



GEF-6 REQUEST FOR PROJECT ENDORSEMENT/APPROVAL

PROJECT TYPE: FSP

TYPE OF TRUST FUND: GEF TRUST FUND

For more information about GEF, visit TheGEF.org

PART I: PROJECT INFORMATION

Project Title: Risk Mitigation Instrument for Land Restoration			
Country(ies):	Latin America and Caribbean region	GEF Project ID: ¹	9277
GEF Agency(ies):	IADB	GEF Agency Project ID:	RG-X1254
Other Executing Partner(s):		Submission Date:	08/03/2017
GEF Focal Area (s):	Land Degradation	Project Duration (Months)	60
Integrated Approach Pilot	IAP-Cities <input type="checkbox"/> IAP-Commodities <input type="checkbox"/> IAP-Food Security <input type="checkbox"/>	Corporate Program: SGP <input type="checkbox"/>	
Name of Parent Program	[if applicable]	Agency Fee (\$)	1,350,000

A. FOCAL AREA STRATEGY FRAMEWORK AND OTHER PROGRAM STRATEGIES²

Focal Area Objectives/Programs	Focal Area Outcomes	Trust Fund	(in \$)	
			GEF Project Financing	Co-financing
LD-2 Program ³		GEFTF	7,500,000	60,000,000
LD-3 Program ⁴		GEFTF	7,500,000	60,000,000
(select)(select)(select)		(select)		
(select)(select)(select)		(select)		
(select)(select)(select)		(select)		
(select)(select)(select)		(select)		
(select)(select)(select)		(select)		
(select)(select)(select)		(select)		
Total project costs			15,000,000	120,000,000

B. PROJECT DESCRIPTION SUMMARY

Project Objective: Catalyze private sector investments in restoration of degraded lands by reducing financial project risk						
Project Components/Programs	Financing Type ³	Project Outcomes	Project Outputs	Trust Fund	(in \$)	
					GEF Project Financing	Confirmed Co-financing
Sustainable management and restoration of forests	INV	22,500 hectares of land under sustainable forest management and/or restoration practices	2 land restoration projects guaranteed by the Risk Mitigation Instrument	(select)	7,500,000	60,000,000
Integrated landscape management	INV	Increased investments in integrated landscape management (on 22,500 hectares)	2 INRM projects guaranteed by the Risk Mitigation Instrument	(select)	7,500,000	60,000,000
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		

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.

(select)		(select)	
Subtotal		15,000,000	120,000,000
Project Management Cost (PMC) ⁴		(select)	
Total project costs		15,000,000	120,000,000

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

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

Sources of Co-financing	Name of Co-financier	Type of Cofinancing	Amount (\$)
GEF Agency	IDBG	Loan	60,000,000
Private Sector	Private Investors	Equity/debt	60,000,000
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
Total Co-financing			120,000,000

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
IADB	GEFTF	Regional	LD	Non-Grant	15,000,000	1,350,000	16,350,000
(select)	(select)		(select)	(select as applicable)			0
(select)	(select)		(select)	(select as applicable)			0
(select)	(select)		(select)	(select as applicable)			0
(select)	(select)		(select)	(select as applicable)			0
(select)	(select)		(select)	(select as applicable)			0
(select)	(select)		(select)	(select as applicable)			0
(select)	(select)		(select)	(select as applicable)			0
(select)	(select)		(select)	(select as applicable)			0
Total Grant Resources					15,000,000	1,350,000	16,350,000

a) Refer to the Fee Policy for GEF Partner Agencies

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

E PROJECT'S TARGET CONTRIBUTIONS TO GLOBAL ENVIRONMENTAL BENEFITS⁵

Provide the expected project targets as appropriate.

Corporate Results	Replenishment Targets	Project Targets
1. Maintain globally significant biodiversity and the ecosystem goods and services that it provides to society	Improved management of landscapes and seascapes covering 300 million hectares	<i>hectares</i>
2. Sustainable land management in production systems (agriculture, rangelands, and forest landscapes)	120 million hectares under sustainable land management	<i>45,000 hectares</i>
3. Promotion of collective management of transboundary water systems and implementation of the full range of policy, legal, and institutional reforms and investments contributing to sustainable use and maintenance of ecosystem services	Water-food-ecosystems security and conjunctive management of surface and groundwater in at least 10 freshwater basins;	<i>Number of freshwater basins</i>
	20% of globally over-exploited fisheries (by volume) moved to more sustainable levels	<i>Percent of fisheries, by volume</i>
4. Support to transformational shifts towards a low-emission and resilient development path	750 million tons of CO _{2e} mitigated (include both direct and indirect)	<i>4,500,000 metric tons</i>
5. Increase in phase-out, disposal and reduction of releases of POPs, ODS, mercury and other chemicals of global concern	Disposal of 80,000 tons of POPs (PCB, obsolete pesticides)	<i>metric tons</i>
	Reduction of 1000 tons of Mercury	<i>metric tons</i>
	Phase-out of 303.44 tons of ODP (HCFC)	<i>ODP tons</i>
6. Enhance capacity of countries to implement MEAs (multilateral environmental agreements) and mainstream into national and sub-national policy, planning financial and legal frameworks	Development and sectoral planning frameworks integrate measurable targets drawn from the MEAs in at least 10 countries	<i>Number of Countries:</i>
	Functional environmental information systems are established to support decision-making in at least 10 countries	<i>Number of Countries:</i>

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

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

PART II: PROJECT JUSTIFICATION

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

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

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

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

N/A

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

N/A

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

While the Facility’s ultimate beneficiaries are farmers/landowners, the project intends to target industries, commercial financial institutions and or institutional investors (through dedicated vehicles such as impact investment funds) to deploy the Facility (in order to maximize the amount of private investment). In parallel to developing this proposal the project team have been in contact with investment managers such as Mirova or Althelia and large commodity traders that are developing supply chain financing solutions. It is worth noting that a larger stakeholder consultation process will be included in each sub-project as part of our environmental and social mandatory assessment, including onsite due-diligences.

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

Gender equality will be mainstreamed into project implementation and monitoring following IDB Operational Policy on Gender Equality in Development, including the avoidance of gender based exclusions in the projects financed by the IIC. Gender analysis will be conducted at the sub-project level and will be reported to the GEF. As indicated in the term sheet, the Facility also contemplate the possibility of gender performance based incentives in the sub-projects, as already pioneered in other concessional funds.

GEF Work Plan for Gender Equality Action Plan	RMI compliance with Action Plan
Incorporate and strengthen gender elements in key GEF programs and projects, including Integrated Approach Pilots and Small Grants Programme.	Gender appraisals will be conducted at the sub-project level. The IIC will partner with clients to identify and leverage gender-inclusive opportunities whenever possible in projects financed under the RMI.
Support gender responsive projects, based on country demand and in line with GEF-6 strategy	The projects under the RMI will avoid gender based exclusions.
Develop analytical products on thematic issues (e.g. gender and protected areas management, gender and	The RMI will not finance analytical products. However, the gender knowledge generated by the sub-projects will

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..

renewable energy, etc.), aligned with the gender learning questions to be identified under each focal area and their results framework	be kept by IDBG's data systems, including IDBG's knowledge management system. The potential gender lessons under the RMI will be available for a possible consultation and contribution to analytical products or publications.
Monitor and report on the GEF-6 core gender indicators at the corporate level.	Gender indicators will be developed at the sub-project level whenever applicable.

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):

In addition to the risks mentioned at PIF stage, during preparation phase the risk of over-subsiding the sub-projects under the RMI was identified. The lack of awareness on the opportunities related to the sector and its high financial risks are indicators that some of these investments could result in a higher demand for subsidies in order to mitigate private investor's risk. The IDBG consider this as a medium risk. The key measure to mitigate this risk will be to apply the minimum concessionality principle to sub-project investments and work together with investors on the identification of projects that actually require minimum concessionality to be implemented.

Considering the market for land restoration and sustainable land management, which is currently at an early stage, a low-level risk identified in project preparation is the possible shortage of bankable projects that fit the various requirements of the Facility. As a result of our advisory services, we expect to reduce the risks related to insufficient pipeline of projects by helping investors quantify the environmental and financial returns of investments in this sector. In addition, technical assistance will be provided to our client investors in the management, planning and strategy applied to these investments. Additional training and awareness-raising workshops could also be held if required.

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.

As a result of the consolidation of IDB and The Inter-American Investment Corporation (IIC), the IDB private sector projects funded by resources from the GEF are now administered by the IIC on behalf of the IDB. The coordination and institutional arrangements mentioned at PIF stage remain the same. Due to the nature and investment dynamics of the RMI, any further consultation and coordination at this moment would have been indicative as these actions will occur at the sub-project level when the Facility is deployed (see examples of potential sub-projects in annex of the credit proposal). Each sub-project will undergo IIC's approval process, including ESS due-diligence, integrity review, etc. As part of this process the IIC seeks to coordinate with other MDB or DFIs if involved in the same projects and leverage on lessons learned from similar projects. When relevant, we will also assess the consistency of sub-projects with any jurisdictional programs (e.g. REDD+) We will be keen to coordinate and establish communication to share lessons whenever applicable. The RMI is a pioneer instrument to support land restoration and the IDBG is keen to share the lessons learned to stimulate investment in this sector.

In addition, and relevant to the institutional arrangement of this project, we would like to repeat that the IDBG has requested advance delegated authority for subproject investments under Option 1 of the PPP modalities, by which the IDBG does not need to go back to the GEF for approval of its investments.

Additional Information not well elaborated at PIF Stage:

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

Land restoration can bring immediate socioeconomic benefits as described at PIF stage. RMI will prioritize the generation of social-economic benefits of each sub-project.

Of particular relevance and in line with RMI's potential investments, it is known that land degradation results in soil degradation that directly impacts productivity. The implementation of sustainable Coffee agroforestry systems that integrates soil fertility management could increase small holder income while supporting achievement of global environmental benefits. It is expected that sustainable land management practices that integrates soil fertility management will increase productivity and environmental sustainability. As an example, research shows that green manure and low quantities of animal manure have been shown to increase and maintain soil fertility and biodiversity, while surface runoff and soil erosion are significantly reduced. In addition, after years of use of green manure, plantations have shown to require less pest control due to increased natural pest control and ecosystem integrity. Also, it is expected that these methods will increase variety of vegetation species, support water infiltration into soil, reduce erosion, improve ground cover and soil structure and improve soil's nutrient cycling.⁸

The restoration of degraded cattle pastures combined with intensive silvopastoral systems is another potential investment under the RMI that could bring a significant combination of environmental and social economic results. The adoption of practices like rotational grazing, incorporation of legumes and integrated crop-livestock-forestry systems could potentially reverse degradation.⁹ It is also expected that properly managed silvopastoral can increase soil and biomass C, biological diversity, and water capture and storage while directly increasing the livelihoods of cattle producers through improved livestock production.¹⁰

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.

⁸ Marques, M. J., Schwilch, G., Lauterburg, N., Crittenden, S., Tesfai, M., Stolte, J., ... & Karkani, A. (2016). Multifaceted impacts of sustainable land management in drylands: A review. *Sustainability*, 8(2), 177.

⁹ Latawiec, A. E., Strassburg, B. B. N., Valentim, J. F., Ramos, F., & Alves-Pinto, H. N. (2014). Intensification of cattle ranching production systems: socioeconomic and environmental synergies and risks in Brazil. *animal*, 8(08), 1255-1263.

¹⁰ Ibrahim, M., Guerra, L., Casasola, F., & Neely, C. (2010). Importance of silvopastoral systems for mitigation of climate change and harnessing of environmental benefits. *Grassland carbon sequestration: management, policy and economics*, 11, 189.

The RMI is a pioneer instrument to support land restoration and the IDBG is keen to share the lessons learned to stimulate investment in this sector. The lessons learned under the RMI will be shared through the available knowledge sharing mechanisms of the IDB and IIC, including websites, blogs and social media.

Of relevance, a project manager will oversee RMI's investment performance, registering challenges, opportunities, results and all other relevant information that could be useful to build capacity of our advisory services that will support future investments in the same sector.

Awareness-raising workshops and presentations could be also held if required as we understand there is an important role to be played regarding fulfilling the lack of financial information in this sector. The IDBG is also keen to work with the GEF Sec on knowledge products that could be beneficial to investors and other stakeholders.

Specific actions copied below will support achievement of the above-mentioned objectives:

- All the information relating to project development achievements will be made available through IDBG's communication and knowledge channels
- Promotion of exchange and learning will be held based on stakeholder's demand
- Project manager will be responsible for acquiring the knowledge required to support market expansion in the sector
- IDBG is keen to share lessons and work closely with the GEF Sec to improve relations with key investors and specific actors and promote replication of similar investments in the region and worldwide

B. DESCRIPTION OF THE CONSISTENCY OF THE PROJECT WITH:

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

All potential project countries are signatories of the UN Convention to Combat Desertification. Once sub-projects are further developed, the project team will ensure alignment with national strategies and plans. At the same time, on September 2015, countries adopted a set of goals (Sustainable Development Goals – SDGs) to end poverty, protect the planet, and ensure prosperity for all as part of a new sustainable development agenda. The RMI is a significant contributor to goal # 15 of the SDGs. The RMI through its sub-projects is expected to protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forest, combat desertification, halt and reverse land degradation, and halt biodiversity loss¹¹.

C. DESCRIBE THE BUDGETED M & E PLAN:

The RMI will follow IDBG's rigorous Monitoring and Evaluation policy that is in line with the principles and criteria applied by GEF's M&E policy. In addition, the project team will be responsible for preparing GEF's Project Implementation Report (PIR) for the RMI as a facility as well as the Mid-term and final evaluation.

In order to monitor and evaluate the facility, for each sub-project a Results Framework will be created including SMART indicators to measure the expected outcomes. This follows the model that was created for sub-projects under the Climate Smart Agriculture (GEF ID 5754) . The creation of measurable and specific indicators is expected to

¹¹ <https://sustainabledevelopment.un.org/sdg15>

generate more precise information about the sub-projects' performance. This information will be shared in GEF's M&E reports.

The means of verification and the costs associated with obtaining the information to track the indicators will be finalized and integrated in the overall budget at the time of approval of each sub-project.

Below there is an indication of activities planned to be undertaken during monitoring and evaluation of the RMI.

I. Monitoring

The monitoring activities will be carried out by the IIC Portfolio Management Unit (PTM), in coordination with the IIC Development Effectiveness Officer, as needed. Such activities include the collection and verification of all qualitative and quantitative information necessary to update the DELTA Score (annex to the Credit Proposal), the Results Matrix, and the table of Monitoring and Evaluation Indicators. All quantitative indicators must be included in the Loan Agreement, in the "Development Indicators" Annex, so the client is bound to report on them.

These monitoring activities will be part of the Annual Supervision Report (ASR) produced by the Portfolio Management Officer and will be updated for future IIC development reporting and publications. All other necessary information will be collected during supervision activities through interactions with the client. In addition, reflow statements will be communicated to GEF as per the Financial Procedures Agreement (FPA) between GEF and IDB.

II. Evaluation

The evaluation of each sub-project will be performed following the guidelines for the Expanded Supervision Report (XSR) set by the Office of Evaluation of the IDB (OVE). The timing for the evaluation follows the guidelines of the Evaluation Cooperation Group - Good Practice Standards (ECG-GPS). Therefore, the project will be evaluated when it reaches "Early Operating Maturity" (EOM), as defined in the referred document.

The XSR will assess the project's (i) Relevance of the project to the IIC and Country strategies, both at the time of approval and throughout the years; (ii) the effectiveness to which the project has reached its stated objectives and targets, which are defined in the project documents and measured by the Results Matrix indicators; (iii) the efficiency in achieving such objectives, calculating the financial return of the investments and its economic return to society; (iv) the expected sustainability of the investment.

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

GEF Focal Points in all participating countries will be informed of the key evaluation milestones and, where applicable and feasible, involve them in the M&E activities of this project.


III. Cost

In general, IDBG managed funds spend around \$150,000 per year on those activities and to cover all M&E requirements. The resources to pay for those activities would come from the IDBG's own resources and GEF agency fees, and some items will be charged directly to the private sector clients of sub-projects.

PART III: CERTIFICATION BY GEF PARTNER AGENCY(IES)

A. GEF Agency(ies) certification

This request has been prepared in accordance with GEF policies¹² 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
Juan Pablo Bonilla IDB-GEF Executive Coordinator		08/03/2017	Matthieu Pegon	+ 1-202-623-1910	matthieup@iadb.org

¹² GEF policies encompass all managed trust funds, namely: GEFTF, LDCF, and SCCF
GEF6 CEO Endorsement /Approval TemplateNGI-Sept2015

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).

Outcome	Indicator	Baseline Year	Baseline Value	2018	2019	2020	2021	2022	2023	Total (throughout project life)	Source of Information	Source Details
Increased Investments in Land Restoration that generates Global Environmental Benefits	# of area under sustainable forest management and/or restoration practices (ha)	2017	0			7000	7000	7000	1500	22,500	Clients reporting (contractual undertaking)	To be reported by PMU
	# of area investing in integrated landscape management (ha)	2017	0			7000	7000	7000	1500	22,500	Clients reporting (contractual undertaking)	To be reported by PMU
	Volume of Carbon Sequestered (tCO2eq)	2017	0							3,883,050	Clients reporting (contractual undertaking)	To be reported by PMU
Disbursements made to sub-projects	Volume of disbursements to sub-projects	2017	0		6,000,000	6,000,000	3,000,000			15,000,000	IIC	To be reported by PMU
Increased Market awareness	# of private investors participating in the projects	2017	0		3	6	2				Clients reporting (contractual undertaking)	To be reported by PMU

Outputs	Indicator	Baseline Year	Baseline Value	2018	2019	2020	2021	2022	2023	Total (throughout project life)	Source of Information	Source Details
Diverse Financial instruments (sub-projects) are structured and approved to address Land Restoration	# of land restoration projects guaranteed by the Risk Mitigation Instrument	2017	0	1	1					2	IIC	To be reported by PMU
	# of INRM projects guaranteed by the Risk Mitigation Instrument	2017	0		1	1				2	IIC	To be reported by PMU
Knowledge Sharing mechanism is created	# of knowledge products created	2017	0				1			2	IIC	
Monitoring of Global Environmental Benefits achievements	# of environmental performance reports generated	2017	0						1	2		Evaluation report

DELTA - PROJECT ASSESSMENT

Risk Mitigation Instrument for Land Restoration

A. Alignment to Country and Corporate Priorities (Aligned, Not Aligned)		Aligned
1. IDB Group Strategic Development Objectives		Aligned
Development Challenges & Cross-cutting Themes	Productivity and innovation; Climate change and environmental sustainability;	
Regional Context Indicators	Greenhouse gas emissions (kg of CO2 per \$1GDP (PPP));	
Country Development Results Indicators	Reduction of emissions with support of IIC financing (annual million tons CO2 equivalent); Beneficiaries of improved management and sustainable use of natural capital (#);	
2. IIC Strategic Development Objectives		Aligned
PBAs and transversal themes	PBA 5: Foster green growth; Transversal theme 2: Environmental and Social Sustainability;	
3. Contribution to Country Priorities		Aligned
Contribution to Country Strategy/Program	Agriculture and rural development; reduction of CO2 emissions	
B. Project Score¹³		9.2
I. Development Outcome		9.2
I. - 1. Contribution to Social and Economic Development		9.4
I. - 1.1 Specific outcomes for beneficiaries or other stakeholders		10.0
Growth: <i>The project increases the number of beneficiaries and/or the provision of goods/services provided.</i>		Yes
Low-income/vulnerability/poverty: <i>The project targets beneficiaries from the poor, vulnerable or low income strata.</i>		
Gender Equality: <i>The project promotes gender equality and/or women's empowerment.</i>		
Excluded Populations: <i>The project has specific benefits for excluded populations.</i>		
Climate change/environment: <i>The project mitigates/adapts to climate change, or has other positive environmental effects.</i>		Exceptional
Improved products/services: <i>The project leads to significantly improved products or services.</i>		Somewhat
MSME: <i>The FI targets MSME segments</i>		
Market Linkages: <i>The project improves or expands market linkages (value chain).</i>		
Frameworks: <i>The project improves country or sector frameworks, or tests/pioneers a new framework/regulation.</i>		
Innovation and spread of knowledge/technology/practices: <i>The project innovates and/or leads to transfer of knowledge.</i>		Somewhat

¹³ Adjusted DELTA based on Development Outcome score only. This was done to accommodate for the nature of this project which is a donor money facility.

I. - 1.2 Economic Analysis		8.0
A. Net economic benefits generated by sub-borrowers (ERR/EROIC of sub-borrowers)		
B. Positive contribution of the market supported by the project/financial intermediaries to the society		8
I. - 2. Company/Project business performance		10.0
Financial Performance & Sustainability	Portfolio growth & profitability (70% weight)	10
	FI overall sustainability: SACP rating (30% weight)	10
I. - 3. Environmental and Social Sustainability		6.0
Client/project is in compliance with environmental and social requirements		Yes

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).

Germany	IDBG-Responses
<p>The PIF should include an analysis of the target group “investors”: which type of risk mitigation is adequate for which type of investor? One effective option could also be compensation payments additional to credits – especially in the case of the integration of small scale farmers in rehabilitation / restoration activities.</p>	<p>The IDB welcomes these suggestions. In the context of this Facility and its objectives (unlock private investment towards land restoration and sustainable land management), private investors may entail the following players:</p> <ul style="list-style-type: none"> - Farmers and land owners; - Projects developers and operators; - Industries (e.g. food and beverage industries, commodity traders, etc.); - Commercial financial institutions; - Institutional investors. <p>While the Facility’s ultimate beneficiaries are farmers/landowners, we intend to target industries, commercial financial institutions and or institutional investors (through dedicated vehicles such as impact investment funds) to deploy the Facility (in order to maximize the amount of private investment). In this frame, the exact type of risk mitigation instrument will depend on each specific underlying projects financed by the Facility. For example, a commodity buyer may provide loans to its suppliers (e.g. farmers) for land restoration activities. As these entail higher risk and longer pay-outs, these loans could be supported by a subordinated loan from the Facility. In another example, a first loss guarantee may be provided to restore degraded cattle pastures by planting trees for biomass production. The guarantees in this case will be used to overcome the first cost barriers to forestry projects and to provide collateral during the early years when the trees have low financial value. During the Investment Period, investment officers will determine what risk mitigation to be used and the related appropriate financial terms. Investments are planned to be deployed through 1st loss guarantees and subordinated loans as detailed in the term sheet. . As these are innovative financial</p>

	<p>instruments, the IDBG will be keen to share, once defined, the types of risk mitigation applied to each sub-project and the rationale behind it.</p> <p>In regard to compensation payments, the IDGB recognizes the effectiveness of adding these payments to land restoration initiatives. The RMI could be flexible in considering other options additional to the predominant instruments.</p>
<p>Consulting and coordinating with relevant programmes / projects at country and regional level during the elaboration of the project document as well as integrating the results of this coordination into the project document is deemed necessary. Existing experiences of the German Cooperation and other donors in the field of forest management, landscape restoration, management of bio-corridors etc. should be considered in the elaboration of the project document</p>	<p>Due to the nature and investment dynamics of the RMI, any consultation and coordination at this moment would have been indicative as these actions will occur at the sub-project level when the Facility is deployed (see examples of potential sub-projects in annex of the credit proposal). Each sub-project will undergo IIC's approval process, including ESS due-diligence, integrity review, etc. As part of this process the IIC seeks to coordinate with other MDB or DFIs if involved in the same projects and leverage on lessons learned from similar projects. When relevant, we will also assess the consistency of sub-projects with any jurisdictional programs (e.g. REDD+) We will be keen to coordinate and establish communication to share lessons whenever applicable.. The RMI is a pioneer instrument to support land restoration and the IDBG is keen to share the lessons learned to stimulate investment in this sector.</p>
<p>Regarding Co-Financing: the PIF is mentioning „Impact Investors“ (related to the „20*20 Initiative“) as sources of co-financing. As neither the investors itself nor the projected business cases are identified, the amount of USD 60 Mio expected to be contributed by impact investors surprises. There is a risk of over-subsidization as most (if not all) investment related to the 20*20 Initiative are of hybrid capital and therefore are co-financed with public resources in order to mitigate private investor's risk. Germany in this context suggests</p>	<p>At this stage, the identification of prospective investors is indicative. The global market for dedicated “for-profit” land restoration and sustainable land management is estimated at US\$ 6.3 billion and has been primarily funded by private investors. The market is expected to increase by additional US\$ 6 billion in the upcoming five years. Nevertheless, the market is still at its early stages and there may be projects that require multiple sources of public financing. In</p>

<p>identifying impact investors/investment funds and their concrete investment plans in the region as well as describing the (formal) relationship between IDB and the mentioned investors and the envisaged strategy/safeguards to avoid over-subsidizing (doubled public co-finance)</p>	<p>this frame, IIC will deploy the Facility in line with its principles for Blended Finance for private sector operations and the 2013's DFI Guidance for Using Investment Concessional Finance in Private Sector Operations:</p> <ul style="list-style-type: none"> - Minimum concessionality: Concessionality is provided at the minimum level needed to ensure barriers are overcome and projects are financially viable, while avoiding market distortions by displacing available and sustainable commercial financing. - Leverage and financial sustainability: Concessionality aims to crowd-in commercial finance. - Improved risk-adjusted returns: Concessionality is needed to improve risk-adjusted investment returns to ensure projects attract private investments or to de-risk projects to meet investors' risk tolerance. - Maximum additionality: Concessional resources are used for early mover and innovative projects with the potential to scale up or replicate.
<p>Regarding "1.4 The proposed alternative scenario": So far there are neither calculations of investment costs and profitability nor cash flow analyses for the indicated production systems delivered, which are fundamental for sustainable investments. Integrating these analyses in the project document for the most important production systems targeted would strengthen the PIF.</p>	<p>The Facility will target for-profit activities. Each sub-project will go through IIC's credit approval process which will entail amongst others, a credit worthiness and sustainability assessment supported by financial projections. Due to the various subset of investors targeted, as well as the various underlying markets and financial instruments, it is difficult at this stage to provide any cash flow analysis for the expected sub-projects to be supported by the Facility. By way of example, one possible sub-project would entail a payback period starting at year 12 while another sub-project would have a repayment period starting at year 6.</p>
<p>Regarding "1.4. Incremental/additional cost reasoning" and "4. Risks": „An un-bankable risk profile“ has been identified as the principal investment barrier. Other (in our view very substantial) investment barriers are only partly mentioned in the risk analysis (4). Germany considers that it is necessary to describe how to address typical weaknesses of the sector and its</p>	<p>This is a very important point and was also identified during the facility preparation. The risk table is now updated. As a result of our advisory services, we expect to reduce the risks related to insufficient pipeline of projects by helping investors quantify the environmental and financial returns of investments in this sector. In addition, technical assistance will be provided to our client</p>

<p>stakeholders that represent substantial risks and barriers for investors, as e.g.: Insufficient pipeline of investment ready projects, lack of consolidated and professionally managed entities to invest in, missing capacities of local partners, weak forest governance and enforcement, high level of informality and illegality throughout many forest based value chains, unclear land tenure rights, etc. It would also be useful to describe the resources and structures of necessary technical assistance and how they will be financed.</p>	<p>investors in the management, planning and strategy applied to these investments. Additional training and awareness-raising workshops could also be held if required.</p> <p>The other risks not directly linked to the financial and managerial aspects of the business are less likely to be directly addressed/mitigated by this project. Our sub-projects would have to comply with requirements from our legal and risk department to be approved. This will probably reduce the geographical scope of our investments. These are common risks faced by sectors that are still not well established.</p>
<p>Regarding “1.5. Global environmental benefits and adaption benefits”: a total investment of USD 135 Mio. would result in the restoration of 45.000 ha. Restoration costs/ha are USD 3.000 (without land acquisition). Exemplifying the calculation, including upfront (initial) and maintenance costs of restoration would be useful.</p>	<p>Restoration costs/ha are expected to vary from one geography and one ecosystem to another, and be affected by several other factors. By way of example, we are providing a theoretical calculation for sylvo-pastoral systems attached to this Q&A, outlining restoration costs of US\$ 2,943 per hectare. To provide an order of magnitude, one sub-project that may be supported by the facility features restoration costs of US\$ 2,010 per hectare.</p>
<p>Regarding “1.6. Innovation, sustainability potential for scaling up” The additional value for collective learning as „proof of concept“is only functional, if stakeholders are ready to share (sensitive) financial data. For the effective implementation of the project evidence (e.g. MoU) of intent/readiness of partners to publicly share financial information in order to enable collective learning on risk mitigation instruments may be crucial.</p>	<p>We understand the relevance and importance of information sharing to boost the sector. The IDBG is keen to share any kind of information in the absence of a compelling reason for confidentiality.</p>
<p>USA</p>	<p>IDBG Responses</p>
<p>The proposal mentions the risk imposed by the seven year growth cycle for trees in the silvopastoral systems; however, the project is only in operation for five years. How will the IADB and project partners ensure the system is properly implemented and maintained if the funding expires before the cycle is complete?</p>	<p>The IDB welcomes the opportunity to clarify this issue. We are proposing a 5-year Investment Period to deploy the Facility. Each sub-project may however feature a tenor of up to 15 years, precisely to accommodate the longer payback period to be expected in some of the sub-projects. For more details please check term sheet attached to</p>

	Endorsement request.
How, during project implementation, will the IADB account for the fact that (a) land tenure is uncertain and (b) reforestation of degraded land may be expensive and risky due to the quality of the land?	The IDBG welcomes these enquiries from the USA. The IDBG exercises due diligences for all its operations. The risks mentioned regarding land tenure, quality of the land and several others will be verified by due diligence. Due diligences will ensure that sub-projects are financially, legally and technically viable. The IDBG faces it as expected challenges due to the characteristics of the sector.
Will funding be used for land restoration projects in Argentina? If so, is it possible to estimate what proportion of funding might go to Argentina in the future?	Thanks for this question. The Facility may be deployed in any IDB Borrowing Member Countries, including Argentina. At this stage, it is not possible to estimate what proportion of funding would go to Argentina, if any.
The proposal includes a section on timber and non-timber forest products: will any of these projects include industrial-scale logging?	The IDBG welcomes the raising of this important question. Any forestry projects or operations that are not consistent with the institution's Environment and Safeguards Compliance Policy are prohibited as per the institution's excluded activity list.
STAP	
The proposal appears to insufficiently recognize that reforestation of degraded lands has high costs and risks due to the nature of the land itself. For example, degraded land may have lost topsoil, and, therefore, have low chemical fertility and physical constraints, which increase the cost of establishment and increase the risks of failure. Also, where native species are planted the growth rates are often very low. Thus, STAP highly recommends for the IADB to acknowledge and address these factors when developing the proposal	IDBG welcomes STAP comments. As previously mentioned, IDBG will conduct due diligences, including technical exercises that will assess the natural conditions of the land, which are common exercises to complete the appraisal of the projects. IDBG will consider the consideration raised by the STAP during the selection of sub-projects.
IADB indicates it will apply its environment and social safeguards in the development of the projects, which STAP is pleased to know. However, STAP would like to see further evidence of how the sustainability assessments will be conducted for each project so that negative externalities are avoided, considering both environmental and social aspects. For example, STAP would like to see further detail of safeguards to ensure restoration projects do not cause indirect	Each sub-project under the Facility will need to be approved by the IIC. Through this process, we will analyze and classify the environmental and social impacts and risks associated with the sub-projects, assigning a safeguard specialist and any required resources to evaluate the adequacy of assessments, management plans, procedures, capacity and institutional arrangements. Where necessary, we will flag additional measures to be included in the project design and operation to ensure that

<p>land use change, displacement of communities, or indirectly encourage activities that could degrade forests. Further, the proposal should detail how IADB's</p> <p>environmental and social safeguards will deal with the risk of invasive species.</p>	<p>environmental and social impacts and risks are mitigated and managed, and to help our clients to meet and/or exceed global benchmarks in environmental and social performance. The safeguard performance for each subproject will be monitored throughout the life of the sub-project. Environmental and Social Impact Assessments will be prepared for sub-projects with potentially substantial environmental and social impacts. ESIA's are made available to affected populations and local nongovernmental organizations by the borrower before the institution will conduct its analysis/due diligence mission and will be made publically available.</p>
<p>Further, STAP proposes that the project include mechanisms to generate evidence that the safeguarded compliance policy has been adequately implemented.</p>	<p>The Environmental and Social disclosures of sub-projects under RMI will be published on IDB or IIC's website. This will also include the risks identified and the related mitigation measures and action plans</p>
<p>The proposal indicates that it will contribute to reducing emissions from the land sector (750 million tons of CO₂e mitigated). STAP requests that the IADB define the methodology that will be used to quantify the carbon sequestered by the project activities at mid-term and final reporting. Furthermore, STAP advises to include losses in biomass and soil carbon that occur during the establishment of trees when estimating carbon sequestration amounts. Suitable methodologies that may be used include CBP and ExAct:</p> <p>http://carbonbenefitsproject-compa.colostate.edu/</p> <p>http://www.fao.org/tc/exact/ex-act-home/en</p>	<p>The IDBG welcomes the suggestion from STAP. We expect to use IPCC methodologies for estimating changes in carbon stocks of biomass (above and below ground) for the calculations to be included in the reports. Tier 1 emission factors will be used by default, nevertheless validated tier 2 or 3 factors will be a preferred. Ex ante and ex post data will be gathered. The nature of each project will define the losses to be estimated.</p> <p>IPCC and/or CDM approaches will be considered for the following criteria:</p> <ul style="list-style-type: none"> - Change in biomass carbon stocks (above-ground biomass and below-ground biomass) - Change in carbon stocks in dead organic matter - Change in carbon stocks in soils - Soil C estimation methods (land remaining in a land-use category and land conversion to a new land use) <p>The suggested suitable calculation tools will also be taken into consideration at mid-term and final reporting.</p>

<p>STAP proposes detailing the areas to be targeted, and the land degradation issues the project intends to address.</p>	<p>As previously mentioned, the detailed information of the sub-project areas and the related land degraded issues will be informed at the sub-project level through GEF's annual implementation report.</p>
<p>If payment for ecosystem services (PES), or certification schemes are planned, STAP recommends for the IADB to apply the advice it developed on these two themes. Refer to: http://www.stapgef.org/paymentsfor-environmental-services-and-the-global-environment-facility/ and http://www.stapgef.org/environmentalcertification-and-the-global-environment-facility/</p>	<p>The RMI will be providing funding mainly to FIs and corporates. There is no planning regarding the utilization of PES. However, a possible example of PES utilization would be a corporation that receives a loan from the RMI to finance farmers interested in land restoration practices. A program of Payment for Ecosystem Services could be offered in this case to stimulate farmers to adopt practices and technologies that reduces harm to ecosystem services.</p>
<p>Further details on the loan beneficiaries would be valuable. Currently, it is not clear whether the recipients will be small-business owners, and/or small-scale farmers, and how the loans will be tailored to reduce their risks and "first cost barriers" for forestry projects</p>	<p>While the Facility's ultimate beneficiaries are farmers/landowners, we intend to target industries, commercial financial institutions and or institutional investors (through dedicated vehicles such as impact investment funds) to deploy the Facility (in order to maximize the amount of private investment).. More information will be provided when sub-projects are defined through annual implementation reports to the GEF.</p>
<p>STAP proposes that the investments focus on SMEs such as national cooperatives, farmer cooperatives, and marketing cooperatives</p>	<p>Potential investors, such as the ones suggested by STAP, are most welcomed and will be taking into consideration if complied with IIC investments policies.</p>
<p>To complement further the baseline description and the potential drivers of global environmental change, provide a description of the policies influencing restoration in the targeted countries. This includes national policies regulating the forestry and agricultural sectors, as well as international trade policies and demand for agricultural and forestry goods, and elements from extractive industries</p>	<p>IDBD recognizes the importance of contributing to the baseline regarding national policies. At this stage, there are no approved sub-projects. However, RMI sub-project investments will potentially add value to improving the information available on existing policies in countries where sub-projects are being implemented. The environmental, social and legal due diligence exercise will assess specific information about national policies and regulations that could impact the project. This information will be available in IIC's website and at GEF's annual implementation reports.</p>

SYLVOPASTORAL SYSTEMS COSTS

GEF “Risk Mitigation Instrument for Land Restoration” includes:

Silvo-pastoral systems: Reforestation in mosaic patterns or in low densities on existing degraded pastures has a huge potential of generating ecosystem service benefits on a large scale. Trees planted on degraded pasture land provide a permanent soil cover that enables recovery of the topsoil, soil carbon sequestration, and improved water retention and regulation services. This can be complemented by planting of improved and locally adapted grass species, as well as grazing management.

Implementation costs of such systems can vary among countries and regions according to a number of factors, nevertheless the average operative costs remain the same: i) land preparation, ii) implementation of forestry species and iii) maintenance. (Rocha, 2013)

In this context, there were considered the costs of implementing one hectare of a type silvopastoral system in LAC, (upfront and maintenance) it must be mentioned that costs vary among countries. Examples were taken from Colombia, Costa Rica and Nicaragua and prices were normalized to the dollar equivalence of the studied years. Maintenance costs as usual are estimated for 3 years. (NILS, 2015)

Irrigation costs were not included because most of the land with potential to be converted to silvopastoral systems is located in tropical or subtropical ecosystems with high precipitation rates. Irrigation is used in intensive milk oriented cattle systems commonly located in high lands because of breed requirements, nevertheless it is a marginal practice in the region. In addition, literature doesn't consider the acquisition of animal species within implementation costs.

1 HECTARE SILVOPASTORAL SYSTEM

	Unit	Unit cost USD	Total Cost USD
Upfront			
Land preparation			
Soil analysis	1	80	80
Machinery (tractor)	15 hours	30	450
manpower	40 hours	12	480
Soil correctors	5 bulks (dolomitic lime)	6	30
Pre fertilization	1 bulk (NPK)	40	40
Fertilization	4 bulks (NPK)	40	160
grass seeds	3 kg	25	75
fence stakes	200 units	0.25	50

fence pipes	16 units	0.35	5.6
Barbed wire	2 bulks	60	120
Forestry			
specie 1	1500 units	0.3	450
specie 2	1500 units	0.3	450
manure	30 bulks	4	120
Upfront total			2510.6
Maintenance			
YEAR 2			
Manpower	18 hours	12	216
YEAR 3			
Manpower	18 hours	12	216
Maintenance total			432
TOTAL			2942.6

Bibliography

NILS, S. V. (2015). *SISTEMAS AGROFORESTALES EN FINCAS DE PEQUEÑOS AGRICULTORES*. San José: FAO.

Rocha, C. (2013). Costos de establecimiento de sistemas silvopastoriles. *Agroforesteria Neotropical*, 9.

ANNEX C: STATUS OF IMPLEMENTATION OF PROJECT PREPARATION ACTIVITIES AND THE USE OF FUNDS¹⁴

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

PPG Grant Approved at PIF:			
<i>Project Preparation Activities Implemented</i>	<i>GEF/LDCF/SCCF Amount (\$)</i>		
	<i>Budgeted Amount</i>	<i>Amount Spent To date</i>	<i>Amount Committed</i>
Total	0	0	0

¹⁴ If at CEO Endorsement, the PPG activities have not been completed and there is a balance of unspent fund, Agencies can continue to undertake the activities up to one year of project start. No later than one year from start of project implementation, Agencies should report this table to the GEF Secretariat on the completion of PPG activities and the amount spent for the activities. Agencies should also report closing of PPG to Trustee in its Quarterly Report.
 GEF6 CEO Endorsement /Approval TemplateNGI-Sept2015

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)

Tentative list of sub-project types that could qualify for GEF funding with estimated reflows. Not all potential projects will be financed with GEF resources, only up to US\$ 6 (six) million.

Reflows will be returned once a year starting after expiration of the Investment Period.

1. Reforming degraded cattle pastures and rainforest landscape

Investment type description: 1st loss guarantee

Expected start of disbursement: Q3 2017

Amount of investment (GEF funds): US\$ 6 million

Estimated interest rate/return: 7.5%

Term of investment: 10 years

Estimated grace period: 3 years

Repayment method: During grace period interest payments are capitalized, after grace period, sculpted repayment schedule

Frequency of reflow payments IDB to GEF: see above

Total principal amount to be reflowed: US\$ 6 million

Total earnings amount to be reflowed: US\$ 3,576 million

2. Land degradation neutrality fund

Investment type description: 1st loss guarantee

Expected start of disbursement: Q3 2017

Amount of investment (GEF funds): US\$ 6 million

Estimated interest rate/return: 5%

Term of investment: 15 years

Estimated grace period: 11 years

Repayment method: After grace period, sculpted repayment schedule

Frequency of reflow payments IDB to GEF: see above

Total principal amount to be reflowed: US\$ 6 million

Total earnings amount to be reflowed: US\$ 4 million

3. Land restoration loans

Investment type description: Subordinated loan

Expected start of disbursement: Q4 2017

Amount of investment (GEF funds): US\$ 3 million

Estimated interest rate/return: 6%

Term of investment: 15 years

Estimated grace period: 8 years

Repayment method: After grace period, sculpted repayment schedule

Frequency of reflow payments IDB to GEF: see above

Total principal amount to be reflowed: US\$ 6 million

Total earnings amount to be reflowed: US\$ 3.8 million