GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET

Naoko Ishii
CEO and Chairperson

July 23, 2015

Dear Council Member,

The AfDB as the Implementing Agency for the project entitled: ***Regional: Moringa Agro-forestry Fund for Africa (non-grant)*** , has submitted the attached proposed project document for CEO endorsement prior to final Agency approval of the project document in accordance with the AfDB procedures.

The Secretariat has reviewed the project document. It is consistent with the project concept approved by the Council in June 2015 and the proposed project remains consistent with the Instrument and GEF policies and procedures. The attached explanation prepared by the AfDB satisfactorily details how Council's comments and those of the STAP have been addressed.

We have today posted the proposed project document on the GEF website at www.TheGEF.org for your information. We would welcome any comments you may wish to provide by August 20, 2015 before I endorse the project. You may send your comments to gcoordination@TheGEF.org .

If you do not have access to the Web, you may request the local field office of UNDP or the World Bank to download the document for you. Alternatively, you may request a copy of the document from the Secretariat. If you make such a request, please confirm for us your current mailing address.

Sincerely,

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 PROJECT ENDORSEMENT/APPROVAL

PROJECT TYPE: Full-sized Project
TYPE OF TRUST FUND: GEF Trust Fund

For more information about GEF, visit TheGEF.org

PART I: PROJECT INFORMATION

Project Title: MORINGA Agro-forestry Fund for Africa			
Country(ies):	Multinational	GEF Project ID:[1]	9051
GEF Agency(ies):	AfDB (select) (select)	GEF Agency Project ID:	P-Z1-AAD-004
Other Executing Partner(s):	Moringa Agro-forestry Fund	Submission Date:	2015-07-02
GEF Focal Area (s):	IAP Set Aside	Project Duration (Months)	84
Integrated Approach Pilot	IAP-Cities ☐ IAP-Commodities ☐ IAP-Food Security ☐	Corporate Program: SGP ☐	
Name of Parent Program	[if applicable]	Agency Fee ($)	1,080,000

A. FOCAL AREA STRATEGY FRAMEWORK AND OTHER PROGRAM STRATEGIES[2]

Focal Area Objectives/Programs	Focal Area Outcomes	Trust Fund	(in $) GEF Project Financing	Co-financing
LD-1 Program 1 (select) (select)	Outcome 1.1: Improved agricultural, rangeland and pastoral management Outcome 1.3: Increased investments in SLM	GEFTF	4,000,000	20,000,000
LD-2 Program 3 (select) (select)	Outcome 2.1: Support mechanisms for forest landscape management and restoration established Outcome 2.3: Increased investments in SFM and restoration	GEFTF	4,000,000	20,000,000
LD-3 Program 4 (select) (select)	Outcome 3.1: Support mechanisms for SLM in wider landscapes established Outcome 3.3: Increased investments in integrated landscape management	GEFTF	4,000,000	10,800,000
	Total project costs		12,000,000	50,800,000

B. PROJECT DESCRIPTION SUMMARY

Project Objective: To up-scale investment in agro-forestry activities in select African countries for reduced land and forest degradation.

Project Components/ Programs	Financing Type[3]	Project Outcomes	Project Outputs	Trust Fund	(in $) GEF Project Financing	Confirmed Co-financing
MORINGA AFRICA Agro-Forestry Fund	Inv	Enhanced and improved agro-ecosystem management and services across select African countries	5-6 agro-forestry projects implemented in select African countries Higher capital support provided to agro-forestry projects in SSA Private sector investment catalyzed in the sector across SSA Land rehabilitated and	GEFTF	12,000,000	50,800,000

[1] Project ID number remains the same as the assigned PIF number.
[2] When completing Table A, refer to the excerpts on *GEF 6 Results Frameworks for GETF, LDCF and SCCF*.
[3] Financing type can be either investment or technical assistance.

			effective agro-forestry practices implemented as a result of project investments: hectares under SLM Improved agro-ecosystem productivity and more extensive vegetative cover: crop production diversified and higher yields Reduced forest degradation: land area under SFM and/or reforestation practices			
		Scaling-up sustainable land and forest management and reforestation through a landscape approach	At least 2 capacity building programs/ sessions in SLM/SFM targeting diverse stakeholders as part of each child project Increased flow of agro-forest ecosystem goods and services to sustain food production and livelihoods (increased crop yields and better socio-economic indicators) Enhanced local livelihood options through agro-forestry: at least 2 alternative income generating activities identified and implemented with households per country Increased resources flowing to integrated natural resource management (INRM) and other land uses from diverse sources, including private sector			
			Subtotal		12,000,000	50,800,000
			Project Management Cost (PMC)[4]	GEFTF	0	0
			Total project costs		12,000,000	50,800,000

[4] For GEF Project Financing up to $2 million, PMC could be up to10% 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.

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

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

Sources of Co-financing	Name of Co-financier	Type of Cofinancing	Amount ($)
GEF Agency	African Development Bank	Equity	12,500,000
Private Sector	Moringa (multiple investors)	Equity	38,300,000
Total Co-financing			50,800,000

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

GEF Agency	Trust Fund	Country Name/Global	Focal Area	Programming of Funds	(in $)		
					GEF Project Financing (a)	**Agency Fee** a) (b)[2]	**Total** (c)=a+b
AfDB	GEF TF	Multinational	Land Degradation	Non-Grant Set Aside	12,000,000	1,080,000	13,080,000
Total Grant Resources					12,000,000	1,080,000	13,080,000

a) Refer to the Fee Policy for GEF Partner Agencies

E. PROJECT'S TARGET CONTRIBUTIONS TO GLOBAL ENVIRONMENTAL BENEFITS[5]

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	*hectares*
2. Sustainable land management in production systems (agriculture, rangelands, and forest landscapes)	120 million hectares under sustainable land management	*201,932 hectares*
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;	*Number of freshwater basins*
	20% of globally over-exploited fisheries (by volume) moved to more sustainable levels	*Percent of fisheries, by volume*
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)	*9,500,000* metric tons
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)	*metric tons*
	Reduction of 1000 tons of Mercury	*metric tons*
	Phase-out of 303.44 tons of ODP (HCFC)	*ODP tons*

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

6. Enhance capacity of countries to implement MEAs (multilateral environmental agreements) and mainstream into national and sub-national policy, planning financial and legal frameworks	Development and sectoral planning frameworks integrate measurable targets drawn from the MEAs in at least 10 countries	*Number of Countries:*
	Functional environmental information systems are established to support decision-making in at least 10 countries	*Number of Countries:*

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

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

PART II: PROJECT JUSTIFICATION

A. DESCRIBE ANY CHANGES IN ALIGNMENT WITH THE PROJECT DESIGN WITH THE ORIGINAL PIF[6]

A.1. *Project Description*. Elaborate on: 1) the global environmental and/or adaptation problems, root causes and barriers that need to be addressed; 2) the baseline scenario or any associated baseline projects, 3) the proposed alternative scenario, GEF focal area[7] strategies, with a brief description of expected outcomes and components of the project, 4) incremental/additional cost reasoning and expected contributions from the baseline, the GEFTF, LDCF, SCCF, and co-financing; 5) global environmental benefits (GEFTF) and/or adaptation benefits (LDCF/SCCF); and 6) innovativeness, sustainability and potential for scaling up.

In addition to the pipeline of projects submitted at PIF stage with advanced projects, an indicative long list of projects is presented below:

Advanced pipeline of projects (presented at PIF stage)

Country	Category	Sector	Type	Scale	Project Description
Kenya	Intertwined crops	timber, biomass, sorghum	brownfield	5,000 ha	Social enterprise that planted 1 million trees on dry-land in Kenya with 4,500 rural families, is developing a for profit activity to produce Eucalyptus timber wood. Industrial partnership: Lafarge
Tanzania	Intertwined crops	timber, biomass, maize and sunflower	greenfield	2,700 ha	Plantation project to produce biomass for cement stoves and electric power plants. Valorization of lime's carries (before and after use) and surroundings available lands. Agroforestry through intertwined crops or permanent crops. Core plantation and outgrower scheme in Mbeya
Mali/ Burkina Faso	Intertwined crops	Edible and energy oil	brownfield	20,000 ha	Expansion of two existing plantations in Mali and Burkina Faso. Jatropha trees intertwined with crops, and sunflower plantations. Local production of oil / diesel /soap and seedcakes. Carbon credits purchased by

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

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

					Novartis. JV with a large agro industrial
DRC	Intertwined crops	Biomass with cassava	brownfield	12,600 ha	Development of a 12,600 ha plantation of acacia intertwined with staple crops (Cassava) from a 1,600 ha pilot project. 6,000 ha developed on the land of the project sponsor, Novacel, 6,600 ha through an out-grower scheme. Project initiated by a local entrepreneur in 2008 to reforest degraded savannas. Local processing and production of charcoal and manioc flour for the near (~ 100 km) Kinshasa market.
Zambia	Intertwined crops	Timber, vegetables and fruits	greenfield	5,000 ha	5000 ha farm developing a mix of timber, charcoal, soya and wheat products
Ivory Coast	Intertwined crops	Timber and vegetables	brownfield	500 ha	Development of legume farms in Ivory coast.
Mozambique	Intertwined crops	Timber and soya	brownfield	5,200 ha	Eucalyptus & Acacia plantation (to produce electrical poles and biomass) combined with cattle activities and agro systems.
Congo	cocoa under tree shade	Cocoa and trees	brownfield	12,000 ha	Development of a cocoa activity in Congo with a 2,000 ha nucleus surrounded by 10,000 ha outgrower scheme

Indicative list of projects (long list)

Project name	Promoter type	Country	Compartment
Kilimo	International cement industrial	Tanzania	Africa
Legu	Agri company	Ivory Coast	Africa
Luzmo	Timber industrial	Mozambique	Africa
Olforest	International agro trader	Congo Republic	Africa
Inpro	Local Timber Industrial	Ivory Coast	Africa
Racash	NGO	Mozambique	Africa
Sugtan	Agro company	Tanzania	Africa
Sapo	NGO	South Africa	Africa
Teco	Timber company	Gabon	Africa
Ruby	Agri company	Ivory Coast	Africa
Wicaf	Agri company	Nigeria	Africa
Rubber agroforestry	International Latex industrial	Ghana	Africa
Rubber agroforestry	International Latex industrial	Liberia	Africa
EcoJat	International Energy Company	Mali, Burkina-Faso	Africa
Cemen I	International cement industrial	Kenya	Africa
Topi	Agri company	Sierra-Leone	Africa
Sylvotanza	International Timber Company	Mozambique	Africa
Checof	Local cooperative	Cameroon	Africa
Clean	NGO	Mozambique	Africa
Maxco	Agri company	Nigeria	Africa
Zambezi	African Social Enterprise	Zambia	Africa
Bad	Agro company	Sierra-Leone	Africa

Sual	Agro company	Tanzania	Africa
Ibi	Local agroforestry company	DRC	Africa
Greenfor	Timber company	Zambia	Africa
Cerk	Energy company	Senegal	Africa
Yayu	African Social Enterprise	Ethiopia	Africa
Forallan	Forest Company	Ghana	Africa
BambGha	Forest Company	Ghana	Africa
JUI	Agro company	Mali	Africa
Agri2	Agro company	Malawi	Africa
Pagha	Private entrepreneur	Ghana	Africa
Agri5	Agroc company	DRC	Africa
Gerni	NGO	Niger	Africa
Juli	Agro industrial	Burkina Faso	Africa
Kali	Agribusiness operator	Sierra-Leone	Africa
Cemen III	International cement industrial	Nigeria	Africa
Unigha	Agro company	Ghana	Africa

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

NA

A.3. Stakeholders. Elaborate on how the key stakeholders engagement, particularly with regard to civil society and indigenous people, is factored in the preparation and implementation of the project.

Moringa has prepared an Environmental, Social and Governance Management System (ESGMS) which indicates the social policies and procedures Moringa and its investee companies shall adhere to identify, assess, mitigate, manage, monitor and report on social issues affecting their operations and activities. Moringa believes that local populations and communities should have their say about projects that can affect their lives and that in return their involvement at an early stage can significantly improve the profitability and overall strength of the projects. The process adopted for community consultation will depend on whether the project is already established, what the process of consultation has already involved, who has been involved in it, and how credible it has been. Moringa requires investees to have a plan in place for consultation with the local community and report (on a quarterly basis during project development and bi-annually thereafter) the process and outcomes from community consultation.

In its Guidelines on Social Issues, Moringa states to seek investments which:

- have a positive social impact by providing strong social benefits to surrounding populations in the form of additional revenues;
- create and maintain a supportive local environment through strong consultation and grievance mechanism procedures;
- support and develop outgrowing schemes as a way of increasing its positive impact;
- safeguard food security by ensuring that the investee company activities do not displace subsistence crops;
- protect vulnerable people, particularly those who do not own land and cannot participate in outgrower schemes, through a full analysis of impact on all parts of the community and avoiding any activities which adversely impact on those people; and
- seek to identify ways to improve the welfare of local communities, for example through schooling and healthcare.

However, Moringa recognizes that its activities could create social risk. Its social policies and procedures outline how Moringa will identify, assess, mitigate, manage, monitor and report on social issues affecting its own operations and the activities of its investee companies.

A.4. Gender Considerations. Elaborate on how gender considerations were mainstreamed into the project preparation, taking into account the differences, needs, roles and priorities of men and women.

AfDB will draw from its own gender strategy to better define how different gender roles, realities, and needs will be considered during project implementation. Furthermore, in its guidelines on social issues, part of Moringa's due diligence process involves taking the following practical steps:

- Determine whether any studies have been undertaken to identify the differences in social status, access and living standards of different categories of population directly/indirectly impacted by the project, and to identify the impact on the project of each of these categories
  - Gender
  - Age (youth, senior…)
  - Origin, ethnic group, religious group, minorities
  - Poverty/income level
- Establish whether the project will have any major negative impact on vulnerable, underserved people

A.5 Risk. Elaborate on indicated risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved, and, if possible, the proposed measures that address these risks at the time of project implementation.(table format acceptable):

NA

A.6. Institutional Arrangement and Coordination. Describe the institutional arrangement for project implementation. Elaborate on the planned coordination with other relevant GEF-financed projects and other initiatives.

NA

Additional information needing further elaboration following PIF stage:

General description of Agro-forestry benefits

With increasing populations and standards of living, the global demand for food is expected to increase by 50-80% by 2050. Producing more food in the coming decades, while at the same time combating poverty, hunger, environmental degradation and climate change, is a huge challenge facing African agriculture in particular. According to a report by the UNFCCC, agriculture is the main driver of deforestation: subsistence farming is responsible for 48% of deforestation while commercial agriculture for 32%. Unsustainable forms of agriculture - due also to excessive use of chemical inputs, tillage and mechanization - lead to soil degradation, high GHG emissions, and biodiversity loss. High yield, sustainable and profitable agriculture and forestry systems are needed, suitable to specific regions and able to meet local and global needs for food, timber and energy.

The current debate on sustainably intensifying agriculture underlines the importance of diversification as a way to improve crop and land management and focuses on the integration of trees within land use systems. In most parts of Africa, climate change mitigation focuses on reforestation and forest protection. However, such efforts to reduce deforestation conflict with the need to expand agricultural production to feed the continent's growing population. Agro-forestry could be a win-win solution to a difficult choice between reforestation and agricultural land use, given its capacity to increase the storage of carbon but also enhance agricultural productivity.[8] Like few other land use options, agro-forestry has real potential to contribute to food security, climate change mitigation and adaptation, while preserving and strengthening the natural resource base of Africa's rural landscapes.

Agro-forestry is the spatial and temporal combination of trees and crops or livestock in the same area with positive biological and economic synergies. The approach results in better land management, higher productivity (higher yields/lower costs), diversified income sources for local populations, and a range of environmental benefits, including carbon sequestration and mitigation, soil/water management, and conservation of biodiversity. Intercropped trees have the following positive effects: maintain vegetative cover throughout the year; improve nutrient supply through nitrogen fixation and nutrient cycling; generate greater quantities of organic matter in soil; improve soil structure and water infiltration; increase direct production of food, fodder, fuel, fiber and income from products produced by the

[8] Achieving mitigation and adaptation to climate change through sustainable agroforestry practices in Africa; Current Opinion in Environmental Sustainability 2014, 6:8–14.

intercropped trees; and enhance carbon storage both above- and below-ground.[9] Tree canopies can create a more adequate microclimate for crops and more resilient ecosystems for better food production. Increased farm profitability results through improvement and diversification of output per unit area of tree/crop/livestock.

Agro-forestry provides assets and income from crops, carbon, wood, and improved soil fertility; helps maintain the flow of ecosystem services; and reduces human impacts on natural forests. Enhanced agro-ecological conditions work to secure multiple benefits to farmers from enhanced soil conditions and recuced household vulnerability through the provision of new products for sale or consumption. Agro-forestry has the added potential to protect against damaging effects of wind or water flow, and can moderate climate extremes, such as high temperatures and intra-annual climatic fluctuations, thus enhancing on-farm adaptation and resilience of both households and ecosystems. Moreover, the approach is also considered a cost-effective strategy for climate change mitigation. Tree-based farming systems store carbon in soils and woody biomass, and may also reduce GHG emissions from soils. The substantial carbon sequestration potential of agro-forestry arises not from a high carbon density, but from the large areas that are potentially suitable for agro-forestry, including many degraded areas. The approach thus has a key role to play in landscape-scale mitigation schemes under the REDD+ or AFOLU concepts.[10]

Agro-forestry is one of the most common land use systems across landscapes and agro-ecological zones in Africa. However, it needs much more adoption in order to increase impact on food security. Throughout Africa, agro-forestry systems come in a variety of forms.[11] For millions of African farmers whose livelihoods are threatened by climate change and land degradation agro-forestry offers a path toward more resilient livelihoods. Yet, not all agro-forestry options are viable everywhere, and the current state of knowledge offers little guidance on what systems work where, for whom and under what circumstances.[12] More knowledge is needed based on experiences on the ground. Adoption of agro-forestry depends on numerous land management goals, drivers and contextual factors. In most cases, assets related to ecosystem services and to food security are the main motivating factors in agro-forestry adoption. Depending on the environmental, climatic, economic and socio-cultural contexts they occupy, different types of agro-forestry systems have arisen in different places. Some prominent examples that illustrate the diversity of agro-forestry are the parkland systems of the Sahel, multistory home gardens on Mt. Kilimanjaro in Tanzania, cocoa systems in Côte d'Ivoire and rotational woodlots in Kenya.[13]

Agro-forestry allows reinventing agriculture in a sustainable and affordable way. Integrating trees and woody shrubs into more sustainable and cost-effective agricultural practices helps raise yields while lowering the need for water and fertilizer. Related production activities with secure markets generate steady income for farmers while contributing to local and global environmental benefits. This addresses livelihood needs by providing high yielding, sustainable and profitable agriculture and forestry systems that are appropriate for tropical regions, and at the same time meet the global need for food, timber and energy. There remains, however, an urgent gap and need for these types of technologies to be financed, scaled-up and supported by funding, sound policies and good governance.

Moringa's Exclusions list

Moringa seeks to make investments that are commercially viable and have a positive impact on local communities and on the environment. Moringa's investment thesis of so-called 'synergistic agro-forestry' includes investments in the following activities, among others:

- Planting of permanent crops, such as coffee, cocoa and tea, in areas shaded by trees;
- Timber plantations with sequential agro-forestry;
- Orchards (i.e., fruit and nut trees) combined with crops;
- Sylvo-pastoralism (livestock and tree combinations); and

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[9] Evergreen Agriculture: a robust approach to sustainable food security in Africa; Food Security September 2010, Volume 2, Issue 3, pp 197-214.

[10] Achieving mitigation and adaptation to climate change through sustainable agroforestry practices in Africa; Current Opinion in Environmental Sustainability 2014, 6:8–14.

[11] ibid

[12] Agroforestry solutions to address food security and climate change challenges in Africa**;** Current Opinion in Environmental Sustainability 2014, 6:61–67.

[13] ibid

- Inter-twinned agro-forestry.

The objective of pursuing these interconnected agro-forestry strategies is to:

- improve land use and water availability;
- reduce deforestation and risk of erosion;
- increase productivity through higher yields and lower costs;
- where possible, sequester carbon, improve soil and water management and increase bio-diversity; and
- enable local populations to generate higher incomes that are sustainable over time.

General exclusions

Moringa will not invest in any project or activity involving one of any of the following:

1. Forced labour[14] or child labour[15]
2. Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
   - o ozone depleting substances, PCBs (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides / herbicides or chemicals;
   - o wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
   - o unsustainable fishing methods (e.g., blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length).
3. Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations.
4. Destruction[16] of High Conservation Value areas[17].
5. Radioactive materials[18] and unbounded asbestos fibers.
6. Pornography and/or prostitution.
7. Racist and/or anti-democratic media.
8. In the event that any of the following products form a substantial part of a project's primary financed business activities[19]:
   a) Alcoholic Beverages;
   b) Tobacco;
   c) Weapons and munitions; or
   d) Gambling, casinos and equivalent enterprises.

Exclusions relating specifically to agro-forestry projects

[14] Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

[15] Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

[16] Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

[17] High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (See http://www.hcvnetwork.org).

[18] This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.

[19] For companies, "substantial" means more than 10 % of their consolidated balance sheets or earnings. For financial institutions and investment funds, "substantial" means more than 10% of their underlying portfolio volumes.

In addition, Moringa will not invest in projects involving:

- the planting or exploitation of only one single species (monospecific projects);
- deliberate introduction of any alien species with a high risk of invasive behaviour;
- Production or use of genetically modified organisms (GMOs)
- the generation of only one type of income from one single product or service;
- the destruction of protected areas or areas where special measures are being taken to conserve biological diversity[20];
- a negative carbon balance, with emissions exceeding the level of sequestration;
- the use of wood in an unsustainable way, so that the rate of harvesting exceeds the rate of replanting and growth;
- usage of land owned, or claimed under adjudication, by Indigenous Peoples, without full, documented Free Prior Informed Consent of such peoples;
- depriving communities of land and natural resources needed for their livelihood and cultural identity, including but not limited to energy, forest resources, water and genetic resources;
- a high degree of social conflict which is unlikely to be resolved;
- failure to secure adequate land rights based on local laws and customs
- profitability based solely or principally on land price increases.

Exclusions relating to inadequate standards

Moringa will also exclude projects with the following characteristics, unless it has full assurance that these points will be improved and/or properly mitigated[21] -

Environmental

- The rate of harvest of forest products exceeds levels which can be permanently sustained.
- No measures are taken to prevent and minimise outbreaks of pests, disease, fire or invasive plant inductions.
- The project lacks conservation areas
- The plantations of the project were established after the dates set by relevant certification standards by clearing primary forests (unless there is clear evidence that the project sponsor was not involved in that clearance either directly or indirectly) or any area containing one or more High Conservation Value
- Significant adverse impacts on the soil have been identified
- Significant adverse impacts on water (quantity and quality) have been identified without any mitigation plans
- The project does not or cannot make any efforts to protect the plants from water shortages in regions with major risks
- The project will have a negative impact on waterways and aquifers from chemical pollution, erosion along waterways, no adequate measures taken to protect waterways and aquifers during plantation and/or forest exploitation
- The project includes a dangerous or a polluting disposal of final waste
- The project has a negative carbon balance (emissions > sequestration)
- The project uses any chemical forbidden by local laws, relevant international treaties, and the FSC standards or other relevant certifications (Stockholm Convention on Persistent Organic Polluting Agents, List of Banned and

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[20] These areas are set up by countries as part of their commitments under the Convention on Biological Diversity.

[21] Note – application of this ESGMS will determine a project's compliance with these standards and ensure that a Corrective Action Plan is put in place where required.

Severely Restricted Pesticides in the US Environmental Protection Agency, Pesticide action Network Dirty Dozen Substances)

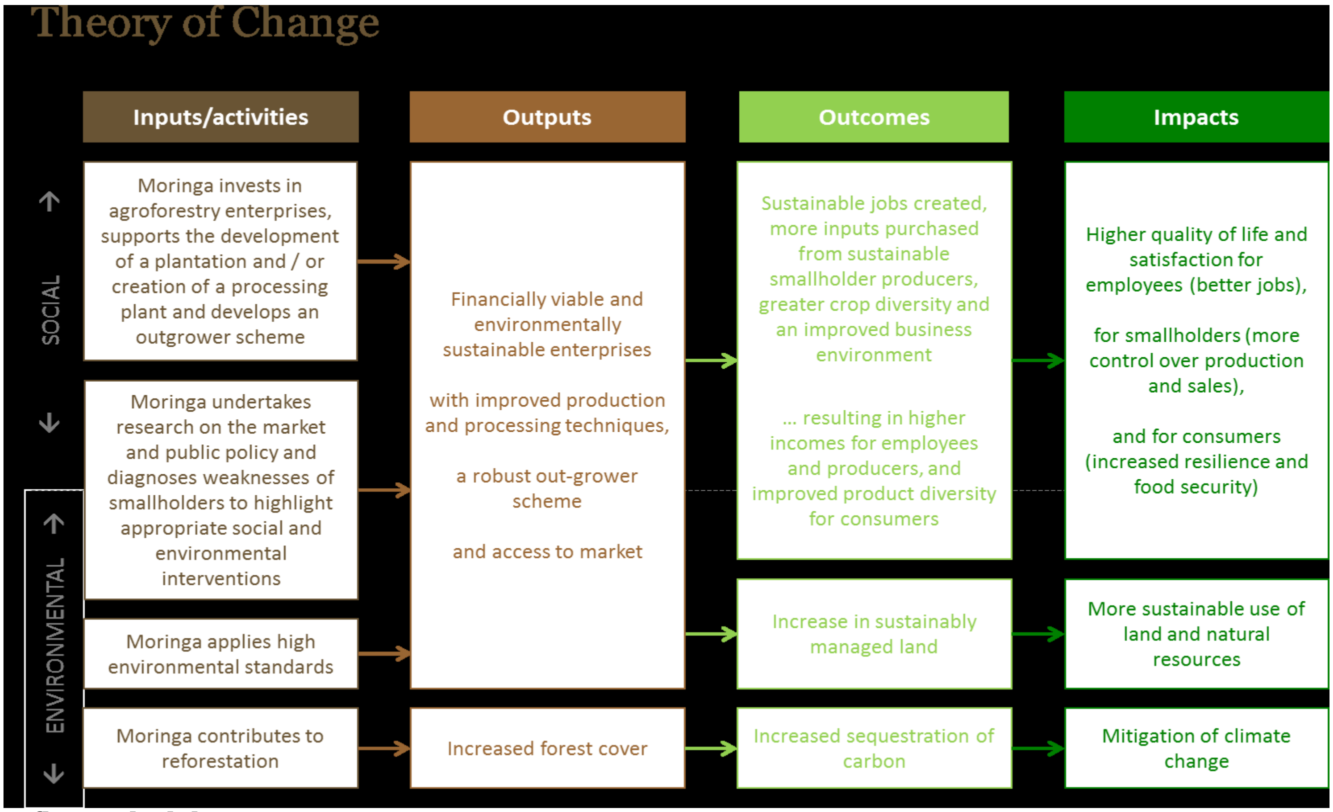
- The project uses pesticides listed on category Ia and Ib of the WHO Recommended Classification of Pesticides by Hazard or in other categories that are excluded by the national legislation
- The project does not comply with the International Plant Protection Convention and its International Standards for Phytosanitary Measures
- The projects have an unsafe usage, storage and disposal of chemical products leading to risks of contaminations of humans or the ecosystem (animals, water…)
- The project uses wood as fuel in an unsustainable way (harvest in forests without equivalent replantation or above natural regeneration capacities)
- The project involves planting sensitive or controversial trees such as eucalyptus and there has been no confirmation from an independent expert that they can be grown without negative impact in the proposed location

Social

- The project does not pay wages equivalent or above local minimal wages, poverty levels and industry standards
- The project does not respect local and national labor laws, ILO conventions, and doesn't pay all its due fees to national healthcare and social security systems. The workers don't receive health, retirement and social security benefits equivalent or above local industry standards
- The project does not take health and safety plans enable to protect the workers from avoidable work accidents and/or doesn't make sure that all measures are taken to ensure first help is available in case of accident
- Workers and their families have no access to social infrastructures and services such as: proper housing, schooling, healthcare, and religious facilities (either provided by the local government or by other means)
- Workers are not informed of their rights and are not allowed to organize themselves freely to represent and defend their interests and rights without threats or interference from the project management
- The project does not endeavour to be an equal opportunity employer, all employees are not given the same opportunities or treatment regardless of race, gender, origin, religion, etc.,
- Workers are not protected from discrimination and harassment, including sexual harassment
- The project uses solely external workforce / migrants while local workforce is available, and uses discrimination against local people in employment and/or in management
- The project is based on full export of production (more than 90% of the main product is exported AND there is no co-development of products for the local markets) unless this is demonstrably in the interests of the local community
- The project has a major negative impact on vulnerable, underserved people

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

Below is a chart displaying Moringa's theory of change based on expected social and environmental benefits:



GEF funding reflows schedule

Based on a minimum return agreed with FM, 7% hurdle rate, the expected reflows schedule for the GEF funding in Moringa project is as follows :

GEF investment	$12Million					
in '000$	Capital drawdowns	Managm. fees	Other fees	TOTAL	Distrib. - net of carried interest	Net after carried interest
2015	372	120	125	617	0	-617
2016	581	360	148	1 089	0	-1 089
2017	2 009	240	103	2 352	8	-2 344
2018	2 185	240	111	2 536	16	-2 520
2019	2 288	240	71	2 598	898	-1 701
2020	1 345	28	14	1 387	95	-1 292
2021	572	24	14	611	147	-463
2022	338	0	14	353	1 740	1 388
2023	240	0	14	254	3 844	3 590
2024	0	0	14	14	4 314	4 299
2025	0	0	14	14	5 865	5 851
2026	0	0	14	14	5 009	4 995
TOTAL CALLED	**9 930**	**1 251**	**658**	**11 840**	**21 936**	**10 097**
Cash available				160	160	160
Total commitment				**12 000**	**22 097**	**10 257**

The Moringa Agro-forestry Fund is a private equity fund raising equity in EUROs and the AfDB investment commitment in the fund is made in EUROs. However, the GEF investment is approved by the last GEF Council meeting (June 2015) in USD. Due to the currency difference, the Fund Manager will take in charge any FX risk occurred at disbursements and reflows.

In accordance with the Subscription Agreement, and notwithstanding any terms of the Shareholders Agreement, GEF's Commitment shall be made in US dollars (not EUR) and, accordingly, any sums required to be converted from US dollars to EUR or from EUR to US dollars shall be converted at the Applicable Rate (as defined in the Subscription Agreement).

The capital call notice would be issued for GEF investment in USD based on the proportion of its commitment in the Company. Once the proceeds from the draw down is received at the Company's bank account, the last price foreign exchange rate available on Bloomberg would be used to calculate the amount in EUR and also to calculate the number of shares to be issued to GEF. Shares would be issued based on the rate prevailing on the date the funds are received in the Company's bank account.

The Applicable Rate
Any sums required to be converted from US dollars to EUR or from EUR to US dollars shall be converted at the US dollar : EUR exchange available on Bloomberg as of the close of business on the Business Day immediately preceding the date of such conversion (the "Applicable Rate").

Reflows
All reflow payments will be made to the Trustee in USD by using the applicable rate.

A.8 *Knowledge Management.* Elaborate on the knowledge management approach for the project, including, if any, plans for the project to learn from other relevant projects and initiatives (e.g. participate in trainings, conferences, stakeholder exchanges, virtual networks, project twinning) and plans for the project to assess and document in a user-friendly form (e.g. lessons learned briefs, engaging websites, guidebooks based on experience) and share these experiences and expertise (e.g. participate in community of practices, organize seminars, trainings and conferences) with relevant stakeholders.

The Fund draws on a highly experienced management team with a balanced track record in the fields of agro-forestry, emerging markets private equity and carbon credits management systems. The Africa Fund will also leverage on three Memoranda of Understanding (MoU) signed by the SICAR with Centre de Coopération Internationale en Recherche Agronomique pour le Développement (CIRAD), the World Agroforestry Centre (ICRAF) and Institut de Recherche pour le Développement (IRD), three leading research institutes in the fields of agroforestry and tropical agriculture. These MoU are set to formalize the cooperation between Moringa and CIRAD, ICRAF and IRD in terms of scientific and technical research in the field of agroforestry, as well as on-field implementation of best-practices to benefit investee companies. It is additionally planned that the three institutes will be represented in a scientific committee which will advise the Fund on technical matters. Similar stand-alone arrangements between these institutes and the Fund are envisaged.

The scientific evaluation committee including representatives from CIRAD, IRD and ICRAF will review proposals ahead their presentation to the investment committee and advisory committee

The Fund will always exert a significant degree of control over its investments. Monitoring of the Fund's investments will be hands-on through regular formal and informal interaction with the Portfolio Company management and will have an active involvement over all the phases of the investment. The Manager will have a seat on the Boards of portfolio companies and will be instrumental in strategic decision-making. The knowledge and lessons learned from project investments will have a clear international avenue for sharing positive experience. The TAF will be critical for ensuring this knowledge dissemination of agro-forestry research and information.

B. DESCRIPTION OF THE CONSISTENCY OF THE PROJECT WITH:

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

The program is comprehensive in addressing focal area objectives related to biodiversity, climate change, and land degradation. As such, it is consistent with single countries' NBSAPs, NAPAs, and NAPs. The AfDB ensures that all investments and projects are demand-driven, respond to national needs and priorities, and are fully aligned with Poverty Reduction Strategy Papers (PRSPs) and coordinated with development partners. All the NBSAPs underscore the problems associated with land degradation and the need for biodiversity conservation. Moreover, the project will support African countries in meeting climate change targets captured in national plans and strategies, such as National Climate Change Strategies and related action plans: low carbon development plans/Nationally Appropriate Mitigation Actions (NAMAs), NAPAs, national communications to the UNFCCC, National Energy Plans and Strategies, and Technology Needs Assessments (TNAs).

The Land Degradation Focal Area embraces the landscape approach to promoting integrated natural resources management and provides the framework for eligible countries to utilize GEF resources for implementing the UNCCD and its 10-year (2008-2018) Strategy. The project advances the strategic objectives of the Strategy by: 1) improving the living conditions of affected populations; 2) improving the condition of affected ecosystems; 3) generating global benefits through effective implementation of UNCCD goals.

The GEF and Moringa investment strategy is well aligned with the AfDB's Long Term Strategy (LTS 2013-2022) focusing on inclusive green growth as the pathway to sustainable development and creating broad-based prosperity. This strategic fit should allow the Bank to significantly enhance Moringa's operations via its high public profile, sector expertise and network across the African continent. Specifically, the project is in line with the Bank's long term objectives on green growth as it will follow best practice forestry and agriculture standards, and inclusive growth, by ensuring the development of smallholder schemes around investee companies and helping the emergence of diversified related upstream and downstream industries, in the fields of logistics, forestry operations, and timber-related activities. The project also supports the LTS operational priorities. It will contribute to the development of African entrepreneurship, regional integration, and skills by fostering the creation of a whole new technical skill base for investee companies as well as smallholder farmers.

The Fund's investment focus is consistent with several of the Bank's Country Strategy Papers (e.g. Gabon, Cameroon, DRC, Ghana, Mozambique) which seek to promote rural development, enhanced natural resource management as well as private sector development. It seeks to attract capital and reach companies that generally have a limited access to financing.

The project also strongly aligns with the AfDB's Agriculture Sector Strategy (2010-2014) (AgSS) and Climate Change Action Plan (2010-2015) (CCAP). It supports the AgSS' second pillar which calls for enhanced natural resources management through a focus on forestry, SLM, and climate change mitigation and adaptation. The fund will enhance reforestation/afforestation, rehabilitation of degraded lands, community based management of natural forests, conservation of forest resources and watershed management, in line with the AgSS as well as the recommendations of the CCAP. The two strategies call for the Bank to support interventions that will help in reversing land degradation trends and sustaining the productivity of the natural resource by increasing productivity per unit of resource used.

Furthermore, the Fund is consistent with the Bank's Private Sector Strategy which emphasizes the provision of equity capital as a catalyzing force to attract resources for private sector development. The fund will also support inclusive growth through all sizes of African enterprises ranging from SMEs to larger corporations. It will contribute to jobs and wealth creation, value added production, use of domestic raw materials, capital formation, corporate profits, government revenues, export earnings, thereby boosting broad-based GDP growth. In addition, pillar III of the strategy focuses on supporting equitable and sustainable development of natural resources, restructuring and privatization, mergers and acquisitions towards enhancing economies of scale and competitiveness.

Finally, the investment fits into the the Bank's Agricultural Sector Strategy which is anchored on the NEPAD Comprehensive African Agriculture Development Programme (CAADP). The CAADP, supported by the African Union and NEPAD, provides a framework for accelerating agriculture growth in Africa. Agroforestry activities, and associated environmental benefits on rehabilitation/conservation/etc. will contribute to CAADP Pillar 1 (Extending the area under sustainable land management and reliable water control systems), Pillar 3 (Increasing food supply, reducing hunger, and improving responses to food emergency crise), and Pillar 4 (Improving agriculture research, technology dissemination and adoption.

C. DESCRIBE THE BUDGETED M &E PLAN:

The project will be implemented over a period of 84 months as from August 2015. For implementation monitoring, the Bank will conduct regular supervision missions, in accordance with the Bank portfolio performamce review (2 minimum supervision missions per year). The functions of the monitoring and evaluation of the project will be mainly carried out by the AfDB Private Sector Department / Portfolio Management Division (OPSM5) and in collaboration with the Fund Manager (FM) and the AfDB offices in different countries. Daily project monitoring is the responsibility of the FM team. It is the responsibility of the FM to inform AfDB and GEFSEC of any delays or difficulties faced during implementation so that the appropriate support or corrective measures can be adopted in a timely fashion.

The M&E plan for the project is consistent with the GEF policy monitoring and evaluation. The results framework of the project includes indicators for each outcome. These indicators will be the main tools for assessing progress in the implementation of the project and whether the project results have been achieved. The conception and implementation M&E plan will involve project stakeholders and beneficiaries, both as participants and contributors and as users and beneficiaries as appropriate. The M&E Plan includes the following activities: (i) tracking tool measurement (ii) monitoring of all project indicators, including assessment of project changes; (iii) periodic monitoring reports; (iv) independent terminal evaluation of the project; and (v) midterm review/evaluation: either by independent reviewer/consultant or government entity.

Procedures and standards used are those of the GEF-6 and AfDB in connection with the indicators in the project results framework. The implementation of the monitoring and evaluation will be preceded by a training of the project team and implementing partners on the tools of results-based management.

The proposed timeline for the Moringa PE Fund implementation is as follows (excluding potential extension):

CEO endorsement :	July 2015
Project start (loan agreement signature) :	August 2015
First PIR :	July 2016
Mid-Term Review :	September 2018
Terminal Evaluation :	June 2028
Expected date for complete investment of all GEF funding :	June 2020 – latest June 2022
Expected date of final reflows :	December 2027

Project Start Up and investment cycle: The Fund closure (2nd close) is almost completed pending to the GEF CEO endorsement of the non-grant funding. After this endorsement, it is expected to start the implementation by August 2015 for 5 years investment period. During this phase, the Fund will carry the following investment cycle for each investment prior to investment decision:

- Sourcing : Identification of relevant agro-forestry projects and conducted by investment advisor (IA) with support from ONFI.
- Prefeasibility study : First evaluation of opportunities to invest in further analysis. Evaluation of the project with regard to the exclusion criteria of the Moringa E&S System. This step is carried out by IA and also based on the

exclusion criteria. At end of this stage, a first technical and economical analysis is confirmed for opportunities for further analysis.

- Feasibility study : Project set-up including the Business Plan. A Project rating is set based on a first set of criteria of the Moringa E&S System ; identification of remaining elements to be analyzed in the due diligence.
- Due diligence : Detailed technical and economical analysis of the project is conducted by FM. A detailed rating of the project based on the Moringa E&S System Methodology is elaborated for investment decision of IC.
- Investment : The IC meet and decide on the investment based on the investment criteria of the Fund.

Project Implementation Report (PIR): AfDB will submit to the GEF Secretariat every year a PIR for the Moringa Africa Agroforestry Fund project before June 30, starting in 2016, including detailed implementation status This key report is prepared to monitor progress made since project start and in particular for the previous reporting period (30 June to 1 July). The PIR includes, but is not limited to, reporting on the following: (a) Progress made toward project objective and project outcomes - each with indicators, baseline data and end-of-project targets (cumulative); (b) Project outputs delivered per project outcome (annual); (c) Lesson learned/good practice; (d) other expenditure reports; (e) Risk and adaptive management; (f) GEF focal area tracking tools.

Fund Annual Report: The AfDB and all LPs will receive annual report on progress from the FM and will highlight the Fund operations during the year, progress vis-à-vis delivering the agreed project global environmental benefits will be assessed, project risks and assumptions will be detailed and mitigation measures proposed.

Supervision mission & Site visits. The Bank will carry a minimum od 2 supervision missions per year to the FM and some site visits in the countries where investment are made. A detailed supervision mission will be produced and shared with GEFSEC. AfDB will conduct visits to project sites based on the agreed schedule with FM. GEFSEC program manager may join site visits. A Field Visit Report will be prepared by the AfDB Office and will be circulated no more than one month after the visit to the FM and GEFSEC.

Mid-Term Review (MTR) will be accompanied by the GEF6 LD tracking tools (AMAT) for this project. The Bank will undergo an independent Mid-Term Review during mid-point of project implementation. The Mid-Term Review will determine progress being made toward the achievement of outcomes and will identify course correction if needed. It will focus on the effectiveness, efficiency and timeliness of project implementation; will highlight issues requiring decisions and actions; and will present initial lessons learned about project design, implementation and management. Findings of this review will be incorporated as recommendations for enhanced implementation. The organization and terms of reference of the mid-term review will be decided after consultation between FM and investees. The TOR for this Mid-term review will be validated by the AfDB. This independent expert will be recruited at least six months prior to the planned commencement of the mid-term review. The AMAT will also be completed during the mid-term review cycle.

Audit report: The fund will ensure that investee companies are always audited by credible external auditors, typically one of the Big Four firms. Their main function will be to produce audited annual financial statements. All LPs including GEF will have full access to the Fund annual audit report. The Bank will share this audit report with GEFSEC during the annual PIR.

Terminal Evaluations. An independent Final Evaluation will take place 1 year after to the project completion and will be undertaken in accordance with AfDB and GEF guidance. Preparatory activities for terminal project evaluations will commence 6 months after the project closure. The evaluation team will be selected and contracted four to six weeks before any planned evaluation missions and field visits, to ensure that the evaluation team is available and that stakeholders, are given sufficient notice. AfDB will develop the ToR with significant input from the project team, and technical input from the AfDB GEF Technical Advisor based. Before the ToR is finalized, it will be reviewed and commented on by the GEF operational focal point. Before the evaluation mission, and in order to facilitate the evaluator’s documentation review, the project team should compile a 'project information package' that brings together the most important project documents for use by the evaluation team. The final evaluation will focus on the delivery of the project’s results as initially planned (and as corrected after the mid-term review, if any such correction took place).

The final evaluation will look at impact and sustainability of results, including the contribution to capacity development and the achievement of global environmental benefits/goals. . The LD tracking tools will also be completed during the final evaluation. During the last three months, the FM team will prepare the Project Terminal Report. This comprehensive report will summarize the results achieved (objectives, outcomes, outputs), lessons learned, problems met and areas where results may not have been achieved. It will also lay out recommendations for any further steps that may need to be taken to ensure sustainability and replicability of the project's results. The AfDB Independent Development Evaluation Department (IDEV) will manage the terminal evaluation process. AfDB will submit a terminal evaluation (TE) report to the GEF Evaluation Office (EO) immediately after it is completed and no more than 12 months after project completion, expected by March 2028.

The table below summarizes the required reports for this project :

Report type	Prepared by	Responsibility	Preparation frequency/period	Submission
Annual Activity report	Fund Manager	Fund Manager	Annual	AfDB, GEFSEC
Investment Committee (IC) report	Fund Manager	Fund Manager	After every IC meting	LPs including GEF
Project Implementation Report (PIR)	Fund Manager	Fund manager/ AfDB	Before June 30, of a set fiscal year	AfDB / GEF Secretariat
Mid-Term Review report (MTR)	Independent consultant	Fund Manager / AfDB	per Reporting cycle agreed with the GEF	AfDB/ GEF Secretariat
Terminal Evaluations report (TE)	Independent consultant	Fund Manager / AfDB	Expected by June 2028 or no more than 12 months after project completion.	GEF Evaluation Office
Completion Project Report	Fund Manager/AfDB Task Manager	AfDB Task Manager	December 2027	AfDB / GEF Secretariat

PART III: CERTIFICATION BY GEF PARTNER AGENCY(IES)

A. GEF Agency(ies) certification

This request has been prepared in accordance with GEF policies[22] and procedures and meets the GEF criteria for CEO endorsement under GEF-6.

Agency Coordinator, Agency Name	Signature	Date (MM/dd/yyyy)	Project Contact Person	Telephone	Email Address
Mahamat Assouyouti African Development Bank	Assouyouti Mahamat	07/01/2015	Neeraj Vij	+22520263852	N.VIJ@AFDB.ORG

[22] GEF policies encompass all managed trust funds, namely: GEFTF, LDCF, and SCCF

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).

<table>
<tr><td colspan="7">Country and Project Name: MORINGA Agro-forestry Fund for Africa
Purpose of the project: Provide capital support to agro-forestry projects in SSA and catalyze private sector investment in the sector across SSA</td></tr>
<tr><th colspan="2" rowspan="2">RESULTS CHAIN</th><th colspan="3">PERFORMANCE INDICATORS</th><th rowspan="2">MEANS OF VERIFICATION</th><th rowspan="2">RISKS / MITIGATION MEASURES</th></tr>
<tr><th>Indicator (including CSI)</th><th>Baseline</th><th>Target</th></tr>
<tr><td>IMPACT</td><td>Increase growth in the agro-forestry sector</td><td>% growth in forestry and agriculture sectors in selected countries
% contribution to exports
% contribution to tax revenue</td><td>n/a</td><td>Growth target for forestry and agriculture to GDP, as per RMCs long-term plans.</td><td>Country Reports</td><td>National policies remain favorable to private sector development</td></tr>
<tr><td rowspan="4">OUTCOMES</td><td>Increased government tax revenues</td><td>Amount investee companies' taxes paid</td><td>0</td><td>Incremental tax revenues of USD 6.1 million by 2021</td><td>Country reports, portfolio companies' accounts, supervision reports</td><td rowspan="4">Good selection of investments

Active management support to portfolio companies

Effective monitoring of key indicators</td></tr>
<tr><td>Investment in agro-forestry projects addressing deforestation and climate change issues</td><td>Number of Ha planted or rehabilitated from new investments
Tonnes of CO² sequestrated</td><td>0

0</td><td>42,400 Ha reforested or rehabilitated
201,932 Ha under SLM

9,5million tons of CO² sequestrated/mitigated</td><td>Moringa reports, portfolio companies' accounts, supervision reports</td></tr>
<tr><td>Disbursements made to investee companies</td><td>Volume of investment disbursements at time of reporting</td><td>0</td><td>USD62.6 million</td><td>Moringa reports, portfolio companies' accounts, supervision reports</td></tr>
<tr><td>Increased number of agro-forestry projects reaching financial close</td><td></td><td>0</td><td></td><td>Moringa reports, portfolio companies' accounts, supervision reports</td></tr>
</table>

	Investee Employment	Number of Full-Time Equivalent Employees at the time of reporting of the investee. Number of outgrower farmers	0 0	5,800 FTE employees, out of which 2,320 are women 31,500 outgrowers reached, of which 12,600 are women	Moringa Reports	
	Returns distributed to shareholders	IRR	0%	Minimum net IRR of 10%	Moringa reports	
OUTPUTS	Equity capital raised for investments	Total amount in EUR million of capital commitments at second closing for the African compartment	0	USD 62.6 million	Fund Legal Documents	Availability of investment opportunities Competent, skilled team in place
	Agro-forestry projects identified, evaluated and approved	% of committed capital invested Total no. of portfolio companies at end of commitment period	0% 0	90% of committed capital invested 8 portfolio companies	Moringa reports, portfolio companies' accounts, supervision reports	
	Exited investments in the expected timeframe			10-12 % Net IRR		
	Technical Assistance Facility	execution rate for TAF		90%		
	Positive returns distributed to shareholders					
	Monitoring of development outcomes and E&S impact	Development outcomes and environmental reports	n/a	100% compliance of PCs with E&S guidelines	Annual ADOA and E&S impact reports	
KEY ACTIVITIES	Raising of EUR 62.6 million from DFIs and other investors Identify & evaluate developers for financing Supervise investments Exit investments in due time Provide Technical Assistance Facility Effect distribution to all shareholders and return original capital invested			**INPUTS** AfDB contribution: up to EUR 10 million GEF non Grant contribution : up to USD12 million Monitoring and supervision templates		

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

Comments at PIF	Actions Taken	Sections in the Document
GEF Secretariat Review		
All comments have been addressed before PIF technically cleared by GEFSEC	N/A	N/A
Council Member Review		
Germany's Comments		
Germany would like to emphasize that the final project proposal should clearly identify the planned sub-projects and consistently state the targeted land area (in ha) of the investment and the targeted land area (in ha) in the sub-projects as well as the targeted carbon sequestration.	AfDB duly notes the concerns and suggestions by the Germany regarding the sub-projects in Moringa Africa PE. The Moringa's dealflow gives information on the potential sub-projects. The impact objective document (attached) give all numbers on targeted land area (ha) and targeted carbon sequestration. Also, the Fund identified an indicated advanced pipeline of projects (see in PIF and attached) which gives an idea on investments and potential GEB. However, since this is a private equity fund under which investments will be assessed case by case before investment, the final investment proposal submitted for the Investment committee will clearly identify and describe the identified sub-projects, along with land size (ha) as well as targeted carbon sequestration. Since the AfDB seats at the IC on behald of GEF, such report will be shared with GEFSEC and Council members prior to investment decision has been taken.	See section A.7 list of advanced projects dealflow including number of Ha and long list of projects (number of Ha to be provided after feasibility study and due diligence).
Germany would like to emphasize that the envisioned mandatory certification scheme for sustainably produced biomass (energy plantations) needs to include appropriate environmental criteria with regard to conservation of biodiversity and local ecosystems, the use of agro-chemicals and water use, so as to avoid negative environmental impacts.	AfDB thanks Germany for this comment which is well noted. All appropriate safeguards are being taken and described in Moringa's Environmental & Social Management System (ESMS) which is included in the CEO endorsement documents package. They specifically includes safeguards on conservation of biodiversity and local ecosystems, the use of agro-chemicals and water use, so as to avoid negative environmental impacts. The ESMS comply with all the major norms in agriculture/forestry, such as the IFC performance standard, FSC certification, the	Moringa ESMS summary included in the CEO endorsement package

	VGGT (land tenure & food security), etc. It is available on request.	
Germany strongly suggest the inclusion of such safeguards for implementation of the sub-projects, to ensure that the envisaged agroforestry-energy plantations do not replace forest or fertile agricultural land and are planned in participatory manner.	AfDB duly notes the concerns of Germany regarding safeguards regarding conservation of biodiversity and local ecosystems. We want to highlight that these safeguards are already included in Moringa's ESMS. As an example, forest conversion is an exclusion criteria. Food security and the potential conversion of fertile agriculture land is also a key issue dealt with in the ESMS.	N/A
USA comments		
The PIF provides the following countries that the program might invest in: Kenya, Tanzania, DRC, Mali/Burkina Faso, Congo Brazzaville and West Africa (e.g. Ivory Coast, Sierra Leone). In addition to the West African countries listed, can we be assured that no other countries will receive funding? If not, what other West African countries might receive over 10% of the project resources?	The countries where investments are planned, are listed in the pipeline in section A.7. We have provided also an extended list of potential investments as well. However, no investment will receive more than 10 percent of Fund commitment, in accordance with the Fund risk exposure limit.	See section A.7

STAP comments

STAP recommendations	**Responses**
STAP acknowledges the African Development Bank's (AfDB) proposal "Moringa Agro-forestry fund for Africa" funded under the non-grant instrument pilot. STAP believes the proposal has potential in being innovative and demonstrating impact on agro-forestry's contribution to ameliorating land degradation in Africa, given the comprehensive institutional presence and outreach of the AfDB along with its multiple relationships with private and public partners in this domain. The proposal requires further work to understand better the possible contributions of the Moringa fund to agro-forestry and global environmental benefits. Additionally, there are a number of risks that need to be addressed before STAP can be certain of, and reasonably comment on, the technical validity of the project. Below, STAP describes these risks. STAP encourages AfDB to seek advice from agro-forestry experts in addressing these technical matters. STAP would be happy to provide suggestions of suitable experts.	AfDB wishes to thank STAP for the detailed technical comments, questions and suggestions below which it finds very pertinent. The AfDB recognizes, as does STAP, that there are critical technical details, risks and mitigation measures that must be assessed and applied. First and foremost, the AfDB wishes to underline the expertise and track record of the Moringa fund in agro-forestry and the fact that it abides by appropriate technical, social and environmental safeguards. It has a number of methodologies and procedures on risk mitigation, analyzing technical risk, guidelines for developing a baseline assessment, feasibility studies, etc. on which it draws for its investments. Furthermore, it should be highlighted that Moringa has strong technical and scientific partnerships, and actual agreements, with CIRAD, ICRAF, CATIE, CIAT, and IRD. In addition, different suggestions made by the STAP are covered by the TA Facility which will further strengthen the technical component of the sub-projects. Moringa is based on the

Below, STAP provides recommendations on how the proposal can be strengthened.	vision that its investments are both commercially viable and have a positive impact on local communities and on the environment. As such, careful feasibility studies are done and standards applied in each of its investments. These are better described below. AfDB wants to highlight that this project is already approved by its Board and the proposed GEF funding is considered as additional financing. Therefore, AfDB will not conduct an additional due diligence before implementation of the Fund including GEF co-financing. However, AfDB will follow-up with Moringa to address all comments and issues raised. The final project document for each investment (submitted for investment decision) will provide details and be shared with GEFSEC. AfDB has conducted a comprehensive due diligence (which can be shared with STAP and Council) on Moringa before approval of its investment in the Fund. It assessed Moringa's Environmental and Social Management System (ESMS) and deem this acceptable in line with current applicable policies, in particular compliance with its integrated safeguard system (ISS). It should be noted that the complete due diligence package includes number of documents (technical risks assessment, risk mitigation policy, framework agreement for scientific and technical cooperation, etc) which provide technical details responding to STAP comments. However, since those documents are strictly confidential, they cannot be shared to the GEF distribution list. A copy of this package can be shared with STAP if needed.
STAP suggests providing a general description of agro-forestry in Africa. This includes describing the socio-economic and ecological conditions that help influence farmers' agro-forestry management decisions. One source the project developers may wish to consult is Garrity D.P. et al. "Evergreen agriculture: a robust approach to sustainable food security in Africa" (2010). Food Security 2:197-214. The paper describes agro-forestry experiences across Africa, providing examples of how agro-forestry has influenced livelihoods and has the potential to contribute towards climate mitigation and adaptation.	The AfDB notes this important suggestion and has included a description of agro-forestry in Africa in the project document, with specific consideration for its potential to deliver socio-economic benefits, including diversified livelihoods and greater food security, its contributions towards climate change adaptation and mitigation, and on the conditions (socio-economic and ecological) that influence farmers' agro-forestry management decisions. The paper has been consulted, as will other experiences and technical case studies, particularly of countries in which Moringa invests. It should again be noted that Moringa is backed by a

	science committee supported by the World Agro-forestry Center, CIRAD, CATIE and IRD. (http://www.moringapartnership.com/web.php/12/en/about-us/partners). This type of study is typically the scope of the Agro-forestry Technical Assistance Facility, and existing studies can be shared with STAP and Council which analyse the drivers of deforestation and the agro-forestry approach as an alternative to forest conservation and single specie plantations with specific incremental impact on livelihoods and the environment.
Furthermore, a general description of agro-forestry is missing, detailing the following aspects: agro-forestry's potential contributions to food security and ecosystem services, information and knowledge needs of agro-forestry, and the challenges related to sustainable adoption of agro-forestry. The document makes broad statements on the multiple benefits of agro-forestry without citing evidence, and fails to acknowledge that different tree species deliver benefits to different extents, and that no single tree species will provide simultaneously all the benefits claimed. Providing this information will assist to: 1) strengthen the baseline of the project; 2) strengthen the rationale for the proposed components on improving agro-ecosystems and scaling-up successful practices; 3) define more clearly how the proposed activities support the project objective; and 4) improve the description of the global environmental benefits and the project's incremental reasoning. Currently, the proposal does not present logical reasoning in these four aspects.	This STAP suggestion is linked to point 1 and the AfDB and Moringa have duly noted it, agreeing that it strengthens the reasoning on which the project is based and the potential to deliver global environmental benefits. Moringa has detailed studies and strategies on agro-forestry (e.g. Background study: opportunity to invest in an agro-forestry investment vehicle) which can be shared and will be consulted, in addition to other scientific sources for citation. The aspects are examined and better described, e.g. potential contributions to food security and ecosystem services, risks and challenges regarding choice of trees and crops, etc.
Strengthening the baseline of the project (as recommended in #2), will assist in defining the incremental reasoning. STAP encourages strongly, therefore, for the AfDB to develop further the baseline so the global environmental benefits are defined clearly.	We acknowledge this point and will further describe the incremental reasoning in the project document, linked primarily to the scale-up of agro-forestry across Africa and consequent environmental impact. For each specific sub-project, a thorough baseline study will be prepared. Moringa has a methodology (Moringa: Guidance for developing a baseline assessment) detailing why and how baseline studies are conducted, in order to analyze the current situation and provide a picture before the intervention takes place, thereby allowing better monitoring and evaluation of impact on the ground and as regards social, economic and environmental benefits.
Additionally, STAP recommends detailing the agro-forestry practices in the target areas when these regions are defined. The agro-ecological zones should be described so	Moringa details the agro-forestry practices, agro-ecological zones, and local socio-economic context of the target areas once the latter are definite. This is typically

the characteristics influencing the selection of agro-forestry systems, and the adoption and management of agro-forestry are better understood in each target region. Factors influencing agro-forestry at each site, such as social, economic and cultural values, will likely be scale and time dependent; therefore, understanding better these factors will assist in developing appropriate agro-forestry technologies and practices.	done through pre-feasibility and feasibility studies before Moringa investments begin and therefore are already envisioned. AfDB can provide an existing example of feasibility study done in Tanzania by ONFi, ICRAF and CIRAD to strengthen the points made about this process (Agro-forestry development project Mbeya Region southwestern Tanzania: Feasibility Study).
STAP strongly encourages the AfDB to address the following issues which appear to be missing in the document:	AfDB acknowledges these important points and will surely address them during the process of project refinement. Some details are provided below. Responses for each point are detailed below
Address the catchment-scale hydrological impacts of the proposed agro-forestry systems is a critical issue in dryland or irrigated lands in Africa.	Hydrological impacts of the proposed agro-forestry systems are studied in detail and optimized for each agro-forestry sub-project (pre-feasibility, feasibility, due diligence).
Indicate how the competition for resources, nutrients and water between trees and crops be recognized and managed in the project. The proposal appears to assume that synergistic responses will always occur. However, published evidence of synergies in dry environments is limited, and competition is likely in many tree/crop configurations, especially involving eucalypts. Nevertheless carefully designed agro-forestry systems, using appropriate species and planting configuration, can deliver synergies.	Tree / crop interactions can indeed be synergetic, but also competitive. This is carefully investigated for each project by Moringa. The essence of agro-forestry is to use local and adapted species that are complementary. This choice shall be made in a participatory manner in line with Moringa's consultation guideline.. As mentioned above, Moringa will not finance a project that display one of the environmental and social characteristics (risk and impacts) set in the exclusion guidelines. The strategy of Moringa is to develop robust agro-forestry models and reduce risk in order to carefully design its investments and agro-forestry systems. Consequently, it has developed methodologies on reducing technical risk and risk mitigation which it applies to every project. Moringa's technical partners (ONFi) and scientific partners' support is requested and utilized for each project. They play a key role in risk evaluation and the corrective action plan to implement in each case.
Comment on the challenges, and expense, of establishing any crop, including trees, in degraded lands. Are the economics based on realistic figures for costs and growth rates in challenging environments?	We note this comment and are mindful of these challenges, particularly in more degraded environments. Moringa analyses are based on realistic figures on costs and growth rate potentials (as examples, the technical risk methodology and Tanzania feasibility study can be reviewed). It should be noted that if not excluded, dryland is not the primary focus of Moringa, but rather the tropical humid region, or intermediary zones (700 – 1300 mm /

	year).
Indicate what safeguards will be put in place to ensure that communities' interests are considered and protected in the development and implementation. The document refers to various social safeguards, and sensitivity to land ownership issues and to biodiversity conservation, yet also states (page18) that the fund will primarily target "partners who have already acquired land rights" (raising concerns over livelihoods and land tenure), and potentially invest in eucalypts grown for power poles (incompatible with agro-forestry and biodiversity enhancement). These statements appear inconsistent with the proposed environmental benefits and the safeguards.	The concern on safeguards and community interests is duly noted. As regards environment and social safeguards, Moringa has prepared an Environmental, Social and Governance Management System (ESGMS) which has been approved by the African Development Bank. The ESGMS complies with the main standards in agriculture and forestry, such as the IFC performance standard, FSC certification, the VGGT (land tenure and food security), etc. Moringa also has a comprehensive exclusion list which details where Moringa will not invest. Moringa's ESGMS procedures provide a robust process for identifying, assessing, mitigating, managing, monitoring and reporting on all ESG risks and, where possible, for identifying opportunities to add value. Moringa's ESG policies and procedures enable Moringa and its investee companies to focus on the specific areas which pose the greatest potential risks for stakeholders and for the success of the Fund. Moringa recognises the need to identify and manage specific potential environmental risks in particular areas, including biodiversity, resources and waste, water, climate change, and hazardous substances. Moringa's policies for these risk areas, and associated procedures, are clearly outlined in the ESGMS that can be shared on request. The ESGMS also indicates the social policies and procedures Moringa and its investee companies shall adhere to identify, assess, mitigate, manage, monitor and report on social issues affecting their operations and activities. Moringa also believes that local populations and communities should have their say about projects that can affect their lives and that in return their involvement at an early stage can significantly improve the profitability and overall strength of the projects. The process adopted for community consultation will depend on whether the project is already established, what the process of consultation has already involved, who has been involved in it, and how credible it has been. Moringa requires investees to have a plan in place for consultation with the local community and report (on a quarterly basis during project development and bi-annually thereafter) the process and outcomes from community consultation.

	Regarding "partners who have already acquired land rights", this means that Moringa should not partner with entities / farmers that have contested land rights. One of the objective of the TA facility is to give support to farmers that do not have legal land rights (titrisation) and often do not benefit national / cooperation / private programs. (e.g. TA facility concept note - NIP). The statement in the report will be redrafted to clarify that. Moringa has prepared the Environmental, Social and Governance Management System (ESGMS) (this document can be shared) to ensure that all of the investments it makes are carefully scrutinised to meet the high standards and ambitions set by the fund itself and to comply with the requirements of its investors. Preparation of the ESGMS has involved input from external experts with many years of experience in designing and applying ESGMSs. The ESGMS also makes use of the AfDB Integrated Safeguards Systems (ISS) policy and operational procedures and IFC Environmental and Social Risk Performance Standards. Moringa's ESGMS guides and, where necessary, constrains the relationship between Moringa, its portfolio companies and its broader universe of stakeholders. The Moringa investment team is committed to working closely with its portfolio companies, helping them to manage environmental, social and governance issues in a way that ensures that risks are identified and addressed, and to look for ways to enhance the positive impact of its investments. In this regard, Moringa actively pursues strategies to create value and achieve commercial success by embedding environmental and social best practices into the fund investment process. In certain cases, ONFI will provide its own technical expertise in support of project development and in assessment of project feasibility. In other cases, additional specialised technical expertise in certain areas of agro-forestry and community relations will be required in order to ensure that risks are properly evaluated and managed, and opportunities for value addition are identified. In such cases, Moringa will hire reputable consultants to complement Moringa and ONFI. Moringa has made strategic partnerships with world renowned research centers such as the CIRAD, IRD and ICRAF and also with

	specialized NGOs. Moringa seeks to adhere to its ESGMS procedures and encourages portfolio companies to comply with the same. Moringa's ESMS covers all the main requirements of the five operational safeguards: Environmental and social assessment (OS 1); Involuntary resettlement land acquisition, population displacement and compensation (OS 2); Biodiversity and ecosystem services (OS 3); Pollution prevention and control, hazardous materials and resource efficiency (OS 4); Labour conditions, health and safety (OS 5). The ESGMS makes reference to relevant international standards, such as ILO, Rotterdam and Stockholm Convention, OECD, Convention on Biological Diversity, World Agro-forestry Centre, IPPC and FAO.
Indicate how learning and recommendations from experience with Jatropha will be considered in the proposed project. There are a number of risks (social, food security, and agro-ecological) to consider when planting Jatropha. The project developers could refer to the following assessment done by the Netherland's Ministry of Economic Affairs, Agriculture and Innovation: http://english.rvo.nl/sites/default/files/2013/12/Report%20Jatropha%20assessment%20-%20Copernicus%20-%20NPSB.pdf	The concern over Jatropha is pertinent and noted. Thank you for the reference which will be consulted. The use of Jatropha is not new for Moringa (please see the technical risk methodology showcasing the case of Jatropha), nor is it a new practice for the GEF, as projects were financed and are still active in, for example, Mali and Burkina Faso (GEFID #3699, #4073). For the moment, Moringa does consider that this species could work well in agro-forestry systems in hedges. However, the domestication of the species is still in process and the yields remain uncertain. This is why, Jatropha, if not excluded, will only be considered if pilots have already demonstrated concrete benefits / yields following use of the specie. As explained, the E&S standards will be applied in each case.
Indicate what techniques will be used for reforestation, avoided deforestation and land degradation. The document refers to state of the art techniques on these topics (page 12), but is silent on what techniques are referred to.	AfDB recognizes the need for this clarification and the specific techniques to be used will be delineated during project design. The three main agro-forestry systems targeted by Moringa are: - Permanent crops under shade - Agro-sylvo- pastoralism - Intertwined / alley cropping schemes Currently, it does not appear that Moringa will be used in any of the proposed projects. If this is the case, STAP questions why Moringa will not be planted, given it is a suitable agro-forestry tree species. *Response* Thank you for the issue raised. We do not exclude the use of Moringa. However, whether or not Moringa will be

	used will depend on findings emerging through pre-feasibility and feasibility studies per site.
STAP recommends for the AfDB to consider how the projects will contribute to knowledge generation and management, and how the AfDB will be a repository for this learning. The current description of knowledge management (section 7) does not appear to detail how the project will learn from other projects, or similar initiatives. Furthermore, STAP recommends for the AfDB and its partners to contribute to the following learning gaps identified by researchers and practitioners of agro-forestry systems in Africa: • What tree species work best under given site conditions? • Which tree-crop site combinations are complementary and what are the trade-offs? • How can agro-forestry support ecosystem services and what methods can be used to measure the impact of agro-forestry on ecosystem services? These and other learning questions are identified by C. Mbow et al. (2014) in "Agro-forestry solutions to address food security and climate change challenges in Africa". Environmental Sustainability 6:61-67. Helping to answer these questions will strengthen knowledge about agro-forestry and particularly, contribute to learning of what systems work where, under what conditions and for whom.	This important recommendation on knowledge generation and management is well noted and will be given due consideration. Given the importance of agro-forestry, its potential to deliver both food security and environmental benefits, and the current attention placed on it, how the AfDB plans to produce and share knowledge and build synergies with other ongoing initiatives will be expanded during project design. We agree that the AfDB and Moringa should be and will be a repository for this learning and address (or contribute to reducing) the critical knowledge and data gaps that currently revolve around the agro-forestry system in Africa. Actually, one of the key objectives of the Moringa TA Facility is knowledge generation and management. We appreciate the guiding questions.
As the project developers design the proposal, STAP recommends considering a conceptual framework that helps understand the characteristics (ecological and socio-economic) influencing farmers' agro-forestry management decisions, and their potential impact on ecosystem services. One framework the project developers may wish to consider is in J. Ordonez et al. (2014) "Constraints and opportunities for tree diversity management along the forest transition curve to achieve multifunctional agriculture". Environmental Sustainability (2014) 6:54-60. The framework relies on a multi-stakeholder analysis and helps to identify knowledge and data needs, which can help strengthen the learning from interventions and their potential for replication and up-scaling across areas.	AfDB and Moringa will be glad to consider such a framework, especially one that is based on multi-stakeholder analyses, and thanks STAP for the recommendation.
For the section on gender, STAP recommends for the AfDB to draw from its Gender Strategy http://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/2014-2018_-_Bank_Group_Gender_Strategy.pdf. Additionally, the	The AfDB appreciates the suggestion and will surely draw from its own gender strategy and the above reference paper to amplify the section on gender and better define how different gender roles, realities, and needs will be considered during project implementation.

project developers may wish to refer to the following document on gender and agro-forestry: Kiptot, E. et al. "Gender, agro-forestry and food security in Africa". Environmental Sustainability 2014, 6:104-109.	

ANNEX C: STATUS OF IMPLEMENTATION OF PROJECT PREPARATION ACTIVITIES AND THE USE OF FUNDS[23]

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

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

ANNEX D: CALENDAR OF EXPECTED REFLOWS (if non-grant instrument is used**)**

Provide a calendar of expected reflows to the GEF/LDCF/SCCF Trust Funds or to your Agency (and/or revolving fund that will be set up)

Please supply one table of estimated reflows for **each planned or expected investment** within the Project/Program. After each investment is negotiated and approved by the Agency, the Agency will supply the final reflow schedule to the GEFSEC and GEF Trustee.

Item	Data
GEF PMIS #	9051
Agency	AfDB
Investment Name or Number	MORINGA Agro-forestry Fund for Africa
Regional Description	Multinational
Description of Investment Purpose	Moringa will invest in scalable, replicable agro-forestry projects in Sub-Saharan Africa. The Fund will invest in projects that combine plantation forestry (producing biomass, fuel wood or timber) with agricultural elements (producing staple food crops for local markets and/or niche export crops) to capture most of the value chain.
Estimated Agency Board approval date	July 15th 2015
Investment Type Description	GEF investment in Private Equity along with AfDB investment with same financial terms and maturity
Type of non-grant instrument[24]	Equity
Expected start of investment	August 10th 2015
Amount of investment (USD GEF funds)	USD 12million
Amount of investment (USD co-financing)	USD 50.8million
Estimated interest rate/return	Target Gross IRR : 10 - 12%, Hurdle rate : 7%
Term of investment	12 years (up to 4years extension subject to AC approval)
Estimated Reflow Schedule	
Repayment method description	Dividends, interest payments and proceeds of share sales.
Frequency of reflow payments	Semi-annual payments However, there is no fixed schedule for payments – the fund distributes any amounts received within 60 days of receipt.
First repayment date	2017 (expected)
First repayment amount	TBD
Final repayment date	2027
Final repayment amount	USD22.097 using minumum 7% hurdle rate
Total principal amount to be reflowed	USD12million

Total interest/earnings amount to be reflowed	USD10.097 using minimum 7% hurdle rate

AFRICAN DEVELOPMENT BANK

ADB/BD/WP/2014/145
11 September 2014
Prepared by: OPSM
Original: English

Probable Date of Board Presentation To be determined	FOR CONSIDERATION

MEMORANDUM

TO : THE BOARD OF DIRECTORS

FROM : Cecilia AKINTOMIDE
Secretary General

SUBJECT : MULTINATIONAL - MORINGA AGRO-FORESTRY FUND*

EQUITY INVESTMENT OF EUR 10 MILLION

Please find attached the Appraisal Report pertaining to the above-mentioned project.

The Credit Risk Memorandum, ADOA Rating, KPIs and draft Resolution will be submitted separately as addenda.

Attach:

Cc: The President

Questions on this document should be referred to:

Mrs. K. DIALLO	Director	OPSM	Extension 2147
M. N. VIJ	Officer-In-Charge	OPSM.2	Extension 3852
Mrs. Z. ZERYOUHI	Task Manager	OPSM.2	Extension 1790

SCCD:F.S.

AFRICAN DEVELOPMENT BANK

Reference No: P-Z1-AAD-004
Task Manager: Subha NAGARAJAN / Zineb ZERYOUHI

MULTINATIONAL

PROJECT APPRAISAL REPORT

MORINGA AGRO-FORESTRY FUND

September 2014

This report is made available only to staff members to whose work it relates. Any further release must be authorized by the Director, OPSM.

Contents

LIST OF TABLES AND FIGURES

LIST OF ANNEXES

ABBREVIATIONS

AC	Advisory Committee
AECID	Agencia Española de Cooperación Internacional para el Desarrollo
AfDB	African Development Bank
AgSS	AfDB Agriculture Sector Strategy
BOAD	West African Development Bank
CAF	Corporación Andina de Fomento
CBR	Compagnie Benjamin de Rothschild
CCAP	Climate Change Action Plan
CCBS	Climate, Community and Biodiversity Standard
CFC	Common Fund for Commodities
CSP	Country Strategy Paper
DFID	Department for International Development
DFIs	Development Finance Institutions
E&S	Environmental and Social
EADB	East African Development Bank
ESIA	Environmental and Social Impact Assessment
FFEM	Fonds Français pour l'Environnement Mondial
FIP	Forestry Investment Program
FSC	Forest Stewardship Council
GBCL	Global Business Company License
GDP	Gross Domestic Product
GP	General Partner
GS	Gold Standard
IC	Investment Committee
IDC	Industrial Development Corporation
IRR	Internal Rate of Return
LA	Latin America
LPs	Limited Partners
LTS	AfDB's Long Term Strategy
SMEs	Small and Medium Enterprises
ONFI	Office National des Forêt International
SAN	Sustainable Agriculture Network
SCA	Société en Commandite par Actions (Limited Partnership with Shares)
SEMS	Social and Environmental Management System
SICAR	Société d'Investissement en Capital à Risque (Investment Company in Risk Capital)
SSA	Sub-Saharan Africa
UNEP	United Nations Environment Programme
MoU	Memorandum of Understading
CIRAD	Centre de Coopération Internationale en Recherche Agronomique pour le Développement
IRD	Institut de Recherche pour le Développement
ICRAF	World Agroforestry Centre (previously International Centre for Research in Agroforestry)

PROJECT SUMMARY – Moringa Fund	
Fund Description	Equity investment in Moringa Africa Fund, a private equity fund that will invest in manageable scale agroforestry projects in Sub-Saharan Africa (SSA). The Fund will invest in projects that combine forestry activities (timber, industrial tree crops or fruit trees) with agricultural elements to capture the value chain. Moringa will take controlling stakes in 8 – 12 projects with financial stakes from EUR 4 to 12 million, focused on scaling up successful pilot studies that have been carried out over several hundred hectares. The Fund will have access to a Technical Assistance Facility. The Bank will co-invest with the Africa component of Moringa S.C.A, a Luxembourg SICAR ("the SICAR") with the ability to invest in Latin America as well as Africa. The SICAR allows investors to pursue the same investment strategy across both geographies.
Fund Manager	La Compagnie Benjamin de Rothschild (CBR) and ONF International (ONFI), the international subsidiary of Office National des Forêts in France, are Fund sponsors. CBR provides back-office and investment platform, while ONFI contributes agroforestry technical expertise and regional presence with over 30 experts in SSA and LA.
Cost Structure and Financing Plan	The Fund will have an investment period of 5 years, extendable for two additional one-year periods; and a term of 12 years, with possible extensions up to 4 years. The Fund expects to hold its portfolio investments for 6–10 years. The SICAR's target capitalization is EUR 100 million across both compartments, with a first close of EUR 51.2 million in Q3 2013, of which EUR 24.25 million for the African compartment. CBR committed EUR 3 million, allocated equally to each compartment. The Fund will target a 7% hurdle rate, with 2% management fees.
Bank's Role	Equity investment of up to EUR 10 million in the Moringa Africa Fund, subject to the Bank's limit of maximum 25% exposure in the investment vehicle. The Bank is looking to bring the Forestry Investment Program (FIP), a program within the Bank managed Climate Investment Funds (CIF), to co-invest in a subordinated shareholding class.
Implementation Arrangements	Moringa Africa Fund is in the process of being incorporated as a limited life company under the laws of Mauritius and will hold a Category 1 Global Business Company License (GBCL1) under the Mauritian Financial Services Act 2007.
Market	Africa captures a small fraction of the global investment in agribusiness, despite the Continent's vast uncultivated arable land and global resource potential. Demand for energy in Africa is boosting the need for plantations supporting fast growing tree species such as Melina, Acacia, and Eucalyptus. Population growth and urbanization are pushing up staple crop prices, while the emerging middle class is demanding a more diversified diet. The Fund will contribute to these investment needs, and through demonstration effect, catalyze additional investment for sustainable agroforestry industries across SSA. The Fund is very sensitive to issues associated with land ownership such as land grabbing, and will not pursue investments that are principally justified on the basis of increase in land value or that will exclude the participation and benefit to local populations.
Justifications for the Bank's Involvement:	
Strategic Alignment	The Moringa investment strategy is aligned with the Bank's Ten-Year Strategy (2013-2022), focusing on inclusive green growth as the pathway to sustainable development and creating broad-based prosperity. The Fund is also well aligned with the Bank's Climate Change Action Plan (CCAP), which aims to support investments to reduce the Continent's vulnerability to climate change.
Commercial Viability	The Fund's returns will be via capital value appreciation of underlying investments upon exit and short/medium term cash flows from projects. The agroforestry investment strategy improves the risk/return profile of underlying investments by capitalizing on synergies that improve productivity (higher yields/lower costs), diversify revenue streams, and reduce project payback periods. Success factors include ONFI's track record in agroforestry development and investment, and proprietary deal flow. The Fund targets a minimum 10 – 12 % annual net IRR.
Development Outcomes	The Fund will drive better land management, higher and more sustainable income for local populations, and a positive environmental impact on carbon storage, soil/water management and biodiversity. By investing in sustainable agroforestry solutions, the Fund will assist Governments in meeting their adaptation and mitigation targets. In addition, Moringa will contribute to enhanced food security through staple crops intertwined with the forestry operations.
Additionality and Complementarity	By bringing its own resources, and potentially those from the Bank managed FIP resources, the Bank's total contribution will help the Fund reach its capitalization target and crowd in other investors.
Processing Plan	
Project Appraisal Team	S. Nagarajan (OPSM.2); Z. Zeryouhi (OPSM.2); L. Picard (OPSM.5); E. Wiss (FFMA.2); M. Kinane and E. Auer (ONEC.3); P. Chinyerere (GECL.2); J. Moyo and Q. Meng (EDRE); L. Attoh (FFCO.4); M. Duarte (ONEC.3)
Concept Review	June 2014
Final Review	July 2014
Board Approval	September 2014

1. INTRODUCTION

1.1. The Moringa Agro-forestry Fund (“the Fund” or “Moringa”) will target investments in manageable scale (3,000 — 15,000 ha) agroforestry projects, combining sustainable forestry activities (timber, industrial tree crops or fruit trees) with agricultural activities. Moringa will provide growth equity to scale up successful pilot projects that integrate the environmental, social as well as economic aspects of sustainable development. The Fund will have access to a Technical Assistance Facility, which will provide resources to strengthen the development impact of underlying investments.

1.2. Agroforestry is the spatial and temporal combination of trees and crops or animals in the same location, with positive biological and economic synergies. The agroforestry approach leads to more financially robust projects, better land management, higher productivity (increased yields/lower costs), higher and more sustainable income for local populations, and positive environmental impacts on carbon storage, soil/water management and biodiversity.

1.3. Due diligence and project appraisal were carried out in June 2014, including a site visit to a potential portfolio company in Kilifi, Kenya. During this period, required documentation pertaining to the Fund, its pipeline and track record of the team were reviewed and assessed. Extensive discussions were also held with the Fund Manager and other investors to ensure alignment of interests with the Bank. This appraisal report is based on the findings of the due diligence.

1.4. The appraisal report is organized into four sections. After the introduction, the second section provides a description of the Fund and Fund Manager. The third section provides justification for the Bank’s involvement focusing on the expected development impact, the project’s commercial viability and alignment with the Bank’s strategic objectives, including additionality and complementarity of the Bank’s involvement. The final section summarizes the main conclusions and presents Management’s recommendations.

2. THE PROJECT

2.1. Project Description

2.1.1. The Fund’s investment strategy is to leverage the growing timber and agricultural markets to create attractive returns while mitigating risks by generating diversified revenue streams via complementary local and export markets, based on fixed off-take arrangements for timber, biomass, and agricultural products. The combination of trees and other woody plants with agricultural crops or animal husbandry have the following benefits:

- Soil improvement, erosion-control, water availability and improved micro-climatic conditions;
- The production of timber, firewood, as well as tree crops (fruits and nuts), avoiding deforestation in adjacent forest areas;
- Improved productivity (higher yields per ha) and profitability;
- Resilience in relation to changing climatic conditions;
- The potential for tradable environmental credits (including carbon credits);
- Inclusive growth models incorporating outgrower schemes, local entrepreneurship and employment;
- Improved long term viability of the local economy and livelihood of local communities.

2.1.2. In order to capture as much of the value chain on exit, Moringa will provide growth equity to scale existing pilot projects that have been carried out over several hundred hectares, investing in expansion of forestry and agricultural elements as well as processing facilities. In addition, Moringa will focus on the development of outgrower schemes with the potential for creating substantial income growth and livelihood improvements for smallholder farmers.

2.1.3. The Fund will target controlling investment stakes in greenfield and brownfield projects, with an investment ticket size expected between EUR 4 - 10 million in 8 - 12 projects, depending on the achieved capitalization of the Fund. An underlying investment will consider integrating routes to market and associated logistics to each portfolio project, to ensure every stakeholder is incentivized to contribute to its commercial success.

2.1.4. Moringa will use best practice planting techniques and the benefits of the agroforestry approach to improve soil fertility and work against deforestation. The capacity of agroforestry projects to refertilize soils will (i) allow the fund to target projects located in reduced-fertility savannahs or eroded, compacted and damaged land in Africa, as well as (ii) enhance the attractiveness of underlying portfolio investments on exit. The company will not invest in projects that involve the management of natural forests. All investments will be compliant with AfDB environmental and social assessment and performance standards. All portfolio investments will obtain Forestry Stewardship Council (FSC) certification as well as ensure that all activities and products obtain appropriate certification.

2.1.5. The fund manager is very sensitive to issues associated with land ownership such as land grabbing, and will (i) primarily invest alongside partners who have already acquired land rights, and (ii) avoid investments that are principally justified on the basis of increases in land value or that exclude the participation and beneficiation of local populations. Moringa capital will not be used to purchase or acquire land. The returns to the fund will be via both capital value appreciation of the underlying portfolio investment at exit and the short to medium term cash flows from the projects various revenue streams.

2.1.6. Moringa Africa Fund is targeting a capitalization of EUR 50-60 million, having reached a first closing of EUR 24.25 million in August 2013, and an additional EUR 0.65 million since then. Final close is currently scheduled for August 2014 in the fund documentation; however existing investors have granted the fund manager an extension of up to 6 months due to the challenging fund raising environment. The Fund will have an investment period of five (5) years, extendable for two additional one-year periods; and a term of twelve (12) years from first close, with one possible extension of 2 years followed by two further possible extensions of one year. All extensions will be subject to consent from the Advisory Committee (AC), on which the Bank will have a seat. The Fund will hold its portfolio investments for a period of 6 – 10 years. Moringa will target investments in Ivory Coast, Sierra Leone, Ghana, Nigeria, Kenya, Tanzania and Mozambique. Secondary focus countries include: Benin, Burkina, Liberia, Mali, Niger, Senegal, DRC, Gabon, Cameroon.

2.1.7. In addition, Moringa will benefit from a Technical Assistance Facility (TAF). The TAF will draw on a dedicated pool of financial resources anchored by the Fonds Français pour l'Environnement Mondial (FFEM) with a EUR 1.2 million investment. The TAF will be independently managed by the Common Fund for Commodities (CFC), who together with DFID and UNEP are expected to invest EUR 1.5 million. The TAF resources will be used to (i) strengthen underlying portfolio projects, specifically to enhance the socio-economic benefits of underlying investments and (ii) disseminate research on contributions of agroforestry. The TAF is targeting a capitalization of EUR 5 million through grant resources. The CFC will independently review, clear, and supervise TAF funding requests. An Advisory TAF committee will supervise and monitor the management of the TAF. The programs will be implemented by technical partners, consultants, and NGOs.

2.2. Sponsor

2.2.1. Moringa is sponsored by La Compagnie Benjamin de Rothschild (CBR) and ONF International (ONFI), the international subsidiary of Office National des Forêts in France. CBR provides a strong back-office and investment platform, while ONFI contributes agro-forestry technical expertise and strong regional presence with over 30 experts in Sub Saharan Africa (SSA) and Latin America (LA).

2.2.2. **CBR** is an investment bank that currently manages 4 Private Equity funds in clean technologies. Founded in 1989, CBR, based in Geneva, Switzerland, is part of the Edmond de Rothschild Group. The value addition of CBR to Moringa comprises (i) in-depth experience in fund and risk management and a broad range of relationships with major industrial companies, financial institutions and family offices; (ii) access to deal sourcing through these relationships as well as through connections with public and financial institutions; strong compliance and governance standards and participates in the board and investment committee of Moringa.

2.2.3. CBR also runs one of Europe's leading project finance departments, which specializes in structuring public private partnerships in order to finance infrastructure and environmental projects. The experience that CBR has acquired in infrastructure, Africa, Latin America and environmental issues has supported the creation of several private equity funds in Europe and in Africa:

- BeCapital: The fund was initiated by CBR with Cobepa and BeCitizen and focuses on expansion capital investments in cleantech companies. It manages USD 200m and has invested in 6 companies in France, Switzerland, the UK and the US. 1 exit has been realized in 2014;
- Ginkgo: The fund aims to acquire a portfolio of environmentally impaired sites in France and Belgium, remediate the land and then sell the repositioned property to third parties at a premium. The fund, initiated by CBR, manages USD 110 million and is 92% committed in 6 projects, in France and Belgium.
- Amethis Finance: The Fund specializes in growth equity and debt and focuses on the most dynamic and diversified mid-sized companies in the consumer-related sectors (financial sector, energy & infrastructure, agribusiness, and industry and services). Amethis manages USD 530 million, and has invested in 5 companies.
- TIIC: The Fund was initiated by CBR with Brisa (a Portuguese industrial company) and Millennium Investment Banking (a Portuguese investment bank) to invest in transport infrastructure projects. It manages USD 190million and is fully committed in 6 projects.

2.2.4. **ONFI** is a subsidiary of the French Office National des Forêts (ONF), a publicly-owned institution dedicated to sustainable forest management since 1964. ONF has 10.5 million ha of forests currently under ownership and/or management. ONF International (ONFI) was created in 1997 to valorize the know-how of ONF outside France. It is an environmental expertise group specializing in the sustainable management of forest-based ecosystems and the fight against global warming. ONFI provides both public and private players with integral solutions to include the role of forests and trees in land use development. ONFI has created several subsidiaries (ONF Brazil, ONF Conosur, Sylvafrica and ONF Cameroon) and employs 80 permanent personnel in 13 countries. This puts ONFI in a unique position to source agroforestry investment opportunities for the Moringa fund, assess the viability of projects, and ensuring their effective management. Details on ONFI project implementation track record can be found in Annex 2.

2.3. Cost Structure and Financing Plan

2.3.1. The Moringa Africa Fund reached a first close of EUR 24.25 million, targeting a total capitalization between EUR 50-60 million. . Table 1 shows:

	Moringa Africa (million EUR)	Latin America (million EUR)	Total
First Closing	**24,25**	**26,95**	**51,20**
Proparco	5,00	-	5,00
AECID (Spanish development agency)	7,50	7,50	15,00
CAF (Corporación Andina de Fomento)	-	7,70	7,70
FinnFund	2,50	2,50	5,00
FMO	3,75	3,75	7,50
Korys	2,50	2,50	5,00
Waterloo Foundation	1,50	1,50	3,00
CBR	1,50	1,50	3,00
Second and Final Closing	**36,50**	**12,30**	**48,80**
Private investor	0,65	0,45	1,10
AfDB	10,00	-	10,00
Forestry Investment Program (FIP)	10,00	-	10,00
European Investment Bank	5,00	5,00	10,00
West African Development Bank (BOAD)	4,00	-	4,00
Impact Investors	6,85	6,85	13,70
Total size	**60,75**	**39,25**	**100,00**

2.3.2. The Fund will consist of at least two classes of shares amongst LPs, while still providing a priority return of all capital contributions and preferred returns to investors before the GP receives any carried interest (profit) distribution. The tiered capital structure is intended to attract commercial investors who might otherwise view the projected return to be at risk in case of delays or adverse outcomes given the inherent risks of agriculture and forestry sectors in SSA.

– Participating Shares: reserved for the Investment Team, CBR and ONFI. ONFI and the Investment Team will hold twenty-five percent (25%) of the distribution rights, respectively, and CBR fifty percent (50%). Participating Shares entitle their holders to receive the Carried Interest after payment of the Preferred Return to holders of Investors Shares.
– Investors shares, issued to the Investors pro rata to their Capital Contributions. It is expected that DFIs and impact investors will support this tranche.

2.3.3. The Fund will provide a 7% hurdle rate. Carried interest of overall profits for fund investments will be shared between LPs/GP on an 80/20 split. The distribution waterfall is detailed in 2.5.9. During the investment period, management fees are calculated on total commitments at 2% per annum of capital commitments. Post investment period, the management fees will be 2% per annum of the invested capital and committed capital (until year 9), minus the cost basis of sold investments and write-offs. Establishment expenses, including legal, registration, filing and other organizational expenses will be borne by the Fund up to an amount equal to the lesser of EUR 1 million and 1% of total aggregate commitments. Establishment expense in excess of the cap will be payable by the Fund Manager.

2.4. The Bank's Role

2.4.1. The Bank is considering an equity participation of up to EUR 10 million. Given the challenging fundraising environment, the fund has not been able to reach its target capitalization required. The Bank's catalytic role is expected to bring other institutions like the West African Development Bank (BOAD) and private investors into the second closing.

2.4.2. In addition, the Bank is working with the Forestry Investment Program (FIP) to bring Climate investment funds to co-invest alongside the Bank with an equity contribution of up to EUR 10 million.[1]

2.4.3. As an anchor investor and Advisory Committee (AC) member, the Bank will ensure that transparency, social, environmental, and corporate governance best practices are adhered to both at the Fund and portfolio company level, and that the management team maintains alignment to successfully and cost-effectively implement the Fund's strategy. The Bank will also work with the sponsor to implement a development outcome tracking system, based on the ADOA framework. The Bank's presence on the AC will also help to ensure that other important crosscutting objectives, such as gender, are mainstreamed into project selection and design.

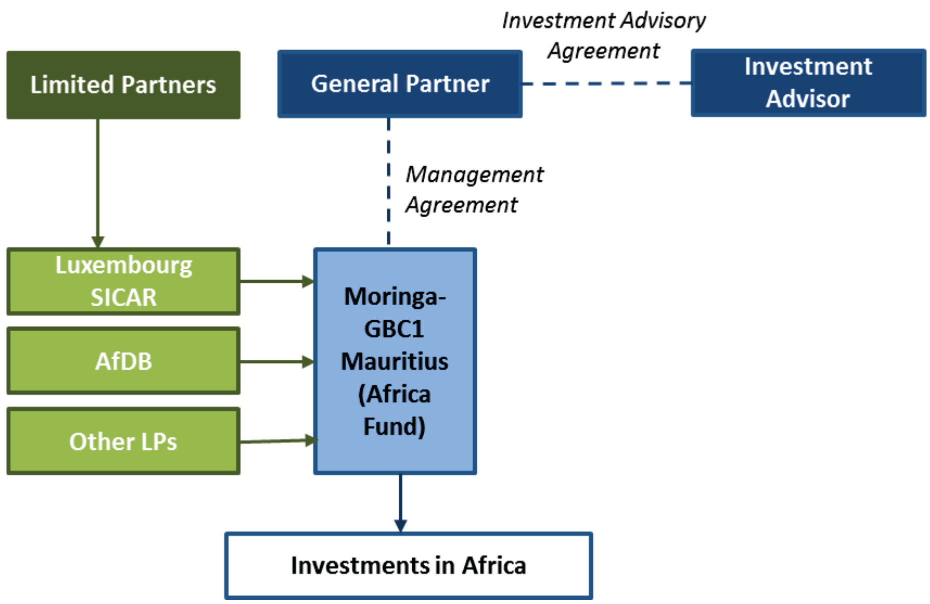
2.5. Implementation Arrangements

2.5.1. The Sponsor established Moringa S.C.A SICAR (the "SICAR") a Luxembourg Fund incorporated on 19 December 2012, as a *Société en Commandite par Actions* qualifying as a S*ociété d'Investissement en Capital à Risque*, under the 2004 Law to invest in agroforestry projects in Africa and Latin America. The structure of the SICAR allows investors to channel their investment through two separate and independent compartments, one focused on investments in Africa and the other focused on investments in Latin America. After the first close of the SICAR and subsequent to discussions with the Bank it was agreed to collaborate on investments in Africa given the strategic alignment between the investment strategy of the SICAR and the Bank's private sector priorities as stated in section 3 below. Moringa Agroforestry Africa Fund ("Africa Fund") has therefore been set up as an optimal fund structure that will enable the Bank to collaborate with the investors in the SICAR, catalyze additional African investors whilst also complying with its own internal policies. To ensure that the Africa Fund benefits from good practice, most of the implementing arrangements, procedures and terms in the SICAR will be adopted and used in the Fund. Annex 4 provides information

2.5.2. **Investment Vehicle** The Bank's investment will be directed to the Africa Fund. The Africa Fund will be incorporated in Mauritius and will hold a Category 1 Global Business Company License (GBC1) under the Mauritian Financial Services Act 2007 (Annex 4 provides details on the legal structure). The African compartment of the Luxembourg SICAR will also be a shareholder of the Africa Fund. The Bank's investment will not exceed 25% of the total investments in the Africa Fund.

[1] A final decision on allocation for FIP resources will be made in November 2014.

Figure 1: Moringa Fund Structure



2.5.3. The General Partner (GP) is Moringa General Partner S.à.r.l, a company incorporated under the laws of Luxembourg as a *Société à Responsabilité Limitée* on 19 December 2012, with a share capital of EUR 12,500. The GP is registered with the *Registre de Commerce et des Sociétés*, Luxembourg, under number B 173955. The General Partner is owned by General Partner Participations S.A., a fully-owned indirect subsidiary of CBR. The GP has the responsibility for managing the fund in accordance with the Shareholders' Agreement. The Management Services Agreement will also enable the General Partner to appoint technical advisors, notably ONFI, and service provides when deemed necessary to implement the fund's investment strategy.

2.5.4. The GP has established an Investment Advisor to provide investment advisory and management support services to the GP with respect to the investment activities of the Fund. Through this vehicle, the investment advisor will receive the management fee to manage Moringa, including fundraising, deal sourcing, investment selection and execution, back-office support (compliance and risk management systems), monitoring and reporting. Through its partnership with ONFI, it is expected that the investment advisor can leverage ONFI's local presence to optimize on deal sourcing and management of underlying investments.

2.5.5. The Africa Fund will leverage on the three Memoranda of Understanding (MoU) signed by the SICAR with Centre de Coopération Internationale en Recherche Agronomique pour le Développement (CIRAD), the World Agroforestry Centre (ICRAF) and Institut de Recherche pour le Développement (IRD), three leading research institutes in the fields of agroforestry and tropical agriculture. These MoU are set to formalize the cooperation between Moringa and CIRAD, ICRAF and IRD in terms of scientific and technical research in the field of agroforestry, as well as on-field implementation of best-practices to benefit investee companies. It is additionally planned that the three institutes will be represented in a scientific committee which will advise the Fund on technical matters. Similar stand-alone arrangements between these institutes and the Fund are envisaged.

2.5.6. **Governance** The Board of Directors of the Africa Fund will consist of at least two directors who are residents of Mauritius, together with representatives of the GP. The Board of Directors is responsible for the executive management of the Fund. It will delegate all investment and divestment responsibilities to the Investment Committee.

2.5.7. Moringa will have a two-tier governance structure, comprising an Advisory Committee (AC) and an Investment Committee (IC).

- The AC will be set up at the Africa Fund level. It will be seized with the customary AC responsibilities in accordance with ILPA Private Equity Principles, including conflicts of interest, extending the Fund term and suspending or removing the Fund Manager (in this instance, the GP in its capacity as the Manager). Voting will be based on the total commitment of each Shareholder. The AC will be composed of representatives of major investors who will have the following functions: (i) ensure adherence to investment goals; (ii) act as a liaison to the investing institutions to ensure institutional policies are being implemented; (iii) monitor the development impact of investments; (iv) provide guidance on any possible conflicts of interest; and (v) act as a sounding board for the IC.
- The IC will have the following oversight and decision making functions: (i) evaluating and recommending investment proposals to the Board, (ii) making general recommendations in relation to the investment strategy of the Company, when appropriate, and (iii) evaluating and recommending proposals for the eventual sale of the investments. The IC shall consist of two key principals from CBR and three independent members who bring extensive technical and investment expertise in agribusiness and forestry, including (i) the Head of Agro-Indsutries from the Industrial Development Corporation in South Africa, (ii) the Head of the World Life Fund, and (iii) the Head of RaboBank. Annex 3 presents their background and experience.

2.5.8. **Distributions** Holders of Investors Shares will be entitled to a Preferred Return on all funded commitments. Income and the proceeds arising from the disposition of portfolio companies will be allocated, after the deduction of the relevant expenses (including contingent liabilities), and paid as follows: (i) first, to the holders of Investors shares until it has received an amount equal to its aggregate unreturned capital contributions to the Fund as of the date of distribution and a priority return (hurdle rate) of 7% compounded per annum on the amount distributed in (i); (ii) second to the holders of Participating Shares it has received an amount equal to the subscription price of the Participating Shares plus twenty-five percent (25%) (catch-up); (iii) thereafter, 80% to holders of Investors Shares and 20% to holders of the Participating Shares (carry).

2.5.9. **Management** The Fund will be managed by the investment advisor's experienced management team who, collectively, has an excess of 60 years of relevant private equity experience, with knowledge and track record in the industry and in the target markets. The team combines a balance of engineering, operating, and financial expertise to maximize value at each stage of a project's life cycle. The investment advisor's key principals include:

- **Hervé Bourguignon**, Partner – Mr. Bourguignon has extensive experience in business and project development in emerging markets, negotiating joint ventures, turning around, making acquisitions, and selling of companies, as international director at the head of Elf Lubrifiant's International (Total Group). He is the president of the Inter-African Forest Industries Association since 2006, a Federation that brings together all professional associations in the forestry sector in the Congo Basin Region and West Africa.

- **Martin Poulsen**, Partner – Mr. Poulsen has 14 years of experience in private equity. Before joining the Moringa investment team, he was chief private equity officer at the AfDB from 2009 to 2011. Prior to that he was responsible for European Investment Bank private equity Portfolio in sub Saharan Africa and Europe 2003 to 2009. He was also a founder of Kennet Capital, an early stage European / US VC investor (1997-2002). Business. Prior to that, Mr. Poulsen worked on African Agribusiness projects with CDC (UK) as a redesign consultant and project Engineer. He is a Chartered Engineer.
- **Clément Chenost**, Investment Manager and Technical Director – Mr. Chenost has strong experience in forestry, agroforestry, project management and finance. Before joining the investment team, Mr. Chenost was Head of Business Development for ONFI, where he was responsible for project finance and carbon finance portfolios of forestry and renewable energy projects (plantation, forest management, biomass energy, conservation and avoided deforestation, and REDD projects). His principal regional focus has been SSA (Congo Basin, Western Africa, and Madagascar) and Latin America (Columbia, Peru, Chile, and Brazil).
- **Guillaume Maillard**, Investment Manager and Financial Director – Mr. Maillard has over 10 years' experience in finance, including in the structuring of private equity funds, deal origination, mergers and acquisition, and auditing. In addition to his role in Moringa's investment process, Mr. Maillard will contribute to the fund's financial management, deal sourcing, deal processing and to investor and third party relations.

2.5.10. **Asset Quality** High-quality deal flow will be ensured through rigorous due diligence and proactive sourcing of investment opportunities from multiple channels, including ONFI's network, and other technical partners with local and strategic relationships in the relevant markets to identify investment opportunities. As there are no other funds specializing in agroforestry across SSA, the Fund will be highly selective in project selection and diversification.

2.5.11. **Exit Strategies** As with other closed-end funds, investments will be liquidated over time as capital and profits are returned upon disposal of portfolio investments. The fund manager will aim to build investments around potential exits and will put in place an exit mechanism for each investment at structuring. To a lesser extent and when appropriate, the fund manager will consider re-financing, IPOs (on a portfolio basis), and securitization of project cash flows, which the managers have performed in the past.

2.5.12. The principal exit opportunities for greenfield assets are via trade sales to strategic acquirers, trade buyers, and financial investors, who generally avoid development and greenfield risk but will pay a premium for de-risked operating assets. Strategic investors will comprise mostly regional or international lumber market companies. Trade buyers include sale to management or co-investors who benefit from one or multiple operating revenue streams. Other possible trade investors are industrial, agriculture and commercial businesses that have significant energy demand or interest in high and stable local market electrification. Financial investors include agriculture or forestry funds looking for yield-based returns by acquiring operating assets and local institutional investors, such as insurance and pension funds in domestic markets – these investors are growing in prominence in most African countries.

2.5.13. In a minority of projects, Moringa expects to achieve a partial exit by attracting alternative sources of finance at a mid-point in the holding period of the Moringa investment (partial exit). The objective of this strategy is to (i) ensure the fund will not hold 100% of the originally invested capital at risk through to a final exit and (ii) return 30-60% of capital invested in each portfolio company by years 7 and 8 or each investment.

2.5.14. **Timetable** The fund is expected to reach a final close by October 2014, but with the possibility for extension until Feb 2015.

2.6. Market and Competition

2.6.1. **General Context** Deforestation is occurring mainly in the tropics and currently at a rate of around 13 million ha per year. According to the Food and Agricultural Organization (FAO), forest conversion and degradation are driven by (i) the expansion of unsustainable forms of agriculture (80%), (ii) logging (14%), and (iii) fuel wood harvesting (6%). The classical approach to counter deforestation is to promote "pure conservation," however this is difficult to implement since it fails to address the drivers cited above. Agro-forestry addresses livelihood needs by providing high yielding, sustainable and profitable agriculture and forestry systems that are suitable for tropical regions, while meeting the global need for food, timber and energy. As the continent embarks on a massive infrastructure expansion, the focus is on increasing access to reliable electricity and other energy sources while minimizing the continent's environmental footprint from the outset.

2.6.2. **Demand/Supply** Africa offers solid biological growth rates and relatively low costs of plantation establishment and maintenance. These factors position the region to be able to supply the increasing demand for forest products resulting from rapid population growth, urbanization, and economic development. Moringa expects an emerging consensus on climate change policy, along with increasing demand for renewable biomass energy, to support more investments into African agroforestry projects.

2.6.3. **Opportunity** Sub-Sahara Africa provides attractive growing conditions for plantation species such as eucalyptus and pine. Based on the combination of soil conditions and rainfall, many African countries have already exceeded or have the potential to exceed Mean Annual Increments (MAI), a measure of rate of tree growth of 20 cubic meters per ha per annum. This compares favorably to growth rates in most parts of the world and is considerably higher than mature markets in temperate regions where most traditional timberland investments have occurred.

2.6.4. Africa has among the lowest plantation establishment costs of any region in the world. Establishment costs, including land acquisition, in Mozambique, for example, average around USD 700 per ha, compared with USD 1,500 per ha in China. Based on low establishment costs, low maintenance costs and high growth rates, properly sited African agroforestry projects should be well-positioned to serve growing domestic demand as well as export markets.

2.6.5. The indicative pipeline of investments is presented in Table 2. It reflects the Fund's sector mandate, which includes investment in Greenfield and existing plantations, forest products processing and manufacturing, and biomass cogeneration facilities.

Table 2 Indicative pipeline

Country	Category	Sector	Type	Scale	Project Description
Kenya	Intertwined crops	timber, biomass, sorghum	brownfield	5,000 ha	Social enterprise that planted 1 million trees on dry-land in Kenya with 4,500 rural families, is developing a for profit activity to produce Eucalyptus timber wood. Industrial partnership: Lafarge
Tanzania	Intertwined crops	timber, biomass, maize and sunflower	greenfield	2,700 ha	Plantation project to produce biomass for cement stoves and electric power plants. Valorization of lime's carries (before and after use) and surroundings available lands. Agroforestry through intertwined crops or permanent crops. Core plantation and outgrower scheme in Mbeya
Mali/ Burkina Faso	Intertwined crops	Edible and energy oil	brownfield	20,000 ha	Expansion of two existing plantations in Mali and Burkina Faso. Jatropha trees intertwined with crops, and sunflower plantations. Local production of oil / diesel /soap and seedcakes. Carbon credits purchased by Novartis. JV with a large agro industrial
DRC	Intertwined crops	Biomass with cassava	brownfield	12,600 ha	Development of a 12,600 ha plantation of acacia intertwined with staple crops (Cassava) from a 1,600 ha pilot project. 6,000 ha developed on the land of the project sponsor, Novacel, 6,600 ha through an out-grower scheme. Project initiated by a local entrepreneur in 2008 to reforest degraded savannas. Local processing and production of charcoal and manioc flour for the near (~ 100 km) Kinshasa market.
Zambia	Intertwined crops	Timber, vegetables and fruits	greenfield	5,000 ha	5000 ha farm developing a mix of timber, charcoal, soya and wheat products.
Ivory Coast	Intertwined crops	Timber and vegetables	brownfield	500 ha	Development of legume farms in Ivory coast.
Mozambique	Intertwined crops	Timber and soya	brownfield	5,200 ha	Eucalyptus & Acacia plantation (to produce electrical poles and biomass) combined with cattle activities and agro systems.
Congo	cocoa under tree shade	Cocoa and trees	brownfield	12,000 ha	Development of a cocoa activity in Congo with a 2,000 ha nucleus surrounded by 10,000 ha outgrower scheme

3. JUSTIFICATIONS FOR THE BANK'S INVOLVEMENT

3.1. Analysis of Strategic Alignment

3.1.1. **Regional and Country Priorities** The Fund's investment focus is consistent with several of the Bank's Country Strategy Papers (Gabon, Cameroon, DRC, Ghana, Mozambique) which seek to promote rural development, enhanced natural resource management as well as private sector development. It seeks to attract capital and reach companies that generally have a limited access to financing.

3.1.2. **Bank's Long Term Strategy ("LTS")** The project is also in line with the Bank's LTS (2013-2022) objectives of Green Growth, as it will follow best practice forestry and agriculture standards, and Inclusive Growth, by ensuring the development of smallholder scheme around investee companies and helping the emergence of diversified related upstream and downstream industries, in the fields of logistics, forestry operations, and timber-related activities. The project also supports the LTS operational priorities. It will contribute to the development of African entrepreneurship, regional integration, skills by fostering the creation of a whole new skill base for investee companies as well as smallholder farmers.

3.1.3. **AfDB Agriculture Sector Strategy (2010-2014) ("AgSS") and Climate Change Action Plan (2010-2015) ("CCAP)** The project strongly supports the AgSS' second pillar which calls for an enhanced natural resources management through a focus on forestry, sustainable land management, and climate change mitigation and adaptation. The fund will support reforestation/afforestation, rehabilitation of degraded lands, community based management of natural forests, conservation of forest resources and watershed management, in line with the AgSS as well as the recommendations of the CCAP. The two strategies call for the bank to support interventions that will help in reversing land degradation trends and sustaining the productivity of the natural resource by increasing productivity per unit of resource used.

3.1.4. **AfDB Private Sector Strategy (2012-2017)** The fund is consistent with the Bank's Private Sector Strategy, which emphasizes the provision of equity capital as a catalyzing force to attract resources for private sector development. The fund will also support inclusive growth through all sizes of African enterprises ranging from SMEs to larger corporations. It will contribute to jobs and wealth creation, value added production, use of domestic raw materials, capital formation, corporate profits, government revenues, export earnings, thereby boosting broad-based GDP growth. In addition, the pillar III of the strategy focuses on supporting equitable and sustainable development of natural resources, restructuring and privatization, mergers and acquisitions towards enhancing economies of scale and competitiveness.

3.1.5. **Overall Assessment of Strategic Fit** Moringa is well aligned with the Bank's regional assistance priorities as well as its long-term operational objectives. The project has a strategic value for the continent, contributing positively to climate change, natural resources management and private sector development, and benefitting local populations' economic and social welfare.

3.2. Analysis of Commercial Viability

3.2.1. The Fund will generate high quality, proprietary deal flow in this highly specialized and underserved segment of the agroforestry industry through ONFI's relationships and deal sourcing capabilities. ONFI's technical expertise will be complemented by CBR's structuring and management capabilities. As of today, the fund manager has identified a pipeline comprising 27 live projects (in SSA only), of which one is under due diligence and likely to close in 2014. Of these projects, 70% of projects have been sourced through long-standing relationships and are proprietary.

3.2.2. Compared to conventional timber and agricultural projects, agroforestry delivers a better risk / return through more intense land use at reduced costs, with a diversified income base over the investment period. This allows projects to generate revenues from diverse sources during the life of the Moringa investment and to offer potential acquirers a proven model for generating diversified revenues for the long term. These revenue streams, from local and export markets, comprise agricultural products (short term), biomass (medium term) and timber and carbon credits on the long term.

3.2.3. **Returns** Based on a preliminary financial model, the Fund is projected to generate a net financial Internal Rate of Return (IRR) between 10 and 12% over the life of the Fund, using a conservative discount of 25% on cash-flows. This rate is net of management fees/expenses and carried interest, which is consistent with funds with a similar sector profile. The fund's hurdle rate is 7%. The investors have an exclusive right to the first 7% returned by the Fund with a 25% catch-up for the Fund Manager. Returns above 7% are then shared with the Fund Manager on the basis of 80% to all investors (in the ratio that each investor's Committed Capital bears to the total Committed Capital) and 20% to the Fund Manager. The "20% carried interest" for the Fund Manager is in line with industry practice and provides a strong financial performance incentive for the Fund Manager.

3.2.4. **Legal Compliance** The Fund will comply with internal Bank policies. The legal documentation between the Fund and Fund Managers will comprise: a Shareholders Agreement, a Subscription Agreement and a Management Services Agreement. The Bank will under no circumstances invest an amount in excess of 25% of the Fund's committed capital, and will be extended a permanent seat on the Fund's Advisory Committee.

3.2.5. **Management Quality** The Fund draws on highly experienced management team with a balanced track record in the fields of agro-forestry, emerging markets private equity and carbon credits management systems.

3.2.6. The Fund will always exert a significant degree of control over its investments. Monitoring of the Fund's investments will be hands-on through regular formal and informal interaction with the Portfolio Company management and will have an active involvement over all the phases of the investment. The Manager will have a seat on the Boards of portfolio companies and will be instrumental in strategic decision-making.

3.2.7. **Project Risks and Mitigations** The key risks and the mitigation measures are described below:

- *Deal Sourcing Risk*: Moringa will draw on the extensive network of contacts and relationships of ONFI, as well as on their local presence through their network of field offices to identify projects. As of today, there are 27 live projects in the African pipeline with one in an advanced stage. In addition, the TAF will also help build a "bankable" pipeline by enhancing the economics of potential projects prior to the Fund's investment.

- *Implementation Risk:* This risk will be mitigated through (i) the strong technical expertise of ONFI in identifying, advising and monitoring portfolio companies, (ii) the fund's business model based on the scaling up of pilot phases, (iii) partnerships with strong local partners and adequate motivation of local management teams through shares ownership.

- *Environmental and Social risks:* The LPs are subject to reputational risks relating to land acquisition land rights and local communities endorsement. Portfolio companies' ESIA frameworks will be aligned to the Fund's environmental and social policies and host country requirements. Projects will be justified mainly based on forecasted revenues and not on the basis of land price speculation. In most cases Moringa projects will be implemented on degraded, eroded or infertile land at the outset. Local populations will be consulted prior to the investment in order to identify customary rights ("Free Prior Consent"). The Fund's E&S management system contains appropriate measures in identifying and mitigating these risks.

- *Natural Hazard risks:* Forest plantations are susceptible to diseases and insect infestation as well as fire outbreaks. Good management practices, use of resistant planting materials and efficient monitoring will minimize susceptibility of insect attack and spread of disease. ONFI has the technical knowledge for pest and diseases prevention and control. Fire is also a significant risk for plantations. Hot dry seasons combined with strong winds and regular use of burning in agriculture and forestry contribute to increase this risk. Adequate prevention measures will be set up including fire prevention and management plans. Local populations will be closely involved in fire prevention and management plans. Insurance policies and products adapted to the forest industry will also be considered.
- *Currency Risk*: The Fund will be denominated in EUR and returns and distributions will be calculated in EUR. However, investments in portfolio companies may be made in the local currency creating currency mismatch. Most projects will generate both hard and local currencies by targeting local and international markets in a balanced way. The Moringa business model includes some reinvestment of cash generated during the project lifespan. Capital injection in hard currency during the life of the project is therefore limited. Where necessary, exchange rate risks will be hedged (through derivatives), with advice from CBR. Another mitigant will provided by investment in Franc CFA countries which has a fixed conversion to Euro.
- *Concentration Risk:* The Fund will make a total of 8 to 12 transactionsover its investment period covering different geographies, different projects maturities (Greenfield and Brownfield), but also different typologies of projects covering a large range of activities and revenue streams: permanent crops (cocoa, coffee, tea) under tree shade (timber), inter-twinned agroforestry (biomass, cassava, rubber, etc.) and orchards agroforestry (nuts, fruits, legumes). This will allow a great extent of diversification.
- *Exit Risk:* Exit should be facilitated by the trend among traders and corporates to vertical integration to secure their supplies. Moreover, the forecasted global and regional increased demand for forest and agricultural products underpins a favorable scenario for the acquisition of agroforestry projects. Finally, the fund will seek to generate annual returns from its investment as a way to de-risk its final exit as well as to set up put options with its local partners.

3.2.8. **Exposure Limits** The Bank's contribution to the Fund, EUR 10 million, will not exceed 25% of the Fund's committed capital. The Fund's investment strategy limits its exposure (i) to a single investment at 20%, (ii) to investments in shares of public companies at 20%; and (iii) to a single country at 30% of aggregate commitments. Waivers to exceed exposure limits will be submitted for the consent of the Advisory Committee.

3.3. Analysis of Development Outcomes

3.3.1. The Fund will develop of a social and environmental impact evaluation framework, which will be part of the projects' investment appraisal, due diligence, as well as post-investment reporting. This framework will incorporate the Bank's ADOA detailed categories of development outcomes.

3.3.2. **Household benefits** Although, it is challenging to determine effects of the portfolio projects at household income level ex-ante, as the analysis is based on indicative project pipeline, the specific investments will have a range of economic outcomes including job opportunities, social infrastructure, skills transfer, private sector development through SME linkages and outgrowers' schemes as well as climate change mitigation.

3.3.3. **Environmental Effects** The capacity of agroforestry projects to re-fertilize soils will allow the Fund to positively address the issue of deforestation and related climate change mitigation, biodiversity loss and watershed regulation, and contribute to create benefits to local populations with job opportunities, additional revenues, improved health and schooling. It is expected that the Fund, through its investments, will contribute to the reforestation of 42,400 ha of degraded land, and sequestrate about 367,500 tons per year of CO^2 equivalent.

3.3.4. The investment proposal is a Category 4 project, in accordance with the Bank's Environmental and Social (E&S) requirements for financial intermediaries. The Fund's investment guidelines provides for compliance with internationally acceptable environmental and social standards as well as host country requirements. The Fund has already developed a Social and Environmental Management System (SEMS), embodied in the Environmental, Social and Governance standards (ESG) framework. The SEMS has been approved by the Bank in line with its E&S requirements. The SEMS decision criteria and procedures would ensure that the Fund would only make investments in portfolio companies that meet requirements set by the Bank and the IFC standards.

3.3.5. Moringa will evaluate and monitor its portfolio companies in accordance with its ESG framework. The ESG framework will assess the value of a project by measuring its impact on all the relevant areas (i) the environmental value on energy, climate, resources and waste, health and toxicity and biodiversity, (ii) the social value on workforce, community participation, local development, access to common goods and social equity (including for Youth and Women). The SEMS will enable the Fund to systematically monitor and report on ESG aspects and devise corrective measures to improve the performance of portfolio companies. To guarantee the effective implementation of the SEMS, the Fund is appointing an ESG Coordinator to manage and administer the plan. In addition, the Fund will periodically report to the Bank and other DFI on the implementation of the SEMS.

3.3.6. The Fund will secure relevant third parties certification such as the Forestry Stewardship Council (FSC, for sustainable forest management), the Sustainable Agriculture Network (SAN, for sustainable agricultural operations) and voluntary carbon standards such as the Climate, Community and Biodiversity Standard (CCBS) or the Gold Standard (GS, where a project is producing carbon credits). Moringa's portfolio companies might also look for Fairtrade or organic certification, depending on the market for specific products.

3.3.7. **Gender and Social Effects** The Fund business model is to scale up pilot projects under the form of nucleus plantation to larger smallholders and outgrowers' schemes, creating social benefits for the surrounding communities. It is anticipated that the underlying projects will generate 5,800 jobs, of which 2,320 will be women. The outgrowers' scheme will involve 31,500 small farmers, of which 12,600 women (40%), to which access to improved inputs, new farming techniques, training and off-take markets will result in increased revenues.

3.3.8. **Private Sector Development and Demonstration Effect** The Fund will enable the growth of an underserved, yet profitable and sustainable, sector. Attracting capital will support local companies in raising adequate equity capital so they can further attract debt financing from financial institutions, spurring forward and backward linkages with local businesses as suppliers, contractors, distributors etc., and creating opportunities for all actors across the value chain. The Fund will also help move smallholder farmer from subsistence farming to commercial farming and diversify their revenues streams. The related Technical Assistance facility will actively promote dissemination of lessons learned and knowledge sharing.

3.3.9. **Infrastructure** Successful agro-forestry development requires well laid down infrastructure in the project area. The Fund's support to agriculture investments will go hand-in-hand with infrastructure development. Investments relating to plantation development for instance will require development of road infrastructure, irrigation infrastructure, water storage facilities in the project area. Similarly, the Fund's intervention in projects generating biomass will lead to increased supplies of energy.

3.3.10. **Effect on Government** Revenues will accrue to Governments in the form of corporate tax, value-added tax, employment tax, income tax to be collected on the workforce employed by the underlying projects, land lease payments, etc. Some of the agro-forestry projects which will be financed by the Fund will also serve as import-substitution, allowing Government to preserve foreign exchange. It is anticipated that once the projects start generating positive cash-flows and aggregated average USD 6.1 million of taxes will be paid annually over the life of the fund.

3.3.11. The Fund will in addition contribute to enhanced food security, with several food crops (cassava, soya, vegetables) will be produced alongside timber and biomass, contributing to an expected 35% of the revenues streams of the portfolio.

3.4. Analysis of Additionality and Complementarity

3.4.1. **Financial Additionality** By their nature, agroforestry projects take time to establish, mature and deliver value to their stakeholders including surrounding communities. Investors supplying patient capital in the form of equity investments with a long time horizon are uniquely well placed to provide the capital that is required to establish and grow such businesses.

3.4.2. Sustainable agro-forestry is an underserved sector from a financing perspective. This stems from the perception that forestry and agro-forestry are less profitable businesses by investors, because of the time required to generate revenues from investment. The critical size to reach break-even and implement its investment strategy is above EUR 80 million. Existing investors include European DFIs and private investors, and the Bank's involvement would be catalytic to attract African financing and instrumental to validate the business case for SSA. The Bank's catalytic role is expected to bring other institutions like the West African Development Bank (BOAD) and impact investors into the second closing.

3.4.3. The Fund Manager has approached around 500 potential investors for the Moringa fund. These investors include public sector investors, private investors, institutional investors, banks, impact investors and foundations. At present, they have been successful in closing with 10 investors for a total of EUR 52.4million across the two geographies, with a first close at EUR 51.2 million in August 2013, and only EUR 1.1 million raised since then. For the second close, in order to reach the Fund's initial target, some of the existing investors have also been asked about the possibility of increasing their commitments to the fund, but the majority has already committed their maximum.

3.4.4. **Incremental Development Outcomes** From a socioeconomic perspective, the investments will contribute positively to reforestation and rehabilitation of degraded land, climate change mitigation, job creation particularly in rural areas, enhancement of food security by diversifying revenue streams for smallholders, income generation, poverty reduction and skills transfer. Actively involving SMEs, micro-operators and farmers' organizations, the Fund has the potential to have a substantial development impact in view of the effects on rural development, health, and the environment. The Bank and other

DFIs are also adding value by ensuring that the project adheres to international good practices on environmental and social safeguards. The Bank will carefully track the SEMS and ADOA results.

3.4.5. **Complementarity** Moringa's business case is sound and aligned with DFIs' strategy to support private sector development and to support investments that make positive contribution to climate change and forests preservation.

4. CONCLUSIONS AND RECOMMENDATIONS

4.1. Agroforestry generates a strong and diversified platform for the development of forestry sector businesses, whilst also paying attention to the need for agricultural production. Smallholders benefit from an income diversification supported by an investor with a long time horizon. The Fund will invest in implementing profitable economical models while providing positive benefits for local populations and the environment, in line with multiple Bank strategies (LTS, AgSS, CCAP).

4.2. Management recommends that the Board of Directors approve a EUR 10 million equity investment in the Moringa Agroforestry fund.

Table 3
Indicative terms

Type	Equity
Class	Private equity fund
Bank commitment	EUR 10 million in equity
Fund life	12 years (+ up to 4 year extension subject to AC approval)
Investment Period	5 years (+2 optional one-year periods)
Target Gross IRR	10 - 12%
Management fees	2.0% p.a. of total Commitments during the investment period and 2.0% of aggregate investment cost less sales and write-offs (thereafter).
Hurdle rate	7%

Annex 1: Results Based Logical Framework

Country and Project Name: Moringa Fund
Purpose of the project: Provide capital support to agro-forestry projects in SSA and catalyze private sector investment in the sector across SSA

RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS / MITIGATION MEASURES
		Indicator (including CSI)	Baseline	Target		
IMPACT	Increase growth in the agro-forestry sector	% growth in forestry and agriculture sectors in selected countries % contribution to exports % contribution to tax revenue	n/a	Growth target for forestry and agriculture to GDP, as per RMCs long-term plans.	Country Reports	National policies remain favorable to private sector development
OUTCOMES	Increased government tax revenues	Amount investee companies' taxes paid	0	Incremental tax revenues of USD 6.1 million by 2021	Country reports, portfolio companies' accounts, supervision reports	Good selection of investments Active management support to portfolio companies Effective monitoring of key indicators
	Investment in agro-forestry projects addressing deforestation and climate change issues	Number of Ha planted or rehabilitated from new investments Tonnes of CO^2 sequestrated	0 0	42,400 Ha reforested or rehabilitated 367,500 tons of CO^2 sequestrated	Moringa reports, portfolio companies' accounts, supervision reports	
	Disbursements made to investee companies	Volume of investment disbursements at time of reporting	0	EUR 40 million	Moringa reports, portfolio companies' accounts, supervision reports	
	Increased number of agro-forestry projects reaching financial close		0		Moringa reports, portfolio companies' accounts, supervision reports	
	Investee Employment	Number of Full-Time Equivalent Employees at the time of reporting of the investee. Number of outgrower farmers	0 0	5,800 FTE employees, out of which 2,320 are women 31,500 outgrowers reached, of which 12,600 are women	Moringa Reports	

	Returns distributed to shareholders	IRR	0%	Minimum net IRR of 10%	Moringa reports	
OUTPUTS	Equity capital raised for investments	Total amount in EUR million of capital commitments at second closing for the African compartment	0	EUR 40-50 million	Fund Legal Documents	Availability of investment opportunities Competent, skilled team in place
	Agro-forestry projects identified, evaluated and approved	% of committed capital invested Total no. of portfolio companies at end of commitment period	0% 0	90% of committed capital invested 8 portfolio companies	Moringa reports, portfolio companies' accounts, supervision reports	
	Exited investments in the expected timeframe			10-12 % Net IRR		
	Technical Assistance Facility	execution rate for TAF		90%		
	Positive returns distributed to shareholders					
	Monitoring of development outcomes and E&S impact	Development outcomes and environmental reports	n/a	100% compliance of PCs with E&S guidelines	Annual ADOA and E&S impact reports	
KEY ACTIVITIES	Raising of EUR 40-50 million from DFIs and other investors Identify & evaluate developers for financing Supervise investments Exit investments in due time Provide Technical Assistance Facility Effect distribution to all shareholders and return original capital invested			**INPUTS** AfDB contribution: up to EUR 10 million Monitoring and supervision templates		

Annex 2: Track record of ONFI as a technical advisor on agroforestry projects

- DRC, Batéké: **Bingingi carbon sink**, 2400 ha of *Acacia sp.* and *Dacryodes edulis* commercial plantations. Since 2011, ONFI assisted the Congolese operator NOVACEL SPRL to design the project financed by Danone and to optimize its technical and economical underlying models. ONFI helps also the operator to monitor the carbon sequestration in order to deliver carbon credits.

- IVORY COAST, Sud-Est: **Commercial reforestation project of Ivorian State forests,** 5000 ha of *Tectona grandis* commercial reforestation. In the early 1990's, the ONF assisted the SODEFOR (Ivorian State Forest Services) to develop an ambitious program to counter the deforestation of the Ivorian tropical forests. The ONF carried out the feasibility study of the project and assisted technically the Ivorian forest services in capacity building and operational monitoring.

- CAMEROON, Foumban, Tonga (West) and Mandjou (East): **City of Paris carbon sink**, 200 ha of *Eucalyptus*, *Pinus*, *Anacardium*, *Acacia*, *Gmelina* plantations for energetic and agroforestry purposes. ONFI carried out the feasibility study in 2007 and assisted technically the local operators (Associations) at each stage (nurseries and operations, carbon monitoring, institutional support) through its subsidiary ONF Cameroun.

- NIGERIA, Shagamu region: **Reforestation of WAPCO and EWEKORO cement plants quarries**, 100 ha of *Eucalyptus camaldulensis*, *E. tereticornis*, *Acacia mangium* and *A. auriculiformis* for dendroenergetic purposes. ONFI is assisting Lafarge Nigeria to develop an alternative and ecological biomass source implementing fast-growing plantations on exploited quarries. ONFI carried out the feasibility study in 2009 and is assisting technically Lafarge to develop nurseries and operate the plantations.

- CAMEROON, Kadey department: **ALPICAM-STBK commercial reforestation with Ayous (*Triplochiton scleroxylon*)**, 60 ha *Triplochiton scleroxylon*, *Tectona grandis*, *Acacia auriculiformis* pilot commercial plantations and local species. Since 2011 ONFI is assisting ALPICAM to create reproduction material (orchards, stumps, aso) to produce seedlings adapted to the local conditions and to monitor their adaptative comportment to assess their up-scaling potential.

- MALI, Kita province: **Large scale Jatropha plantation project**, 12 000 ha of extensive *Jatropha sp.* plantations. Since 2006, ONFI is assisting ECOCARBONE (the project developer) to monitor the carbon sequestration and validate the project under the Voluntary Carbon Standard.

- GHANA, West, Central, East region: **Rubber outgrowing and carbon sequestration in Ghana** (ROCS Ghana), 7500 ha of *Hevea brasiliensis* commercial plantations. Since 2008, ONFI is assisting the project partners (GREF/ROAA/Gov.) to upscale the project through its validation and verification under the Voluntary Carbon Standard.

- NIGER, South region: **Niger Acacia senegalensis plantations project** (NASPP), 6000 ha of *Acacia senegalensis* commercial plantations. Since 2008, ONFI is assisting the project partners (ICRISAT/ASI/BioCF) to monitor the carbon sequestration and to carry out the CDM validation and verification process.

- DRC, Plateaux Batéké: **Ibi Batéké**, 4426 ha of *Acacia sp.*, *Eucalyptus sp.* and local species commercial plantations. Since 2008, ONFI is assisting the project partners (UMICORE / Orbéo / FFEM/ Suez-Tractabel/ BioCF) to monitor the carbon sequestration and to carry out the CDM validation and verification process.

- COLOMBIA, Magadalena Bajo: **Low Magdalena watersheds commercial reforestation project**, 4500 ha of *Tectona grandis*, *Gmelina arborea* and *Bombacopsis quinata* commercial plantations. ONFI carried out the feasibility study in 2004 and assisted technically CORMAGDALENA and FINAGRO from the very beginning at each stage of the project (nurseries and operations, carbon monitoring, institutional support).

- BRAZIL, Mato Grosso: **Peugeot SA carbon sink in Brasil**, 2000 ha of *Tectona grandis c*ommercial plantations and more than 40 local species. The plantation is a part of a broader 10,000 ha fazenda combining natural forest management, agriculture (cattle) and a natural reserve. In 1998, Peugeot and ONF started the first carbon sink reforestation project ever in the Amazon basin, for commercial and climate-related R&D purposes. ONFI, through its subsidiary ONF Brazil, implemented the whole project at each stage with its own staff assisted by local contractors.

- CHILE, Araucania: **Reforestation project with the Mapuche community**, 850 ha of *Eucalyptus*, *Acacia*, *Pinus*, *Pseudotsuga*, *Robinia*, *Cupressus* and *Nothofagus* commercial plantations. ONFI carried out the feasibility study in 2004 and assisted technically the CONAF (Chilean forest services) and the local operators to implement the project at each stage (nurseries and operations, carbon monitoring, institutional support) through its Chilean subsidiary ONF Conosur.

Annex 3: IC members' profile

- **Carlos Ortiz** is the Head of Corporate Banking in Rabobank. He's an agronomist with 22 years of experience in agribusiness, business development and general management and 14 years of experience in Agri Banking and Corporate Finance. He started his career in 1985 structuring "green-field" farm projects. He joined Rabobank in 1997 as Manager of the Agri Advisory Services, He seats as a non-executive Board Member with Agrifirma, a large agricultural fund dedicated to cropland development.

- **Rian Coetzee** is the Head of Agro-Industries at the Industrial Development Corporation (IDC) of South Africa he has been responsible for investments and management of an agricultural portfolio of over EUR 450 million. His agricultural investment expertise is diverse in terms of agricultural sub-sector/commodity (from various crops to agro-processing), size of Investee Company (from large scale agro-industrial investments to small scale SMEs), type of finance (private equity, project finance, corporate finance as well as acquisition finance), project development (feasibility funding) as well as investments across the African Continent.

- **Claude Martin** is an Honorary Advisor of WWF-International and past Director General, 1993-2005, and as such, he initiated several new approaches in conservation, as well as international partnerships, for example with the World Bank and business/industry groups.

- **Hugo Ferreira** joined CBR in 1991 as Deputy General Manager. He has an extensive experience in finance (finance director, treasurer, structuring loan department, corporate finance

- **Johnny El Hachem** is the Head of Environmental Finance in CBR. He joined the company in 2002 and acquired an extensive financial experience and initiating numerous financial transactions, including the launch of funds, structuring of hedging strategies, and originating transactions on the capital markets. In 2006, he initiated and headed the Environmental Finance Division at CBR which offers financial solutions. He has structured and successfully launched the PE Edmond de Rothschild Funds (PEERF).

Annex 4: Moringa Mauritius legal structure

- Moringa Mauritius Fund will be structured as a conventional fund.
- The African Compartment of the SICAR and the African Development Bank will be Limited Partners in the Fund. It is anticipated that other LPs will also make commitments to the Fund before second close.
- The African Compartment may have a different class of shares from the other LPs provided that ALL shares in the different classes carry the same weight.
- The Moringa Mauritius Fund will have a Board, Investment Committee and an Advisory Board.
- The Advisory Board of Moringa Mauritius Fund will be located at the Fund level and will have all the standard responsibilities including (i) suspending or dismissing the Fund Manager, and (ii) conflicts of interest etc.
- Moringa Mauritius Fund's documentation will include a Shareholders' Agreement, Subscription Agreement, Management Agreement, Side Letters and other agreements as may become necessary.
- The Organizational Expenses, Operating Costs and Management Fees will be determined entirely at the Moringa Mauritius Fund Level. An alignment of financial interest between Mauritius Moringa Fund and the SICAR is something that can be achieved.
- Distributions to shareholders shall be made at the Fund level and pro-rata to capital contributions in accordance with the Fund Waterfall.
- The net effect of the proposed structure is to transfer the rights and obligations of the Africa Compartment to the Fund. No new obligations are being introduced by the structure.
- Save for the conventional nature of the structure, most of the legal provisions of the SICAR's Shareholders Agreement and Investment Advisory Services and Management Support Agreement will be matched in the Fund documents.