could be mobilized beyond the USD 250 million, including investment catalyzed as a result of the Fund's equity investments. This will open up the field of investing in climate adaptation and resilience solutions, enabling much more private capital to follow and invest in future. Moreover, technical assistance funding will also be scaled-up, as the project will facilitate the raising of USD 20 million specifically directed toward adaptation and resilience in developing countries.
60. In addition, the project will help to *open up markets* for climate adaptation and resilience technologies, products and services. Moreover, by scaling up the needed climate adaptation and resilience information, products, and services, the Fund will help to enable an order of magnitude greater investment in climate-smart infrastructure projects in the 2020s. Ultimately, it is hoped that by opening up the climate adaptation and resilience sector – including technologies, products, services, and infrastructure projects - the USD 300 billion adaptation gap by 2030²¹ can be bridged largely through private sector activity and investment.

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

No

3. *Stakeholders.* Will project design include the participation of relevant stakeholders from [civil society organizations](#) (yes /no) and [indigenous peoples](#) (yes /no)? If yes, elaborate on how the key stakeholders engagement is incorporated in the preparation and implementation of the project.

61. This project has been screened for environmental and social safeguards by the CI-GEF Project Agency (see Safeguards Analysis and Recommendations in Annex E), and the recommendation was to prepare the following plans: a) Stakeholder Engagement Plan (SEP), b) Gender Mainstreaming Plan (GMP), and c) Accountability and Grievance Mechanism. The first two plans will be prepared by the Executing Agency at the beginning of the implementation phase and must be approved by the Project Agency within the first quarter of the project. The Accountability and Grievance Mechanism can be found in Annex H.

62. **Previous stakeholder engagement:** In developing CRAFT over the past two years, Lightsmith has engaged in numerous discussions and consultations with a wide range of stakeholder groups, including the United Nations, MDBs, national DFIs, national governments, non-governmental organizations (NGOs), academic experts, as well as private investors, insurance companies, and companies with adaptation and resilience solutions. More specifically:

- **UNFCCC:** Lightsmith presented the initial concept of CRAFT (then described as the Global Adaptation and Resilience Fund concept) at the in-session workshop on long-term climate finance to the Long-Term Finance Committee of the United Nations Framework Convention on Climate

²¹ UNEP, Adaptation Finance Gap Report, 2016.

Change in Bonn in May 2016. The concept received feedback from participants at that meeting and was subsequently summarized, analyzed and reported out by the Secretariat²² (please see section C. 1.).

- **Global Adaptation and Resilience Investment Working Group:** One of the Lightsmith partners launched the Global Adaptation and Resilience Investment Working Group at COP21 in Paris in December 2015 in conjunction with the UN Secretary General's A2R (Anticipate, Absorb, Reshape) Climate Resilience Initiative.²³ GARI convened over 150 private investors and other stakeholders in five discussions in 2016 and five discussions in 2017. Meeting participants include leading U.S. and Canadian pension funds (TIAA, Ontario Teachers), global insurance companies (Willis, Zurich), endowments and foundations (Bloomberg, Rockefeller), family offices, global corporations, investment advisors (Cambridge, Mercer, BlackRock), technical advisors (AECOM, Arup), climate data companies and climate advisors (Acclimatize, 427, Climate Finance Advisors), as well as MDBs (IDB, IFC, EBRD), and NGOs (CPI, Climate-KIC). Overall, on the order of 350 individual stakeholders have been exposed to GARI. CRAFT has been refined through discussions with GARI participants, in particular those in the financial services sector, who expressed need for data, products, tools, and services to enhance understanding of potential climate-related impacts and actions that can be taken by investors to incorporate a climate lens to investment decision-making.
- **Global Innovation Lab for Climate Finance:** The Lab was founded and is supported by a group of G7 and EU governments (UK, US, Germany, France, Netherlands, Denmark, Japan), foundations (Rockefeller, Bloomberg), MDBs (WBG, DBSA, AfDB), DFIs (FMO, BNDES), pension funds (PGGM, PensionDanmark), insurance companies (Allianz, Willis), and financial services firms (BlackRock, Deutsche Bank, Bank of America, Calvert). The Lab works to identify, design, and pilot the next generation of climate finance instruments. As referenced earlier, CRAFT was shortlisted in 2016 from 175 submissions that underwent a multi-stage, competitive selection process. CRAFT benefited from a 9-month evaluation and stakeholder engagement process for innovation, impact and feasibility, and earned the formal endorsement of the Lab members in September 2017 for pilot and launch. Prior to Lab endorsement, CRAFT was a finalist in the 2016 Finance for Resilience Awards, which included testing of the concept with a number of stakeholders, including presenting to an audience of more than 1,000 participants at the Bloomberg Future of Energy Summit in April 2016.
- **Consultations on TA Facility:** For many investment funds, particularly in emerging markets and developing countries in sectors with high development impact potential, project preparation and capacity building efforts have been proven to add value and increase the long-term sustainability of those investments, thereby improving overall development impact. Lightsmith has already begun to collect lessons learned²⁴ and best practices from other technical assistance programs. For example, Lightsmith has reached out to both the Africa Clean Energy Finance facility (ACEF) and the India Clean Energy Finance facility (ICEF) managers to learn about their operational structures and how they deploy technical assistance for project preparation. In addition, Lightsmith has had discussions with the IDB-PROADAPT program and GIZ on structuring technical assistance programs. In designing the TA Facility, Lightsmith has also engaged with the Nordic Development Fund, as well as some NGOs and private foundations that may be potential funders of the TA Facility that will support Fund investees.

²² <http://unfccc.int/resource/docs/2016/cop22/eng/05.pdf>

²³ <http://www.un.org/sustainabledevelopment/blog/2015/11/un-secretary-generals-initiative-aims-to-strengthen-climate-resilience-of-the-worlds-most-vulnerable-countries-and-people>

²⁴ For example, see World Bank, 2014. Shanthi Divakaran, et al. *Private Equity and Venture Capital in SMEs in Developing Countries – The Role of Technical Assistance*.
<http://documents.worldbank.org/curated/en/336471468155132454/pdf/WPS6827.pdf>

63. As mentioned above, a Stakeholder Engagement Plan will be finalized during the first three months of implementation of the project. Going forward and throughout project execution, Lightsmith will ensure the effective participation of key stakeholder groups, including emerging market investors and financial actors, engineering and data companies, as well as others representing views of both private sector and NGOs in emerging markets. Such activities will include continued outreach through participation in GARI meetings (including the project inception workshop to be held in December 2017/January 2018 coinciding with the GARI meeting given that many project stakeholders will be in attendance), as well as convening the planned Climate Week 2018 workshop on private sector engagement in climate adaptation and resilience with GEF and private sector participants, as discussed in Part II, 1 c) above (under Project Component 1 – Investment and Impact Strategy).
64. Where possible, Lightsmith will also participate in regional meetings to discuss the project and to disseminate and share information produced through the GARI group. As discussed in Part II, 1 c) above under Resource Mobilization, Lightsmith will engage extensively with and will solicit feedback from potential investee companies and with potential public and private funders/investors. Table 4 below provides an overview of the most important stakeholders of the project:

Table 4: Key project stakeholders

Stakeholder	Interest in project	Stakeholder influence in project	Project effect(s) on stakeholder
Potential investees	<ul style="list-style-type: none"> To influence Fund investment and TA Facility requirements/conditions To be included in company database and, ultimately, Fund and TA Facility pipeline 	<ul style="list-style-type: none"> Input to Fund and TA Facility requirements/conditions can influence final designs 	<ul style="list-style-type: none"> Final designs of Fund and TA Facility may enable some potential investees to be included in company database and pipeline(s)
Potential customers of investees	<ul style="list-style-type: none"> To influence Fund design so that adaptation and resilience companies provide products and services to address needs 	<ul style="list-style-type: none"> Input to investment theses and Fund strategy 	<ul style="list-style-type: none"> Final design of Fund will respond to investee customer needs for adaptation and resilience products and services
Potential public sector investors in Fund	<ul style="list-style-type: none"> To influence Fund investment requirements/ other conditions To consider potential investment in Fund 	<ul style="list-style-type: none"> Input to Fund requirements/conditions can influence final design 	<ul style="list-style-type: none"> If final Fund design corresponds to public sector investor strategy and appetite, investment in Fund may be forthcoming
Potential private sector investors in Fund	<ul style="list-style-type: none"> To influence Fund investment requirements/ other conditions To consider potential investment in Fund 	<ul style="list-style-type: none"> Input to Fund requirements/conditions can influence final design 	<ul style="list-style-type: none"> If final Fund design corresponds to private sector investor strategy and appetite, investment in Fund may be forthcoming
Potential public sector funder of TA Facility	<ul style="list-style-type: none"> To influence TA Facility requirements/conditions To consider providing grant contribution to TA Facility 	<ul style="list-style-type: none"> Input to TA Facility requirements/conditions can influence final design 	<ul style="list-style-type: none"> If final TA Facility design corresponds to public sector donor strategy and appetite, grant contribution to TA Facility may be forthcoming

Potential private sector funder (philanthropies and foundations) that may support TA Facility	<ul style="list-style-type: none"> • To influence TA Facility requirements/conditions • To consider providing grant contribution to TA Facility 	<ul style="list-style-type: none"> • Input to TA Facility requirements/conditions can influence final design 	<ul style="list-style-type: none"> • If final TA Facility design corresponds to private sector donor strategy and appetite, grant contribution to TA Facility may be forthcoming
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65. The Stakeholder Engagement Plan will seek to draw lessons learned from MDBs such as the IFC and GCF on how they ensure participation or consideration of indigenous peoples when they operate in countries where indigenous peoples are present.

4. *Gender Equality and Women’s Empowerment.* Are [gender equality and women's empowerment](#) taken into account (yes /no)? If yes, elaborate how it will be mainstreamed into project implementation and monitoring, taking into account the differences, needs, roles and priorities of women and men.

66. A Gender Mainstreaming Plan (GMP) will be prepared and approved during the first three months of implementation of the project.

67. Lightsmith is committed to ensuring that all activities of the project integrate gender considerations. For this project, Lightsmith will seek to incorporate and mainstream gender considerations into the preparation activities of the Fund and TA Facility, including into the stakeholder engagement process. During the implementation of the project, attention will be given to ensuring equitable opportunities for women to participate in the development of CRAFT and in all stakeholder engagement activities, including when engaging with: (i) potential investees, (ii) potential customers of investees, (iii) potential public and private sector investors of the Fund, and (iv) potential public and private funders of the TA Facility. In each of the key project components, the focus for gender mainstreaming will be on the following aspects:

- **Component 1 – Investment and Impact Strategy.** The focus of this component is on (a) developing the investment strategy and pipeline and (b) defining the ESG, impact, TA, and metrics strategies that must work together with the investment strategy. Two aspects of gender mainstreaming for this component are important: (a) ensuring equitable opportunities for companies with women in senior leadership roles to be represented in the investment pipeline, and (b) ensuring that the TA and impact strategies incorporate consideration of how women can have equitable opportunities to access and benefit from the investee companies’ solutions. The GMP will consider how best to encourage or support investee companies in strengthening their own gender policies.
- **Component 2 – Resource Mobilization.** The focus of this component is on outreach to LP investors and donors. Lightsmith will track the number of women among LP investor contacts and ensure that Lightsmith is engaging with women in the LP community.
- **Component 3 – Legal Set Up.** The focus of this component is on legal and regulatory setup of the Fund. Lightsmith will track the number of women among its legal and regulatory advisors.

68. Lightsmith will collect gender-disaggregated information from key stakeholder meetings to track gender participation and engagement. For example, approximately 350 individuals have participated in GARI events, and of this number approximately 40% of the participants have been women.

69. Diversity and inclusion is extremely important to Lightsmith. Accordingly, Lightsmith will be an Affirmative Action/ Equal Opportunity Employer of minorities, women, veterans, and individuals with disabilities, and will afford equal employment opportunity to all employees and applicants for

employment. Lightsmith will seek to include women in decision-making roles within the firm. In addition, Lightsmith intends to design an inclusivity agenda for use when the Fund and TA Facility are operational.

5. *Benefits.* Describe the socioeconomic benefits to be delivered by the project at the national and local levels. Do any of these benefits support the achievement of global environment benefits (GEF Trust Fund) and/or adaptation to climate change?

70. Socioeconomic benefits of the project at the national and local levels primarily relate to enhancing awareness and understanding of (i) the need for climate adaptation and resilience products and tools as an essential part of business and government decision-making, as well as (ii) climate adaptation and resilience products and services as an investment opportunity. Enhancing awareness and understanding along these lines through stakeholder engagement carried out as part of the project is a crucial first step toward addressing barriers to private sector action on adaptation and resilience.

71. Following the project, implementation of CRAFT would bring much greater socioeconomic benefits at both national and local levels. Through growth equity investments and technical assistance, private sector companies with adaptation and resilience products and services will be able to improve and scale up their offerings and expand uptake by customers, leading to better planning and investment decision-making that takes climate risks into account and to reduced climate vulnerabilities. Ultimately, CRAFT will help improve both public and private sector ability to implement climate change adaptation and resilience measures.

72. By providing the resources needed to design and launch the CRAFT Fund, a \$1 million GEF grant could help mobilize \$250 million of capital, or 250 times GEF's initial support.

73. As the first commercial fund for climate adaptation and resilience, CRAFT's role will be significant in advancing impact indicators for individual investments, as well as private adaptation finance more generally. Tracking climate adaptation and resilience impact is complicated by the broad array of sectors and geographies to which adaptation applies, as well as a lack of commonly agreed impact indicators given the nascence of adaptation as an investment area. The impact potential of each investment is likely to differ depending on a number of factors, including the specific vulnerability addressed, sector of investment, investment strategy, and baseline characteristics of the target market(s) for expansion, among others. CRAFT will be a leader in the nascent field of developing accepted climate adaptation and resilience metrics, and will coordinate with other leaders in this new field, including through practitioners' involvement in and leadership of GARI.²⁵

74. At the individual investment level, the Fund will track three to five KPIs for each of its investments, which will be established once the investment is identified and its strategy for impact is defined, as outlined in Part II, 1 c) above as part of operationalization under Project Component 1 (Investment and Impact Strategy). These indicators will include data underlying impact, such as the increase in adoption of the solutions offered by these companies. CRAFT will also undertake "look back" studies that analyze how customers' vulnerability to climate impacts was reduced.²⁶

6. *Risks.* Indicate risks, including climate change, potential social and environmental future risks that might prevent the project objectives from being achieved, and if possible, propose measures that address these risks:

75. Key project risks and mitigation measures are summarized below.

²⁵ Lab Instrument Analysis, 2017. Confidential.

²⁶ Ibid.

Table 5: Key project risks and mitigation actions

Risk description	Risk level	Mitigation action(s)
<p>RISK 1 – Inability to identify appropriate investments: While the need for adaptation and climate resilience is significant, the field of private sector climate adaptation and resilience is still emerging, and there is a risk that the project may struggle to identify sound investments to build the pipeline within the timeframe of the project. [See Outcome 1.2]</p>	<p>Low</p>	<p>(1) Lightsmith has already identified and mapped a pipeline of over 450 climate resilience companies and is engaged in active discussion with an actionable pipeline of 10+ promising potential investments; and</p> <p>(2) Lightsmith’s partners have over 25 years of relevant investment experience directly applicable to the Fund.</p>
<p>RISK 2 – Ineffectiveness of technical assistance: There is a possibility that the project will fail to identify and structure an effective technical assistance program. [See Outcome 1.3]</p>	<p>Low to Modest</p>	<p>(1) Lightsmith has already identified a pipeline of technical assistance opportunities directly related to the 10+ actionable investments;</p> <p>(2) Lightsmith has experience and track record in designing and implementing technical assistance programs directly applicable to the TA Facility, such as the USD 20 million Africa Clean Energy Finance facility (USD 400 million of private capital mobilized to date, a 20:1 ratio, and USD 1 billion expected ultimate mobilization, a 50:1 ratio) and a commercialization technical assistance program for USD 400 million of projects under Advanced Research Projects Agency – Energy (ARPA-E) (mobilized USD 1.8 billion of private follow-on investments to date).</p>
<p>RISK 3: Inability to raise capital for the Fund: Given that the emerging market and developing economy regions the Fund will be investing in are perceived as risky by a considerable proportion of investors, there is a risk that the amount of capital the Fund will attract will be less than estimated. [See Outcome 2.2]</p>	<p>Modest to Substantial</p>	<p>(1) Lightsmith is actively engaged with several leading MDBs, DFIs, and institutional investors for investment into the Fund; and</p> <p>(2) Lightsmith has identified several other institutional investors, family offices, and foundations as well as national governments that could be potential capital sources.</p>

<p>RISK 4 – Failure to achieve developmental and climate resilience outcomes: The focus on commercially successful investment could detract from the goals of achieving developmental impact and greater climate resilience and adaptation in developing countries. In addition, it can be risky and difficult to transfer technologies and achieve successful market entry and uptake in developing countries.</p>	<p>Modest</p>	<ul style="list-style-type: none"> (1) The design and funding of the TA Facility will help to ensure market entry and deployment of climate resilience and adaptation technologies and solutions into developing countries; (2) As described above, Lightsmith’s partners have demonstrated prior success in designing and executing similar technical assistance facilities; (3) Lightsmith has already engaged with specific company CEOs and management teams to validate that the design of TA Facility will drive their solutions and technologies into emerging markets; (4) Lightsmith plans to track 3-5 KPIs per investment that can help measure results and inform stakeholders of the developmental and climate adaptation and resilience impacts. Lightsmith will coordinate with the GEF Secretariat and others in the development of the impact metrics approach.
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<p>RISK 5 - Reputational risk: The project will receive public visibility and attention as a first of a kind initiative. CRAFT also involves investment in and technical assistance support to private companies. Demonstrating the public benefits and development impacts of developing the first climate adaptation and resilience investment fund with a complementary, dedicated technical assistance facility will be critical.</p>	<p>Modest</p>	<p>Lightsmith is developing clear communication lines that emphasize:</p> <ol style="list-style-type: none"> (1) Meeting climate finance commitments: the project is specifically focused on mobilizing the private sector into adaptation finance, which is a key objective of the Paris Agreement (the Global Goals for Adaptation), and is centrally important to achieve the SDGs and GEF’s own adaptation goals and objectives; (2) Private capital leverage: project funding will help mobilize USD 150 million of private capital and USD 100 million of public capital, as well as USD 20 million in technical assistance, into adaptation and resilience investments in developing countries; (3) Proven effectiveness of technical assistance: the project will structure the TA Facility based on the design of prior, well-reviewed programs (e.g., ACEF); and (4) A leading innovation in climate finance: the CRAFT concept was competitively selected by the Global Innovation Lab on Climate Finance out of 175 proposals in 2016 through a process involving many G7 and EU governments, NGOs, and private stakeholders, and CRAFT went through an intensive 9-month evaluation process for innovation, impact, and feasibility by the Lab Secretariat (Climate Policy Initiative) and its related working group of Lab members, and CRAFT received full endorsement of the Lab members in September 2017.
<p>RISK 6 – Regulatory risk: Because the project involves the formation of an investment fund, various US and EU regulations will apply to the structuring and marketing of the fund. Specifically, it is prohibited to market investments to the general public. This prohibition may extend to discussions of the Fund’s specifics at public events, conferences, on digital media etc. Breaching the regulations (which apply anywhere in the world) could result in criminal prosecution and a moratorium on the Fund’s investment activities. [See Outcome 3.2]</p>	<p>Low to Modest</p>	<p>Lightsmith will work with a leading fund formation law firm as well as with a leading regulatory advisor that have each advised and helped form many investment funds before.</p>

<p>RISK 7 – Lack of beneficiary country buy-in risk: Because there is limited formal participation of the beneficiary countries in the CRAFT Fund, there may be a lack of political buy-in, which could hamper efforts to invest in and develop markets for climate resilience solutions in those countries.</p>	<p>Low to Modest</p>	<p>(1) CRAFT will refer to country NAPs, NAPAs, and NDCs to identify critical adaptation needs and opportunities and align its investment strategy with country needs.</p> <p>(2) In its investing, CRAFT will coordinate with MDBs and DFIs operating in these countries, and with country governments and development banks directly.</p>
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7. *Cost Effectiveness.* Explain how cost-effectiveness is reflected in the project design:

76. The project to support the creation of CRAFT represents a cost-effective use of GEF resources by: (1) using a modestly-sized GEF investment to unlock large-scale private sector finance; (2) fostering North-South transfer (and South-South transfer) of adaptation and resilience technologies and capacity; (3) facilitating and enabling GEF’s engagement with the private sector, particularly the finance community; and (4) forging new collaborations and in the adaptation finance arena with key multilateral climate funds and funders. Each of the latter two mechanisms reflects the project’s potential to directly address key future priorities identified in the GEF’s most recent self-evaluation of its private sector engagement and climate change focal area.
77. **First, USD 1.14 million in GEF funding will help to unlock USD 250 million in climate adaptation and resilience finance.** The project will support the creation of the Fund, which is targeting USD 250 to finance companies operating in and benefiting developing countries, including USD 150 million of commercial investment and USD 100 million of concessional funding. Thus the GEF grant would have a leverage effect of 1:250, which would represent significant leverage of private sector capital in the context of the GEF’s own successful experience leveraging investment in its climate change portfolio.
78. GEF’s investment in the project is necessary to enable CRAFT’s launch and by extension to substantially expand the availability of climate resilience in developing countries. By allowing CRAFT to adequately resource the key strategy, legal, fundraising, and due diligence tasks, GEF funding for the project will permit CRAFT to perform all the tasks necessary for successful launch. CRAFT’s efforts to scale up climate resilience solutions and helping them expand into more developing countries will be critical in order to address urgent threats in climate-vulnerable regions as well as to meet targets such as the longstanding UNFCCC goal since COP17 (and reiterated in the Paris Agreement)²⁷ of mobilizing USD 100 billion in climate finance for developing countries annually by 2020 and the USD 300 billion adaptation finance gap (UNEP, 2016).
79. Additionally, the GEF funding for the project will leverage co-financing of USD 1,418,000, including: USD 590,000 from the Nordic Development Fund, USD 728,000 of in-kind resources from Lightsmith, and USD 100,000 of in-kind support from Conservation International, providing immediate cost-sharing and amplifying the impacts (outputs and outcomes) of GEF funding during the project itself.
80. **Second, by leveraging private capital, know-how, and operational capacity, CRAFT can facilitate the development, transfer, and dissemination of adaptation and resilience technologies to developing countries.** CRAFT includes a strategy of technical assistance to expand the application of these technologies and the development of local capacity in developing countries. For example, many developing countries do not currently have catastrophe risk models available for their country

²⁷ UNFCCC, Climate Finance, Accessed September 20, 2017.
http://unfccc.int/cooperation_and_support/financial_mechanism/items/2807.php.

that decision-makers can employ to understand and act on climate risks (CPI, 2016). Equity investments in small and medium enterprises in developed countries can be used to adapt existing risk management and resilience technologies to developing market needs through joint ventures and other transfer mechanisms.

81. **Third, CRAFT directly addresses recommendations of the GEF Independent Evaluation Office's (IEO) OPS-6 review to improve GEF engagement with the private sector.**²⁸ The IEO recommended that the GEF “design a private sector appraisal policy and process focused on scalability of projects and ensure they are additional, reinforce the marketplace, and have catalytic effects.” In several important respects, this project effectively implements the GEF’s goal of marketplace analysis of vital but underserved geographic regions and sectors addressing climate resilience, and catalytic impact of private sector financing for adaptation. In other words, the results of this project will directly inform future GEF design and appraisal of climate adaptation projects designed to leverage private financing.
82. **Fourth, collaborative and synergistic work by GEF with other multilaterals is another goal identified by the GEF IEO that CRAFT can help to address.** The GEF OPS-6 IEO evaluation of the GEF climate change focal area further emphasized the need for “further identification and pursuit of synergies with other funds (e.g., LDCF, SCCF, CIF, and GCF) and focal areas”.²⁹ To that end, the Fund envisions mobilizing USD 100 million in investment from other DFIs and funds in its developing country sleeve. This figure does not include other coordination, complementary work, learning-by-doing, and best practice sharing potential with other multilateral climate adaptation funds, including the Adaptation Fund, LDCF, SCCF, CIF and GCF. CRAFT is already in discussions with many MDBs and DFIs for investment in the Fund on both a concessional and commercial basis. Through support for CRAFT, the GEF can deepen its collaborative interactions and co-investment with these funds in the area of climate adaptation.

8. *Coordination.* Outline the coordination with other relevant GEF-financed projects and other initiatives [not mentioned in 1]:

83. During implementation of the project, Lightsmith will seek to coordinate with the National Adaptation Plan Global Support Programme (NAP-GSP). NAP-GSP is a joint UNDP-UNEP program funded by the GEF to assist developing countries to advance National Adaptation Plans (NAPs), including “greater focus and attention to medium and long-term climate change adaptation planning as well as budgeting”³⁰. Coordination with NAP-GSP may assist CRAFT in identifying promising regions and countries for targeting investments, and will help to transmit lessons learned and investor feedback to developing country policymakers and development professionals.
84. Lightsmith will also seek, where possible and with GEF’s support, to engage with UNDP and UNEP to coordinate on relevant country NAPs, and through its stakeholder consultation will ensure both agencies are invited to participate where possible, and wherever possible will engage Ministries of Environment, Planning and Finance in countries that are selected for CRAFT’s geographic focus, and/or in countries where investee companies are seeking to expand. Some level of this has already occurred through the team’s outreach efforts around GARI, and its connection with the UN’s A2R initiative. Relevant national ministries may have interest in engaging climate risk management, resilience and adaptation companies and technologies provided by the Fund’s investees for

²⁸ GEF 2017a. “IEO Briefing: GEF Engagement with the Private Sector.” May 2017.

<https://www.gefio.org/sites/default/files/ieo/signposts/files/gef-private-sector-2017-brief.pdf>.

²⁹ GEF 2017b. IEO Briefing: Climate Change Focal Area Study, May 2017.

<https://www.gefio.org/sites/default/files/ieo/signposts/files/climate-change-2017-brief.pdf>.

³⁰ Global Support Program. About NAP-GSP, Accessed October 2017. <http://globalsupportprogramme.org/about-ntp-gsp-0>.

government-funded projects, or in promoting the adoption of such technologies by financiers and project developers in their countries. NAPs may provide strategic guidance and/or an institutional process or platform for such country-level engagement by the Fund and its portfolio companies. However, it should be noted that many of these country-level activities may take place after this project is completed and thus may not be feasible within the scope of the current project.

85. Lightsmith will coordinate with the CI-GEF Project Agency on an area of mutual opportunity: natural assets for ecosystem-based resilience services. Conservation International is a recognized leader in the emerging field of finance and markets for ecosystem services. For example, wetlands are known to produce valuable climate adaptation and resilience benefits by absorbing storm surges, storing water, and reducing shoreline erosion. Lightsmith will explore with Conservation International what the investment opportunities might be (if any) that fit with CRAFT's investment strategy. Lightsmith will also reach out to others involved in this field, such as The Nature Conservancy and the Natural Capital Coalition.

9. *Institutional Arrangement.* Describe the institutional arrangement for project implementation:

86. As Executing Agency, Lightsmith will be responsible for executing the project, including managing the various project-related activities directly, reporting on project progress, managing sub-contracts, project staffing, and use of project funds. A GEF project management unit will be named within Lightsmith that will be co-managed by Jay Koh and Sanjay Wagle.³¹ Lightsmith will designate a staff person as a GEF project coordinator to coordinate overall project implementation, handle administrative and financial aspects of the project, and ensure quality and timeliness of reporting to CI.

87. In addition, a project steering committee (PSC) will be established at the outset of project implementation that will meet periodically to ensure coordination and communication among key project partners, including CI and Lightsmith. The PSC will meet periodically to discuss implementation issues and identify solutions should issues arise. It is anticipated that the PSC will meet three times during the course of project execution: (i) a project inception meeting in December 2017/January 2018 to review and approve a budget and work plan for the duration of the project, (ii) a mid-term review meeting in/around July 2018 to review milestones and status of deliverables, and (iii) a project wrap-up meeting in/around November 2018 to prepare for final deliverables and reporting. Project meetings will be either in-person or via video/teleconference. Minutes of PSC meetings will be prepared and provided to members of the PSC, and CI as Implementing Agency of the GEF.

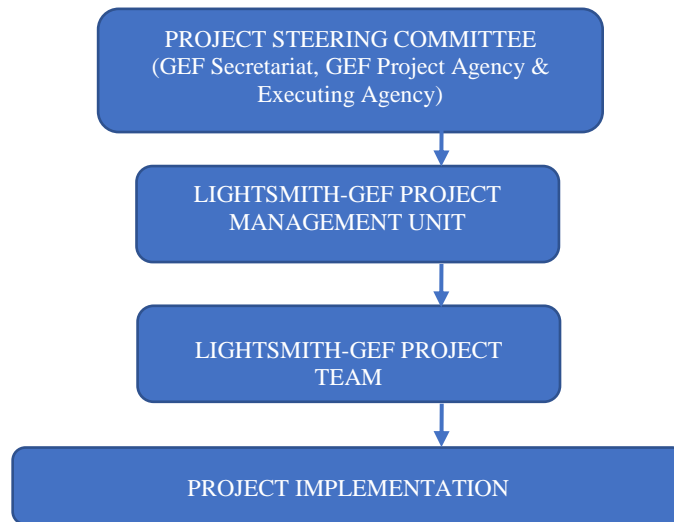
88. The PSC will comprise representatives of GEF-Secretariat, Conservation International (CI), and the Executing Agency. Specific PSC members will be determined during preparation of a project agreement.

89. The CI-GEF Project Agency will provide project assurance, including supporting project implementation by maintaining oversight of all technical and financial management, and providing other assistance upon request of the Executing Agency. The CI-GEF Project Agency will also monitor the project's implementation and achievement of project outputs, ensure the proper use of GEF funds, and review and approve any changes in budgets or work plans. The CI-GEF Project Agency will arbitrate and ensure resolution of any execution conflicts.

Please refer to the illustration below pertaining to project execution organizational chart.

³¹ See summary of experience at www.linkedin.com/in/jay-koh-164130 and www.linkedin.com/in/sanjaywagle. 31

Figure 2: Project Execution organizational chart



10. 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.

90. The project supports the design and structuring of the first dedicated commercial investment vehicle to focus on expanding the availability of technologies and solutions for climate adaptation and resilience. As such, the project, and indeed CRAFT itself, expects to break new ground in a number of domains. These include: (i) analyzing and prioritizing market segments and geographic regions for private investment in resilience-focused businesses (defining a new set of opportunities for adaptation investment opportunities focused on companies with solutions as opposed to infrastructure projects); (ii) identifying private investor interest, risk appetite, and other preferences in the resilience space; (iii) developing new metrics and impact measurement frameworks; and (iv) defining appropriate blended-finance structures to mobilize private investment in climate resilience solutions in developing countries.
91. Key audiences for the knowledge generated by the project include: other private investors; potential and current investees and technical assistance beneficiaries; the GEF and other DFIs and donors; government policymakers; and civil society. This project will attempt to provide valuable content to each of these audiences while balancing the necessary levels of confidentiality – particularly with investee companies and LP. In particular, it will be important that information regarding CRAFT’s strategy, investors, investment transactions, investment terms, and other fund-specific information are properly kept confidential, in keeping with standard fund management practice. Dissemination of such proprietary fund- and investment-specific information is typically restricted via non-disclosure agreements and finance industry regulations, and its privacy is considered a critical aspect of the fund’s competitive advantage, as well as essential to CRAFT’s reputation and trustworthiness among potential investors and partner companies, and ultimately, to its commercial success.
92. Nevertheless, Lightsmith will make efforts to share and disseminate key results and learnings from the project. Chief among these are the deliverable output documents to CI and the GEF; versions of which can be made publicly available while respecting proprietary and confidentiality nature of information. These deliverables include:

- Summary slide deck with overview information on the following:
 - Overview of 4 market segment investment theses for the final Fund structure;
 - General overview of 250 pipeline companies (summary by size, sector, etc.); and
 - Numbers and types of LP investor candidates identified;
- Summary of impact strategy and metrics for achieving GEBs, adaptation and resilience investment goals;
- Summary of ESG policy;
- TA Facility overview, marketing presentation with other information about its operations;
- One-page Fund and TA Facility overview, marketing presentation (public version) and press release; and
- Website with functioning public interface.

93. Lightsmith will also share updates on progress and lessons learned related to the key issues identified in the first paragraph through participation in GARI, the foremost forum of investors and stakeholders of private investment in adaptation and resilience. This key group of stakeholders and peers will have the opportunity to interact with Lightsmith, asking questions and discussing those aspects of CRAFT's work that are not proprietary. GARI is expected to convene throughout 2017 (three or four meetings annually are projected for 2018-2019) with the project inception workshop to be scheduled coincident with the GARI meeting of December 2017/January 2018.

94. Lightsmith will also conduct a workshop on private sector engagement in climate adaptation and resilience with GEF and private sector participants during Climate Week 2018, one of the most widely attended climate change events globally, in September in New York, the foremost hub of climate and finance industry professionals.

11. *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, NBSAPs, ASGM NAPs, MIAs, NCs, TNAs, NCSA, NIPs, PRSPs, NPFE, BURs, INDCs, etc.

95. The project will support the development of CRAFT, which is well aligned with the Paris Agreement's Global Goal on Adaptation including the following specific elements:

- Increase international focus on and efforts on adaptation;
- Recognition of need for metrics and assessment tools;
- Capacity-building and support for National Adaptation Plans; and
- Increased adaptation finance from developed countries for vulnerable developing countries.

96. The project helps to address the *Paris Agreement's Global Goal on Adaptation* by (i) facilitating the establishment of the Fund and TA Facility that will mobilize public and private finance for adaptation in developing countries, (ii) supporting the development of climate intelligence tools for climate risk assessment, (iii) developing metrics to assess the impacts of climate adaptation and resilience investments and measures, (iv) providing technical assistance for technology transfer of climate adaptation and resilience solutions and capacity building in developing countries.

97. Insofar as this project will result in an investment fund focused on climate risk and resilience, this project is consistent with and promotes *the goals of the UNFCCC and the UNCBD* and particularly the pursuit of adaptation and resilience to climate change in developing countries. In addition, this project is consistent with and supports the *Sustainable Development Goals* (Goals 3, 6, 7, 9, 11, 13 and 17). It also supports the Copenhagen and Durban climate finance targets of mobilizing USD 100 billion per year by 2020 for mitigation and adaptation in developing countries.

98. The project also supports **GEF goals on adaptation and mitigation**. The GEF-6 Climate Change Mitigation Strategy encourages and promotes synergistic opportunities to address global environmental concerns, including integrated approaches to both mitigation and adaptation. Some examples of integrated approaches cited as eligible under GEF-6 include:
- Integrated mitigation-adaptation projects that promote low-emission growth **with systematic identification of climate vulnerabilities and resilience**, in areas such as coastal systems, urban transport and housing;
 - Integrated urban management and infrastructure investment initiatives that encompass sustainable transport, clean energy solutions, urban biodiversity, and **structural resilience against projected climate change effects** such as fluctuations in energy sources and demands, **and extreme events**; and
 - Implementation of integrated water resource management strategies **that address climate change mitigation and climate resilience objectives**.
99. This project is consistent with **GEF's objectives supporting private sector engagement** for climate change adaptation, and specifically its desire to support *“enhanced climate risk assessment tools that can be used by private sector investors and insurance companies; supporting technologies and business models for adoption of climate/weather services and drought tolerant techniques and crops, for example, which can build capacity for smallholders to adopt Climate Smart Agriculture techniques and expanding insurance access for countries vulnerable to climate change, such as Small Island Developing States and least developed countries.”*
100. Each component of the project, including operationalization, resource mobilization and legal setup, supports the creation of CRAFT, which will lead to increased investment in climate resilience and adaptation.

12. M & E Plan. Describe the budgeted monitoring and evaluation plan.

101. The project monitoring and evaluation will be conducted in accordance with established CI and GEF procedures by Lightsmith and the CI-GEF Project Agency. The project's M&E plan will be presented and finalized at the project inception workshop in December 2017/January 2018, including a review of indicators, means of verification, and the full definition of project staff M&E responsibilities.
102. Lightsmith, the project Executing Agency, is responsible for ensuring the monitoring and evaluation activities are carried out in a timely and comprehensive manner, and for initiating key monitoring and evaluation activities. This includes the project inception workshop and report, quarterly progress reporting, annual progress and implementation reporting, documentation of lessons learned, and support for and cooperation with the independent external evaluation exercises.
103. As described in paragraph 48, the Project Steering Committee will play a key oversight role for the project, with three planned meetings during the 15-month project execution period to receive updates on project implementation progress and approve (and amend, as necessary) the workplan. The PSC also provides continuous ad-hoc oversight and feedback on project activities, responding to inquiries or requests for approval from the PMU or Executing Agency.
104. The CI-GEF Project Agency will play an overall assurance, backstopping, and oversight role with respect to monitoring and evaluation activities.
105. The project's M&E Plan includes the following components:

- **Inception workshop:** The project inception workshop will be held within the first three months of the commencement of the project and will assist the project team in understanding and taking ownership of the project's objectives and outcomes. The inception workshop will be used to detail the roles, support services and complementary responsibilities of the CI-GEF Project Agency and Lightsmith.
- **Inception workshop report:** Lightsmith will produce an inception report documenting all changes and decisions made during the inception workshop to the project planned activities, budget, results framework, and any other key aspects of the project. The inception report will be produced within one month of the inception workshop, as it will serve as a key input to the timely planning and execution of project start-up and activities.
- **Project Results Monitoring Plan (Objectives, Outcomes, and Outputs):** A Project Results Monitoring Plan was developed and includes objective, outcome and output indicators, metrics to be collected for each indicator, methodology for data collection and analysis, baseline information, location of data gathering, frequency of data collection, responsible parties, and indicative resources needed to complete the plan. The Project Results Monitoring Plan is presented in Annex F.
- **Focal Area Tracking Tool:** The GEF Focal Area Tracking Tool for Adaptation was completed for submission at CEO approval and will be updated at the time of the terminal evaluation.
- **Project Steering Committee Meetings:** PSC meetings will be held three times during the project's execution period, once at the inception, once mid-way through (approximately July 2018) and once at roughly the 12-month mark. Meetings shall be held to review and approve project budget and work plans, discuss implementation issues and identify solutions, and to increase coordination and communication between key project partners. The meetings held by the PSC will be monitored and results reported as agreed at the PSC meetings.
- **Quarterly Progress Reporting:** Lightsmith will submit quarterly progress reports to the CI-GEF Project Agency, including a budget follow-up and requests for disbursement to cover expected quarterly expenditures.
- **Final Project Report:** Lightsmith will draft a final report at the end of the project in cooperation with the implementing agency and will submit it to the PSC.
- **Independent Terminal Evaluation:** An independent Terminal Evaluation will take place within six months after project completion and will be undertaken in accordance with CI and GEF guidance. The terminal evaluation will focus on the delivery of the project's results as initially planned. Lightsmith, in collaboration with the PSC, will provide a formal management answer to the findings and recommendations of the terminal evaluation.
- **Lessons Learned and Knowledge Generation:** Results from the project will be disseminated within GARI and with the GEF and other stakeholders as agreed with the CI and GEF while respecting the need for non-disclosure of proprietary commercial information related to CRAFT. The project will identify, analyze, and share lessons learned that might be beneficial in the design and implementation of similar future projects. Please see section 10: Knowledge Management above for more details.
- **Financial Statements Audit:** Annual Financial reports will be audited annually by external auditors appointed by Lightsmith in consultation with the implementing agency.

106. The project's M&E Plan is summarized in Table 5 below.

Table 5: Project M&E plan


Type of M&E Activity	Responsible Parties	Time-frame	Budgeted costs (USD)
Project Steering Committee Meetings	Lightsmith and CI	December 2017/January 2018, July/August 2018, November/December 2018	13,000
Project Results Monitoring Plan	Lightsmith	December 2017/January 2018	1,000
Inception Workshop	Lightsmith and CI	December 2017/January 2018	4,500
Project Inception Report	Lightsmith	January/February 2018	1,800
Quarterly Project Progress Reports, Quarterly Co-financing Reports & Quarterly Disbursement Requests	Lightsmith	March 2018, June 2018, September 2018, January 2019	13,300
Lessons Learned and Knowledge Sharing	Lightsmith	n/a	9,700
GEF Focal Area Tracking & Other M&E Activities	Lightsmith	n/a	6,700
Final Project Report	Lightsmith	April 2019	30,000
Terminal Evaluation Report	CI	May 2019	15,000
Total Budget			95,000

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

A. Record of Endorsement³² 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)

B. GEF Agency(ies) Certification

This request has been prepared in accordance with GEF policies ³³ and procedures and meets the GEF criteria for a medium-sized project approval under GEF-6.					
Agency Coordinator, Agency name	Signature	DATE (MM/dd/yyyy)	Project Contact Person	Telephone	Email Address
Miguel Morales		10/16/2017	Orissa Samaroo	7033412550	osamaroo@conservation.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 this project template.

³² 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.

³³ GEF policies encompass all managed trust funds, namely: GEFTF, LDCF, SCCF, and CBIT

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

Objective:	To establish and mobilize resources for the Climate Resilience and Adaptation Finance & Technology Transfer Facility (CRAFT), the first private sector climate resilience and adaptation investment fund and technical assistance facility for developing countries, consistent with the goals of the Paris Agreement.
Indicator(s):	a. CRAFT legally established and initial funding mobilized. b. At least USD 50 million of potential investment into Fund under due diligence by investors (Indicator: summary slide).

Expected Outcomes and Indicators	Output Project Baseline	End of Project Target	Expected Outputs and Indicators
Component 1: CRAFT Investment and Impact Strategy			
Outcome 1.1: Fund Investment Strategy prepared <i>Indicator 1.1: Fund Investment Strategy document prepared</i>	1.1 Baseline: 0 No Fund Investment Strategy Document has been prepared	Target 1.1: <i>Fund Investment Strategy document prepared</i> Fund development team will have selected priority target market segments and prepared the Fund Investment Strategy	Output 1.1.1: Detailed investment theses for 4 of the 20 target market segments developed <i>Indicator 1.1.1: Number of target market segments with investment theses</i>

<p>Outcome 1.2: Fund Investment Pipeline further developed</p> <p><i>Indicator 1.2: Fund Investment Pipeline document expanded</i></p>	<p>Baseline 1.2: A draft Investment Pipeline document exists. The company database currently has 450 climate resilience companies identified.</p>	<p>Target 1.2: <i>Fund Investment Pipeline document prepared</i></p> <p>Fund development team will have a more fully developed investment strategy and pipeline, poising it for capital raise and launch of the Fund</p>	<p>Output 1.2.1: 250 additional climate resilience companies identified and added to company database</p> <p><i>Indicators 1.2.1: Number of additional climate resilience companies identified</i></p> <p>Output 1.2.2: At least five companies identified as high-probability potential investment transactions</p> <p><i>Indicator 1.2.2: Number of active potential transactions</i></p> <p>Output 1.2.3: Workshop on private sector engagement in climate adaptation and resilience with GEF and private sector participants held (e.g., during Climate Week 2018 in New York)</p> <p><i>Indicator 1.2.3: Workshop with GEF and private sector participants completed</i></p>
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<p>Outcome 1.3: CRAFT Impact Strategy and TA Facility Strategy developed</p> <p><i>Indicator 1.3: CRAFT Impact Strategy and TA Facility Strategy developed</i></p>	<p>Baseline 1.3: 0 No CRAFT Impact Strategy and TA Facility Strategy has been developed</p>	<p>Target 3.3: <i>CRAFT Impact and TA Strategy completed</i></p> <p>CRAFT development team will have developed an Impact Strategy, including ESG and metrics approaches, and will have prepared a TA Facility Strategy and operations document</p>	<p>Output 1.3.1: CRAFT Impact strategy, including Environmental, Social, and Governance (ESG) approach and climate change adaptation impact metrics, document prepared</p> <p><i>Indicator 1.3.1: Summary overview of Impact strategy, including ESG and climate change adaptation impact metrics, prepared</i></p> <p>Output 1.3.2: TA Facility Strategy and operations documents (investment strategy, grant guidelines, impact measurement, and operating procedures) prepared</p> <p><i>Indicator 1.3.2: Summary overview of TA Facility Strategy and operations documents</i></p>
<p>Component 2: Fund Resource Mobilization</p>			

<p>Outcome 2.1: Key marketing documents written, and website and online data room functional</p> <p><i>Indicator 2.1: Key marketing documents written and website and online data room functional</i></p>	<p>Baseline 2.1: 0 Key marketing documents have not been written, and website and online data room have not been prepared</p>	<p>Target 2.1: <i>Marketing documents completed and website and online data room functional</i></p> <p>Fund development team will have a marketing strategy developed, website on-line, and investor outreach materials ready to use in road shows and other investor outreach</p>	<p>Output 2.1.1: Key marketing documents prepared and ready to share with investors and the public</p> <p><i>Indicators 2.1.1: 1-page overview, Marketing Presentation (public version) prepared</i></p> <p>Output 2.1.2: Website and online data room completed</p> <p><i>Indicator 2.1.2: Public website, functioning; confirmation from team that investor portal and data room prepared</i></p>
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Outcome 2.2: Fundraising Strategy developed and implementation started

Indicator 2.2:

- a) *Fundraising Strategy developed*
- b) *Amount of potential investment under due diligence*

Baseline: 2.2a: 0

No fundraising strategy has been prepared and only initial meetings conducted

Baseline: 2.2b: 0

No potential investment under due diligence

Target 2.2:

- a) *Fundraising Strategy prepared*
- b) *Implementation of Fundraising Strategy started with at least USD 50 million of potential investment under due diligence*

Fund development team will have developed its fundraising strategy and will have begun active fundraising discussions with a larger set of potential LP investors in the public and private sectors, bringing some of them into the active due diligence stage

Output 2.2.1: 200 LP investor candidates identified and prioritized

Indicator 2.2.1: *Number of LP investor candidates identified*

Output 2.2.2: At least 3 placement agent candidates identified and discussions held

Indicator 2.2.2: *Confirmation that placement agent discussions held and whether one is selected*

Output 2.2.3: 25 investor candidates with discussions held

Indicator 2.2.3: *Number of LP investor candidates with discussions held*

Output 2.2.4: Potential first-close investors brought into due diligence stage with total potential commitments of at least USD 50 million

Indicator 2.2.4: *Amount of potential first-close investment commitments brought into due diligence stage*





Component 3: CRAFT Legal Setup			
<p>Outcome 3.1: Legal structuring of CRAFT determined</p> <p><i>Indicator 3.1: Legal structuring of CRAFT determined</i></p>	<p>Baseline 3.1: 0 Legal structuring has not been prepared</p>	<p>Target 3.1: <i>Legal structuring defined</i></p> <p>Fund structuring approach determined in order to establish the Fund and TA Facility</p>	<p>Output 3.1.1: Fund structuring approach, meeting EU/US and other public/private investor requirements, defined</p> <p><i>Indicator 3.1.1: Summary slide of Fund structuring approach prepared; summary slide of proposed LP investment terms prepared</i></p> <p>Output 3.1.2: Key Fund legal documents drafted</p> <p><i>Indicator 3.1.2: Summary slide on key legal documents prepared, plus any public documents or filings that can be shared</i></p> <p>Output 3.1.3: TA Facility key legal documents drafted</p> <p><i>Indicator 3.1.3: Summary slide on TA Facility key legal documents drafted</i></p>
<p>Outcome 3.2: Fund regulatory compliance plan prepared</p> <p><i>Indicator 3.2: Fund regulatory compliance plan prepared</i></p>	<p>Baseline 3.2: 0 Fund regulatory compliance plan has not been created</p>	<p>Target 3.2: <i>Fund regulatory compliance plan prepared</i></p> <p>Fund development team has a plan for full regulatory compliance in its jurisdictions of operation</p>	<p>Output 3.2.1: Regulatory compliance plan for US, EU, and other jurisdictions prepared</p> <p><i>Indicator 3.2.1: Summary slide on key regulatory requirements and compliance plan prepared</i></p>

ANNEX B: 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)

Not applicable

ANNEX C: FULL PROJECT BUDGET

Detailed GEF Project budget				Version (date) : xx/xx/xx		 		 						
GEF Project ID:														
Project Title: Structuring and Launching CRAFT – the First Private Sector Climate Resilience & Adaptation Fund for Developing Countries														
Executing Agencies : The Lightsmith Group														
Project Amount GEF-funded (USD)		1,045,000		Indicative Project starting date :		15-Nov-2017								
Project Amount co-financing (USD)		1,418,300		Indicative Project end date :		31-Jan-2019								
Total Project Amount (USD) :		2,463,300		Duration (in years):		1.2								
Component 1 description: CRAFT Investment and Impact Strategy (investment strategy, pipeline development, and integrated TA, impact, ESG, and metrics strategies)														
Component 2 description: CRAFT Resource Mobilization (marketing documents, fundraising strategy, and fundraising)														
Component 3 description: CRAFT Legal Setup (legal documents, regulatory compliance)														
GEF FUNDED BUDGET				Project budget by component (in USD)					Project budget per year (in USD)					
EXPENSES TYPE	DESCRIPTION	DETAILED DESCRIPTION	OUTPUTS	Component 1	Component 2	Component 3	Project Management Costs		Total	TR1	TR2	TR3	TR4	TOTAL
Total Personnel Salaries and benefits														
				-	-	-	-	-	-	-	-	-	-	-
Consultants fees - National	Project Co-coordinator	[COST WOULD BE SPLIT WITH NDF; FIGURES SHOWN ARE GEF'S PORTION]	All components; time allocated based on time	76,693	115,040	63,911	3,520		259,165	207,332	51,833			259,165
Consultants fees - National	Project Co-coordinator	[COST WOULD BE SPLIT WITH NDF; FIGURES SHOWN ARE GEF'S PORTION]	All components; time allocated based on time	76,693	115,040	63,911	3,520		259,165	207,332	51,833			259,165
Consultants fees - National	Project Principal	Provide key support during Q2'18 [COST SPLIT WITH NDF]	All components; time allocated based on time	7,593	11,389	6,327	14,209		39,518	31,614	7,904			39,518
Consultants fees - National	Project Associate	[COST SPLIT WITH NDF]	All components;											

Consultants fees - National	<i>Project Associate</i>	<i>[COST SPLIT WITH NDF]</i>	<i>All components; time allocated based on time</i>																			
				34,512	51,768	28,760	3,520	118,561	94,848	23,712												118,561
Consultants fees - National	<i>Project Associate</i>	<i>[COST SPLIT WITH NDF]</i>	<i>PMC & M&E</i>				53,827	53,827	43,062	10,765												53,827
Consultants fees - National	<i>Executive Assistant</i>	<i>[COST SPLIT WITH NDF]</i>	<i>All components; time allocated based on time sheets</i>																			
				23,008	34,512	19,173	3,520	80,214	64,171	16,043												80,214
Consultants fees - National	<i>Senior Advisors (4)</i>	<i>[COST SPLIT WITH NDF]</i>	<i>Component 1</i>	4,030	-	-		4,030	3,272	818												4,030
Consultants fees - International	<i>Regulatory Advisor</i>	<i>EU based regulatory advisor</i>	<i>Component 3</i>				1,000	1,000	1,000													1,000
Consultants fees - National	<i>Legal & Regulatory - US</i>	<i>US based law firm</i>	<i>Component 3</i>				1,000	1,000	1,000													1,000
Consultants fees - International	<i>Legal - EU</i>	<i>EU based law firm</i>	<i>Component 3</i>				1,000	1,000	1,000													1,000
Consultants fees - National	<i>Fund Administration</i>	<i>US based fund administration services provider</i>	<i>Component 3</i>				1,000	1,000	1,000													1,000
Consultants fees - National	<i>Consultant - report writing, reporting, monitoring</i>	<i>Consultant to help with writing Final Report and other reporting as</i>	<i>PMC and M&E</i>				32,500	32,500	26,000	6,500												32,500
Auditing fees	<i>Accounting, Tax & Audit - US</i>	<i>US based accounting firm</i>	<i>Component 3</i>				1,000	1,000	1,000													1,000
Auditing fees	<i>Accounting, Tax & Audit - EU</i>	<i>EU based accounting firm</i>	<i>Component 3</i>				1,000	1,000	1,000													1,000
Other fees / professional services	<i>Registration Fees</i>	<i>Registration fees paid to US and EU regulatory agencies</i>	<i>Component 3</i>				75,000	75,000	75,000													75,000
Consultants fees - National	<i>Website development</i>	<i>Consultant for website development and graphic design</i>	<i>Component 2</i>				10,000	11,000	11,000													11,000
Other fees / professional services	<i>Conference registration</i>	<i>Key fundraising conference</i>	<i>Component 2</i>						-													-
Other fees / professional services	<i>PR (press releases)</i>	<i>Issuing press releases on Market Wire</i>	<i>Component 2</i>						-													-
Other fees / professional services	<i>Market Research / Subscriptions</i>	<i>Market research and info services for investment strategy development</i>	<i>Component 1</i>						-													-
Consultants fees - National	<i>Consultant for independent terminal evaluation</i>	<i>Cost of consultant to perform independent terminal evaluation for Project Agency</i>	<i>All components</i>	5,250	7,875	4,375		17,500	-	17,500												17,500
Total Professional Services				227,840	345,624	261,458	121,618	956,540	769,632	186,908	-	-	-	-	-	-	-	-	-	-	-	956,540

				33%	50%	17%								-
International Transportation	Europe trips	<i>COSTS BELOW SPLIT WITH NDF: 5 trips X 2 people; per person-trip: \$1000 r/t airfare</i>	All components	2,068	3,102	1,034	100	6,304		5,043	1,261			6,304
Local transportation	Europe trips	<i>5 trips X 2 people; per person-trip: 5 x \$350 local airfare/transport</i>	All components	3,619	5,428	1,803	100	10,957		8,765	2,191			10,957
Lodging / meals / per diem	Europe trips	<i>5 trips X 2 people; per person-trip: 7 days x \$500/day lodging, ground transp., etc.</i>	All components	7,238	10,857	3,619	100	21,813		17,451	4,363			21,813
International Transportation	Sub-Saharan Africa trip	<i>1 trip X 2 people; per person- trip:\$2000 r/t airfare</i>	All components	827	1,241	414	100	2,582		2,582				2,582
Local transportation	Sub-Saharan Africa trip	<i>1 trip X 2 people; per person-trip: \$400/local flight X 3 local flights</i>	All components	436	744	248	100	1,589		1,589				1,589
Lodging / meals / per diem	Sub-Saharan Africa trip	<i>1 trip X 2 people; per person- trip:\$300/day x 7 days</i>	All components	863	1,303	434	100	2,706		2,706				2,706
International Transportation	Latin America trip	<i>1 trip X 2 people; per person- trip:\$1500 r/t airfare</i>	All components	620	931	310	100	1,961		1,961				1,961
Local transportation	Latin America trip	<i>1 trip X 2 people; per person- trip:\$450/local flight x 2 flights</i>	All components	372	558	186	100	1,217		1,217				1,217
Lodging / meals / per diem	Latin America trip	<i>1 trip X 2 people; per person- trip:\$500/day x 3 days</i>	All components	1,034	1,551	517	100	3,202		3,202				3,202
International Transportation	India trip	<i>1 trip X 2 people; per person- trip:\$2000 r/t airfare</i>	All components	827	1,241	414	100	2,582		2,582				2,582
Local transportation	India trip	<i>1 trip X 2 people; per person- trip:\$450/local flight x 3 flights</i>	All components	558	838	279	100	1,775		1,775				1,775
Lodging / meals / per diem	India trip	<i>1 trip X 2 people; per person- trip:\$500/day x 7 days</i>	All components	1,448	2,171	724	100	4,443		4,443				4,443
International Transportation	China trip	<i>1 trip X 2 people; per person- trip:\$2000 r/t airfare</i>	All components	827	1,241	414	100	2,582		2,582				2,582
Local transportation	China trip	<i>1 trip X 2 people; per person- trip:\$450/local flight x 3 flights</i>	All components	558	838	279	100	1,775		1,775				1,775
Lodging / meals / per diem	China trip	<i>1 trip X 2 people; per person- trip:\$500/day x 7 days</i>	All components	1,448	2,171	724	100	4,443		4,443				4,443
Local transportation	US trips	<i>15 person-trips; per person trip: \$600 r/t airfare</i>	All components	1,613	2,419	806	100	4,939		3,951	988			4,939
Lodging / meals / per diem	US trips	<i>15 person-trips; per person trip: \$335/avg day X 5 days</i>	All components	4,438	6,747	2,243	100	13,593		10,875	2,719			13,593
Total Travel and Accommodations				28,320	43,380	14,460	1,700	88,460		76,939	11,521	-	-	88,460
Space rental and material for Workshops	<i>GEF/private sector workshop, other convenings</i>	<i>GEF workshop, PSCs, inception workshop, other convenings</i>	<i>PMC</i>					6,000	6,000	6,000				6,000
Catering	<i>GEF/private sector workshop, other convenings</i>	<i>GEF workshop, PSCs, inception workshop, other convenings</i>	<i>PMC</i>					1,500	1,500	1,500				1,500
Total Meetings and workshops				-	-	-	7,500	7,500		7,500	-	-	-	7,500
Total Grants & Agreements				-	-	-	-	-		-	-	-	-	-
Total Equipment				-	-	-	-	-		-	-	-	-	-
Office / storage rent	<i>Office rent</i>	<i>3 offices x 12 mos x \$5000/mo [COST PAID BY CO-FINANCING]</i>	<i>n/s</i>						-	-				-
Telecommunications (data, voice)	<i>Communications</i>	<i>\$250/person-month x 40 person- months</i>	<i>n/s</i>					10,000	10,000	8,000	2,000			10,000
Communication printing	<i>Printing</i>	<i>Assumes \$25 per copy x 375 copies [COST PAID BY CO-FINANCING]</i>	<i>Component 2</i>						-	-				-
office supply	<i>Other</i>	<i>Other direct costs of the project [COST PAID BY CO-FINANCING]</i>	<i>n/s</i>						-	-				-
Total Other Direct Costs				-	-	-	10,000	10,000		8,000	2,000	-	-	10,000
Total GEF funded project costs				256,760	389,004	275,318	140,818	1,062,500	43%	862,071	200,429	-	-	1,062,500

CO-FINANCING				Co-financing by component (in USD)					Co-financing per year (in USD)				
SOURCES OF CO-FINANCING	NAME OF CO-FINANCIER	CO-FINANCING DESCRIPTION	TYPE OF CO-FINANCING	Component 1	Component 2	Component 3	Project Management Costs	Total	TR1	TR2	TR3	TR4	TOTAL
Multilateral Agency	Nordic Development Fund	Grant of EUR 500,000 (approx. USD 530,000)	Cash	172,500	318,467	99,033		590,000	530,000				530,000
Private sector	The Lightsmith Group	Commitment to fund USD 730,000 of in-kind and out of pocket costs	In-kind	72,500	113,300	542,500		728,300	655,470	72,830			728,300
GEF Agency	Conservation International	Staff time for project oversight, M&E, and general support (incl. legal, procurement, policy, etc.)	In-kind				100,000	100,000	80,000	20,000			100,000
Sub Total Co-financing IN-KIND				72,500	113,300	542,500	100,000	828,300	735,470	92,830	-	-	828,300
Sub Total Co-financing IN CASH				172,500	318,467	99,033	-	590,000	590,000	-	-	-	590,000
Total Co-financing				245,000	431,767	641,533	100,000	1,418,300	1,325,470	92,830	-	-	1,418,300
								58%					
TOTAL PROJECT BUDGET				436,510	812,696	919,076	240,618	2,468,900	2,195,541	267,759	-	-	2,463,300

ANNEX D: PROJECT TIMELINE

	TIMELINE					
	Q1	Q2	Q3	Q4	Q1	Q2
COMPONENT 1: CRAFT INVESTMENT AND IMPACT STRATEGY						
Outcome 1.1.: Develop Investment Strategy						
<i>Output 1.1.1: Detailed investment theses developed for 4 of the 20 target market segments (incl. mapping additional companies in each area and defining climate resilience impacts)</i>						
Outcome 1.2.: Develop Investment Pipeline						
<i>Output 1.2.1: 250 additional climate resilience companies identified and added to company database</i>						
<i>Output 1.2.2: Discussions held with at least 5 companies that represent active potential transactions</i>						
Outcome 1.3.: Develop Impact and Technical Assistance Strategy						
<i>Output 1.3.1: Impact strategy, Environmental, Social and Governance (ESG) approach, and metrics document prepared</i>						
<i>Output 1.3.2: TA Facility strategy and operations documents (investment strategy, grant guidelines, impact measurement, and operating procedures) prepared</i>						
COMPONENT 2: CRAFT RESOURCE MOBILIZATION						
Outcome 2.1: Prepare Key Marketing Documents						
<i>Output 2.1.1: Key marketing documents prepared and ready to share with investors and the public, including marketing presentation, Private Placement Memorandum and Due Diligence Questionnaire</i>						
<i>Output 2.1.2: Website and online data room prepared</i>						
Outcome 2.2: Prepare Fundraising Strategy and Launch Fundraising						
<i>Output 2.2.1: 200 LP investor candidates (public and private) identified and prioritized</i>						
<i>Output 2.2.2: Placemen agent candidates identified and discussions held; placement agent selected, if appropriate</i>						

<i>Output 2.2.3 Discussions held with at least 25 investor candidates</i>						
<i>Output 2.2.4: Potential first-close investors brought into due diligence stage with total potential commitments of at least USD 20 million</i>						
COMPONENT 3: CRAFT LEGAL SETUP						
Outcome 3.1.: Define Legal Structure and Prepare Fund Documents						
<i>Output 3.1.1: Fund structuring approach, meeting EU/US and public/private investor requirements, defined</i>						
<i>Output 3.1.2: Key Fund legal documents drafted</i>						
<i>Output 3.1.3: TA Facility key legal documents drafted</i>						
Outcome 3.2: Prepare Fund Regulatory Plan						
<i>Output 3.2.1: Regulatory compliance plan for US, EU, and multilateral/others defined</i>						

ANNEX E: SAFEGUARD SCREENING RESULTS AND SAFEGUARD ANALYSIS

I. BASIC INFORMATION

A. Basic Project Data

Country: Global	GEF Project ID:
Project Title: Climate Resilience & Adaptation Finance and Technology Transfer Facility (CRAFT)	
Executing Agency: Lightsmith Group LLC (Lightsmith)	
GEF Focal Area: Climate Change	
GEF Project Amount: USD 1,144,275	
Reviewer(s): Ian Kissoon	
Date of Review: October 04, 2017	
Comments: Analysis completed and approved	

B. Project Objective:

To establish, operationalize, and mobilize resources for the Climate Resilience and Adaptation Finance and Technology Transfer Facility, the first private sector climate resilience and adaptation investment fund with a focus on developing countries, consistent with the goals of the Paris Agreement.

C. Project Description:

The agricultural and other economic sectors increasingly face physical risks from climate change. This creates a market opportunity to offer technologies, products, and services to help customers assess and manage these risks and reduce harm. In particular, there is a significant market opportunity to invest financial and intellectual capital to grow and scale private companies that already have climate risk analysis capabilities or offer products and services to increase climate resilience. Investment is especially needed to bring existing technologies and solutions to new sectors, geographies, and users, particularly in developing countries.

CRAFT will be the first dedicated commercial investment vehicle to focus on expanding the availability of solutions for climate adaptation and resilience. To do so, CRAFT will establish a USD 250 million private equity fund (CRAFT Fund) that invests growth capital and strategic support into companies that already offer climate resilience products and services. A complementary USD 20 million technical assistance facility (TA Facility) will enable the provision of technical support to enable the application of these climate resilience solutions in developing countries. (CRAFT Fund and TA Facility taken together: CRAFT).

D. Project location and biophysical characteristics relevant to the safeguard analysis:

When CRAFT is established and operationalized, it will focus on helping developing countries to assess and manage climate change risks and reduce harm on their economic sectors.

Between 2003 and 2013, disasters triggered by natural hazards caused USD 1.5 trillion in economic damages worldwide, with USD 0.55 trillion of these damages occurring in developing countries. Floods and storms, which are expected to increase in frequency and/or intensity due to climate change, caused 90% of these damages. Different economic sectors have varying exposure to climate change. For example, the agricultural sector absorbs 25% of the losses caused by climate related disasters. As an illustration, flooding in Pakistan in 2010 caused USD 5 billion in agricultural losses

and slowed sector growth from 3.5% to 0.2% as well as GDP growth from 2.8% to 1.6% (FAO, 2015).

E. Executing Agency’s Institutional Capacity for Safeguard Policies:

The two Managing Directors at Lightsmith have substantial experience in international development finance, climate finance, and government, including with the Green Climate Fund, International Finance Corporation, U.S. Overseas Private Investment Corporation, U.S. Department of Energy, New York Green Bank, and the New York State Energy Research and Development Authority. Each of these organizations utilized public sector resources to deploy for projects and programs and included safeguards as an integral part of resource deployment. In fact, the Green Climate Fund shares IFC performance standards and other safeguards policies, and U.S. OPIC models its safeguard policies after IFC performance standards. As such, Lightsmith understands the importance of integrating safeguards into project undertakings and the associated monitoring, tracking, and compliance. To that end and to ensure day-to-day attention to safeguards aspects of the project, Lightsmith will dedicate human personnel, estimated at ½ full-time equivalent (FTE) to manage these aspects.

II. SAFEGUARD AND POLICIES

Environmental and Social Safeguards:

Safeguard Triggered	Yes	No	TBD	Date Completed
1. Environmental & Social Impact Assessment (ESIA)		X		
<i>Justification: No significant adverse environmental and social impacts that are sensitive, diverse, or unprecedented is anticipated</i>				
2. Natural Habitats		X		
<i>Justification: The project is not proposing to alter natural habitats</i>				
3. Involuntary Resettlement		X		
<i>Justification: The project is not proposing involuntary resettlement or restriction of access/use of natural resources.</i>				
4. Indigenous Peoples		X		
<i>Justification: The project plans to assess socio-economic attributes, and engage indigenous communities and leaders particularly in defining their participation in the ICZM planning process with country NFPs.</i>				
5. Pest Management		X		
<i>Justification: There are no proposed activities related to pest management</i>				
6. Physical & Cultural Resources		X		
<i>Justification: There are no proposed activities related to physical and cultural resources</i>				
7. Stakeholder Engagement	X			
<i>Justification: The project is required to engage stakeholders</i>				
8. Gender mainstreaming	X			
<i>Justification: The project is required to mainstream gender at all levels</i>				
9. Accountability and Grievance Mechanisms	X			
<i>Justification: As a publicly funded GEF project, a Grievance Mechanism is required.</i>				

III. KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

From information provided in the Safeguard Screening Form, this project has triggered three safeguard policies. These are:

- Stakeholder Engagement,
- Gender Mainstreaming, and
- Grievance Mechanism.

2. Describe any potential indirect and/or long-term impacts due to anticipated future activities in the project area:

No indirect and/or long-term impacts due to anticipated future activities are foreseen at this time.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts:

The proposed approach of the project is expected to avoid or minimize adverse impacts. As such, no better alternative can be conceived at this time.

4. Describe measures to be taken by the Executing Agency to address safeguard policy issues.
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I. Grievance Mechanism

To ensure that the project meets CI-GEF Project Agency's "Accountability and Grievance Mechanism Policy #7", the Executing Agency is required to develop an Accountability and Grievance Mechanism that will ensure people affected by the project are able to bring their grievances to the Executing Agency for consideration and redress. The mechanism must be in place before the start of project activities, and also disclosed to all stakeholders in a language, manner and means that best suits the local context.

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

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

II. Gender Mainstreaming

To ensure that the project meets CI-GEF Project Agency's "Gender Mainstreaming Policy #8", the Executing Agency is required to prepare a Gender Mainstreaming Plan during the first quarter of implementation.

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

1. *Number of men and women that participated in project activities (e.g. meetings, workshops, consultations);*
2. *Number of men and women that received benefits (e.g. employment, income generating*

- activities, training, access to natural resources, land tenure or resource rights, equipment, leadership roles) from the project; and if relevant*
3. *Number of strategies, plans (e.g. management plans and land use plans) and policies derived from the project that include gender considerations.*

III. Stakeholder Engagement

To ensure that the project meets CI-GEF Project Agency’s “Stakeholders’ Engagement Policy #9”, the Executing Agency is required to develop a Stakeholder Engagement Plan during the first quarter of implementation.

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

1. *Number of government agencies, civil society organizations, private sector, indigenous peoples and other stakeholder groups that have been involved in the project implementation phase on an annual basis;*
2. *Number persons (sex disaggregated) that have been involved in project implementation phase (on an annual basis); and*
3. *Number of engagements (e.g. meetings, workshops, consultations) with stakeholders during the project implementation phase (on an annual basis)*

I. Investment Criteria

Further to developing and implementing the safeguard plans, the CRAFT Fund is expected to develop a Fund Impact Strategy, including Environmental, Social and Governance (ESG) approach and impact metrics, that meets international environmental and social standards during the project implementation phase.

IV. PROJECT CATEGORIZATION



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

V. EXPECTED DISCLOSURE DATES

Safeguard Plan	CI Disclosure Date	EA Disclosure Date
Environmental & Social Impact Assessment (ESIA)	NA	NA
Environmental Management Plan (EMP)	NA	NA
Voluntary Resettlement Action Plan (V- RAP)	NA	NA
Process Framework for Restriction of Access to Natural Resources	NA	NA
Indigenous Peoples Plan (IPP)	NA	NA
Pest Management Plan (PMP)	NA	NA

Stakeholder Engagement Plan (SEP)	<i>Within 15 days of CI-GEF approval</i>	<i>Within 30 days of CI-GEF approval</i>
Gender Mainstreaming Plan (GMP)	<i>Within 15 days of CI-GEF approval</i>	<i>Within 30 days of CI-GEF approval</i>
Accountability and Grievance Mechanism	<i>Within 15 days of CI-GEF approval</i>	<i>Within 30 days of CI-GEF approval</i>

VI. APPROVALS

<i>Signed and submitted by:</i>		
Vice President, CI-GEF Project Agency: 	Name: Miguel A Morales	Date: 2017-10-11
<i>Approved by:</i>		
Safeguard Manager: 	Name: Ian Kissoon	Date: 2017-10-04
Project Manager:	Name: Orissa Samaroo	Date:

ANNEX F: PROJECT RESULTS MONITORING PLAN

Indicators	Metrics	Methodology	Baseline	Location	Frequency	Responsible Parties	Indicative Resources
Objective: To establish and mobilize resources for the Climate Resilience and Adaptation Finance & Technology Transfer (CRAFT) Fund, the first private sector climate resilience and adaptation investment fund and technical assistance facility for developing countries, consistent with the goals of the Paris Agreement.							
Indicator a: Fund legally established and operational	Operational legal entities (zero or 1)	Legal registration in place, functioning legal entity	0 No legal entity in place or operational	New York, NY	Once, end of project	Executing Agency (Lightsmith)	n/a
Indicator b: At least USD 50 million of potential investment into the Fund under due diligence by investors	Number of investors; size of prospective investments in USD)	Written documentation of indicative investments; documentation of due diligence underway	0 No potential investments in place	New York, NY	Quarterly	Executing Agency (Lightsmith)	n/a
Component 1: CRAFT Investment and Impact Strategy							
Indicator 1.1.: <i>Fund Investment Strategy document prepared</i>	Strategy documents prepared	Numerical survey of completed work by Project Team	0 No Fund Investment Strategy Document has been prepared	New York, NY	Quarterly	Executing Agency (Lightsmith)	2,500
Indicator 1.1.1.: <i>Number of target market segments with investment theses</i>	Number of analyses prepared	Numerical survey of completed work by Project Team	0 <i>No target market segments analyzed (20 identified)</i>	New York, NY	Quarterly	Executing Agency (Lightsmith)	4,000

Indicator 1.2.: <i>Fund Investment Pipeline document prepared</i>	Pipeline documents prepared	Numerical survey of completed work by Project Team	A draft Investment Pipeline document exists. The company database currently has 450 climate resilience companies identified	New York, NY	Quarterly	Executing Agency (Lightsmith)	2,500
Indicator 1.2.1.: <i>Number of additional climate resilience companies identified</i>	Number of companies	Numerical survey of completed work by Project Team	<i>Preliminary database of 450 companies identified for review</i>	New York, NY	Quarterly	Executing Agency (Lightsmith)	4,000
Indicator 1.2.2.: <i>Number of active potential transactions</i>	Number of companies	Numerical survey of completed work by Project Team	<i>0 No potential transactions pursued</i>	New York, NY	Quarterly	Executing Agency (Lightsmith)	4,000
Indicator 1.2.3.: <i>Workshop with GEF and private sector participants completed</i>	Number of workshops; number of private sector participants	Based upon quarterly reporting documenting workshops held	<i>0 No targeted workshops completed</i>	New York, NY	Quarterly	Executing Agency (Lightsmith)	2,500
Indicator 1.3.: <i>CRAFT Impact Strategy and Technical Assistance Facility Strategy prepared</i>	Number of documents prepared	Numerical survey of completed work by Project Team	0 No CRAFT Fund Impact Strategy and Technical Assistance Facility Strategy has been developed	New York, NY	Once, when completed	Executing Agency (Lightsmith)	2,500

Indicator 1.3.1.: <i>Summary overview of Impact strategy, including ESG and climate change adaptation impact metrics, prepared</i>	Number of strategy and metrics documents prepared	Numerical survey of completed work by Project Team	0 No CRAFT Fund Impact Strategy has been developed	New York, NY	<i>Once, when completed</i>	Executing Agency (Lightsmith)	7,500
Indicator 1.3.2.: <i>Summary overview of TA Facility Strategy and operations documents prepared</i>	Overview of strategy & operations documents prepared	Numerical survey of completed work by Project Team	0 No Technical Assistance Facility Strategy has been developed	New York, NY	<i>Quarterly</i>	Executing Agency (Lightsmith)	7,500
Component 2: Fund Resource Mobilization							
Indicator 2.1.: <i>Key marketing documents prepared and website and online data room functional</i>	Number of documents prepared; websites, webpages, and data rooms made operational	Numerical survey of completed work by Project Team; survey of and hyperlinks to website and other on-line resources	0 Key marketing documents have not been written, and website and online data room have not been prepared	New York, NY	Quarterly	Executing Agency (Lightsmith)	2,500
Indicator 2.1.1.: <i>One-page overview and Marketing Presentation (public version) prepared</i>	Overview and presentations prepared (for public consumption)	Numerical survey of completed work by Project Team	0 Key marketing documents have not been written	New York, NY	<i>Once, when completed</i>	Executing Agency (Lightsmith)	4,000
Indicator 2.1.2.: <i>Public website, functioning; confirmation from team that investor portal and data room prepared</i>	Websites, webpages, and data rooms made operational	Survey of and hyperlinks to website and other on-line resources	0 Website and online data room have not been prepared	New York, NY	<i>Once, when completed</i>	Executing Agency (Lightsmith)	2,500

Indicator 2.2.: <i>a) Fund Fundraising Strategy prepared</i> <i>b) Amount of potential investment under due diligence</i>	Strategy documents prepared; amount of investments under due diligence (in USD)	Numerical survey of completed work by Project Team (summary slide documentation)	2.2a: 0 No fundraising strategy has been prepared and only initial meetings conducted 2.2b: 0 No potential investment under due diligence	New York, NY	<i>Quarterly</i>	Executing Agency (Lightsmith)	2,500
Indicator 2.2.1.: <i>Number of LP investor candidates identified</i>	Number of LP investor candidates in discussions or planned for approach	Numerical survey of completed work by Project Team (summary slide documentation)	<i>Investor candidate discussions held</i>	New York, NY	<i>Quarterly</i>	Executing Agency (Lightsmith)	4,000
Indicator 2.2.2.: <i>Confirmation that placement agent discussions held and if determined to engage, whether one is selected</i>	Number of LP investor candidates with completed meetings/phone calls, marked by Project Team as 'active'	Numerical survey of completed work by Project Team (summary slide documentation); documentation of placement agent agreements in place	<i>0</i> <i>No placement agent discussions held</i>	New York, NY	<i>Quarterly</i>	Executing Agency (Lightsmith)	2,500
Indicator 2.2.3.: <i>Number of LP investor candidates with discussions held</i>	Number of LP investor candidates marked by Project Team as 'active'	Numerical survey of completed work by Project Team (summary slide documentation)	1 One potential LP investor candidate with discussions held	New York, NY	<i>Quarterly</i>	Executing Agency (Lightsmith)	2,500
Indicator 2.2.4.: <i>Amount of potential first-close investment commitments brought into due diligence stage</i>	Amount of potential funding in USD from LP investor candidates marked by Project Team as 'active'	Numerical survey of completed work by Project Team (summary slide documentation)	0 No potential first-close investments in due diligence	New York, NY	<i>Quarterly</i>	Executing Agency (Lightsmith)	4,000
Component 3: CRAFT Fund Resource Mobilization							

Indicator 3.1.: <i>Legal structuring of CRAFT prepared</i>	Number of legal documents	Numerical survey of completed work products by Project Team	0 Legal structuring has not been prepared	New York, NY	<i>Once, when completed</i>	Executing Agency (Lightsmith)	2,400
Indicator 3.1.1.: <i>Summary slide of Fund structuring approach prepared; summary slide of proposed LP investment terms prepared</i>	Investor term sheets and fund structuring plans prepared	Numerical survey of completed work products by Project Team (summary slide documentation)	0 <i>No term sheets or fund structuring plans prepared</i>	New York, NY	<i>Once, when completed</i>	Executing Agency (Lightsmith)	7,500
Indicator 3.1.2.: <i>Summary slide on key legal documents prepared, plus any public documents or filings that can be shared</i>	Number of legal documents and other public filings prepared	Numerical survey of completed work products by Project Team (summary slide documentation)	0 <i>No legal documents prepared, no public filings made</i>	New York, NY	<i>Quarterly</i>	Executing Agency (Lightsmith)	7,500
Indicator 3.1.3.: <i>Summary slide on TA Facility key legal documents drafted</i>	Number of legal documents prepared	Numerical survey of completed work products by Project Team (summary slide documentation)	0 <i>No legal documents drafted</i>	New York, NY	<i>Quarterly</i>	Executing Agency (Lightsmith)	7,500
Indicator 3.2.: <i>Fund regulatory compliance plan prepared</i>	Compliance plans prepared	Numerical survey of completed work products by Project Team	0 Fund regulatory compliance plan has not been created	New York, NY	<i>Once, when completed</i>	Executing Agency (Lightsmith)	2,500
Indicator 3.2.1.: <i>Summary slide on key regulatory requirements and compliance plan prepared</i>	Compliance plans prepared	Numerical survey of completed work products by Project Team (summary slide documentation)	0 Fund regulatory compliance plan has not been created	New York, NY	<i>Quarterly</i>	Executing Agency (Lightsmith)	6,000

PROJECT M&E PLAN SUMMARY AND BUDGET

Type of M&E	Reporting Frequency	Responsible Parties	Indicative Budget from GEF (USD)
<i>a. Inception workshop</i>	Within three months of signing of CI Grant Agreement for GEF Projects	<ul style="list-style-type: none"> • Project Team • CI-GEF PA 	5,100
<i>b. Inception workshop Report</i>	Within one month of inception workshop	<ul style="list-style-type: none"> • Project Team • CI-GEF PA 	1,800
<i>c. Project Results Monitoring Plan (Objective, Outcomes and Outputs)</i>	Annually (data on indicators will be gathered according to monitoring plan schedule shown on Annex IV)	<ul style="list-style-type: none"> • Project Team • CI-GEF PA 	1,000
<i>d. GEF Focal Area Tracking Tools</i>	i) Project development phase; ii) prior to project mid-term evaluation; and iii) project completion	<ul style="list-style-type: none"> • Project Team • CI-GEF PA 	6,700
<i>e. Project Steering Committee Meetings</i>	Annually (3x during the project period)	<ul style="list-style-type: none"> • Project Team • CI-GEF PA 	13,000
<i>f. CI-GEF Project Agency Field Supervision Missions</i>	N/A		N/A
<i>g. Quarterly Progress Reporting</i>	Quarterly	<ul style="list-style-type: none"> • Project Team 	13,300
<i>h. Annual Project Implementation Report (PIR)</i>	N/A		N/A
<i>i. Project Completion Report</i>	Upon project operational closure	<ul style="list-style-type: none"> • Project Team 	30,000
<i>j. Independent External Mid-term Review</i>	N/A		N/A
<i>k. Independent Terminal Evaluation</i>	N/A	<ul style="list-style-type: none"> • CI Evaluation Office • Project Team • CI-GEF PA 	15,000
<i>l. Lessons Learned and Knowledge Generation</i>	At least annually	<ul style="list-style-type: none"> • Project Team • CI-GEF PA 	9,700
<i>m. Financial Statements Audit</i>	N/A		N/A

ANNEX G: GEF TRACKING TOOL BY FOCAL AREA

- *Please see attached MS Excel Spreadsheet with information for this project*

ANNEX H: Grievance and Accountability Mechanism

Stakeholders may raise a grievance at all times to the Executing Agency (Lightsmith) about any actions instigated by the project and the application of its safeguard frameworks. Affected stakeholders should be informed about this possibility and contact information of the respective organizations will be made available on-line, during the project start-up workshop and/or during project related meetings where most relevant. The project Executing Agency will be the first point of contact in the accountability and grievance mechanism.

In the first instance, any grievance should be addressed directly with the Executing Agency and where possible resolved between the Executing Agency and the project-affected party. Stakeholders may also contact Conservation International (CI) as the Implementing Entity with any grievance addressed in an unsatisfactory manner with the Executing Agency. CI will be responsible for informing project-affected stakeholders about the Grievance provisions described in the Safeguard Policies and Processes section of the CI- ESMF shall apply.

EXECUTING AGENCY CONTACT INFORMATION:

Electronic email: jay.koh@lightsmithgp.com

Mailing address: 351 E 84 Street #20D, New York, NY 10028 USA

Website: www.lightsmithgp.com

CI-GEF PROJECT AGENCY CONTACT INFORMATION:

Electronic email: GEFAccountability@conservation.org

Mailing address:

Direction of Compliance
Conservation International
2011 Crystal Drive, Suite 500
Arlington, VA 22202, USA

In addition, grievances can be filed using the CI-GEF Project Agency website:

<http://www.conservation.org/gef/pages/grievance-mechanism.aspx>

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ANNEX I: CO-FINANCING COMMITMENT LETTERS

Please see co-financing support letters – attached separately – from Nordic Development Fund, The Lightsmith Group, and Conservation International, totaling \$1.4 million in co-financing for the project.

ANNEX J: STATUS OF IMPLEMENTATION OF PROJECT PREPARATION ACTIVITIES AND THE USE OF FUNDS

PPG Grant Approved at PIF: N/A (ONE STEP MSP SUBMISSION)			
<i>Project Preparation Activities Implemented</i>	<i>GEF/LDCF/SCCF Amount (\$)</i>		
	<i>Budgeted Amount</i>	<i>Amount Spent To date</i>	<i>Amount Committed</i>
Consultancy to prepare the GEF 1-step PIF document and all related annexes		30,000	30,000
Total	0	30,000	30,000

ENDNOTES: LITERATURE CITED IN THIS DOCUMENT

- a) 2 Degrees Investing Initiative, 2015. *Annual Report 2015*. http://2degrees-investing.org/IMG/pdf/2dii_annual_report_2015_final.pdf
- b) Acclimatise and NCEI (National Centers for Environmental Information), 2016. *NCEI Climate Products and Services Market Analysis: Power Sector Engagement*. https://ncics.org/ncics/pdfs/events/energy-sector-resilience/Acclimatise_NCEI_Jan8.pdf
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- d) CPI (Climate Policy Initiative), 2015. *Global Landscape of Climate Finance 2015*. <https://climatepolicyinitiative.org/wp-content/uploads/2015/11/Global-Landscape-of-Climate-Finance-2015.pdf>
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- g) FAO (Food and Agriculture Organization of the United Nations), 2015. *The impact of disasters on agriculture and food security*. www.fao.org/3/a-i5128e.pdf
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- i) Global Innovation Lab for Climate Finance, 2017. *Lab Instrument Analysis*. Confidential, available on request.
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- n) UNEP (United Nations Environment Programme), 2016, *The Adaptation Finance Gap Report 2016*. www.unep.org/adaptationgapreport/sites/unep.org.adaptationgapreport/files/documents/agr2016.pdf

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http://www.unep.org/adaptationgapreport/sites/unep.org.adaptationgapreport/files/documents/agr_full_report.pdf
- p) UNFCCC (United Nations Framework Convention on Climate Change), 2016. *In-session workshop on long-term climate finance in 2016 : Summary report by the secretariat*.
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https://unfccc.int/files/meetings/paris_nov_2015/application/pdf/paris_agreement_english_.pdf.
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