GEF-7 REQUEST FOR PROJECT ENDORSEMENT/APPROVAL

PROJECT TYPE: MEDIUM-SIZED PROJECT
TYPE OF TRUST FUND: LEAST DEVELOPED COUNTRIES FUND/SPECIAL CLIMATE CHANGE FUND

PART I: PROJECT INFORMATION

Project Title:	Investment Readiness for the Landscape Resilience Fund		
Country(ies):	Global	GEF Project ID:	10436
GEF Agency(ies):	World Wildlife Fund Inc.	GEF Agency Project ID:	G0029
Project Executing Entity(s):	South Pole Carbon Asset Management Ltd.	Submission Date:	December 2, 2020 March 25, 2021 May 19, 2021
GEF Focal Area (s):	Climate Change	Expected Implementation Start	June 2021
		Expected Completion Date	June 2024
Name of Parent Program	N/A	Parent Program ID:	N/A

A. FOCAL/NON-FOCAL AREA ELEMENTS

PROGRAMMING DIRECTIONS	Focal Area Outcomes	Trust Fund	(in $) GEF Project Financing	Confirmed Co-financing
CCA-1	Reduce the Vulnerability of People, Livelihoods, Physical Assets and Natural Systems to the Adverse Effects of Climate Change	SCCF-A	571,330	6,410,901
CCA-1	Reduce the Vulnerability of People, Livelihoods, Physical Assets and Natural Systems to the Adverse Effects of Climate Change	LDCF	571,331	6,410,905
	Total project costs		1,142,661	12,821,806

B. PROJECT DESCRIPTION SUMMARY

Project Objective:	**To catalyze private sector investment in SMEs with climate resilient practices**					
Project Components/ Programs	**Component Type**	**Project Outcomes**	**Project Outputs**	**Trust Fund**	**(in $) GEF Project Financing**	**Confirmed Co-financing**
1. Establishing systems to support SMEs with climate-resilient practices to access private investments	Technical Assistance	1.1 Sustainable processes for provision of pre-investment services to SMEs, to make their climate resilient practices investment-ready	1.1.1 Selection of at least 9 SMEs to be supported in making their climate resilient practices investment-ready 1.1.2 Development of investment-readiness plans with selected SMEs 1.1.3 System for partial or full reimbursement of zero-interest loans and/or direct services, and reinvestment in SMEs	SCCF/ LDCF	341,811 SCCF: 170,905 LDCF: 170,906	136,937 SCCF: 68,468 LDCF:68,469
2. Pre-investment services to make SMEs with climate-resilient practices	Investment	2.1 SMEs have increased technical, operational and financial capacity to structure their climate	2.1.1 Provision of zero-interest loans and/or direct services to selected SMEs to implement their	SCCF/ LDCF	608,600 SCCF: 304,300	12,289,405 SCCF:6,144,702 LDCF:6,144,703

investment-ready		resilient practices and make them investment-ready	investment-readiness plans		LDCF: 304,300	
3. Establishing matchmaking support for SMEs with climate-resilient practices to match with potential private investors	Technical Assistance	3.1. Increased capacity of selected SMEs to match with private investors	3.1.1 Assistance to selected SMEs for development of project offer sheets and pitches to investor 3.1.2 Arrangement of matchmaking meetings, including pitch events, where selected SMEs are matched with investors	SCCF/ LDCF	39,450 SCCF: 19,725 LDCF: 19,725	18,881 SCCF: 9,440 LDCF: 9,441
4. Knowledge management and effective project monitoring & evaluation	Technical Assistance	4.1. M&E to inform adaptive management of projects 4.2 Knowledge management increases awareness of private investors on successful approaches on preparing, implementing and financing climate-resilient practices	4.1.1 Monitoring and evaluation of project outputs 4.2.1 Dissemination of project results to key stakeholders 4.2.2 Project knowledge products developed and disseminated to wider SME and investment communities	SCCF/ LDCF	122,800 SCCF: 61,400 LDCF: 61,400	39,953 SCCF: 19,976 LDCF: 19,977
Subtotal					1,112,661	12,485,176
Project Management Cost (PMC)					30,000	336,630
Total project costs					1,142,661	12,821,806

For multi-trust fund projects, provide the total amount of PMC in Table B, and indicate the split of PMC among the different trust funds here: (50/50 SCCF/LDCF - SCCF: $15,000 LDCF: $15,000)

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	Investment Mobilized	Amount ($)
Private sector	South Pole – via multinational corporation and investor (South Pole as recipient)	Grant	Investment Mobilized	12,500,000
Private sector	South Pole	In-kind	Recurrent	188,000
GEF Agency	WWF US	In-kind	Recurrent	133,806
Total Co-financing				12,821,806

Describe how any “Investment Mobilized” was identified.
Investment mobilized was identified as corporate investments anticipated to be mobilized in the project period due to the TA support and due to the signal GEF gives by being a “first-mover” for the Landscape Resilience Fund (LRF).

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

GEF Agency	Trust Fund	Country Name/Global	Focal Area	Programming of Funds	(in $)		
					GEF Project Financing (a)	Agency Fee (b)	Total (c)=a+b
WWF US	LDCF	Global	Climate change	CC – Global Set Aside	571,330	51,419	622,749

WWF US	SCCF	Global	Climate change	CC – Global Set Aside	571,331	51,420	622,751
Total GEF Resources					1,142,661	102,839	1,245,500

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

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

E. PROJECT'S TARGET CONTRIBUTIONS TO GEF 7 CORE INDICATORS

Update the relevant sub-indicator values for this project using the methodologies indicated in the Core Indicator Worksheet provided in Annex F and aggregating them in the table below. Progress in programming against these targets is updated at mid-term evaluation and at terminal evaluation. Achieved targets will be aggregated and reported any time during the replenishment period. There is no need to complete this table for climate adaptation projects financed solely through LDCF and SCCF.

Project Core Indicators		**Expected at CEO Endorsement**
1	**Terrestrial protected areas** created or under improved management for conservation and sustainable use (Hectares)	
2	**Marine protected areas** created or under improved management for conservation and sustainable use (Hectares)	
3	Area of **land restored (**Hectares)	
4	Area of **landscapes under improved practices** (excluding protected areas)(Hectares)	
5	Area of **marine habitat under improved practices** (excluding protected areas) (Hectares)	
	Total area under improved management (Hectares)	
6	**Greenhouse Gas Emissions Mitigated** (metric tons of CO2e)	
7	**Number of shared water ecosystems** (fresh or marine) under new or improved cooperative management	
8	Globally over-exploited **marine fisheries** moved to more sustainable levels (metric tons)	
9	**Reduction**, disposal/destruction, phase out, **elimination** and avoidance of **chemicals of global concern** and their waste in the environment and in processes, materials and products (metric tons of toxic chemicals reduced)	
10	Reduction, avoidance of emissions of **POPs to air** from point and non-point sources (grams of toxic equivalent gTEQ)	
11	Number of **direct beneficiaries disaggregated by gender** as co-benefit of GEF investment	

Provide additional explanation on targets, other methodologies used, and other focal area specifics (i.e., Aichi targets in BD) including justification where core indicator targets are not provided.

Project indicators are included in the Climate Change Adaptation Results Framework included as a Supporting Document.

In total, 35,000 people are expected to benefit in the long term (beyond the timeframe of this project), of which 25,000 will benefit by having diversified and strengthened livelihoods and sources of income, and 10,000 people are expected to benefit from more resilient natural and physical assets. Physical assets will include processing facilities or factories to process agricultural produce and thereby capture more value in the region. GEF investment in this Project may lead to recommendations for processing facilities and other physical assets, however, GEF funds will not directly finance such assets. Natural assets may include improved riparian management or enhanced soil carbon and fertility, which directly impact/reduce the risks faced by small businesses and vulnerable people (e.g. of floods, droughts, erosion) and therefore constitute assets that also contribute financially to investees.

PROJECT TAXONOMY

Please update the table below for the taxonomic information provided at PIF stage. Use the GEF Taxonomy Worksheet provided in Annex G to find the most relevant keywords/topics/themes that best describe the project.

Level 1	Level 2	Level 3	Level 4
Influencing Models	Strengthen institutional capacity and decision making		
	Convene multi-stakeholder alliances		
	Demonstrate innovative approaches		
	Deploy innovative financial instruments		
Stakeholders	Indigenous peoples		
	Private sector	SMEs	
	Local communities		
	Civil society	Community-based organizations	
	Type of engagement	Information dissemination	
	Communication	Awareness raising	
		Education	
Capacity, Knowledge and Research	Enabling activities		
	Capacity development		
	Knowledge generation and exchange		
	Learning	Adaptive management	
Gender Equality	Gender Mainstreaming	Women groups	
		Sex-disaggregated indicators	
	Gender results areas	Access to benefits and services	
		Capacity development	
		Awareness raising	
Focal Area/Theme	Climate Change	Climate Change Adaptation	Climate Finance
			Least Developed Countries
			Climate Resilience
			Climate Information
			Ecosystem-based Adaptation
			Mainstreaming Adaptation
			Private Sector

			Innovation
			Community-based Adaptation
			Livelihoods

PART II: PROJECT JUSTIFICATION

DESCRIBE ANY CHANGES IN ALIGNMENT WITH THE PROJECT DESIGN WITH THE ORIGINAL PIF

The project description contained within the Project Document has been adapted from the version submitted in the original Project Identification Form (PIF). There are eight main reasons for the changes made to the project design, which are intended to further enhance the effectiveness and impact of the pre-investment window for the LRF.

1. Project components: The Project Strategy is currently divided into four components while the PIF included 3 components. The first PIF component (Establishing systems and matchmaking support) received various comments on not making a clear case of its scope and coherence in the Project's timeline. Therefore, Component 1, was divided into two components (Component 1 and Component 3) on ProDoc. Component 1 in ProDoc is now focused on establishing sustainable systems for providing pre-investment services to SMEs with climate-resilient practices and Component 3 will focus on matchmaking activities and will be delivered as Technical Assistance for selected SMEs. During the ProDoc development, suggestions were also made to include these matchmaking services under Component 2 (Pre-investment services to make SMEs with climate-resilient practices investment-ready) activities, rather than creating a new component, but it was not considered convenient as Component 2 activities are classified as investment while matchmaking activities are classified as Technical Assistance. Component 3 of the PIF stage is currently Component 4 of the ProDoc stage.
2. The PIF included four sources of co-financing that have been reduced to three in the ProDoc. The changes are explained as follows:
    a. Multinational corporations and investors with South Pole as recipient: USD 25 million were expected to be committed on a five year term but due to COVID and other circumstances, it will be delivered on a 6 year period, reducing the commitment for this Project from USD 15 million to USD 12.5 million. This line was updated accordingly on the ProDoc.
    b. A bilateral funder with South Pole as recipient (USD 800,000) was expected to come through before the submission of this Project. However, because of COVID and other negotiation issues, this commitment did not materialize and is expected to happen in 2021 with an increase to USD 1.2 million. This line was therefore deleted on the ProDoc.
    c. Climate-KIC co-financing (USD 150,000) was expected for the Project implementation stage but was not available for this project. This line was therefore deleted on the ProDoc.
    d. South Pole will invest USD 188,000 in the implementation of this Project. These resources include South Pole staff involved in the Technical Committee and Project Steering Committee activities, rent space, computers, office supplies and other services for the staff involved in the LRF.
3. Gender: During 2020, South Pole developed its Global Diversity, Inclusion and Equality Policy which makes the need to guarantee Gender Equality in this Project a priority. Also, the LRF's anchor funder is also invested in having gender mainstreaming in this Project's activities and therefore, Gender Equality was included in the Project taxonomy as it has become an intrinsic issue for the effective implementation of the Project. Gender has also been included in the Project risk assessment and mitigation measures and a specific Gender Action Plan has been designed at the ProDoc stage to show its importance.
4. Main barriers addressed by this Project were updated from three identified in the PIF stage to four on the ProDoc. The main reason for this change is that Component 1 activities in the PIF addressed the barrier *"Lack of investment-ready projects that deliver climate adaptation benefits"* but the ProDoc divided Component 1 into components 1 and 3, therefore, a specific barrier was identified as "*SMEs lack (i) access to adaptation focused investors (ii) knowledge and expertise required for preparation of adequate pitches and offer sheets*", which is addressed through activities in Component 3.
5. This Project aims to provide pre-investment services to SMEs with climate-resilient practices in order to make their initiatives investment ready and therefore **catalyze private sector investment in SMEs with climate-resilient practices**. As this Project does not involve the implementation of climate-resilient practices by the

SMEs, adaptation results for the PIF stage were very conservative. However, on the ProDoc stage, guidelines from GEF SEC on long-term adaptation results (beyond the lifetime of the Project) were provided and therefore, more ambitious adaptation results were included as a long-term result in the ProDoc.

6. Adaptation benefits: The number of beneficiaries has been increased from 25000 in the PIF stage to 35000 in the CEO Endorsement Request stage. Although the number of SMEs that will supported has not increased, the PIF stage only considered the beneficiaries with diversified and strengthened livelihoods and sources of income (25000) and not the beneficiaries from more resilient physical and natural assets (10000), which were added in the CEO Endorsement Request stage.
7. Adaptation benefits: 50000 hectares of land has been added under core indicator 2 in the CEO Endorsement Request stage. The PIF stage did not consider long-term adaptation benefits as they could not be secured during the project implementation stage. However, acknowledging that long-term results (those that will materialize after the project implementation period has ended) should be reflected under the adaptation benefits, the number of hectares managed for climate resilience was added during the CEO Endorsement Request stage.
8. Project risks were updated and complemented according to feedback from key stakeholders and also as a natural result of the Project's development stage.
9. Institutional arrangements have been described in more detail in the ProDoc.
10. The Project budget was updated to show:
    a. Budget from Component 1 on the PIF was reduced as matchmaking activities are no longer delivered through this Component, but rather through Component 3.
    b. Budget for Project Management Costs decreased from USD 100,000 to USD 30,000 since most of the supporting staff costs and additional costs needed to implement this Project will be delivered through the co-financing.

These changes are reflected in the Project description further elaborated below:

1a. *Project Description*.

1. Global environmental and/or adaptation problems, root causes and barriers that need to be addressed

1.1 Environmental problems

Vulnerability of ecosystems and people to climate change impacts is increasing. The IPCC clearly states that the "warming of the climate system is unequivocal… the atmosphere and ocean have warmed, the amounts of snow and ice have diminished, and sea level has risen" (IPCC, 2014). Moreover, climate change projections indicate an increase in the frequency and intensity of extreme weather and climate events such as extreme precipitation, surface temperature rise, and longer and more frequent heat waves. Projected climate change will not only impact water availability and supply, food security, infrastructure, and agricultural incomes in rural areas but will also worsen the impacts of human activities.

As the world's population rises to over 7 billion in 2020, requiring one quarter to one third of total available land for food, feed, fiber, timber, and energy production (IPCC, 2019), increasing pressure is being put on landscapes. This coupled with the fact that climate change impacts will have negative repercussions on biodiversity, soil fertility, and changes in water availability and distribution, leading to a reduction in socio-economic opportunities and a rise in inequality, poverty, and food insecurity (Adger & Barnett, 2009; IPCC, 2019).

Rural regions and communities in developing countries and LDCs are among the most vulnerable suffering the aforementioned effects of climate change. This is due to several factors, namely, their dependency on the functions and services provided by ecosystems, which are in turn susceptible to climatic impacts and their unsustainable use. Moreover, their weather-dependent livelihood-systems are negatively affected by more frequent events (Ngigi, 2009) and their limited adaptive capacity is reduced (Bryan et al., 2013). Smallholder farmers, which produce around 70% of the total food requirement, are crucial to global food security (Denier et al., 2015). In such regions, these farmers are already experiencing the adverse effects of climate change on crop and food production. Farmers often lack both the know-how and financial resources needed to take adaptive measures such as diversifying their livelihood-systems, accessing improved seeds, improving water-use efficiency, and adopting agroforestry techniques (Bryan et al., 2013; Ngigi, 2009), among many other strategies. Therefore, smallholder farmers need to be guided and supported in order to strengthen their adaptive capacity and build their resilience to climate change by changing their connection with and use of landscapes.

In recent years, a greater understanding of the scale and complexity of drivers of unsustainable resource use and of threats such as climate change, has expanded interest in landscape approaches as a way of managing and balancing competing pressures at different scales. Developing alternatives such as landscape approaches could offer effective means of implementing sustainable strategies (Denier et al., 2015) as well as balancing multiple goals related to environmental and non-environmental processes such as the needs of the livelihoods contained within them (Freeman et al., 2015).

1.2 Threats

Climate change is one of the most challenging threats of all time. Climate change-induced sea-level rise, sea surface warming, and the increased frequency and intensity of extreme weather events puts the long-term ability of vulnerable communities at risk (Adger and Barnett, 2003). Globally, societies and businesses are threatened due to more frequent and extreme weather events, increasing gravitational natural hazards (such as avalanches, mudslides, and rockfall) and recurring physical impacts such as sea level, temperature rise, and changing precipitation patterns. These challenges will not cease in the short term. As previously mentioned, the IPCC's projections estimate that such extreme events will continue rising (IPCC, 2014; IPCC, 2019). In fact, 18 of the 19 hottest years on record have occurred since 2001 based on recorded average temperatures worldwide and global sea level has risen by 178 mm over the past 100 years and will continue to rise (GCF, 2019).

Climate change: present and future impacts. More and more people worldwide – especially those in vulnerable communities in developing and least developed countries – are feeling the impacts of water scarcity, heat waves, wildfires, and catastrophic storms and floods. Additionally, increasing climate variability and extreme weather events negatively affect agriculture, forests, and ecosystems. LDCs and developing countries are some of the most vulnerable to climate change. They are the least able to recover from climate stresses and their economic growth is highly dependent on climate-sensitive sectors. Climate change threatens to undo decades of progress towards reducing poverty and puts the achievement of the SDGs at risk (UNDP, 2011).

Crop production will be affected by water scarcity, changing seasonal patterns, shifts in the spread of pests and diseases, and altered soil conditions. These conditions will eventually lead to non-resilient livelihoods (Denier et al., 2015). When farming systems fail, forests provide food, fodder, and fuel to millions of vulnerable people and are key components of a wider landscape. However, climate change also impacts forests' key ecosystem services like water regulation, carbon sequestration, biodiversity, and soil conservation. The above-mentioned countries also face water-related challenges, either due to sea level rise, melting glaciers and permafrost, changing rainfall patterns, and floods and desertification, therefore making water resilience of high priority (Denier et al., 2015).

Based on this evidence, **the LRF has identified and prioritized four climatic impact categories** and its derived effects as part of the analysis for its resilience framework (please refer to the appendix on selection criteria). These initially prioritized climatic impacts are extreme precipitation, low precipitation, high temperatures, and storms. The prioritized effects, or given the case, the combination of these (and the particular exposure and sensitivity of each of the SMEs' locations), can then lead to floods, droughts, water scarcity, forest fires, increases in annual pests, and sea-level rise.

Furthermore, a pandemic resurgence could coincide with any of these prioritized climate impacts. Therefore, it is pivotal for this Project to prepare for situations where multiple hazards could combine in order to reduce possible impacts on vulnerable populations. A vulnerability analysis will be put in place at the beginning of the SMEs selection process to identify the areas most exposed to risk in the SMEs' locations, i.e. through their sensitivity, potential climate impacts, and exposure, which will allow for the identification of climate-resilient practices directed toward more vulnerable people and for the proposal of appropriate adaptation measures.

1.3 Root causes of environmental problems

Anthropogenic greenhouse gases (GHGs) in the atmosphere continue to rise. It is already established the existing evidence that human influence has affected the climate system (IPCC, 2019). GHG concentrations in the atmosphere continued to rise and were the highest in 650,000 years in 2019 (GCF, 2019). This is a result of GHG emissions from fossil-intensive energy production and consumption (including heating and cooling), industrial processes, transportation, and agriculture and land use change. As the planet warms due to the accumulation of GHGs, not only is the temperature rising, but also the oceanic and atmospheric systems are being affected, causing severe change in rainfall patterns and unpredictable (sometimes extreme) climatic variations. Even if GHG emissions were to cease immediately, global warming will continue to affect planetary systems (GCF, 2019). Consequently, a large number of people face threats to physical, food, and water security. Limiting climate change, therefore, requires substantial and sustained reductions in GHG emissions which, together with adaptation, can limit climate change risks (IPCC, 2014).

Unsustainable expansion of areas for productive activities and food supplies at a landscape level for a growing population. Agriculture is a major sector in most developing countries and LDCs, supporting around 50-70% of the population (GCF, 2019). It is estimated that 23% of total GHG emissions derive from Agriculture (mainly), Forestry, and Other Land Use (IPCC, 2019) and that by 2050, agricultural output will need to increase by 60% globally, compared to 2005-2007, to respond to the demands of 9.7 billion people (Minang et al., 2015). To meet the increasing demand, both the expansion of agricultural land and intensification of agricultural practices (leading generally to deforestation or land degradation) is required and it is estimated that agricultural land will increase by approximately 107 million ha by 2050 (Minang et al., 2015). It is therefore expected that if agricultural land and practices continue to increase unsustainably, GHGs will continue to rise.

1.4 Identification of barriers

To support the most vulnerable populations to adapt to climate change, there is an urgent need for greater investment in climate adaptation and resilience, but current investments in adaptation – both public and private – constitute only a fraction of what is needed. It is estimated that adaptation costs could be in the range of USD 140-300 billion per year by 2030 and USD 280-500 billion per year by 2050 (Buchner, Clark, Falconer et al., 2019).

In 2019, only USD 30 billion (~5% of total global climate finance) was directed to adaptation activities, falling drastically short of USD 50 billion per year required by non-Annex I countries (Buchner et al., 2019). Of this 30 billion, 23% has been invested in agriculture, forestry, and land use. Engaging the private sector to finance adaptation initiatives is crucial but has faced several barriers, which are even more pronounced for LDCs and small island developing states, the most vulnerable to the effects of climate change. They have under-developed or non-existent markets and a lack of well-developed robust business models (GCF, 2019), which hinders access to finance in most cases.

SMEs developing climate-resilient practices face significant financial barriers resulting in insufficient capital flow from both public and private sources. Land use activities need to be adapted to be less vulnerable to climate impacts, but often businesses and communities lack skills, incentives, and access to either medium or long-term finance (at affordable interest rates), to invest in climate resilience. In this regard, engaging the private sector for adaptation is essential to mobilize financial resources and technical capacity, leverage the efforts of governments and civil societies, and to develop innovative solutions (Biagini & Miller, 2013).

The LRF seeks to unlock private finance for sustainable agriculture, forestry, and other NBS focused on adaptation to climate change, which so far, has been slow to mobilize due to financing barriers like:

- a lack of record track of prior investments and caution in financing early-stage technologies (Micale, Tonkonogy, & Mazza, 2018);
- high investment risk versus return potential. Many adaptation initiatives aim for cost-saving rather than revenue generation. Moreover, initiatives may not be scalable, deterring the flow of large-scale institutional investments (Shames, Clarvis, & Kissinger, 2014); and
- many adaptation investments see returns in the long term and do not match the short-term time horizons of investors. For instance, the benefits associated with investment in irrigation equipment, water-efficient technologies, and stress-resilient crops are often realized over longer time frames, and the size of these benefits would be dependent on uncertain climate impacts (Pillay, Aakre, & Torvanger, 2017).

These sectoral barriers indicate the existence of an unsuitable investment environment, stemming in large part from a lack of investment-ready climate-resilient practices. This slows down the adoption of adaptation practices, services, and technologies. The SMEs themselves face significant underlying barriers to the growth of their business. A recent report by the Climate Policy Initiative (Hallmeyer & Tonkonogy, 2018) helps frame the discussion around these underlying barriers. The majority of them can be broadly classified into three overarching types:

- **context barriers** such as a lack of a suitable political, institutional, and market environment and missing human capital and value chains;
- **business model barriers** such as unclear value addition, high costs, and missing demand-side capacity; and
- **internal business capacity barriers**, which are related to internal capabilities of the businesses including sound management and financial skills and sectoral expertise.

Addressing these underlying barriers, among others, is essential to producing investable SMEs, and thereby, increasing the flow of investments in the adaptation sector.

1.4.1 Specific barriers addressed by this Project

The barriers have been identified from South Pole's operational experience and a review of relevant literature and stakeholder consultations that have informed the development of this Project.

Component 1: Establishing systems to support SMEs with climate-resilient practices to access private investment
Barrier 1.1.1: SMEs lack knowledge and capacity on how to prepare investment-ready climate-resilient practices

SMEs with climate-resilient practices are often not investment-ready because they lack know-how on structuring and developing robust investable initiatives. There are several underlying barriers causing this, most of which fall under the business model barriers and internal business capacity barrier archetypes described above. Relevant business model barriers are: the lack of a clear and defined scope where the adaptation component is made explicit; the value addition of the product/service is not clearly communicated to off-takers; uncertainty around revenue streams and investment returns; the lack of estimation and consideration of the level of climate risk; high upfront costs (exacerbated by poor contextual barriers). Internal capacity barriers particularly influence the early stages of the SMEs' growth and must be overcome to ensure success. These include a non-cohesive and inefficient organizational structure; an inability to manage finances; limited marketing capabilities to collect and process product relevant data, effectively communicate product benefits, and communicate with stakeholders; the poor management of human resources; inefficient operations that are not scalable and inefficiencies in production; and the inability to innovate to stay ahead of the competition.

How will the LRF's pre-investment window address this barrier?
GEF funding for this component will be utilized to set up 'Sustainable processes for provision of pre-investment services to SMEs, to make their climate-resilient practices investment-ready'. This would involve, initially, a selection of at least nine SMEs with climate-resilient practices that fit the selection criteria for pre-investment services, followed by development of an elaborate investment-readiness plan (the Plan) with the selected SMEs. The plan will include an assessment of the specific barriers and interventions required to reach a stage of investment-readiness, and specifics of pre-investment services to be provided such as duration, type, and value.

Component 2: Pre-investment services to make SMEs with climate-resilient practices investment-ready
Barrier 2.1.1: SMEs face high costs and risks associated with the preparation of investment-ready climate-resilient practices

In many cases, SMEs lack the internal capacity and resources, including the technical, financial, and human resources, required to achieve implementation of the investment-readiness plan. If the identified interventions are not implemented, the risks associated with implementing climate-resilient practices will remain high and the SMEs will most likely struggle to raise capital through external sources, leading to delays or even the termination of such practices.

How will the LRF's pre-investment window address this barrier?
GEF funding for this component will be utilized to ensure that 'SMEs have increased technical, operational, and financial capacity to structure their climate-resilient practices and make them investment-ready'. Through the pre-investment funding window, the selected SMEs with climate-resilient practices will receive pre-investment services needed to implement the plan. The pre-investment services would be provided either directly by South Pole (as the EA),

as zero-interest loans to the SMEs, or as a combination thereof – depending on best fit and decided on a case-by-case basis.

Component 3: Establishing matchmaking support for SMEs with climate-resilient practices to match with potential private investors
Barrier 3.1.1: SMEs lack (i) access to adaptation-focused investors and the (ii) knowledge and expertise required for the preparation of adequate pitches and offer sheets

Some SMEs with climate-resilient practices that receive pre-investment services may need project financing in addition to the LRF funding. In such a case, even when SMEs have mitigated most relevant risks associated with their practices, they may not have the means to connect with appropriate investors and know-how on the presentation of their initiatives to the investors. SMEs often lack physical access or access to information about suitable investors (both local and global) that are looking for investment opportunities matching the risk-return profile of their business. Presenting relevant information as well-structured offer sheets and convincing pitches are crucial aspects of raising external capital from private investors, the lack of which can result in missed opportunities.

How will the LRF's pre-investment window address this barrier?
GEF funding for this component will be utilized to ensure 'Increased capacity of selected SMEs to match with private investors'. This will be achieved by, first, identifying the SMEs with climate-resilient practices in need of assistance on a case-by-case basis; and second, in case a need is established, providing support for the preparation of offer sheets and pitches, and the arrangement of matchmaking events with investors.

Component 4: Knowledge management and effective Project monitoring and evaluation
Barrier 4.1.1: SMEs and private investors lack (i) capacity to monitor and evaluate the impacts of private investments in climate resilience, and (ii) access to up-to-date lessons and best practices shared by similar climate-resilience initiatives

Due to the relative novelty of approaches to building climate resilience in sustainable agriculture, forestry, and other NBS projects, making them investable, and linking them to investors, there is no established knowledge exchange or basis of exchange on these topics. SMEs with climate-resilient practices do not know where to access information on successful approaches followed by similar SMEs and investors do not know where to learn about SMEs with successful climate-resilient practices. Furthermore, SMEs in this space also require support in the monitoring of performance against environmental and social indicators and for adaptive management (The Sustainable Trade Initiative, 2019).

How will the LRF's pre-investment window address this barrier?
GEF funding for this component of the Project will be utilized for 'Knowledge management and M&E to inform adaptive project management and establish long-term private investment support for success of LRF'. This will involve the measurement of project performance against selected key performance indicators (KPIs), the continuous monitoring and capturing of lessons, incorporation of up-to-date knowledge for adaptive management and dissemination of relevant information to identified beneficiaries.

2. Baseline scenario

A market opportunity to offer services and solutions to assess and manage climate risks and reduce costs, particularly in developing countries, has become clear as USD 1.5 trillion in economic damages worldwide were caused by natural disasters between 2003 and 2013 (FAO, 2015), and the Global Commission on Adaptation estimated that nearly USD 4 of avoided costs will result from every dollar invested in early warning systems, climate resilient infrastructure, improved dryland agriculture, global mangrove protection and resilient water resources (UNEP, 2021).

Some initiatives that have been trying to increase private sector involvement in adaptation investments include:

- The Adaptation SME Accelerator Project (ASAP), a grant-funded initiative led by Lightsmith Group and financed by the Global Environment Facility, Conservation International, and the Inter-American Development Bank, that seeks to build an ecosystem for small- to medium-sized companies in emerging markets that have technologies, products, and services that can be used to build resilience to the impacts of climate change.

- The Climate Resilience and Adaptation Finance and Technology-transfer facility (CRAFT) project, led by the Lightsmith Group, with funding from Nordic Development Fund (NDF) and the Global Environment Facility (GEF), is a commercial investment vehicle focused on expanding the availability of technologies and solutions for climate adaptation and resilience. CRAFT will invest in 10-20 companies, located in both developed and developing countries, which have proven technologies and solutions for climate resilience and have demonstrated market demand and revenue. The Fund, together with an accompanying Technical Assistance Facility, will help companies expand into new sectors and geographic markets.
- The Acumen Resilient Agriculture Fund (ARAF), led by the Acumen Fund and financed by the Green Climate Fund, seeks to improve climate resilience to ensure long-term sustainable increases in agriculture productivity and incomes for smallholder farmers. It will shift the pattern of investment in climate change adaptation activities in Africa from grants to a long-term capital approach, enabling smallholder farmers to respond to climate change more efficiently and effectively. It will support innovative private social entrepreneurs in micro, small, and medium-sized enterprises (MSMEs) by providing aggregator and digital platform and innovative financial services to smallholder farmers.

This Project will be able to build upon previous experiences by these initiatives and accelerate private sector investments in SMEs with climate-resilient practices, through a pre-investment window that will provide zero-interest loans to make these SMEs investment ready. The following sections describe the processes developed by the LRF without the pre-investment funding in place, which forms the baseline scenario and why it needs to provide pre-investment services to SMEs with climate-resilient practices, aided by this GEF Project, to fulfill its objective.

2.1 The Landscape Resilience Fund baseline scenario

The LRF is currently being developed by South Pole in cooperation with WWF Switzerland and will be established by 2020 as a non-profit foundation under Swiss law, with the mission is to finance initiatives that are embedded in landscapes, to support the most vulnerable people to effectively adapt to climate change by investing in resilience through sustainable agriculture, forestry, and other NBS that could deliver additional biodiversity and climate change mitigation benefits.

Built around the premise that significant sustainability and lasting impacts can be achieved through sustainable business models, the LRF will support SMEs with climate-resilient practices on their pathway to financial profitability by providing technical assistance, grants, and revolving loans for initiative implementation. The LRF will focus on investments in Southeast Asia, South Asia, Sub-Saharan Africa, and Latin America, particularly those countries where WWF has a local presence. Focus will lie on activities in international corporate supply chains as offtake from such corporates is a major income for SMEs that promote adaptation to climate change.

LRF pillars of impact

- **Global scope:** source SMEs with climate-resilient practices globally to identify and scale promising approaches, including countries where South Pole has projects and small business networks and WWF Priority Places
- **Climate resilience:** reduce the vulnerability of farmers and smallholders, as well as indigenous communities through climate change adaptation measures
- **Landscape approach:** connect local and international stakeholders and value chains for catalyzing impacts
- **Investor lens:** build capacity and fund local businesses to ensure financial sustainability and growth, to possibly attract further private investment
- **SDG co-benefits:** contribute to the conservation of vulnerable ecosystems, sequester carbon by increasing above- and below-ground biomass, contribute to gender diversity, and empower women

LRF's contribution to COVID-19's impacts

The contribution to the alleviation of the impacts caused by the COVID-19 crisis is at the core of the LRF. Those most vulnerable are at the mercy of such impacts, reducing their income sources and increasing their vulnerability to climate threats by decreasing the capacity of their response. Therefore, the LRF addresses these topics and contributes to its alleviation by increasing climate resilience, generating jobs, and diversifying sources of income, among others.

LRF's investment pipeline

Currently, a preliminary SME pipeline developed by WWF and South Pole, consists of 13 SMEs with varying attributes:

- Several regions and nations: Sub-Saharan Africa (e.g. Ghana, Uganda), South Asia (e.g. India), Southeast Asia (e.g. Cambodia, Indonesia), and Latin America (e.g. Ecuador, Chile, Peru, Guatemala)
- Multiple commodities: e.g. cocoa, coffee, rice, cotton, and sustainable timber
- Various initiative types: sustainable agricultural initiatives (e.g. agroforestry, adapted crop production, diversity of local food systems, etc.), forestry (forest landscape restoration, sustainable land use management, etc.), and other NBS (mangroves as natural barriers against typhoons, riparian forests, etc.).

The SMEs in the LRF's pipeline could deliver additional adaptation benefits such as:

- increased availability and improved seasonal distribution of drinking water;
- reduction of impacts from floods and gravitational hazards (landslides, mudslides, rockslides, etc.);
- reduction of impacts from heat islands or storm surges;
- increased soil fertility, water storage capacity, and soil carbon content; and
- diversification of income streams.

Project developers are typically local SMEs, in many cases coordinating with local and international NGOs. SMEs are defined here as businesses with a maximum of 250 and having an annual turnover of up to EUR 50 million. For this Project, any type of entrepreneurship that falls under this SME description, focuses on land use-related climate resilience and generates revenue, may apply for the pre-investment window of the LRF.

Funding instruments
The following instruments will be used by the LRF as part of the non-GEF financed baseline:

- **revolving soft loans**: these will be invested where SMEs with climate-resilient practices can show regular returns, such as for specific agricultural products with clear offtake agreements. Interest and principal repayments will not be repaid to funders but reinvested in new (or the same) climate-resilient practices therefore creating a revolving facility that will create long-term sustainable impact;
- **TA for landscape integration:** these activities are used to ensure landscape-level resilience planning so that individual SMEs with climate-resilient practices and existing value chains are integrated and ideally reinforce each other; part of this funding will be used for capacity building; and
- **commercial debt and equity:** LRF may add a market-rate commercial investment window in the future (with no or limited concessionality), but for this, another for-profit special purpose vehicle will have to be created. In the meantime, commercial funding is expected to flow as independent investments into LRF portfolio companies.

2.1 The LRF without the GEF Project
There is strong interest from corporate investors to invest in LRF. Yet, without the pre-investment funding supported by this GEF Project, most of the SMEs with climate-resilient practices and their initiatives in the pipeline would not be ready for implementation funding. This is due to unmitigated investment risks, sub-optimal integration of resilience aspects, and other business model and management constraints. Therefore, there will not be enough SMEs with well-developed climate-resilient practices that are ready for investment under the implementation funding window of LRF.

Consequently, without GEF funding, there will be limited investments from LRF. Over USD 12.5 million of corporate investments planned until 2023 will not be unlocked without a stronger deal flow of investment-ready SMEs with climate-resilient practices. SMEs are also unlikely to find non-LRF private investments, as other investors will use even stricter investment criteria (commanding lower risk and higher return) than LRF. Further, as described above, SMEs often do not know how to pitch to investors or what types of investors are the right ones to approach.

3. Proposed alternative scenario
A short summary of the Intervention Strategy is provided below. For more detail on the Strategy please refer to Project Document Section 2.2.

The proposed Theory of Change for this GEF Project (Figure 1) is: ***If*** the project provides pre-investment support to make SMEs climate-resilient practices investment-ready by:

- resolving shortcomings of their business model and internal capacity,
- improving the project's anticipated socio-economic and environmental benefits, and
- matching them with potential private investors

then this pre-investment window of support will increase the likelihood of SMEs receiving private investments from LRF and other investors, which will allow the LRF's investments to accelerate and lead to increased climate resilience in a suite of landscapes for the long-term" (see Figure 1).

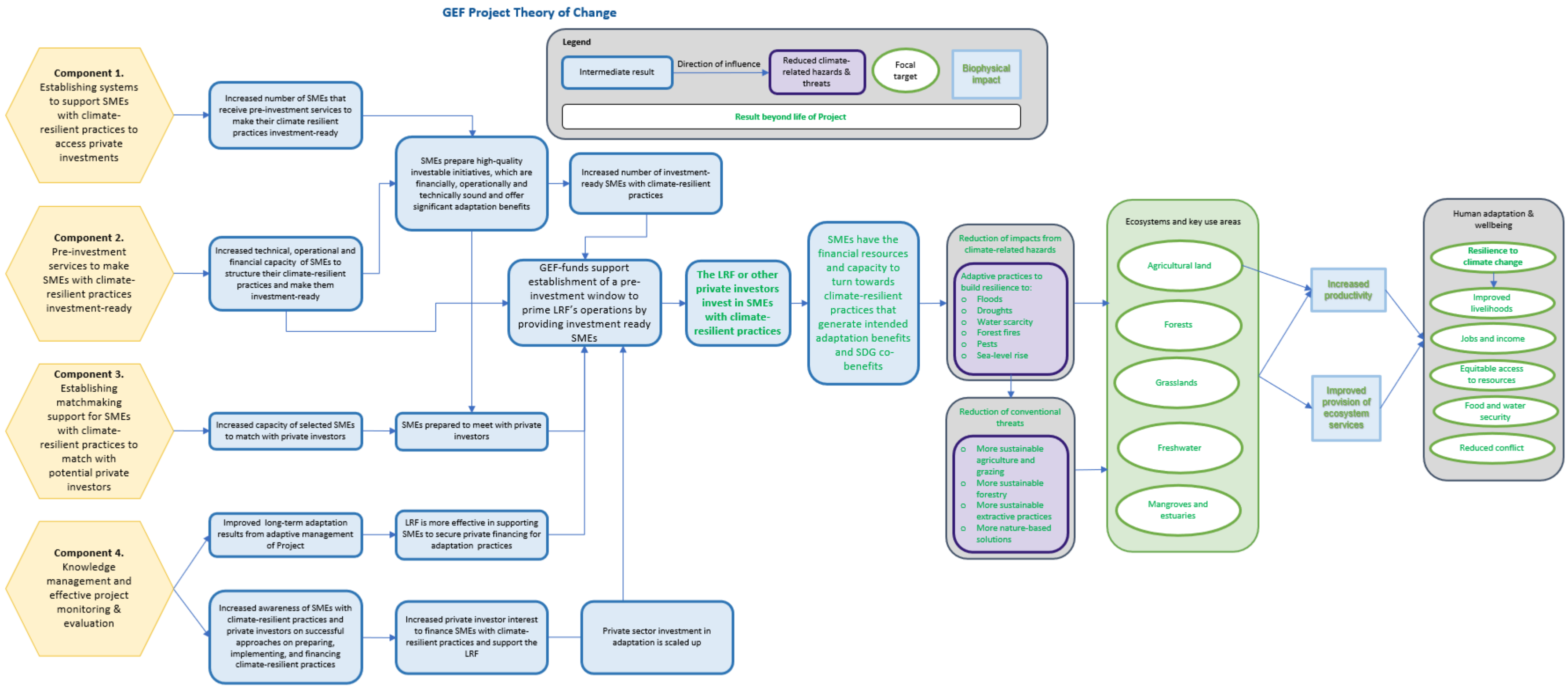

Figure 1: GEF Project theory of change

Over the three-year period the proposed project will address identified barriers and be able to enhance the impact of the LRF via four Project components:

Component 1: Establishing systems to support SMEs with climate-resilient practices to access private investment
Project Component 1 is structured to address the barrier "SMEs lack knowledge and capacity on how to prepare investment-ready climate-resilient practices" and its main outcome will be the development of sustainable processes for provision of pre-investment services to SMEs to make their climate-resilient practices ready for investment by the LRF.

One main barrier for adaptation initiatives lies in SMEs' lack of capacity in preparing investment-ready climate-resilient practices. This entails a gap between the private investors seeking to finance these types of projects with the expectation of obtaining a return on their investment, and the SMEs that develop these initiatives but do not have the means to address the investors' expectations.

Through this first component, the LRF will be able to design and implement sustainable processes to provide pre-investment services to SMEs with climate-resilient practices. These processes will then allow selected SMEs to access resources, which will be used for developing and implementing a plan of action, known as an investment-readiness plan, to overcome the barriers to obtaining private investments, and thus, become ready for investment by the LRF.

Therefore, this component will select SMEs with climate-resilient practices – particularly those that offer products or services with climate adaptation benefits – and provide them with the needed expertise required to develop investment-readiness plans (hereafter referred to as 'Plans'). It will provide resources needed to design a system for full or partial reimbursement of the pre-investment services that will be given for the implementation of these Plans under Component 2. Therefore, implementation phase activities undertaken by these SMEs, is not a part of the scope for Component 1. Please note that selection criteria for SMEs with climate-resilient practices are described in detail on Appendix 7 of the ProDoc.

Outcome 1.1. Sustainable processes for the provision of pre-investment services to SMEs to make their climate-resilient practices investment-ready

Component 2. Pre-investment services to make SMEs with climate-resilient practices investment-ready
Component 2 is structured to address the barrier "SMEs face high costs and risks associated with the preparation of investment-ready climate-resilient practices" and its main outcome is for SMEs to have increased technical, operational, and financial capacity to structure their climate-resilient practices and make them investment-ready.

Therefore, this Project component seeks to provide SMEs with climate-resilient practices, selected under Component 1, with pre-investment services, either through zero-interest loans or through the provision of direct services by the South Pole or an external expert, for the implementation of their Plans (developed under Component 1). It is expected that at least 50% of the pre-investment services will be provided through zero-interest loans. However, in cases where zero-interest loans are not possible, relevant sectoral, legal, financial, and technical experts will be hired by South Pole for the provision of direct pre-investment services. Alternatively, if the PMU is able to provide such services to the SMEs through the support of specific South Pole specialists, it will do so in order to achieve successful implementation of the plan.

The zero-interest loans invested in SMEs may be used by the SMEs to hire experts that help them during implementation of the plans. In rare cases, part of the loan may also be used to pay for small capital investments (e.g. new laptops needed for project preparation). In general, the SMEs will be free to use the loans in the way that is of best use to them, as long as they are used to finance the activities agreed in the plan. The PMU will implement regular check-ins to SMEs and hire experts to guarantee that the pre-investment activities stay on track with the Plan.

Upon executing their Plans, the SMEs should be able to perform well against investment criteria (described in Section 1.5 of the ProDoc) and become eligible to receive implementation funding by the LRF or other investors. It is expected that through the implementation of the plans, SMEs will be provided with the tools needed to enhance their operational, financial, and technical capacities in developing climate-resilient practices.

Outcome 2.1 SMEs have increased technical, operational, and financial capacity to structure their climate-resilient practices and make them investment-ready

Component 3. Establishing matchmaking support for SMEs with climate-resilient practices to match with potential private investors

Component 3 is structured to address the barrier "SMEs lack (i) access to adaptation focused investors and the (ii) knowledge and expertise required for the preparation of adequate pitches and offer sheets" and its main outcome is for SMEs to have increased capacity to match with private investors for their climate-resilient and investment-ready practices.

South Pole will assist some of the SMEs that have previously received pre-investment services from this GEF Project in the development of offer sheets and pitches for other private investors and arrange matchmaking meetings with potential private investors. Activities under Component 3 will only apply for SMEs that: (i) have a clear additional capital need during the implementation stage and (ii) have a high-potential business case that can attract significant private investments. Other SMEs that are investable but do not exactly fit the LRF Investment Criteria, even after receiving pre-investment services, may receive matchmaking assistance through this component to help them secure investment through other sources.

To increase SMEs' chances of receiving investment, South Pole will provide training to some SMEs in developing effective offer sheets and pitches to deliver to investors. These offer sheets and pitches will be designed to address the identified private investor's interests and adapted to the specific business case of the SME and the type of private finance that best fits their needs. Following the offer sheets and pitches, those SMEs that seek additional funding (on top of LRF funding) will be included in matchmaking meetings, and South Pole will guide and advise SMEs, considering the preferences and requirements of the targeted investor (e.g. desired cash-flow profiles, project characteristics, ability to assume particular types of risk, etc.).

Outcome 3.1 Increased capacity of selected SMEs to match with private investors

Component 4: Knowledge management and effective project M&E

Component 4 is structured to address the barrier "SMEs and private investors lack (i) capacity to monitor and evaluate the impacts of private investments in climate resilience, and (ii) access to up-to-date lessons and best practices shared by similar climate-resilient practices".

This component seeks to:

- guarantee that the Project's M&E process will create an added value to the LRF and will allow the process of catalyzing private investments in climate-resilient practices from SMEs to strengthen and grow in the long term; and
- create tools to close the gap between private investors and SMEs that pursue adaptation results.

The implementation of this Project's M&E plan will allow continuous monitoring results to be included in annual progress reports in order to capture lessons, best practices, and experiences gained during implementation. It is expected that the capturing of lessons and the incorporation of best practices will help to better achieve the Project goals. The inputs generated throughout this process will be managed by South Pole, who will guarantee they are presented to the LRF's Board, Technical Committee, the Project Steering Committee and the LRF's stakeholder network, and incorporated in the due diligence and decision-making processes.

The dissemination of main results and lessons from this Project, both during implementation and terminal evaluation, and not limited to GEF funding but also from the wider LRF, will be gathered and shared with the broader private adaptation finance community. An interim virtual workshop on lessons learned will also be included to guarantee all relevant stakeholders participate in the learnings of this Project.

Knowledge exchange is also expected to be developed with other projects under the GEF Challenge Program for Adaptation Innovation. Since South Pole expects that the GEF will call for all selected projects under the Program to share lessons on developing their projects, this component includes the availability and preparation of any communications materials needed to fully comply with this process.

Specific communication material that will be developed to support such processes include:

- an annually updated factsheet and presentation to be shared in meetings with relevant stakeholders, such as potential new private investors;
- an interim virtual workshop on lessons learned after the second year of Project implementation;
- an e-learning webinar at the end of the three-year term; and
- news items and press releases (to be determined as needed throughout the Project implementation).

Dissemination channels for these Project knowledge products will be developed by the LRF once it has been established.

Outcome 4.1. M&E to inform the adaptive management of projects

Outcome 4.2 Knowledge management increases awareness of SMEs and private investors on successful approaches to preparing, implementing, and financing climate-resilient practices

4. Alignment with GEF focal area and/or Impact Program strategies

Through the GEF funding, the LRF will be able to create a pre-investment services window, aimed at supporting SMEs to develop investment-ready initiatives to unlock private investments for the implementation of climate-resilient practices at a landscape level. Therefore, this project's objective is aligned with the overall goal of the GEF-7 Adaptation Strategy, which is "to strengthen resilience and reduce vulnerability to the adverse impacts of climate change in developing countries and support their efforts to enhance adaptive capacity".

The Project will contribute with the first objective of the GEF-7 Adaptation Strategy (Focal Area CCA-1), dedicated to reducing vulnerability and increasing resilience through innovation and technology transfer for climate change adaptation and will deliver results under Outcome 1.1 of the LDCF/SCCF results framework, aimed at piloting or deploying technologies and innovative solutions to reduce climate-related risks and/or enhance resilience. Particularly, the project will support the diversification of livelihoods and sources of income of vulnerable populations (as defined in Output 1.1.2), by unlocking investments in at least nine SMEs with climate-resilient practices that are designed to reduce the vulnerability of communities whose livelihoods directly or indirectly dependent on the landscape ecosystem services.

The project will also deliver results under Outcome 1.2 aimed at enabling or introducing innovative financial instruments and investment models to enhance climate resilience, in two ways. First, the project will promote the introduction of innovation incubators and/or accelerators (as defined in Output 1.2.1) by setting up a pre-investment line, similar to an SME accelerator, that will catalyze investments in at least nine climate-resilient practices led by SMEs in developing countries. Second, it will develop and test an investment model (as defined in Output 1.2.2) by introducing two innovative instruments: a revolving zero-interest loan for SME pre-investment support and a delayed payment for direct pre-investment services.

Even though the implementation of SMEs' climate-resilient practices through the investment stage is not part of the scope of this project, their long-term results will also contribute to the LDCF/SCCF results framework, as highlighted in Table 16 of the ProDoc.

5. Incremental/additional cost reasoning and expected contributions from the baseline, the GEFTF, LDCF, SCCF, and co-financing

5.1 Baseline ("business-as-usual" scenario without GEF intervention)

The LRF, with a current commitment of USD 25 million of investment from 2021-2026, will be established in 2020. Over 13 potential SME with climate-resilient practices have so far been identified as prospective cases for investment. However, the majority of the identified practices in the baseline are not investment ready. An analysis of the underlying reason for this suggests that without external assistance (i) SMEs will be unable to obtain the knowledge and capacity needed to plan for activities that address the barriers to accessing capital; and (ii) SMEs will be unable to invest in the planned activities that could make their climate-resilient practices investment ready. Both factors would result in a lack of investment-ready climate-resilient practices capable of delivering significant financial and environmental returns. Consequently, LRF investments into these SMEs will not be realized as planned and the flow of private investments to the LRF in the future is at risk.

Even SMEs' with climate-resilient practices that have strong business cases and high potential for attracting private capital may have unmet financing needs, as they may not have access to other private investors or possess the technical capability required to prepare offer sheets and pitches to attract private investors.

Lack of an effective M&E process and a knowledge exchange on lessons and best practices from preparation and implementation of climate-resilient practices, will result in a lack of adaptive management that hinders the capacity to enhance SMEs adaptation benefits, SMEs will be unable to learn from similar cases, and the investors' knowledge on, and access to, successful initiative types will remain limited.

5.2 The GEF Project alternative

Through Component 1 and 2 of this Project, GEF funding would enable this set of activities in addition to the baseline:

- Setting up sustainable processes that must be established before South Pole can provide pre-investment services to ready SMEs for investment. These processes include South Pole assisting the SME in preparing an elaborate plan on how to meet the LRF Selection Criteria and improve their chances of receiving investments from other investors, the estimation of services required to implement said plan, and agreeing on terms of reimbursement for services to ensure at least a partial reflow and recycling of GEF funding for increased impacts.
- Provision of pre-investment services as zero-interest loans and/or direct services by South Pole. These services reduce the costs and risks that the SMEs would otherwise face while independently preparing their climate-resilient practices for investment.

The additional cost estimate for providing the above-mentioned services, based on past experience, is around USD 50,000 to 100,000 per SME. GEF funding covers this additional cost and in doing so, facilitates the provision of financial, technical, and legal advisory and support (as investment) to strengthen the SMEs' business cases (through sound financial management), increase their adaptive capacity, strengthen their resilience approaches, enhance potential SDG co-benefits (mitigation, biodiversity, and gender-related benefits), and integrate environmental and social risk management into their business models. Successful execution of these GEF-funded activities will de-risk the SMEs' business cases and increase their potential future financial and environmental returns. Consequently, this will increase their chances of receiving implementation funding from the LRF and other private investors.

Having SMEs with investment-ready climate-resilient practices will also aid LRF's fundraising activities, as private investors will perceive a lower risk and tangible results for their investments through interventions promoted by the LRF. This Project, will contribute to reducing the negative impacts of COVID-19 and bolster a green recovery through the promotion of sustainable agriculture and forestry, and other NBS that help in reducing the risk of emerging infectious diseases in the future while increasing the resilience of the ecologic and socio-economic systems to weather them.

Through Component 3 of this Project, GEF funding would enable this set of activities in addition to the baseline:

- Provision of training, on a need basis, to selected SMEs for preparation of offer sheets and pitches, thus increasing their chances of receiving investments.
- Arrangement of matchmaking meetings between the SMEs and prospective investors (accessible through South Pole's extensive network), thus enhancing the SMEs' ability to match with a suitable investor for their climate-resilient practices.

This component would only be invoked in cases where it is evident that the SME has a high potential for attracting private capital in addition to what it has secured from the LRF. In rare cases, SMEs may receive assistance even if it is rejected by the LRF, provided it has significant potential to produce financial and environmental returns and fits the investment criteria of another investor. Thereby, GEF financing would enable SMEs access to private investments for scaling their climate-resilient practices and enhancing the potential impacts.

Through Component 4 of this Project, GEF funding would enable this set of activities in addition to the baseline:

- Adaptive management of the Project informed by continuous M&E of results and incorporation of up-to-date best practices on providing pre-investment services to climate-resilient practices. This will enable effective interventions and achievement of best results.
- Knowledge management, which involves the collection and dissemination of information about selected SMEs' climate-resilient practices, including lessons and best practices on the design and delivery of pre-investment services, to key stakeholders as well as exchanging knowledge with similar initiatives. This will benefit not only the stakeholders of selected SMEs but also private sector entities and other projects under the GEF Challenge Program. It would also bolster future private investment support for the LRF.

The LRF has obtained a USD 25 million commitment to be invested until 2026 (which is longer than the GEF Project period) from corporate investors for actual project investments and is expected to attract an additional USD 20-40 million to be invested in a longer term (beyond the scope of this Project). Also, at least USD 1-4 million is anticipated to be leveraged to co-fund project preparation and matchmaking, in addition to the estimated USD 1 million GEF Project funds. Therefore, future investments in the LRF will be used to strengthen the pre-investment window through soft loans to SMEs with climate-resilient practices that need support to become investment ready or by the investment window in which provision of soft loans will be available to SMEs with climate-resilient practices that are investment ready.

These targets have been determined according to landscapes that have been considered by the LRF as having potential SMEs that may need investment support and because of the size of resources that the LRF is expected to handle in order to keep management fees at an acceptable level through scaling the size of the Fund.

6. Global environmental benefits (GEFTF) and/or adaptation benefits (LDCF/SCCF)

This Project will generate adaptation benefits during its three-year implementation period, regarding all activities directly developed to unlock private sector investments in SMEs with climate-resilient practices. However, unlocking investments for selected SMEs will result in further benefits that will occur after this Project is implemented. Thus, a description of adaptation benefits for the implementation stage of this Project (reported by this Project) and expected long-term adaptation benefits (beyond the lifetime of this Project) that are aligned with the LDCF/SCCF Results Framework are briefly described.

6.1 Project´s adaptation benefits

- Total number of people trained: Number of staff from small private business owners:
  - 315 male
  - 135 females
- Innovation incubators and/or accelerators introduced: The Project will set up an investment line similar to a small business accelerator, that will invest in at least nine entrepreneurs that are developing climate-resilient practices.
  - Number of incubators and accelerators supported = 1
  - Total number of entrepreneurs supported = 9 (6 male/3 female)
- Financial instruments or models to enhance climate resilience developed:The Project will introduce two innovative instruments:
  - revolving zero-interest loans for pre-investment support; and
  - delayed payment for technical services.

6.2 Project's long-term adaptation benefits through the SME investment stage

- Total number of direct beneficiaries (gender disaggregated): Estimated to be approximately 35,000 beneficiaries, of which:
  - 10,000 beneficiaries from more resilient physical and natural assets; and

    - 25,000 beneficiaries with diversified and strengthened livelihoods and sources of income (50% are female)
- Area of land managed for climate resilience (ha): Estimated to be approximately 50,000 ha, of which:
    - 25,000 ha of agricultural land; and
    - 25,000 ha of rural land (excluding agricultural land).

Other long-term adaptation benefits from the SME implementation stage will result that are not feasible to estimate at this point, but will be reported once a definitive SME pipeline is developed:
- Vulnerable natural ecosystems strengthened in response to climate change impacts
- Innovation incubators and/or accelerators introduced
- Number of people trained regarding climate change impacts and appropriate adaptation responses
- Number of people made aware of climate change impacts and appropriate adaptation responses

6.3 Adaptation benefits embedded in the response to the COVID-19 crisis
The contribution to the recovery of the COVID-19 crisis is embedded in the planning of this Project. From the adaptation benefits framework, Output 1.1.2 addresses the response to the impacts generated by the crisis.

- Output 1.1.2: livelihoods and sources of income of vulnerable populations diversified and strengthened. This is an important output that covers the forecast that approximately 40-85% of all food production in developing regions (small scale food producers) will be minimized (United Nations Department of Economic and Social Affairs 2020). Therefore, diversifying and strengthening sources of incomes will contribute to reducing the impact of a longer or second wave of the virus.

7. Innovativeness, sustainability and potential for scaling up.
Innovation: GEF financing will mobilize private-sector investment in adaptation at scale through investment approach for the preparation of investment-ready climate-resilient practices, based on revolving zero-interest loans and delayed payments for pre-investment services. To our knowledge, currently, there is no adaptation fund or funding mechanism that uses an investment approach for project preparation. The innovation itself also implies some risks, given the novelty of most adaptation-related interventions, there is a likelihood that some but not all of the investments will be paid back.

Further, the LRF includes several innovative elements including:
- the focus on SMEs as drivers of change for climate resilience;
- the use of a revolving structure for most investment activities, ensuring longer term sustainability of the funding base;
- the landscape-level approach for an adaptation fund; and
- the integration of adaptation interventions into multinational corporates' supply chains, enabling a long-term funding model for adaptation that is independent of public finance.

Sustainability: the LRF is built around the premise that sustainability and lasting impacts can only be achieved through viable business models embedded in landscapes, and this GEF Project will facilitate that the LRF accompanies SMEs on their pathway to financial profitability. Therefore, all activities of the Fund will be developed with financial sustainability in mind, so every SME has to show that it can run the climate-resilient practices on a commercial basis after initial support. The LRF's pre-investment services window will be designed so that the selected SMEs' will be able to continue their practices even after the LRF exits from the investments, as they will generate financial returns to continue operation beyond the LRF support.

Long-term sustainability is also promoted through reflows from the zero-interest loans and the delayed payments for pre-investment services. These reimbursements will be agreed upon with the SME according to the expected revenues and in terms of a share of actual revenue. Once the SME reaches the implementation stage for its activities (beyond the three-year scope of this Project) and starts generating profit, a share of its revenue will be reimbursed to the LRF Foundation. These reflows will allow for re-investment over time, after the GEF Project has finished its three-year term. Any reflows will be flowing into the LRF Foundation and will be transparently accounted for to make sure they are reinvested in investment readiness activities for other SMEs.

The LRF will also foster a strong culture of knowledge sharing, as knowledge management is core to the overall programming strategy that contributes to the sustainability and replicability of direct results. The LRF has a strong network of stakeholders and partnerships, including other projects under the GEF's Challenge Program for Adaptation Innovation through which it will share its knowledge and experience, guaranteeing the sustainability of the Fund. The close collaboration between the Fund and its partners will contribute to the sustainability of the activities beyond the LRF.

Scalability: the LRF aims to structure projects so they are investment-ready and accessible to investors, and to demonstrate the potential for replicability and scalability.

By investing USD 1.14 million for sustainable processes and TA for private investment into SMEs with climate-resilient practices, GEF funding would help mobilize up to USD 25 million (of which USD 12.5 million over the three-year Project lifetime) in corporate investment into climate-resilient practices and substantially reduce the vulnerability of smallholder farmers and indigenous peoples in developing and emerging countries. Actual realized positive impacts will be multiple, as the Fund is planned to scale up to USD 60 million in five years, and project success will be used for building further capacity.
As the Fund is built on a strategic multi-stakeholder partnership that brings the public sector, NGOs, local developers, and international corporates and investors together, it has the potential to catalyze larger scale financing by building a successful business case.

***1b. Project Map and Geo-Coordinates*. Please provide geo-referenced information and map where the project interventions will take place.**
The LRF will invest in climate-resilient practices in several developing and emerging countries, particularly Sub-Saharan Africa, Southeast Asia, and Latin America, with at least 50% of GEF funding flowing to SMEs with climate-resilient practices in LDCs.
Supported SMEs with climate-resilient practices will focus on countries where South Pole, as the EA, has projects and small business networks (see Figure 2) and on WWF priority landscapes, for example WWF-US' Priority Places (see Figure 3). Therefore, supported SMEs in LDC will focus on these countries. However, specific countries will not be determined until activities under Component 1 of this Project are developed, which includes the selection of proposals by SMEs with climate-resilient practices.

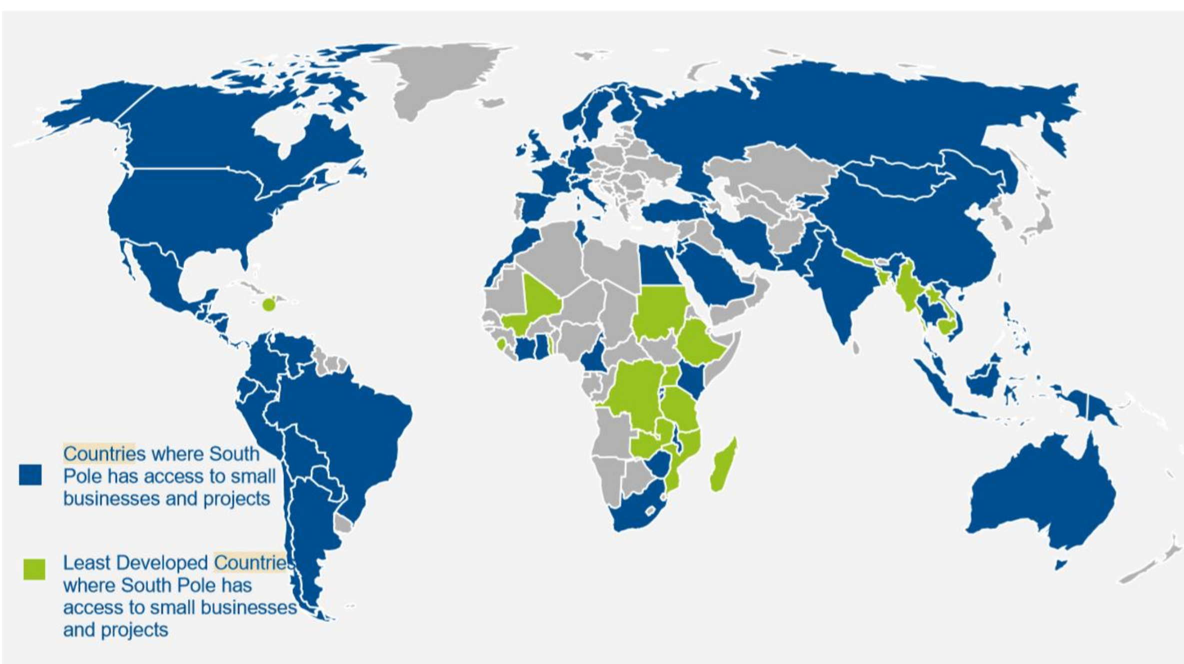

Figure 2. Map of countries where South Pole has access to small businesses and projects

Figure 3. WWF-US´ Priority Places

2. *Stakeholders*.

2.1 Please provide the Stakeholder Engagement Plan or equivalent assessment. (Type response here; if available, upload document or provide link)

Stakeholder Engagement Plan for Project implementation

Introduction

The LRF, managed by South Pole, aims to support the most vulnerable people in the land-use space to effectively adapt to climate change by investing in SMEs as well as other initiatives, including farmer organizations and cooperatives. However, although the LRF has had strong interest from corporate investors, there is currently an unsuitable investment environment, stemming in large part from a lack of investment-ready SMEs with climate-resilient practices.

The objective of the 'Investment Readiness for the Landscape Resilience Fund' GEF-Project is to catalyze private sector investment in SMEs with climate-resilient practices. Through its implementation, GEF resources will be utilized for the provision of pre-investment services to selected SMEs with climate-resilient practices, thereby enabling them to achieve investment-readiness. The Project will achieve this objective by implementing four components in a three-year period. A summary of the components, outputs, and expected outcomes are presented in Table 1.

Table 1. Project description summary

Project Components	Project Outcomes	Project Outputs
1. Establishing systems to support SMEs with climate-resilient practices to access private investments	1.1 Sustainable processes for provision of pre-investment services to SMEs, to make their climate resilient practices investment-ready	1.1.1 Selection of at least 9 SMEs to be supported in making their climate resilient practices investment-ready 1.1.2 Development of investment-readiness plans with selected SMEs 1.1.3 System for partial or full reimbursement of zero-interest loans and/or direct services, and reinvestment in SMEs

Project Components	Project Outcomes	Project Outputs
2. Pre-investment services to make SMEs with climate-resilient practices investment-ready	2.1 SMEs have increased technical, operational and financial capacity to structure their climate resilient practices and make them investment-ready	2.1.1 Provision of zero-interest loans and/or direct services to selected SMEs to implement their investment-readiness plans
3. Establishing matchmaking support for SMEs with climate-resilient practices to match with potential private investors	3.1. Increased capacity of selected SMEs to match with private investors	3.1.1 Assistance to selected SMEs for development of project offer sheets and pitches to investor 3.1.2 Arrangement of matchmaking meetings, including pitch events, where selected SMEs are matched with investors
4. Knowledge management and effective project monitoring & evaluation	4.1. M&E to inform adaptive management of projects 4.2 Knowledge management increases awareness of private investors on successful approaches on preparing, implementing and financing climate-resilient practices	4.1.1 Monitoring and evaluation of project outputs 4.2.1 Project terminal evaluation and dissemination of project results to key stakeholders 4.2.2 Project knowledge products developed and disseminated to wider SME and investment communities

Since this Project seeks to support SMEs with climate-resilient practices to become investment-ready, the Project activities do not necessarily have an on-site implementation scope. Therefore, no potential social and environmental issues have been identified for the implementation stage and no specific countries have been assessed at this moment. However, as stated in the ProDoc, at least 50% of the GEF funds will be used to support SMEs with climate-resilient practices in LDCs and the Project will primarily source potential SMEs from sites where South Pole has small business networks and projects as well as WWF's Priority Places, as WWF Switzerland is member of the LRF Board of Trustees.

This document (hereby referred to as 'the Plan'), describes the Stakeholder Engagement Plan for the implementation of the GEF Project, 'Investment Readiness for the Landscape Resilience Fund' (hereby referred to as the 'the Project'). The Plan has been prepared by South Pole (the EA), in accordance with the requirements for development of the ProDoc.

Regulations and requirements

The Project will comply with WWF's Standard on Stakeholder Engagement. As mentioned before, since this Project does not have an on-site implementation scope, no further regulations or requirements have been identified during the design stage for its implementation.

Summary of previous stakeholder engagement activities

Previous stakeholder engagement activities during the planning and design stage for this Project have taken place according to planned and are presented in Table 1.

Table 1: Details on stakeholder consultations undertaken during project design

Stakeholder group	Stakeholder	Date and method of engagement	Key discussions
Private sector entities	Lightsmith Group – EA of the CRAFT project	January 2020 In person May 2020 Conference call	→ Information sharing on project pipelines → Avenues for collaboration on knowledge sharing and engaging investors and companies in need of investment → Sharing lessons learned on CRAFT and ASAP projects
	Potential anchor investor (undisclosed)	March 2020 In person	→ Development of a landscape approach and integration into Project design and implementation → Need for clear indicators (especially regarding gender) to measure impact generation → Potential link to the stakeholder's supply chains
	El Buen Socio (potential SME)	June 2020 Conference call	→ SME sourcing and collaboration → Selection criteria and process → Gender approach on climate resiliency projects → Soft loan mechanism
	Mirova Natural Capital	July 2020 Conference call	→ Delivering impact → Investment and loan mechanisms
	Fairventures	June 2020 Conference call	→ Feedback on investment and loan mechanisms for the LRF → Suggestions for stakeholder engagement during design and implementation stages → Pre-investment services needed to leverage private involvement in climate resiliency → Inputs regarding on-site climate change impacts that need to be addressed
NGOs and think tanks (including International organizations and intergovernmental organizations)	Global Adaptation & Resilience Investment Working Group (GARI)	February 2020 Conference call	→ Participants showed great interest in the LRF → Agreement on information sharing towards potential collaboration
	IDH – Manager of the LDN TAF	March 2020 Conference call June 2020 Conference call	→ Sharing of most important high-level lessons from operations of the LDN TAF → Sharing of specific lessons on (inter alia) stakeholder engagement process, gender action plan, project selection, coordination with other projects, and knowledge management.
	CPIC	June 2020 Conference call	→ Experience on establishing a climate resiliency framework.

Stakeholder group	Stakeholder	Date and method of engagement	Key discussions
	WWF Forests Forward Program	June 2020 Conference call	→ Delivery of pre-investment services → Incorporating landscape approach
	WWF DACH, WWF France and Landscape Finance Lab	May 2019 - Present Multiple engagements	→ WWF DACH is an active partner in the fund design → Regular engagements that provide valuable inputs for Project strategy, objective, baseline, and designing the activities of the LRF and associated TA, including gender action policy

A summary of suggestions and feedback gathered through stakeholder consultations during the Project design stage can be reviewed in Table 5 of the ProDoc.

Project stakeholders

To include all relevant stakeholders, South Pole employs a two-pronged approach: (a) top-down identification of theoretically present and relevant stakeholder groups on all levels from local to global based on desk research; and (b) bottom-up verification of actually present stakeholder groups on a per-SME basis through communication with developers and review of multi-stakeholder surveys conducted as part of LRF's pipeline development process. All identified stakeholders for Project implementation have been categorized as 'high priority' as they are crucial for Project implementation.

The Stakeholder Engagement Plan for Project implementation focuses on three types of processes, as described in **Table 2**.

Table 2: Key Stakeholders for Project Implementation

Process	Stakeholder	Stake in Project implementation
Stakeholder engagement for Project governance	Members of the Board of Trustees such as WWF Switzerland and private corporate investors (undisclosed)	→ They provide guidance on investment priorities → They provide information on potential SMEs with climate-resilient practices → They are the decision-makers for the LRF → They have oversight of the Project → They approve the policies and procedures that apply for Project implementation (such as safeguards, gender, etc)
	Potential private investors for the LRF (that may become part of the Board)	→ They might provide further finance for the pre-investment window → They might provide further guidance on investment priorities

Process	Stakeholder	Stake in Project implementation
Stakeholder engagement for effective implementation of SMEs' investment-readiness plans	Potential SMEs with climate-resilient practices	→ They may be selected to be supported by the pre-investment window → They need to understand the scope of the Project, of the potential support they could receive if they are selected and the requirements to participate, in order to handle their expectations → They may participate in the selection process → They provide early information on needs, challenges and limitations that might be valuable for Project implementation
	Selected SMEs with climate-resilient practices	→ They will provide the information needed for Project Implementation → They will handle expectations on workers and communities → They will act as a first link to potential beneficiaries
	Local stakeholders, potentially involved or benefited from SMEs' climate-resilient practices	→ They are expected beneficiaries of Project implementation either as potential SME staff or increased livelihoods from future implementation of SMEs climate-resilient practices → They might have concerns regarding the SMEs climate-resilient practices → They may highlight opportunities for the future implementation of SMEs climate-resilient practices → Their support will be needed for the future implementation of SMEs climate-resilient practices
	Potential private investors for SMEs	→ They could provide additional financing for selected SMEs → They could participate and provide feedback from matchmaking meetings
Stakeholder engagement for knowledge sharing	SMEs with climate-resilient practices	→ Their experiences throughout the implementation of this Project will be very valuable to improve knowledge sharing on investment opportunities for adaptation for other SMEs
	Investor community	→ Private investors might raise their investments in climate-resilient activities → They may provide investment guidance for future initiatives → They will be able to interact with other stakeholders on the climate-resilience community enhancing information sharing activities
	Adaptation networks	→ Other technical assistance facilities will be able to learn about the challenges of this Project → They may share similar initiatives and potential SMEs for further support from the LRF

Stakeholder Engagement Plan

Successful implementation of this GEF Project hinges on effective stakeholder engagement, which is why a diligent stakeholder consultation process will be followed. To date, several stakeholder consultations have been held with investors, NGOs, and project developers about the setup of the LRF itself (several bilateral consultations and presentations at some workshops to get feedback) and for Project design (please refer to Section 2.4.1 for the Stakeholder engagement conducted during Project design).

The purpose of this Stakeholder Engagement Plan is to identify the best strategies to promote involvement of stakeholders in the Project's decision making and execution.

Table 3: Summary of the Stakeholder Engagement Plan for Project Implementation

Stakeholder	Method of engagement	Periodicity	Disclosed information*
Members of the Board of Trustees	Reports from the PMU and the Technical Committee on the Project's performance will be presented to the Board on its periodical meeting.	Every six months. However, the Board might summon extraordinary meetings if needed.	Periodical report on Project performance including targets for the Results Framework. Challenges and opportunities identified for the pre-investment window.
Potential private and philanthropic investors for the LRF	Frequent conversations and meetings	Monthly	Benefits of co-financing the LRF's pre-investment window GEF Project strategy, scope, and performance Examples of SMEs with climate-resilient practices
Potential SMEs with climate-resilient practices	Contact through existing South Pole and WWF networks LRF website	Continuously during year one and Q1 of year two of Project implementation	Scope of the Project Selection criteria Benefits of participating Requirements for participating
Selected SMEs with climate-resilient practices	Work meetings, email conversations, follow-up meetings, and workshops	Monthly	All information related to the scope of the Project and activities, including: ● activities and timeframe; ● provision of services; ● reimbursement of services; ● requested information; ● benefits to communities; ● stakeholder engagement; ● gender mainstreaming; ● social and environmental risk management; and ● expected results.

<table>
<tr><th>Stakeholder</th><th>Method of engagement</th><th>Periodicity</th><th>Disclosed information*</th></tr>
<tr><td>Local stakeholders, potentially involved or benefited from SMEs' climate-resilient practices</td><td>The support given to the SMEs to develop their investment-readiness plans will include support for the development of their own Stakeholder Engagement Plans with the participation of local stakeholders. Therefore, methods of engagement will vary and depend on each SMEs.</td><td>During the implementation of the investment-readiness plan, which will depend on each SMEs timeframe. It is expected that the investment-readiness plan implementation will take 12 months to be completed.</td><td>SME presentation and scope, including:

● type of service or product provided by the SME;
● local Stakeholder Engagement Plan;
● risks and opportunities of the SME's climate-resilient practice;
● potential impacts of the practice;
● beneficiaries of the implementation of the practice;
● investment needs and expected reflows;
● commitments towards the communities; and
● expectations of the communities.</td></tr>
<tr><td>Potential private investors for SMEs</td><td>Preliminary conversations and matchmaking meetings</td><td>Monthly in the third year of this Project</td><td>GEF Project presentation and scope

Examples of success stories

SMEs factsheets or offer sheets</td></tr>
<tr><td>SMEs with climate-resilient practices</td><td colspan="2" rowspan="3">These stakeholders will be primarily engaged through activities developed in Component 4:

● sharing annually updated Project factsheets and presentations (annually);
● virtual workshop on lessons learned (after the second year of Project implementation;
● an e-learning webinar (before the Project ends in year three); and
● news items and press releases (as needed).</td><td rowspan="3">GEF Project presentation

Success stories

Challenges and opportunities

Project results</td></tr>
<tr><td>Investor community</td></tr>
<tr><td>Adaptation networks</td></tr>
</table>

* The Grievance Mechanism will be disclosed to all stakeholders.

Other than the methods described in Table 3, the LRF will have a website where information will be updated periodically for all stakeholders to review and will create a contact page where concerns and questions can be forwarded to the Project's PMU.

As this Project has no on-site implementation activities, this Project will support the gender integration and mainstreaming through the development of the SMEs investment-readiness plans that must include a gender analysis and a Gender Action Plan for the SME to implement once it reaches investment readiness and obtains financing for its climate-resilient practices. However, the Project has established a target for women-led SMEs to be supported, and as such, activities of component one will take into consideration any specific challenges, limitations, or requirements that women-led SMEs must handle to guarantee that specific support will be given for them to ensure their participation on this Project.

Also, no Indigenous people or minority groups have been identified as key stakeholders in the Stakeholder Engagement Plan for Project implementation. However, as with gender mainstreaming, this Project will support the development of a stakeholder analysis and Stakeholder Engagement Plan through the development of the SMEs investment-readiness plans.

All future consultations with Indigenous people will be conducted with compliance of WWF's Policy on Indigenous peoples.

Resources and responsibilities

This Project has no significant potential impacts or complex stakeholder engagement activities as it does not have a specific on-site implementation focus. Therefore, the PMU team will be in charge of developing the stakeholder engagement activities and no stakeholder engagement facilitator will be hired to undertake them for this Project. However, since the development and implementation of investment-readiness plans include stakeholder analysis and the development of a stakeholder engagement plan for the selected SMEs, resources allocated for this support under Component 2 will be partially dedicated towards these activities.

The PMU will be responsible for developing the SEP; however, the Fund Manager will be responsible for the follow-up on the development of the SEP and reporting the Project's performance to members of the Board of Trustees. The Investment Specialist will focus on arranging and developing meetings with potential private investors for the LRF and potential private investors for SMEs.

Safeguards and grievance mechanism

This Project will comply with WWF Environment and Social Safeguards Framework (ESSF), as detailed in the Safeguards Integrated Policies and Procedures (SIPP). As the scope of this Project is focused on giving pre-investment services to SMEs with climate-resilient practices to make them investment-ready for implementing their practices by accessing private investments, the project has been categorized as a Category C project. There are no immediate environmental or social risks determined at this stage of Project development and **environmental and social risks during implementation of the Project are categorized as low as no on-site activities will be developed within the scope of this Project.**

A grievance can be filed with the Project Complaints Officer (PCO), a WWF staff member fully independent from the Project Team, who is responsible for the WWF Accountability and Grievance Mechanism and who can be reached at: email: SafeguardsComplaint@wwfus.org; Mailing address: Project Complaints Officer Safeguards Complaints, World Wildlife Fund 1250 24th Street NW Washington, DC 20037. The PCO will respond within 10 business days of receipt, and claims will be filed and included in project monitoring.

Stakeholders may also submit a complaint to WWF online or over the phone through EthicsPoint, an independent third-party platform at:

https://secure.ethicspoint.com/domain/media/en/gui/59041/index.html

Monitoring and reporting

The LRF will implement an annual Audit and Review process that will assess all of LRF's activities, including the pre-investment window financed by this GEF Project. Other stakeholder involvement in monitoring and reporting will be delivered through the development of Component 4 of this Project by which lessons learned and results will be shared through a community composed of SMEs with climate-resilient practices (not limited to SMEs selected by this Project), the private investment community and adaptation networks.

2.2. In addition, provide a summary on how stakeholders will be consulted in project execution, the means and timing of engagement, how information will be disseminated, and an explanation of any resource requirements throughout the project/program cycle to ensure proper and meaningful stakeholder engagement.

Given that this Project's activities are not implemented on-site, identifying specific stakeholders and estimating the time and location of such consultations was not feasible at this stage. However, the Stakeholder Engagement Plan for Project implementation gives a detailed description of the types of stakeholders, the methods of engagement, and the periodicity in which the Plan's activities will be implemented (**Table 3**).

The Stakeholder Engagement Plan for Project implementation has been developed according to three engagement processes that have been prioritized for project implementation:

- engagement for Project governance;
- engaging local stakeholders of supported SMEs for effective implementation of SMEs' investment-readiness plans; and
- engaging Project stakeholders and the wider SME and investor community for knowledge sharing.

Engagement for Project governance
South Pole, as the EA and the PMU, will continuously engage with members of the Project Steering Committee and Board of Trustees of the LRF, including WWF Switzerland and the anchor investor, for all major decision-making processes that involve activities under this GEF Project.

Engaging local stakeholders of supported SMEs for effective implementation of SMEs' investment-readiness plans
At least nine SMEs will be supported in making their climate-resilient practices investment-ready – each will have local stakeholders (including local communities and public authorities). Pre-investment services will increase the capacity of the SMEs to meaningfully engage their local stakeholders when preparing the investment-readiness plans and during the implementation of the said plan. This engagement will ensure that: (i) the Project team (PMU) obtains sufficient information on the specific impacts of climate change and how to effectively reduce vulnerability of locals through the proposed climate-resilient practices; (ii) the concerns and interests of local stakeholders are not overlooked but rather incorporated into preparing climate-resilient practices with minimal risk of opposition and maximum level of local support; and (iii) the Fund Management Team is able to obtain early insights on how to best integrate the climate-resilient practices into the landscape to create maximum value for its local stakeholders.

The Project will be publicized through local contacts and connections (especially those areas where South Pole and WWF Switzerland have impact). Additionally, potential SMEs will be able to learn about this opportunity through the LRF's website, as well as online communications and South Pole's social platforms.

Engaging Project stakeholders and the wider SME and Investor community for knowledge sharing
The Project Management Unit will be responsible for developing a knowledge management system that captures, during the lifetime of this Project, lessons and best practices, outputs to measure performance against the Results Framework, and results from the Project's Terminal Evaluation.
Knowledge gathered on lessons and best practices will include lessons learned regarding the design and delivery of pre-investment services and best practices for delivering these services effectively. Furthermore, knowledge management will also gather information on how successful SMEs (supported not only by LRF itself, but also by global investors) have structured their climate-resilient practices to deliver maximum value to their stakeholders, in their respective landscapes. Once useful information is captured, the wider SME and investor communities will be engaged through the dissemination of consolidated information as set in Component 4 – Knowledge management and effective Project monitoring and evaluation, including Project factsheets, presentations, a webinar, and a workshop. These stakeholders will be reached out through both South Pole's and WWF's networks and other adaptation networks that are identified. This will build awareness amongst SMEs and investors on how to structure and finance successful adaptation initiatives in the future.
All essential information on Project outputs and final results captured by knowledge management activities will be shared with key Project stakeholders through various methods such as reports, webinars, and workshops.

2.3 Select what role civil society will play in the project:

☐ Consulted only;

☐Member of Advisory Body; contractor;

☐Co-financier;

X Member of project steering committee or equivalent decision-making body;

☐Executor or co-executor;

☐Other (Please explain)

3. Gender Equality and Women's Empowerment. **Provide the gender analysis or equivalent socio-economic assessment. (Type response here; if available, upload document or provide link)**

This Project is focused on providing pre-investment services to SMEs with climate-resilient practices that are to be selected throughout the implementation of its first component and therefore, a specific gender analysis or action plan cannot be developed at this moment. However, the LRF is both aware and committed to supporting the selected SMEs in developing their climate-resilient practices with the best available gender mainstreaming practices, as it understands that a wider participation in the selected climate-resilient practices is needed in order to obtain the ambitious results expected from the Fund.

Therefore, the two main objectives of integrating gender into this Project are ensuring that:

- Women-led SMEs have equal opportunities to access the support given through LRF's pre-investment window
- Selected SMEs' adequately integrate gender in their scope and promote a positive influence on gender relations and dynamics

3.1 Does the project expect to include any gender-responsive measures to address gender gaps or promote gender equality and women's empowerment? (yes X /no☐) If yes, please upload gender action plan or equivalent here.

Table 4: Integration of gender into GEF-funded activities

Component	Output	Gender integration activities	Target
1. Establishing systems to support SMEs with climate-resilient practices access private investments	1.1.1 Selection of at least nine SMEs to be supported in making their climate-resilient practices investment-ready	1- Include a focus on women-led SMEs in the scanning for potentially eligible SMEs. 2 - Include gender considerations in the application template and provide specific support for its delivery. 3 - Monitor, record and analyze gender-disaggregated information during the screening and selection process, in order to produce lessons learned and best practices to be disseminated under component 4. 4- Include gender consideration in all stages of due diligence.	1 - Three of the selected SMEs are women-owned[1] 2 - None of the selected SMEs proposals include activities in their scope that could negatively influence gender relations and dynamics within its scope
	1.1.2 Development of investment-readiness plans with selected SMEs	1- Include gender analysis and gender action plan in the investment-readiness plans of proposed climate-resilient practices	9 investment-readiness plan includes a gender analysis of the proposed climate-resilient practices and a gender action plan
	1.1.3 System for partial or full reimbursement of zero-interest loans and/or direct services, and reinvestment in SMEs	1 - Identify possible gender-related barriers for accessing finance in the terms and conditions for partial/full reimbursements of pre-investment services and include	None of the women-owned SMEs selected failed to sign the agreement because of gender related barriers to access finance

Component	Output	Gender integration activities	Target
		flexible mechanisms for women-owned SMEs into the negotiations and the signing of agreements.	
2. Pre-investment services to make SMEs with climate-resilient practices investment-ready	2.1.1 Provision of zero-interest loans and/or direct services to selected SMEs to implement their investment-readiness plans.	1 - Capacity building of SME teams to understand gender mainstreaming and how to conduct a gender analysis and develop an action plan as is an integral component of the project. 2 - Development of the gender analysis and the gender action plan within the implementation of the investment-readiness plans.	9 investment-ready SMEs with gender analyses and gender action plans developed
3. Establishing matchmaking support for SMEs with climate-resilient practices to match with potential private investors	3.1.1 Assistance to selected SMEs for development of offer sheets and pitches to investors.	Identify specific capacity-building needs for women-owned SMEs and develop specific training accordingly.	Women-owned SMEs receive specific training according to their needs
	3.1.2 Arrangement of matchmaking meetings, including pitch events, where selected SMEs are matched with investors		
4. Knowledge management and effective Project monitoring & evaluation	4.1.1 Monitoring and evaluation of Project outputs.	Include gender related KPIs for the GEF Adaptation Results Framework to monitor and evaluate the Project.	Include gender-related data analysis for adaptive management of Project through meetings and workshops
	4.2.1 Project terminal evaluation and dissemination of project results to key stakeholders.	Include a gender-related analysis on lessons learned and knowledge exchange products.	Gender-related lessons and results included in the e-learning webinar.
	4.2.2 Project knowledge products developed and disseminated to wider SME and investment communities.		

Note 1: Women-owned SMEs are defined by the IFC as firms with either more than 51 percent women's ownership, or with 20 percent-plus women's ownership in a business that has a woman CEO, COO or CFO (IFC, 2014).

3.2 If possible, indicate in which results area(s) the project is expected to contribute to gender equality:

X closing gender gaps in access to and control over natural resources;
X improving women's participation and decision making; and or
X generating socio-economic benefits or services for women.

Does the project's results framework or logical framework include gender-sensitive indicators? (yes X /no☐)

4. Private Sector Engagement. **Elaborate on the private sector's engagement in the project, if any.**
Private sector engagement is necessary to scale investments in adaptation. More and more investors seek new opportunities to invest their capital in a way that generates both a market-rate financial return and a nonfinancial impact (i.e., environmental and/or social). Investing in resilience in the supply chain makes business sense, and more and more multinational companies are realizing this.

Through its activities, South Pole is exposed to many different multinational companies and is hoping to spark their interest in adaptation. Through Components 1 and 2 of this Project, SMEs will be investment-ready and through Component 3 they will be linked to international corporates interested in investing in adaptation. Private sector will therefore be a direct beneficiary of this project through support received by SMEs with climate resilient practices.

By creating a portfolio of climate-resilient, investment-ready practices, this GEF Project aims to unlock additional investment from the private sector, from investors that otherwise would not have invested in adaptation projects. Component 4 of this Project will support this objective by participating in a knowledge sharing network between SMEs with climate-resilient practices, private sector investors and the adaptation community.

The GEF funding will leverage an initial $25 million sources from international corporates, which will be directly invested in climate-resilient practices implementation. Also, the private sector will also engage in project preparation (project owners and technical experts) and capacity building (e.g. private companies training farmers).

5. Risks. **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):**

Table 5: Project risks and proposed mitigation measures

Risk	Likelihood and potential impact	Risk mitigation measures
Not enough good SME proposals in LRF's pipeline (project specific)	Low likelihood High impact	Using the existing project pipeline and South Pole's global sourcing team to look for new projects Using partner networks, such as WWF, to source new proposals Hiring/dedicating additional sourcing staff for projects in LDCs Disseminating widely information about LRF and holding calls for SMEs' proposals by South Pole's communication team
Not enough SME proposals in LDCs	High likelihood High impact	Hiring of local SME/project specialist that support the sourcing and screening of SMEs at the local level Screening and sourcing support through South Pole's and WWF's networks Team follow-up on results, including the 50% funds directed towards SMEs in LDCs target

Risk	Likelihood and potential impact	Risk mitigation measures
Availability of technical experts for preparation of SME practices during Project implementation	Medium likelihood Medium impact	Hiring/dedicating technical experts within the PMU of the EA Using a roster of topical experts from South Pole and other partners of the LRF
Risk that capacity building on climate resilience for farmers and indigenous people is not effective (SME-specific)	Low likelihood Low impact	Adapting the capacity building materials and tools to situation and language of farmers and indigenous people Pre-testing capacity building approaches on a pilot group
Project implementation delays due to COVID-19 or other unexpected risks that may reduce mobility and difficult stakeholder engagement (project specific and external risks)	Medium likelihood Medium impact	Selecting SMEs and contacting technical experts during the Project's document phase Preparing a robust yet flexible implementation plan with a buffer time period to handle unexpected delays Setting clear and realistic timelines for activities
Supported SMEs do not find investments (external risk)	Low likelihood High impact	Working with SMEs that already have an interested funder(s) which has set requirements that are not still being met by the SMEs, so that it is clear what type of pre-investment support is required in order for funding / investments to go ahead; Blending in private capital at the Fund levels Disseminating knowledge management products to the private investors in order to reduce perceived investment risks and promote investable proposals Providing matchmaking support to SMEs proposals
Supported SMEs face social and environmental risks (external risk)	Medium likelihood High impact	Carefully selecting projects that have lower risks and robust risk mitigation plans; Helping SMEs in risk assessment and preparing risk mitigation strategy;

Risk	Likelihood and potential impact	Risk mitigation measures
Changing political or regulatory environment in the home country of the SMEs selected to receive pre-investment support (external risk)	Medium likelihood Medium impact	Including such risks and possible mitigation strategy in the investment-readiness plan
Potential climate risks on operations of target SMEs and the resilience of ecosystem services provisions by the SMEs (external risk)	Medium-high likelihood High impact	Conduct a vulnerability analysis of the SME based on its context (location, activities and practices, etc.) (Vulnerability Framework briefly described below) Identify main threats (climate-related and derived hazards) that could potentially undermine the implementation of the practices Incorporating additional and appropriate risk mitigation strategies during the preparation of the different climate-resilient practices (e.g. site selection, insurance)
SMEs do not successfully develop their investment readiness plan	Low likelihood High impact	Executing Agency will maintain oversight over the implementation of the investment-readiness plans Selection of SMEs with the capacity to execute the investment-readiness plan Develop clear reimbursement agreements for the use of the pre-investment services. This will ensure that SMEs hold liability towards the implementation of the plan.
The SMEs have delays on paying the agreed reimbursements	Medium likelihood Low impact	Clear and flexible reimbursement agreements established very early during the pre-investment stage Realistic timelines and with buffers for contingency Close monitoring of the progress made through oversight and follow ups with the SMEs
Women end up getting pushed out of the business once the commodity is earning	Low likelihood High impact	Development of gender analysis and gender action plan to be incorporated as part of the investment-readiness plans Promote that investment agreements value gender mainstreaming and include compliance of requirements set by the gender action plan designed for the SME practices

Risk	Likelihood and potential impact	Risk mitigation measures
The recession due to the COVID-19 pandemic creates market barriers that may affect SMEs' revenues and slow down or prevent the reimbursement of pre-investment services by SMEs	High likelihood High impact	Implement an early stage vulnerability assessment in the SME selection process in order to better understand the effects of COVID on markets of interest and to establish minimizing measures in the investment-readiness plans.
The COVID-19 pandemic generates a recession that makes it difficult to find private investment in the selected SMEs	High likelihood High impact	Explore the network of interested investors in COVID-19 recovery. These interested investors could represent an opportunity if they are searching for SMEs that have been affected by the pandemic and wish to cooperate for alleviation
COVID-19 restrictions make it difficult to travel and implement some of the Project's activities	High likelihood Medium impact	Include possible COVID-19 travel limitations on Project planning Use alternative tools, other than on-site meetings, for training Provide SMEs with tools needed to guarantee their involvement in Project activities If feasible, hire consultants with local presence
The LRF is not able to mobilize funding from other sources (due to changed priorities or reduced funding availability) in the face of the COVID-19 pandemic	Low likelihood High impact	Legal process for the establishment of the LRF developed ahead of time to guarantee it is established during 2020 Frequent meetings with key partners and donors to follow-up on their concerns and interests Meet with other potential donors to establish other funding sources Follow-up on investment environment for alternatives of other private sources of investment for the SMEs

As this project will support SMEs with climate-resilient practices become investment-ready, no impact due to climate change related hazards are expected during its implementation. However, the LRF is aware that SMEs climate resilient practices might be exposed to risk from climate change impacts and therefore, this risk and its mitigation measures have been incorporated in this section, which includes a vulnerability assessment framework (described below).

Vulnerability Framework: climate-related hazards' screening and vulnerability assessment

A Vulnerability Framework has been developed (based on the IPCC's AR5, IPCC, 2014), in order to describe the steps and processes to identify potential climate-related hazards as well as design and measure adaptation practices that are targeted to be recommended through the LRF, as well as serving as a guideline for building and strengthening resilience for vulnerable populations and landscapes in the countries where the SMEs will be selected. Additionally, elements from STAP's guidance on climate risk screening have been utilized. For further details on the guidance and how it has been matched with the LRF's vulnerability framework please refer to Appendix 11 of the ProDoc, Climate Risk Screening: LRF's vulnerability assessment.

In the LRF's preparation to select SMEs with climate-resilient practices, a vulnerability assessment will be carried out considering the SMEs' context of adaptation which covers the analysis of anticipated climate-hazards and the local vulnerabilities. Vulnerability will be evaluated through the elements that contribute to it, namely exposure (climate-related hazards) and the potential impacts (i.e., socioeconomics well as the factors that contribute to sensitivity and their capacity to adapt (IPCC, 2014) (please refer to **Figure 4** to see the Framework and the elements that are considered in this assessment). This assessment will help to better comprehend the context of the cause-and-effect relationship behind climate-related hazards and the impacts on SMEs, their communities, and landscapes they live in.

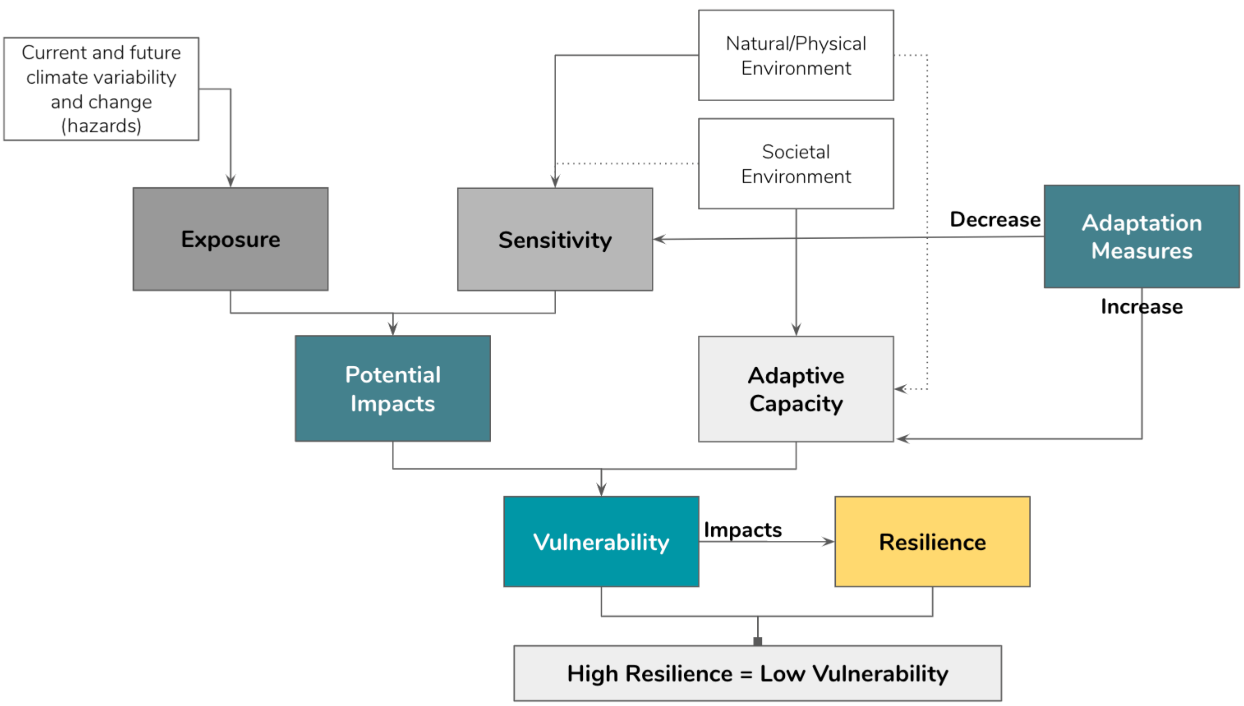

Figure 4. Components of vulnerability and its relation to adaptation measures and resilience. Source: Frietzsche et al. (2014) based on the IPCC's AR4 and AR5 approach to vulnerability (IPCC,2007, 2014) modified with added components (adaptation measures and resilience).

The LRF's vulnerability assessment has been adapted to the steps provided by STAP's climate risk screening guidance. The vulnerability assessment follows a mixed-methods approach by combining a top-down and bottom-up approach for the compilation of information (exposure, sensitivity, adaptive capacity) that will lead to a more realistic assessment of the SMEs risks and their vulnerabilities. This process is also a combination of a data driven approach with a qualitative, expert-based approach and local knowledge. **Error! Reference source not found.** summarizes the process of the screening, compilation and analysis of data and information, that finally leads to the assessment and the search for recommendations.

Uses for this assessment (outputs):

- **Identification of current and potential drivers of sensitivity and exposure**: the assessment will allow the Project to better understand the factors that drive the vulnerability of SMEs and their communities as well as the landscapes they are in.
- **Identification of entry points for intervention:** information on the factors underlying a system's vulnerability which will serve as a starting point for identifying suitable adaptation interventions on sustainable agriculture and forestry as well as other nature-based solutions (NBS).
- **Tracking changes in vulnerability:** use vulnerability assessments to track changes in climate change vulnerability over time.
- **Monitoring and evaluation of adaptation**.

These outputs are reflected on **Figure 5** as the white squares and how it fits in each step of the vulnerability framework's process to collect information.

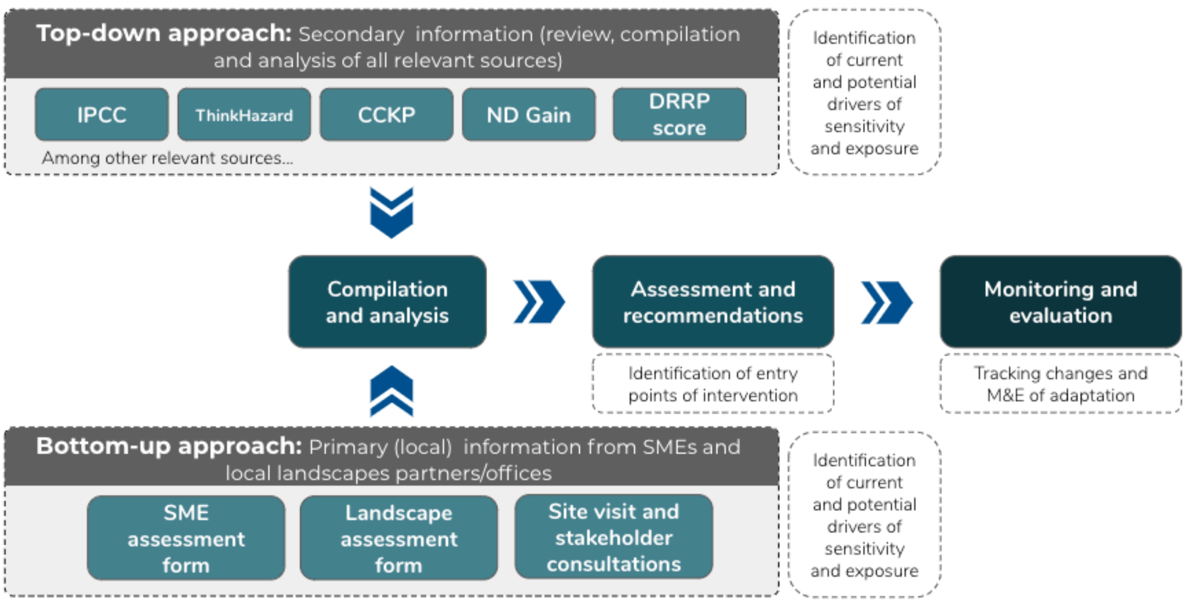

Figure 5. Mixed approach (top-down and bottom-up) and process of analyzing information for the LRF's vulnerability assessment.

When an SME is identified as a potential investee, both primary and secondary data will be collected. As a primary source of information (bottom-up approach), an "SME assessment form" will be sent to the interested SME. This form collects some initial and important information (such as current and potential exposure, as well as factors that can lead to sensitivity) and where climate-related hazards that threaten the SME and their community are determined.

Once this SME has been identified and as part of the top-down approach, an analysis for the level of exposure/potential impacts, sensitivity, and adaptive capacity for the SME's region/location will be carried out. This includes searching, assessing, and gathering information on climate change vulnerability and identification of main climate-related hazards (will be later matched/compared with SME's response). This information will be appropriately analyzed and stored for further comparison.

Relevant climate-related hazards were selected and "re-categorized" on two levels: the first level which groups climate-related hazards as such and a second level of derived hazards, from the possible combination of the first level (keeping in mind they could vary given the context of the location). For the first level these are: extreme precipitation, low precipitation, high temperatures and storms. The second level are: floods, droughts, water scarcity, forest fires, increase in annual pests and sea-level rise.

As presented in **Figure 5**, through the mixed-methods approach, the combination of top- and down-approaches to retrieve information on vulnerability through the elements that contribute to it, namely sensitivity, exposure and adaptive capacity will be used. If there are certain components that were not possible to be analyzed through the SMEs' answers and the analysis on secondary data (or information is not available), a further approach to the SMEs will be necessary to clarify these points, or an approach to the identified relevant stakeholders, i.e., through online meetings, additional questionnaires, etc.

This assessment considers rating the risk based on STAP's climate risk screening guidelines, 2019. Based on the information collected and analyzed before, the risk will be given a rating depending on the level of hazards threatening the SMEs and their communities, the number of factors that lead to sensitivity and level of adaptive capacity. Once risk has been rated, ameliorative actions are identified and prioritized through the creation of risk management plans. Risk management includes actions, strategies, or policies to reduce the likelihood and/or consequences of risks or to respond to consequences. It is also important to confirm that these adaptation interventions do not themselves result in additional risks.

Following the information analysis on the factors underlying the SMEs' vulnerability, there will be an identification of suitable adaptation interventions on sustainable agriculture and forestry as well as other nature-based solutions (NBS).

6. Institutional Arrangement and Coordination. **Describe the institutional arrangement for project implementation.**

South Pole, as EA of this GEF Project, will be responsible for strategic guidance and operations, and will implement the project in compliance with all of the GEF's requirements under the guidance of the WWF GEF Agency. As the EA, South Pole will lead and coordinate all areas and activities involved in this Project.

Project Management Unit (PMU)

South Pole's Fund Management Team will act as the PMU (as shown in Figure 5), which consists of qualified experts that will be responsible for the day-to-day management and coordination of the Project activities and fulfillment of its goals. For this objective, South Pole will provide a core team of specialists partially dedicated to this Project, including a Fund Manager and an Adaptation and M&E Specialist, as well as an Investment Specialist that will only work on the LRF and this Project (please refer to Appendix 6 for a detailed description of these specialists' profiles and roles). There will also be a support team composed of Accounting and Administrative and Operations staff from South Pole with partial dedication to this Project.

The PMU may subcontract specific duties to external entities for the implementation of this Project. As such, South Pole has policies and procedures in place to assess subcontractors' capacities and performance, which will be applied in the implementation of this Project to guarantee they are well-suited to developing specific activities and will comply with the Project's requirements.

The PMU will also be responsible for resolving key issues for this Project as they arise by involving all major stakeholders, conducting a due diligence process, and recommending SMEs with climate-resilient practices for the pre-investment stage to the Technical Committee.

The PMU will closely coordinate the M&E process to ensure that the adaptive management throughout Project execution conforms with this proposal. It will review, consolidate, and approve SMEs' reports, which must comply with this Project's M&E process, before sending them to the Technical Committee and the GEF. Lastly, the PMU will also guarantee that necessary political and coordination conditions are in place for the Project execution as committed in the ProDoc.

Technical Committee

A team of highly qualified specialists from South Pole will be brought together to establish a Technical Committee. The PMU will deliver a summary document from the due diligence process for the Technical Committee to review and assess. The Technical Committee will review the results of the due diligence and the recommendations made by the PMU (internal oversight) on (i) investment by the LRF and (ii) pre-investment funding before potentially receiving LRF investment. The Technical Committee assesses and determines whether the due diligence results are adequate before taking the information to the Board for further approval.

The Technical Committee will also review and assess the Project's results, as the reports from PMU are delivered to the Committee before they are sent to the GEF Agency. If any discrepancies between the Project's objective and the reported results are identified, it will then give feedback to the PMU and ask for the development of a corrective measures plan.

Project Steering Committee (PSC)

All Project decisions will be governed by the PSC, which will be the high-level body that provides strategic direction to achieve the Project's objectives. The PSC will additionally provide advice and policy guidance to the PMU, review and monitor strategic direction and will oversee progress.

Guidance can include, but is not limited to, industry insights, geographic and sector considerations, implementation of environmental and social standards and prevention and mitigation of potential reputational risk.

The PSC includes the following members: the PMU's Fund Manager, who essentially provides operational and strategic guidance as well as insights from the Project's activities; high-level South Pole managers; WWF-GEF Agency representatives; and a designated participant from WWF Switzerland. The GEF Secretariat may also consider to be part of the PSC, subject to the GEF's internal approval. Finally, the current anchor investor and future potential investors, will also be invited to participate in the PSC, but will not be mandatory for them to join.

The PSC will hold meetings twice a year to monitor Project's performance and review potential aspects of improvement and adaptation management.

Project oversight

In terms of the transparency of this Project's procedures, there will be three oversight elements that different entities will be carrying out. Firstly, there is an overall oversight of the Project by World Wildlife Fund Inc. (WWF-US) as a GEF Agency. Secondly, through the Board of Trustees, WWF-US will (as long as it relates to this GEF Project) be able to provide input into the LRF's annual audit and review process that will review all of LRF's activities, including the pre-investment windows. This process will be able to highlight any deviations from the Project's objective and implementation plan to the PMU and require immediate corrective actions. Thirdly, WWF-US as the GEF Partner Agency, will contract in coordination with the PMU, an external terminal evaluation, which is required for the development of GEF-funded activities. This will be conducted by an external entity that will be hired by South Pole to complete the transparency process.

The LRF governance structure and its relation to this Project

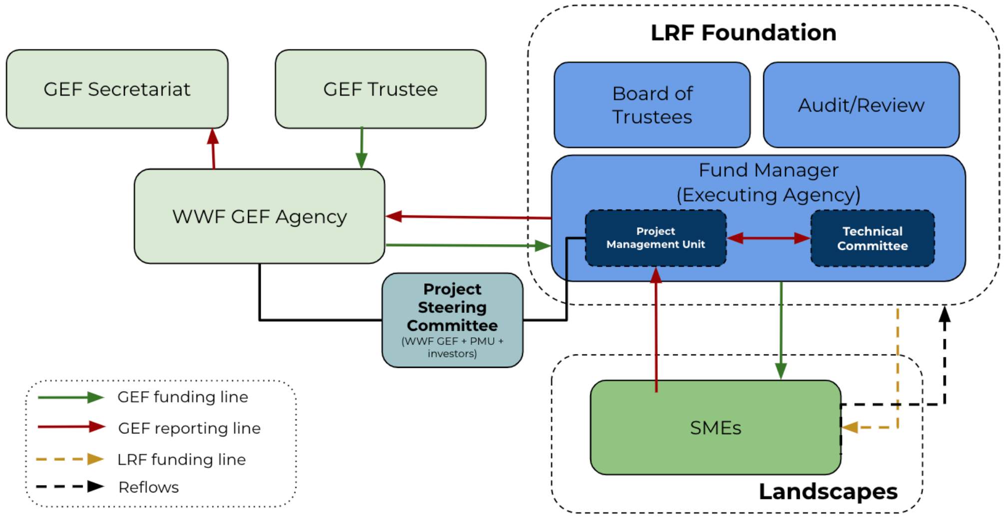

Figure 6. Institutional arrangements for this Project (dark blue) and how they interact with the LRF's governance structure (light blue)

Board of Trustees

The LRF Foundation will be guided by a Board of Trustees, consisting of one member form WWF Switzerland, a representative from the corporate anchor investor, and an external member, a specialists from partner organizations or other relevant networks related to climate resilience, landscape management, and/or investment fund management. Future investors may be also invited to become members of the Board of Trustees. The Board will be responsible for providing high-level guidance to the Foundation in terms of its mission, vision, policies, best practices, and other guidelines needed to enable the LRF to operate efficiently. It will also be responsible for oversight of the Fund Manager as the operational arm of the foundation.

Audit/review

The LRF Foundation will undergo both an internal review as well as an external audit/review for all of LRF's processes. The internal review takes place to ensure operations and governance are managed adaptively and evolve to best realize the Foundation's objectives. To hold all governance and operational bodies accountable external audits will take place in addition to the internal review process. For this process, one or several external entities will be hired by the Fund Manager according to the Board of Trustees' requirements.

Fund management

South Pole will act as Fund Manager (Figure 5) (or 'Management Entity') for the LRF Foundation, based on a contract between the LRF and South Pole. As such, it will be responsible to operate the LRF, according to the Board of Trustees' guidance. It will be responsible for the development of activities for all operational dimensions, including further structuring and designing of the LRF governance structure and the development and implementation of:

- the fundraising strategy;
- due diligence process;
- the SME pipeline;
- pre-investment funding and related technical assistance services;
- financial management;
- monitoring and impact assessment; and

- knowledge management and communications.

The LRF may contract other entities to provide specific services to the Foundation.

6.1 Elaborate on the planned coordination with other relevant GEF-financed projects and other initiatives.
Coordination with GEF-funded Projects

WWF and South Pole seek to develop a knowledge management component for this Project, including periodic communications with organizations implementing similar GEF-funded projects or initiatives. They will be engaged in order to share information regarding TA, raise awareness of impacts and results expected on each initiative, and seek further coordination among them.

At this point, the Project has identified the following GEF-funded initiatives with a similar scope or interest:

- Land Degradation Neutrality Fund Technical Assistance Facility: communications with IDH, the TAF manager for the Land Degradation Neutrality Fund (LDNF) have already started in regards with learnings gained so far on pre-investment assistance;
- Coalition for Private Investment in Conservation (CPIC) – Conservation Finance Initiative: seeks to improve the conservation and sustainable use of biodiversity by demonstrating innovative finance blending models to increase return-seeking private investment in conservation. South Pole and WWF are both member organizations of the Coalition that guarantees access to potential investment leads and learnings on investment approaches; and
- Adaptation SME Accelerator Project: this project presented by Conservation International and Lightsmith Group as EA, is one of the winners of the GEF Challenge Program for Adaptation Innovation. The project seeks to build the ecosystem of SMEs involved in adaptation and climate resilience in developing countries through a program of market mapping, convening and network building, and incubation/acceleration. The TAF for the LRF will greatly benefit from lessons learned on best practices on private sector engagement for adaptation and experience in the engagement of SMEs and their selection criteria.

This Project has also identified that WWF has at least 16 GEF-funded initiatives (including the LDNF) of which some involve a landscape approach to sustainable land management. The LRF pre-investment services window will make sure to involve any valuable experiences from these initiatives, through WWF as a project partner.

Although there are many other GEF-funded projects which seek to enhance adaptation and resilience on the landscape scale, they are not being included in this list since most of them are focused on developing on-site projects and not on providing assistance for a pre-investment stage or developing innovative financing mechanisms to reach their goals. If the Project team comes across any other GEF-funded initiatives during the implementation stage, they will be included through its knowledge management component.

Coordination with other initiatives

Other identified initiatives that will surely be of added value to this Project are:

- The Dutch Fund for Climate and Development (DFCD) – Land Use Facility: managed by the Dutch Entrepreneurial Development Bank, the Land Use Facility targets investments in sectors relating to agroforestry, sustainable land use, and climate-resilient food production;
- The WWF Landscape Finance Lab: seeks to incubate and self-finance sustainable landscapes that generate impact at scale, including: (i) designing and developing landscape programs with climate-resilient supply chains to accelerate landscape approaches; (ii) attracting green finance from committed investors who share a vision of sustainable, productive landscapes to sustain the incubation process; and (iii) sharing results and lessons learned to the global landscape community for replication in other ecosystems in need;
- Climate Resilience and Adaptation Finance & Technology Transfer Facility (CRAFT): designed as a commercial investment vehicle to focus on expanding the availability of technologies and solutions for climate adaptation and resilience;
- Climate Investment Funds (CIF) – Pilot Program for Climate Resilience: supports developing countries and regions in building their adaptation and resilience to the impacts of climate change. It assists governments in integrating climate resilience into strategic development planning across sectors and stakeholder groups and

provides concessional and grant funding to put the plans into action and pilot innovative public and private sector solutions;

- The African Agricultural Fund (AAF):
    - SME Fund: supports private sector companies that implement strategies to enhance and diversify food production and distribution in Africa by providing equity or quasi-equity funding and strengthening their management;
    - Technical Assistance Facility (TAF): although it ended in 2018, the International Fund for Agricultural Development, as manager of the facility, promotes knowledge sharing through the AAF TAF Impact Brief (2011-2018), which is included in section 3.7 (Lessons learned during project preparation and from other relevant projects). The TAF had a mandate to increase economic and physical access to food for low-income Africans by providing technical assistance to the portfolio companies of the AAF; and
- Acumen Resilient Agriculture Fund (ARAF): the ARAF, partly financed by the Green Climate Fund (GCF), plans to improve climate resilience to ensure long-term sustainable increases in agriculture productivity and incomes for smallholder farmers. It plans to shift the pattern of investment in climate change adaptation activities in Africa from grants to a long-term capital approach, enabling smallholder farmers to respond to climate change more efficiently and effectively. It will also support innovative private social entrepreneurs in micro, small, and medium-sized enterprises by providing aggregator and digital platforms and innovative financial services to smallholder farmers. The project has an estimated lifespan of 12 years.

Coordination with these initiatives began at the Project design consultation stage. It will continue through the Stakeholder Engagement Plan and will be ultimately secured through their involvement in the implementation of the knowledge management component for this Project.

***7. Consistency with National Priorities*. Describe the consistency of the project with national strategies and plans or reports and assessments under relevant conventions from below:**
- National Action Plan for Adaptation (NAPA) under LDCF/UNFCCC
- National Action Program (NAP) under UNCCD
- ASGM NAP (Artisanal and Small-scale Gold Mining) under Mercury
- Minamata Initial Assessment (MIA) under Minamata Convention
- National Biodiversity Strategies and Action Plan (NBSAP) under UNCBD
- National Communications (NC) under UNFCCC
- Technology Needs Assessment (TNA) under UNFCCC
- National Capacity Self-Assessment (NCSA) under UNCBD, UNFCCC, UNCCD
- National Implementation Plan (NIP) under POPs
- Poverty Reduction Strategy Paper (PRSP)
- National Portfolio Formulation Exercise (NPFE) under GEFSEC
- Biennial Update Report (BUR) under UNFCCC
- Others

This Project aims to support SMEs practices that are aligned and support the implementation of the National Determined Contributions (NDCs), and therefore, this alignment will be part of the Selection Criteria (Appendix 7 in ProDoc). However, according to the Adaptation Gap Report (UNEP, 2018), only 40 developing countries have quantifiable adaptation targets in their current NDCs, and many existing targets are relatively short-term and do not look beyond 2020. Therefore, the SME selection criteria will also include reviewing other country-level adaptation tools and instruments, such as the NAPAs and NAPs.

At least half of GEF-funded activities will be directed to SMEs proposals in LDCs. These countries are encouraged to develop national adaptation programmes of action (NAPAs) as a tool to support them in addressing the challenge of climate change given their particular vulnerability. NAPAs are action-oriented, country-driven, are flexible and based on national circumstances and provide an identification of priority activities that respond to their urgent and immediate needs with regard to adaptation to climate change. Therefore, the NAPA document presents a list of ranked priority adaptation activities/projects, as well as short profiles of each activity, designed to facilitate the development of project proposals for its implementation.

SMEs that bring proposals for implementation in LDCs to the LRF, will be cross-referenced with the respective NAPA in the due-diligence process in order to guarantee that the climate-resilient practices that will be supported is aimed at a country-level adaptation priority. According to the United Nations Framework Convention on Climate Change (UNFCCC), most LDCs are currently in the process of implementing their NAPAs.

Tools used by the Fund Management team in developing the due diligence process include:

- Currently submitted NAPAs in the UNFCCC's web page: https://www4.unfccc.int/sites/NAPC/Pages/NationalReports.aspx
- NAPA priorities database: https://unfccc.int/topics/resilience/workstreams/national-adaptation-programmes-of-action/napa-background
- Status of NAPA implementation under the LDCF: https://unfccc.int/topics/resilience/workstreams/national-adaptation-programmes-of-action/ldc-napa-projects

For those SMEs with proposals directed to developing countries, the national adaptation plan (NAP) will be the best approach for identifying adaptation priorities. Through their NAPs, countries identify medium and long-term adaptation needs, as well as strategies and programmes to address those needs. NAPs are developed under a country-driven, gender-sensitive, participatory and fully transparent approach. Therefore, NAPs will be the best tool to cross-reference SMEs practices in developing countries, against their priorities and needs.

The Fund Manager team will be able to consult NAPs submitted to the UNFCCC in: https://www4.unfccc.int/sites/NAPC/News/Pages/national_adaptation_plans.aspx

In case the due diligence process finds that more information is needed in order to decide whether the SME proposal is well aligned with national priorities, other country-level documents that can be consulted include the National Communications through the Biennial Update Reports (BURs) that have been presented to the UNFCCC. The Fund Management team can consult BURs submitted to the UNFCCC in here: https://unfccc.int/BURs

Finally, if all of the above fail to demonstrate the alignment between the SME practices and national priorities, the SMEs might be asked to demonstrate evidence of government engagement and support in order to be selected. As these types of documents are very difficult to obtain, this will only be required in cases where the SME proposal has not been clearly identified as a national priority through the tools included in the due diligence process and described above.

8. *Knowledge Management.* Elaborate the "Knowledge Management Approach" for the project, including a budget, key deliverables and a timeline, and explain how it will contribute to the project's overall impact.
Utilizing available knowledge to apply best practices and lessons learned is important during both Project design and implementation to achieving greater, more efficient, and sustainable conservation results. Sharing this information is then useful to other projects and initiatives to increase effectiveness, efficiency, and impact among the conservation community. Knowledge management is tracked and budgeted in Component 4 of the Results Framework.

During Project implementation and before the end of each Project year, knowledge produced by or available to the Project will be consolidated from project stakeholders and exchanged with other projects selected through the GEF Challenge Program for Adaptation Innovation announced, as well as similar projects and organizations in the adaptation and resilience sector, by the Project Management Unit (PMU). This collected knowledge will be analyzed alongside Project monitoring and evaluation data at the annual Adaptive Management meeting. It is at this meeting that the Theory of

Change (ToC) will be reviewed, and modifications to the annual work plan and budget will be drafted. Making adjustments based on what works and what does not work should improve Project results.

Lessons learned and best practices from the Project will be captured from reports and from stakeholders at the annual Adaptive Management meeting. The external Terminal Evaluation will also provide lessons and recommendations. These available lessons and best practices will then be documented in the semi-annual Project Progress Reports (PPR) (with best practices annexed to the report).

The Fund Manager and the Adaptation and M&E Specialist will ensure that relevant stakeholders, such as the Board of Trustees, Project partners and selected SMEs are informed of the Adaptive Management meeting, formal evaluations, and any documentation on lessons and best practices. These partners will receive all related documents, such as Evaluation Reports, annually updated factsheets, presentations and newsletters to ensure the sharing of important knowledge products.

A strategic communications plan has been budgeted for this Project and will include the following knowledge and communication products:

- The Project will meet the reporting requirements of the WWF GEF Agency, producing the following reports: Project Progress Reports (PPR) and Terminal Evaluation Report
- The following knowledge and communication products will be developed:
    - Annually updated Project factsheets
    - Annually updated Project presentations
    - E-learning Webinar by the end of the Project
    - 3 newsletters for key stakeholders (by demand, only when certain milestones are achieved)
    - A virtual workshop by the end of year 2

Knowledge and communication products developed by the Project will be published on a dedicated Project section on the LRF website. This will allow a wider audience to gain knowledge from the Project. In addition, the Adaptation and M&E Specialist will share the factsheets and newsletters with stakeholders more directly through e-mail and the annual presentation through the virtual workshop, by the end of year 2.

The Project has budgeted travel to key workshops, such as a GEF Challenge Program for Adaptation Innovation knowledge workshop to share best practices and lessons learned from the Project and to learn from practitioners in the same field to strengthen the Project. Budget for Component 4 activities is USD 100,000.
Therefore, the implementation of knowledge management activities throughout Component 4 of this Project is expected to increase awareness of SMEs with climate-resilient practices and private investors on successful approaches on preparing, implementing, and financing climate-resilient practices.

9. Monitoring and Evaluation. Describe the budgeted M & E plan.
The Project will be monitored through the **Results Framework** (see Appendix 6 of ProDoc). The Results Framework includes 1-3 indicators per outcome. The baseline has been completed for each indicator along with feasible targets, set annually where relevant. A methodology for measuring indicator targets is provided. Indicator targets are Specific, Measurable, Achievable, Relevant, and Time-bound (SMART), and disaggregated by sex where applicable. Component 4 of the Results Framework is dedicated to M&E and knowledge management.

Relevant core indicators have been included to provide a portfolio level understanding of progress towards the **Adaptation Results Framework** which follows up on the SMEs' progress against specific targets established.

The Adaptation and M&E Specialist will be responsible for gathering M&E data for the annual results framework tracking and providing suggestions to the Fund Manager (acting as the PMU Project Manager) to improve the results, efficiency and management of the project.

Table 7. Summary of project reports

M&E/ Reporting Document	How the document will be used	Timeframe	Responsible
Kick-off Meeting Report	Summarize decisions made during the kick-off workshop, including changes to project design, budget, Results Framework, etc.	Within three months of kick-off workshop	Adaptation and M&E Specialist
Quarterly Financial Reports	Assess financial progress and management.	Every three months	Adaptation and M&E Specialist with the support of administrative staff
WWF Project Progress Report (PPR) with Results Framework and workplan tracking	Inform management decisions and drafting of annual workplan and budget; Share lessons internally and externally; Report to the PSC and GEF Agency on project progress.	Every six months	Adaptation and M&E Specialist
Terminal Project Evaluation Report	External summative evaluation of the overall Project; Recommendations for GEF and those designing related projects.	Before Project completion	An external expert or organization recruited by WWF US in coordination with the PMU

An annual reflection workshop has been budgeted to review Project progress and challenges to date, taking into account results framework tracking, work plan tracking and stakeholder feedback to review Project strategies, risks and the theory of change (ToC). The results of this workshop will inform Project decision making (i.e., refining the Theory of Change, informing Project Progress Report and the Annual Workplan and Budget).

M&E for General Objective

The general objective of this Project is to **catalyze private sector investment in SMEs with climate-resilient practices**. Progress towards this objective will be measured by three indicators which are additionally described in the results framework.

Objective level indicator 1: establishes the number of SME proposals approved for investment by the LRF upon receiving pre-investment support. This refers to those SMEs with a reasonable governance structure and an underlying business model that is designed to generate financial return, albeit often below market rate. This indicator will only be reported by the end of the Project and disaggregated by gender. Data reporting targets are : (i) for the first year one male-owned SME; (ii) in the second year, three male-owned SMEs and one female-owned[1] SME; and lastly (iii) in the third year will be targeted six male-owned SMEs and three women-led SMEs.

Objective level indicator 2: is potential private investment leveraged through this Project for implementation of the SMEs' practices and refers to private capital that is invested (including through the LRF) into the SMEs after the pre-investment services are provided through this Project. It must be noted that the leverage ratio will be adjusted upon the development of the Project pipeline. It will be reported at the end of the Project (year 3). The EA will inform according to investment information provided by selected SMEs.

Objective level indicator 3: this level indicator refers to the percentage of GEF funding which will be directed to SMEs' practices in LDCs. This is targeted to be 50% and will be measured at the end of the Project.

[1] Women-owned SMEs are defined, according to the IFC, as firms with either more than 51 percent women's ownership, or with 20 percent-plus women's ownership in a business that has a woman CEO, COO or CFO (IFC, 2014).

M&E for Component 1

The objective for component 1 is to **establish systems to support SMEs to access private investments for climate-resilient practices.** The expected outcome of this component are sustainable processes for provision of pre-investment services to SMEs to make their climate-resilient practices investment-ready. Therefore, two indicators will be used to track progress.

Indicator C 1.1. This indicator tracks the number of SMEs selected for pre-investment services (direct services or zero-interest loans) and that have successfully developed an investment-readiness plan. These plans prepare SMEs to satisfy the selection criteria for LRF investment, namely investment readiness, climate resilience, SDG co-benefits, Environmental and Social Risk Management, scalability or replicability, additionality, and alignment with national priorities. The fulfillment of the selection criteria will be done on a case-by-case approach, looking at how the SMEs comply with these requirements. It is targeted that for the first year one SME will be selected, the second year four SMEs, and by the third year of the project a total of nine SMEs will have been selected. The goal is for the SMEs selected for pre-investment services to be ready for investment by the LRF within 12 months.

Indicator C.1.2. This is the share (%) of pre-investment services to be reimbursed as agreed with the selected SMEs (through a reimbursement agreement that will be negotiated with the SME). The payback will be made by the SME to the LRF, not to the EA. This indicator will be calculated based on the amount of reimbursement agreed by the SME (based on the SMEs' expected cash flows, including private investments) divided by the total amount of pre-investment services provided to the SME times 100. Reimbursements are not going to be achieved during the implementation of the Project so this indicator will be calculated based on the said reimbursement agreements with SMEs.

M&E for Component 2

Component 2 is focused on the assistance to make SMEs with climate-resilient practices investment-ready. It comprises a single indicator to measure progress. It is expected that by assisting SMEs, they will have an increased technical and/or financial capacity to structure their climate-resilient practices and make them investment-ready.

Indicator C.2.1. This indicator looks at the number of SMEs that meet the LRF investment criteria after receiving pre-investment services. This indicator will be tracked by a multi-factorial scorecard in order to assess the criteria in an objective way with clear definitions to understand if the selection criteria are met. As mentioned before, this will be done on a-case by-case selection basis, evaluating every one of these components within the context of each of the SMEs.

M&E for Component 3

Component 3 will seek to establish matchmaking support for SMEs to find potential private investors so there is increased capacity for SMEs to match with private investors. For this component, two indicators will be monitored.

Indicator C.3.1. Share (%) of SMEs requiring assistance that have developed and approved offer sheets and/or project pitches. Offer sheets and project pitches will be used in order to increase SMEs' chances of receiving investment, the GEF funding will assist and enhance their ability to match with potential investors by providing training to develop adequate offer sheets and pitches to investors. SMEs will receive assistance on a need-basis only. The selection for assistance under this component will take place if: 1) the SME gets selected for LRF funding yet could make effective use of additional investment for further scaling; and 2) the SME does not get selected for LRF funding but shows significant potential given that capital can be raised from another investor.

Indicator C.3.2. This indicator is the share (%) of SMEs requiring assistance that receive matchmaking support. It is based on the number of SMEs that receive matchmaking support divided by the total amount of SMEs that received pre-investment support, times 100. Matchmaking support is the assistance for investor-specific preparation of proposals and organization of events where the SMEs will present their developed proposal to the investors. Not all selected SMEs will need matchmaking meetings as some SMEs might obtain a third-party private investment commitment before this stage and others may be approved for LRF investment. It is important to note that an SME can have more than one matchmaking meeting.

M&E for Component 4

This component focuses on knowledge management and effective monitoring and evaluation. Progress towards meeting this objective is partitioned into two sub-objectives, which are measured against four indicators.

C.4.1. Objective. This first objective targets monitoring and evaluation (M&E) to inform adaptive management of projects.

Indicator C.4.1. Number of Project meetings or workshops biannually held where M&E data is discussed and used for adapting the annual work plan and budget that is submitted to the Technical Committee. M&E will be used to assess the performance of the Project in order to improve current and future management of the annual workplan and budget as well as outputs, outcomes and impacts. The Project Management Unit will review SME results and give adaptive management suggestions to the Fund Manager.

C.4.2. Objective: Knowledge management increases awareness of SMEs and private investors on successful approaches on preparing, implementing and financing climate-resilient practices. Progress towards this objective will be measured through two indicators.

Indicator C.4.2. Number of publicly available project knowledge products. Knowledge products in this sense are: (i) 3 factsheets (annually updated); (ii) 3 presentations (products updated); (iii) 1 e-learning Webinar (during the Project); (iv) 3 newsletters; and (v) 1 virtual workshop (during the Project). The planned knowledge gathering and exchange will help to improve the Project activity design, e.g. on how to secure payback of investments, and thereby ensure sustainability of the fund.

Indicator C.4.3. Number of stakeholders that attend the virtual workshop. This will be held at the end of the Project and through an online platform. The attending key stakeholders have been identified at the start of the Project, but new ones may be added throughout the Project time. It is expected that the workshop will be attended by 20 men and 10 women.

M&E Budget

Component 4 (Knowledge management and effective project monitoring & evaluation) for this Project includes Outcome 4.1. (M&E to inform adaptive management of the Project), and Outcome 4.2 Knowledge management increases awareness of SMEs with climate-resilient practices and private investors on successful approaches on preparing, implementing and financing climate-resilient practices. Through the implementation of the activities set out in their respective outputs, the M&E activities will be implemented and fully complied with according to GEF standards. Therefore, all resources budgeted for this Component will be used for the Project's M&E Plan implementation. Hence, the M&E budget for this Project is summarized in Table 8.

Table 8. M&E Budget for this Project

Line Item	Total (USD)
Personnel	$19,600.00
Third party fees and expenses	$20,000.00
Travel, meetings and workshops	$9,000.00
Total M&E Budget	$48,600.00
Total Project Budget	$1,142,661.00
% M&E of total Project Budget	4.25%

According to GEF standards, activities associated with monitoring and evaluation should be budgeted and represent at most 5% percent of the overall budget. Therefore, this Project meets the average budget for M&E activities.

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

The scope of this Project is limited to supporting the pre-investment stage of SMEs with climate-resilient practices, and therefore, limits its results to the main outcomes expected for its implementation, as described in Section 2.2. However, this Project will have a long-term impact. As investments in climate-resilient practices led by SMEs are materialized, those practices will result in other socioeconomic benefits.

Therefore, in order to have a better idea of the long-term benefits of implementing this Project, both the short and long-term potential socioeconomic benefits of the climate-resilient practices are included in this section.

Decent job creation: At least nine SMEs will receive pre-investment support in order to make their climate-resilient practices investment ready. In order to do this, some SMEs that access a zero-interest loan will need to use part of it to strengthen their workforce. It is therefore expected that decent jobs will be created within those SMEs in the Project's three-year term. However, as SMEs with climate-resilient practices become investment ready, they will be able to access private finance in order to implement their practices, which will certainly create, in the long term, new jobs in areas where most vulnerable populations are found and that are high-risk, particularly when events such as the COVID-19 pandemic strike. These new decent jobs will represent an important response for COVID-19 impacts.
Enhanced livelihoods: As SMEs' climate-resilient practices mature, it is expected that not only new jobs will be created, but also the livelihoods of the communities will be enhanced through better wages and more stable incomes in the long term. This is particularly important for the road to green recovery and given the case if there were to be a COVID-19 resurgence.

Long-term foundation for economic activities: By giving communities adaptation tools, SMEs' practices will support the sustainable development of land use activities in the long term. The SMEs' practices will enhance the capacity of the communities to not only sustainably access natural resources, but also reduce their risk to climate change pressures.
Increased resilience of local communities: Selected SMEs will target adaptation and resilience through sustainable agriculture, forestry and other Nature-Based Solutions -NBS- and will therefore help the most vulnerable communities to enhance their capacity to handle climate change related pressures, such as floods or droughts, while also promoting development of their economic activities. It will also contribute to increasing resilience of combined threats, such as the case given by the COVID-19 pandemic and climate-related impacts.

Sustained ecosystem services: SMEs practices will promote the efficient use of natural resources in order for communities to become resilient to climate change impacts, therefore gaining long term access to natural resources needed for their livelihoods that would otherwise be endangered by their unsustainable use.

Food security: As communities secure their access to natural resources in the long term, they will be able to reduce food scarcity, as food production should stabilize and increase. A higher income will also enable them to secure food when unexpected impacts affect their own production rates. Additionally, as SMEs practices are focused on land use activities, they will support communities' capacity to better manage their natural resources, improving their yields by diminishing threats to their crops and ultimately generating a more stable food offer for the communities.

Reduced conflict: As selected SMEs practices have a positive impact on the sustainability of agricultural, forestry and ecosystem related activities for communities, the probability of forced displacement due to resource scarcity will diminish which will reduce possible conflicts within and between communities.

Promotion of gender equity: This Project will seek to promote as many women led SMEs as possible. As this happens, women in the selected SMEs will be empowered to have a bigger impact in vulnerable communities or even access areas where they would normally have no major influence.

Enhanced impact investment market: As mentioned in Section 1.3, private investment for practices in climate resilience is still weak as knowledge about initiatives and their outcomes are not clear to them. This project will help to highlight profitable cases for investment, strengthen the private sector's confidence and lower their perception of risk in investing in these types of SMEs.

PART IV: ANNEXES

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).

Please refer to Appendix 5 of the Project Document for the Results Framework on pg. 120.

Annex B: Response to Project Reviews (from GEF Secretariat and GEF Agencies, and Responses to Comments from Council at work program inclusion, and responses to comments from the Convention Secretariat and STAP at PIF).

STAP screen **Screener: Saleem Ali (STAP)** **October 29, 2019**
Comment 1: This proposal is fairly rudimentary in its methods as it is seeking to leverage GEF funds for an existing carbon assets management company.
Answer: The Executing Agency is South Pole, however, the project is designed to fund the pre-investment window of the Landscape Resilience Fund, for which South Pole currently acts as Fund Manager. Hence, the GEF funds are not intended to leverage any of South Pole's activities but to catalyze private sector investment in SMEs with climate-resilient practices by supporting SMEs with climate-resilient practices to become investment-ready and therefore successfully apply for LRF's or other private investors' funding. (Aside, as adaptation is the main objective, LRF SMEs are not focused on carbon). Therefore, GEF funds will not be used merely according to South Pole's interests.
Comment 2: The risk-return tradeoff is tightly coupled with the South Pole Carbon Asset Management portfolio itself. I am concerned about how this proposal is simply trying to use GEF to hedge the risks of South Pole rather than any direct impact activity.
Answer: South Pole's role in this project is the Fund Manager for the Landscape Resilience Fund which will support the most vulnerable people in the land-use space to effectively adapt to climate change by providing knowledge to and investing in small and medium enterprises (SMEs) that target adaptation and resilience. The LRF is not linked with South Pole’s carbon assets or investments, and therefore, GEF funding is not used to de-risk South Pole’s existing investments. However, South Pole will use its asset management and project development expertise to develop new and innovative SME based projects for potential support through the LRF and future investors. The LRF’s portfolio, will be developed using WWF's and South Pole's current small business networks. The climate risk management rationale and expected adaptation benefits have been described in the ProDoc to show that the pre-investment window will seek to support SMEs that will bring real results on site, specifically building resilience in the most vulnerable communities. Further, the LRF will be constituted as an independent charitable foundation and all investments will need approval from its Board of Trustees, to whom South Pole, as Fund Manager, will present potential investment opportunities. South Pole, however, will not be a member of the Board.
Comment 3: The proposal notes that GEF funds are needed because their portfolio is not “investment ready” - what do they mean by this? Such statements need to be unpacked to understand where the private sector interface is

missing.

Answer: The barriers identified in this project describe the lack of capacity that SMEs have to build investment-ready proposals. The latter means that SMEs do not have the resources to develop a business case that is interesting for private investment. Therefore the pre-investment window seeks to support them in the development of their integrated business proposal, which must include support in strengthening their offering regarding their adaptation practices or services, their co-benefits, financial planning, their management processes and it will also provide support in improving their offtake contracts. The ProDoc includes a complete description of the purpose of the pre-investment window and how it plans to support selected SMEs.

Comment 4: There is not much clear innovation in this proposal in my view. The proposal is nicely presented but the actual innovation or specificity of which corporates would partner is absent.

Answer: There are multiple layers of innovation present. First of all, it is the first global public-private adaptation fund focusing on the world's most vulnerable in the land-use space. Second, with an integrated approach that unites three funding windows it allows to accompany small businesses with potential to become investment-ready toward a stage where they may become attractive to return-seeking private investors due to the track record they have been able to build through the LRF. All this occurs while at the same time taking into account the wider landscape to address potential conflicting resource demands and stakeholder interests to achieve landscape resilience for the broader region. Innovation is also achieved through a zero-interest loan mechanism that provides resources to the SMEs to become investment ready. Reflows from these zero-interest loans will be paid into the LRF (not to South Pole) by those businesses that achieve financial sustainability, a mechanism that allows to replicate impacts and disburse further pre-investment support to other SMEs. The pre-investment support window therefore differs from most Technical Assistance Facilities in that it works with innovative financial mechanisms such as the zero-interest loans and that it expects to support SMEs once they have achieved investment readiness, through investments via the soft loan window of the LRF.

Further, while a number of impact funds exist almost all of them have return requirements, making them inherently more risk averse. This precludes them from investing in precisely those small businesses that have the potential to generate the greatest impact for vulnerable populations in developing countries. The structure as a charitable foundation of the LRF allows this vehicle to take on risks that others are not able to take on. At the same time, the LRF uses a business approach to generating impact.

Comment 5: It is not clear how this fund would be able to garner more private sector investment than other existing vehicles. They have noted impact metrics with 5 corporates and 50,000 farmers with little evidence or details.

Answer: No evidence of corporate investors is available since normally they are weary of publicly endorsing any initiative before an agreement has been approved and signed, which takes years of negotiation. However, since its inception, the LRF has been able to meet with many potential private investors that have shown great interest in the Fund. The LRF will be able to garner significant private sector investments as the main barrier identified for making these investments a reality is the lack of investment-ready proposals by SMEs with climate-resilient practices. As the GEF funds bring support to SMEs through the LRF's pre-investment window, strong SMEs proposals are expected to unlock resources from those private investors.

In the meantime, corporate investment by an anchor funder has been fixed in written terms by means of a letter of intent over US$25 million and further corporate investment is expected to follow suit in due time.

GEFSEC Review Sheet
November 25, 2019

Comment 1: Are the components in Table B and as described in the PIF sound, appropriate, and sufficiently clear to achieve the project/program objectives and the core indicators? The project has two broad components- first on providing technical assistance to selective projects to raise investments for implementing innovative adaptation solutions; and second- knowledge management and M&E. The output 1.1.3 under component 1 indicates that the project will provide sub-grant to small businesses, but in a slightly vague manner. The Secretariat would like this to be a major focus using innovative grant instruments such as revolving grants or zero interest loans or any others. Also, for such investments, it will be appropriate to classify financing type as Investment in Table B. Please clarify this focus in relevant outputs and other sections.
Answer: The project's components and outputs have been rearranged in order to clearly show that PIF's output 1.1.3 refers to the design of a mechanism in order to provide zero-interest loans or technical assistance to SMEs. Hence, output 1.1.3 will not provide the loans or technical assistance, but it will be the way of achieving an agreement between the Executing Agency and the SME on how the support will be given and how much will be reimbursed by the SME once its business generates revenues. Regarding the zero-interest loans, the reflows to the Fund will depend on the revenues generated by the SME. Component 2 has been classified as investment in the Table and all other components are classified as Technical Assistance.
Comment 2: Are the identified core indicators in Table F calculated using the methodology included in the correspondent Guidelines? The agency is requested to attach the LDCF-SCCF results sheet along with the PIF.
Answer: The Adaptation Results Framework has been attached to the ProDoc according to the LDCF-SCCF Results Framework.
Comment 3: Does the proposed alternative scenario describe the expected outcomes and components of the project/program? The alternate scenario is elaborated well. However, as noted earlier, it is not sufficiently clear whether the project will use the LDCF fund for investing in projects also using innovative financial instruments. The "sub-grants or direct provision for TA'' under output 1.1.3 is unclear. The project will be able to contribute to objectives better if using the grant fund in specific projects also in addition to upstream technical assistance. The PIF needs to make this distinction of TA and actual grant investment clear and if necessary, create a new component which could be classified as investment.
Answer: The Project's components and outputs have been rearranged in order to clearly show which of them constitute investment (Component 2) and which constitute TA (components 1, 3 and 4).
Comment 4: Is the incremental / additional cost reasoning properly described as per the Guidelines provided in GEF/C.31/12? As mentioned earlier, we suggest that the LDCF fund should also be used for co-investments (third row in the table) beyond just technical assistance and knowledge management.
Answer: The Project's components and outputs have been rearranged in order to clearly show which of them constitute investment supports and which constitute TA.
Comment 5: Are the project's/program's indicative targeted contributions to global environmental benefits (measured through core indicators) reasonable and achievable? Or for adaptation benefits? The PIF needs to estimate the target number of beneficiaries and other resilience benefits and explain how the project will deliver these benefits. Some explanation is already provided. Please use the LDCF results framework in this regard.

Answer: The Adaptation Results Framework has been attached to the ProDoc according to the LDCF-SCCF Results Framework. Please notice that as this GEF Project will support SMEs with climate-resilient practices to become investment ready, the adaptation benefits from those SMEs will not be achieved during the lifetime of this Project, but rather, once the investments on them have been made available and their business implemented. Therefore, this Project will probably not be able to achieve short-term benefits but will indeed result in long-term benefits (after the three year Project implementation period).
Comment 6: Is there potential for innovation, sustainability and scaling up in this project? While the concept of supporting private sector for adaptation solutions itself is innovative, the innovation element could be strengthened further by using the LDCF grant through innovative financial instruments such as revolving grants or zero-interest loans. The section mentions reimbursable grants but in the previous sections the PIF indicates that the fund will be used only for technical assistance for enhancing readiness. It is not clear how such technical assistance will be reimbursable.
Answer: Innovation is achieved through a zero-interest loan mechanism that seeks to provide resources for the SMEs to become investment ready and receiving reflows to the LRF from those businesses that achieve financial sustainability and revenues. In cases where project preparation/pre-investment support is given by means of direct services (as opposed to zero-interest loans) their monetary equivalent will be calculated to then agree on (partial) reimbursement terms.
Comment 7: Is there a preliminary geo-reference to the project's/program's intended location? Please provide a map indicating the program's intended location of LDCs that may be supported.
Answer: Maps were provided in the ProDoc showing countries where South Pole currently has strong small business networks and Priority Places for the WWF network.
Comment 8: Does the project/program consider potential major risks, including the consequences of climate change, that might prevent the project objectives from being achieved or may be resulting from project/program implementation, and propose measures that address these risks to be further developed during the project design? Risks are captured well. Please also elaborate on fund mobilization risk and how the project will mitigate this risk. This is important as the success of the LDCF funding will be dependent on the funds mobilized.
Answer: The fund mobilization risk has been included in the ProDoc. Currently this risk is classified as low since the first funding commitment has been confirmed in writing. However, mitigation measures such as considering and meeting with other potential investors/donors, have been included and are being implemented. Climatic risks have been included as well with measures to address them.
Comment 9: Is the institutional arrangement for project/program coordination including management, monitoring and evaluation outlined? Is there a description of possible coordination with relevant GEF-financed projects/programs and other bilateral/multilateral initiatives in the project/program area? Institutional arrangement is defined well and is in accordance with GEF's policies. Given that the GEF funding will be primarily grant but potentially can be used and managed in innovative ways, we suggest to include the below text in the PIF. "By the time of CEO Endorsement, the GEF Implementing Agency will present: (i) a detailed explanation of the mechanism through which the Executing Entities will select the grant proposals and disburse the funds; (ii) how GEF Implementing Agency will ensure that the Minimum Fiduciary Standards Requirements are met by each one of the Executing Entities at all levels of the project implementation; and (iii) a legal establishment/mechanism on how the GEF fund is transferred to set up revolving funds, and how the new

fund is to be operated with outflows/inflows of loans and credits if any.”

Answer: Regarding the initial questions to assess the PIF, it is important to highlight that: 1) the institutional arrangement is outlined in the ProDoc. 2) given that the selection of SMEs is part of this Project, concrete GEF financed projects or other programs in the area of the SMEs have not yet been identified for collaboration. However, the LRF management and PMU will pursue opportunities for collaboration and coordination wherever possible once the SMEs have been selected and their location is thereby clear. The LRF management does have great interest in such coordination. 3) a detailed explanation of the mechanism through which proposals for support are selected is provided in the project document. Asset management regulations and support regulations have been drafted (German language) as part of the founding of the LRF foundation and will be approved by the independent Board of Trustees this winter.

The following text paragraph has been included in the PIF: "By the time of CEO Endorsement, the GEF Agency will present: (i) a detailed explanation of the mechanism through which the Executing Entity will select the grant proposals and disburse the funds; (ii) how GEF Agency will ensure that the Minimum Fiduciary Standards Requirements are met by each one of the Executing Entities at all levels of the project implementation; and (iii) a legal establishment/mechanism on how the GEF fund is transferred to set up revolving funds, and how the new fund is to be operated with outflows/inflows of loans and credits if any."

Regarding the above, please note that: i) the ProDoc includes a description of the selection process, criteria for grant proposal selection and fund disbursement procedures, ii) In line with the recently updated GEF Minimum Fiduciary Standards, WWF US carried out a due diligence assessment of South Pole's financial systems, policies and procedures as Executing Agency of the project during the project development phase; and iii) Noted, however the comment does not apply as there are no expected reflows to the GEF Trust Fund from the project via the GEF Agency – all project reflows will go to the LRF Foundation for further TA service provision, enhancing the sustainability of GEF funding to the project and the pre-investment window of the LRF.

GEFSEC Review Sheet
February 18, 2020

Comment 1: Please expand on the explanation of the mechanism through which the Executing Entity (South Pole Carbon Asset Management, Ltd.) will select the financial investments for individual projects through this fund, disburse the funds, and manage the reflows

Answer: The LRF reflows mechanism, as well as the selection of investments for individual projects supported by the LRF, have been described in detail in the ProDoc. A three-step due diligence will assess the potential of the SME in question to meaningfully contribute to climate resilience for vulnerable people and ecosystems through its operations and land use. According to the business profile and profitability, a suitable soft loan will be structured that aligns maturity and interest profile with the cash flow generation potential and growth trajectory of the small business. In the loan contract, a monitoring protocol will be agreed to ensure South Pole receives meaningful information about the progress against KPIs. An internal review will periodically check compliance with processes and generation of outcomes. Further, an external review will independently evaluate compliance with procedures and generated outcomes. Reflows will be reinvested in new small businesses, or potentially in the same business if the funds are needed to further scale climate resilient practices.

Comment 2: By the time of submitting the full documentation for CEO Approval, please secure and submit in the GEF Portal Letters of No Objection signed by the GEF OFP for each country in which there will be investment made through this project.
Answer during PIF Stage Review (02/25/2020): SMEs to receive TA through GEF funding will be selected as an output in implementation under "1.1.1. Selection of at least 9 small business (project developers) to be supported in making their climate-resilient projects investment-ready". It is not possible to identify the SMEs and countries they are in before CEO approval/project implementation because the Fund, including the due diligence process that will be used to select the SMEs, is currently under development and is expected to reach first close around the time of the GEF project implementation. Furthermore, GEF grant funding is being used to catalyze further commitments from private sector actors. As stated in the Challenge Fund call for proposals, projects or programs in which the beneficiaries are private sector actors exclusively do not require letters of endorsement from the GEF Operational Focal point. GEF funds for this project will be managed by South Pole, which will sub-grant to SMEs/consultants. Both WWF as GEF Agency and South Pole are agreeable to ensure that the GEF OFPs are informed of the project for the countries in which it will operate, during implementation phase. Answer during CEO ER Stage Review: SMEs to receive TA through GEF funding will only be selected as an output early in project implementation (1.1.1. Selection of at least 9 SMEs to be supported in making their climate-resilient practices investment-ready) expected to take place in Q3/4 2021. Secondly, per the GEF Challenge Program for Adaptation Innovation Call for Proposals, LoEs are not required for projects or programs in which the beneficiaries are private sector actors exclusively, as is the case in this project (https://www.thegef.org/sites/default/files/documents/challenge_program_adaptation_innovation_call_proposals.pdf). However, both WWF and South Pole are agreeable to ensuring that the GEF OFPs in countries where SMEs have been selected are informed of the project during implementation.

Annex C: Status of Utilization of Project Preparation Grant (PPG) (Provide detailed funding amount of the PPG activities financing status in the table below:

PPG Grant Approved at PIF:			
Project Preparation Activities Implemented	***GETF/LDCF/SCCF Amount ($)***		
	Budgeted Amount	***Amount Spent to Date***	***Amount Committed***
Project development salaries and fringe	50,000	50,000	
Total	50,000	50,000	

If at CEO Endorsement, the PPG activities have not been completed and there is a balance of unspent fund, Agencies can continue to undertake exclusively preparation activities up to one year of CEO Endorsement/approval date. No later than one year from CEO endorsement/approval date. Agencies should 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)

Annex E: Project Map(s) and Coordinates

Please attach the geographical location of the project area, if possible.

Annex F: GEF 7 Core Indicator Worksheet

Use this Worksheet to compute those indicator values as required in Part I, Table F to the extent applicable to your proposed project. Progress in programming against these targets for the program will be aggregated and reported any time during the replenishment period. There is no need to complete this table for climate adaptation projects financed solely through LDCF and SCCF.

Annex G: GEF Project Taxonomy Worksheet

Use this Worksheet to list down the taxonomic information required under Part I, item G by ticking the most relevant keywords/ topics/themes that best describe this project.