

Funding Proposal

FP212: &Green Fund: Investing in Inclusive Agriculture and Protecting Forests

Multiple countries | Nederlandse Financierings-Maatschappij voor
Ontwikkelingslanden N.V. (FM0) | Decision B.36/05

3 August 2023



Funding Proposal

Project/Programme title:	&Green Fund: Investing in Inclusive Agriculture and Protecting Forests
Country(ies):	Brazil; Cameroon; Colombia; Cote d'Ivoire, Democratic Republic of Congo; Ecuador; Gabon; Indonesia; Lao PDR; Liberia; Zambia
Accredited Entity:	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO)
Date of first submission:	<u>2022/06/10</u>
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GREEN
CLIMATE
FUND

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Note to Accredited Entities on the use of the funding proposal template

- Accredited Entities should provide summary information in the proposal with cross-reference to annexes such as feasibility studies, gender action plan, term sheet, etc.
- Accredited Entities should ensure that annexes provided are consistent with the details provided in the funding proposal. Updates to the funding proposal and/or annexes must be reflected in all relevant documents.
- The total number of pages for the funding proposal (excluding annexes) **should not exceed 60**. Proposals exceeding the prescribed length will not be assessed within the usual service standard time.
- The recommended font is Arial, size 11.
- Under the [GCF Information Disclosure Policy](#), project and programme funding proposals will be disclosed on the GCF website, simultaneous with the submission to the Board, subject to the redaction of any information that may not be disclosed pursuant to the IDP. Accredited Entities are asked to fill out information on disclosure in section G.4.

Please submit the completed proposal to:

fundingproposal@gcfund.org

Please use the following name convention for the file name:

"FP-[Accredited Entity Short Name]-[Country/Region]-[YYYY/MM/DD]"

PROJECT/PROGRAMME SUMMARY			
A.1. Project or programme	Programme	A.2. Public or private sector	Private
A.3. Request for Proposals (RFP)	<p>If the funding proposal is being submitted in response to a specific GCF Request for Proposals, indicate which RFP it is targeted for. Please note that there is a separate template for the Simplified Approval Process and REDD+.</p> <p><u>Not applicable</u></p>		
A.4. Result area(s)	<p>Check the applicable GCF result area(s) that the <u>overall</u> proposed project/programme targets below. For each checked result area(s), indicate the estimated percentage of GCF and Co-financers' contribution devoted to it. The total of the percentages when summed should be 100% for GCF and Co-financers' contribution respectively.</p>		
		GCF contribution	Co-financers' contribution¹
	Mitigation total	65 %	65 %
	<input type="checkbox"/> Energy generation and access	<u>Enter number</u> %	<u>Enter number</u> %
	<input type="checkbox"/> Low-emission transport	<u>Enter number</u> %	<u>Enter number</u> %
	<input type="checkbox"/> Buildings, cities, industries and appliances	<u>Enter number</u> %	<u>Enter number</u> %
	<input checked="" type="checkbox"/> Forestry and land use	65 %	65 %
	Adaptation total	35 %	35 %
	<input type="checkbox"/> Most vulnerable people and communities	<u>Enter number</u> %	<u>Enter number</u> %
	<input checked="" type="checkbox"/> Health and well-being, and food and water security	14 %	14 %
	<input type="checkbox"/> Infrastructure and built environment	<u>Enter number</u> %	<u>Enter number</u> %
	<input checked="" type="checkbox"/> Ecosystems and ecosystem services	21 %	21 %
A.5. Expected mitigation outcome (Core indicator 1: GHG emissions reduced, avoided or removed / sequestered)	339,150,000 tCO ₂ e	A.6. Expected adaptation outcome (Core indicator 2: direct and indirect beneficiaries reached)	26,628,132
1,921,340			24,706,792
0.26%			3.38%
A.7. Total financing (GCF + co-finance²)	981,620,000 USD	A.9. Project size	Large (Over USD 250 million)
A.8. Total GCF funding requested	189,350,000 USD <i>For multi-country proposals, please fill out annex 17.</i>		

¹ Co-financer's contribution means the financial resources required, whether Public Finance or Private Finance, in addition to the GCF contribution (i.e. GCF financial resources requested by the Accredited Entity) to implement the project or programme described in the funding proposal.

² Refer to the Policy of Co-financing of the GCF.

A.10. Financial instrument(s) requested for the GCF funding	<i>Mark all that apply and provide total amounts. The sum of all total amounts should be consistent with A.8.</i>		
	<input checked="" type="checkbox"/> Grant <u>USD 9,350,000</u> <input checked="" type="checkbox"/> Loan <u>USD 180,000,000</u> <input type="checkbox"/> Guarantee <u>Enter number</u>		<input type="checkbox"/> Equity <u>Enter number</u> <input type="checkbox"/> Results-based payment <u>Enter number</u>
A.11. Implementation period	<i>a). Disbursement period: 3 years³</i> <i>b). Repayment period: 15 years</i>	A.12. Total lifespan	15 years for the investment facility, 5 years for the TA facility
A.13. Expected date of AE internal approval	<i>This is the date that the Accredited Entity obtained/will obtain its own approval to implement the project/ programme, if available.</i> 7/1/2022	A.14. ESS category	<i>Refer to the AE's safeguard policy and GCF ESS Standards to assess your FP category.</i> I-1 at programme level A at sub-project level
A.15. Has this FP been submitted as a CN before?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	A.16. Has Readiness or PPF support been used to prepare this FP?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
A.17. Is this FP included in the entity work programme?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	A.18. Is this FP included in the country programme?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
A.19. Complementarity and coherence	<i>Does the project/programme complement other climate finance funding (e.g. GEF, AF, CIF, etc.)? If yes, please elaborate in section B.1.</i> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		

³ This disbursement period is indicative, based on the expected time to raise tranches of commercial funding, and complemented by an Availability Period of the funding to &Green Fund of 60 months.

<p>A.20. Executing Entity information</p>	<p><i>If not the Accredited Entity, please indicate the full legal name of the Executing Entity(ies) and provide its country of registration and ownership type. Note that there can be more than one Executing Entity. Also indicate if an Executing Entity is the National Designated Authority. Refer to the definition of Executing Entity in the Accreditation Master Agreement.</i></p> <p>FMO and the Stichting AndGreen.Fund (“the &Green Fund”) shall act as Executing Entities for their respective activities in the implementation of the Funded Activity as shall be specifically stated in the FAA.</p> <p>FMO shall be an Executing Entity only in respect of certain activities that it is involved in implementing, as shall be further specified in the FAA.</p> <p>Stichting AndGreen.Fund shall act as Executing Entity for Output 1.1 under Component 1 and for Component 2. The Stichting AndGreen.Fund will establish a scalable investment vehicle - a Dutch private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid or B.V.) under the laws of the Netherlands named ‘&Green B.V.’ (together with the Stichting AndGreen.Fund referred to in this document as “&Green Fund”), which shall act as the Executing Entity for Outputs 1.2 and 1.3 under Component 1.</p> <p>The investment manager of the scalable investment vehicle, SAIL Ventures, a Dutch private limited company registered in the Dutch commercial register KvK under the company number 68338563, shall be an Executing Entity for Output 1.3 under Component 1.</p> <p>&Green Fund is a Dutch foundation (“Stichting”) with its registered seat in the municipality of Amsterdam, the Netherlands.⁴</p>
<p>A.21. Executive summary (max. 750 words, approximately 1.5 pages)</p>	

⁴ The Stichting Andgreen.Fund is a foundation under Dutch Law with no share capital. Under Dutch AML/CFT law there are no natural persons which meet the definition of the UBO of the Stichting (25% share capital/entitlement to Stichting’s funds or voting rights; or effective control). As such there are no HNWI’s which are UBOs. In the absence of such natural persons, Dutch law determines that the members of the Board of Directors (Nanno Kleiterp, Joost Oorthuizen, Felia Salim and Claudia Arango) are considered to be the “pseudo-UBOs” of the Stichting.

FMO, as the Accredited Entity, requests GCF support to transform major tropical commodity supply chains to be deforestation free and socially inclusive in a way that is commercially viable and replicable at scale.

1. Tropical forests are biodiversity hotspots that moderate water supply and quality, sustain millions of livelihoods, and are massive stores and potential sinks of carbon that are key to slowing climate change. Tropical forests play a vital role in the global carbon cycle: the 1.2 billion ha of tropical forests constitute the largest above ground terrestrial component of the global carbon budget⁵.
2. Deforestation, including below-ground biomass and drainage of peat forests, is a major driver of climate change: it is the second largest anthropogenic source of carbon dioxide emissions⁶. Deforestation creates the compounded challenges of massive GHG emissions while undoing forests' role as a sink and store of carbon. A quarter of global CO₂ emissions are associated with agriculture, forestry and other land uses (AFOLU)⁷.
3. More than 25 million hectares of tree cover were lost in 2020, almost one hectare per second, driven mainly by the expansion of agriculture and production forestry to meet rising demand for food and commodities. This is in turn driven by growing demand from rising global populations and increasing incomes. Agriculture is the primary driver of more than 70 percent of all deforestation across tropical and sub-tropical countries, with commercial agriculture playing an increasingly large role compared to subsistence agriculture⁸.
4. The loss of trees and other vegetation leads to desertification; soil erosion; reduced water retention and flooding; decreased soil productivity and progressive deterioration of agro-ecosystems. These effects are compounded when higher atmospheric CO₂ concentrations lead to contraction of plant stomata and reduced evapotranspiration from tropical forests and disruption to the local hydrological cycle⁹.
5. The &Green Fund reduces emissions and increases resilience by financing the transformation of tropical agricultural commodity supply chains from extractive to truly sustainable. It achieves this by providing technical assistance and by offering finance to producers with conditions that require both the adoption of sustainable agricultural practices and the commitment to protect existing forest, restore forest where appropriate, and be socially inclusive in approach. &Green Fund transactions create blueprints for sustainable land use and management that other market players can adopt, replicate and scale significantly; thereby making &Green Fund's and GCF's initial investment in the market transformational.
6. The &Green Fund aims to invest in countries with significant tropical forests under threat from agricultural expansion and where the largest opportunities for transformational change exist. The target countries include, during the lifetime of the GCF investment: **Brazil; Indonesia; Colombia; Cameroon; Côte d'Ivoire; Democratic Republic of the Congo; Ecuador; Gabon; Lao People's Democratic Republic (PDR); Liberia; Zambia**. The programme will seek GCF approval before adding additional countries, should any express interest in participating and issue Letters of No-Objection after the date of initial GCF Board approval.
7. The &Green Fund will scale up commercial investment in tropical agricultural supply chains while transforming them to no deforestation and socially inclusive at a landscape level. Investments target forest and peat conservation and restoration embedded in landscapes of sustainable and regenerative agriculture. Target sectors are the major supply chains driving deforestation, including livestock, palm oil, soy, rubber, cocoa and forestry.
8. The &Green Fund promotes sustainable intensification and higher productivity on existing agricultural land to meet growing demand for food. Producing more food on existing land reduces the demand and incentives for deforestation for agricultural production. This is essential for stopping deforestation AND meeting food security. That is, sustainable intensification rather than destructive extensification.
9. **Mitigation impact:** Based on results from investments over the past four years, the programme expected investment lifetime impact is approximately 350,000 tCO₂e of GHG reductions and removals per USD 1 million invested. This is based on emissions reductions from avoided deforestation in &Green's protected forests using a combination of satellite data and national Forest Reference Emission Levels (FREL/FRLs). For a projected investment of USD 960 million the fund would thus contribute 339.15 MtCO₂e over the investment lifetime (15 years). For detail on the mitigation impact methodology, see Annex 22.
10. **Adaptation impact:** This programme contributes to GCF results areas on *Health and well-being, and food and water security* and to *Ecosystem and ecosystem services*. Based on &Green Fund's existing portfolio, and aligning with the GCF impact framework, the programme is expected to yield the following adaptation metrics¹⁰:
 - 1.1 Approximately 16,000 ha/USD 1 million invested (15.7 million hectares for a USD 960 million investment)
 - 1.2 At minimum 2000 people with enhanced resilience/USD 1 million invested (1,900,000 people for a USD 960 million investment).

⁵ Ordway, E. M., & Asner, G. P. (2020). Carbon declines along tropical forest edges correspond to heterogeneous effects on canopy structure and function. *Proceedings of the National Academy of Sciences*, 117(14), 7863-7870

⁶ U.S. Energy Information Administration. 2018. U.S. energy-related CO₂ emissions expected to rise slightly in 2018, remain flat in 2019

⁷ Smith, P., Bustamante, M., Ahammad, H., Clark, H., Dong, H., Elsiddig, E. A. & Masera, O. (2014). Agriculture, forestry and other land use (AFOLU). Climate change 2014: mitigation of climate change. Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change. Chapter, 11, 811-922.

⁸ Pendrill, F., Persson, U. M., Godar, J., Kastner, T., Moran, D., Schmidt, S., & Wood, R. (2019). Agricultural and forestry trade drives large share of tropical deforestation emissions. *Global environmental change*, 56, 1-10.

¹⁰ The initial estimates for people with enhanced resilience were conservatively taken due to limited data, extrapolating from the existing portfolio and considering the pipeline of investments. Results during implementation are expected to be higher than these estimates.

PROJECT/PROGRAMME INFORMATION

B.1. Climate context (max. 1000 words, approximately 2 pages)

The state of tropical deforestation

11. Tropical forests are biodiversity hotspots that moderate water supply and quality, sustain millions of livelihoods, and are massive stores and potential sinks of carbon that are key to slowing climate change. Tropical forests play a vital role in the global carbon cycle: the 1.2 billion ha of tropical forests constitute the largest above ground terrestrial component of the global carbon budget¹¹.
12. Approximately 25% of global emissions come from the land sector, making it the second largest source of emissions behind energy. Around half of these emissions annually come from deforestation and forest degradation¹².
13. Deforestation is continuing at an alarming rate, with more than 25 million hectares of tree cover lost in 2020, and a similar amount in 2021. The reasons for tree cover loss vary between countries (see individual country deforestation profiles in Table 1 below) but are mainly driven by the expansion of agriculture and production forestry to meet rising demand for food and commodities due to growing global population and rising incomes. Agriculture is the primary driver of more than 70 percent of all deforestation across tropical and sub-tropical countries, with commercial agriculture playing an increasingly large role compared to subsistence agriculture¹³.
14. Most of the environmental benefits of intact forest are unpriced externalities, and it is much more attractive for landowners to convert forest into agricultural land to produce tradable commodities, particularly where strong demand is increasing market prices. The result is a market mispricing of natural forest assets and a disincentive to sustainable production. This problem is expected to worsen without a paradigm shift changing how land is managed and how agricultural commodities are produced.
15. The economic impact of deforestation and forest degradation is enormous. Around 1.3 billion people, or 20% of global population, rely on forests for their livelihoods, many of whom live in poverty.¹⁴ Without healthy forests and forest ecosystems, those reliant on forests could face significant livelihood insecurity. Moreover, forests provide up to USD 100 billion per year in goods and services while providing additional environmental benefits such as clean water and healthy soil for agricultural production.
16. Many agri-commodity businesses are vulnerable to climate hazards, for example, increased temperature and increased rainfall variability (See Table 3 in section B.2.(a) for a description of specific climate hazards facing different commodity sectors). The resultant production losses lead to a vicious cycle, where growers are incentivized to clear more forest land to make up for falling or unreliable yields.

Why deforestation is a problem:

17. Trees convert carbon dioxide from the air into (carbon-based) cellulose and store this carbon in the plant's branches, leaves, trunks, roots and in soil organic matter. Between 2001 and 2021, global forests emitted 8.38 gigatonnes of CO₂e per year and removed 15.6 gigatonnes of CO₂e per year. This represents a net carbon sink of 7.17 gigatonnes of CO₂e per year that has been slowing the rate of changes in the climate. However, when forests are degraded or cleared, this capacity to draw CO₂ out of the atmosphere is lost, and most of the stored carbon is released back to the atmosphere as carbon dioxide, accelerating climate change.
18. Forest loss is a major contributor to GHG emissions. In the last 20 years, 437 million hectares of tree cover was lost globally, accounting for an 11% decrease in total tree cover and 176 gigatonnes of CO₂e.
19. Deforestation, including below-ground biomass and drainage of peat forests, is the second largest anthropogenic source of carbon dioxide released into the atmosphere after energy¹⁵. Deforestation creates the compounded challenges of massive GHG emissions while undoing forests' role as a sink and store of carbon. A quarter of global CO₂ emissions are associated with agriculture, forestry and other land uses (AFOLU)¹⁶.
20. The loss of trees and other vegetation leads to desertification; soil erosion; reduced water retention and flooding; decreased soil productivity and progressive deterioration of agro-ecosystems. These effects are

¹¹ Ordway, E. M., & Asner, G. P. (2020). Carbon declines along tropical forest edges correspond to heterogeneous effects on canopy structure and function. *Proceedings of the National Academy of Sciences*, 117(14), 7863-7870

¹² https://www.iucn.org/sites/dev/files/forests_and_climate_change_issues_brief_2021.pdf

¹³ Pendrill, F., Persson, U. M., Godar, J., Kastner, T., Moran, D., Schmidt, S., & Wood, R. (2019). Agricultural and forestry trade drives large share of tropical deforestation emissions. *Global environmental change*, 56, 1-10.

¹⁴ The World Bank. 2016. Why forests are key to climate, water, health and livelihoods.

¹⁵ U.S. Energy Information Administration. 2018. U.S. energy-related CO₂ emissions expected to rise slightly in 2018, remain flat in 2019

¹⁶ Smith, P., Bustamante, M., Ahammad, H., Clark, H., Dong, H., Elsiddig, E. A. & Masera, O. (2014). Agriculture, forestry and other land use (AFOLU). *Climate change 2014: mitigation of climate change. Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change*. Chapter, 11, 811-922.

compounded when higher atmospheric CO₂ concentrations lead to contraction of plant stomata and reduced evapotranspiration from tropical forests and disruption to the local hydrological cycle¹⁷.

21. Halting the loss and degradation of natural systems and promoting restoration has the potential to contribute to a third of total climate change mitigation required by 2030.¹⁸ The restoration of 350 million hectares of degraded land, as per the objective of the Bonn Challenge, could sequester up to 1.7 gigatonnes of CO₂e annually.¹⁹

22. Table 1 below presents the current deforestation profiles for &Green Fund target countries.

Table 1: Deforestation profiles in target countries

Country	Country Profile	Impacts
Brazil	Brazil is home to around 12.2% of the world's forests and holds approximately one-third of the world's remaining primary tropical rainforests. Terrestrially, it is also the most biodiverse country on Earth, with more than 34,000 described species of plants, 1,813 species of birds, 1,022 amphibians, 648 mammals, and 814 reptiles. About 80% of Brazil's tropical forest cover is found in the Amazon Basin, a mosaic of ecosystems and vegetation types including rainforests (the vast majority), seasonal forests, deciduous forests, flooded forests, and savannas, including the open woodland cerrado.	<p>Current deforestation: Brazil has experienced high forest loss over the past two generations— more than 76 million hectares, or about 19 percent of its total surface area of 400 million hectares, has been cleared in the Amazon since 1970.</p> <p>Brazil's National Space Research Institute, INPE, reports increasing deforestation in the Brazilian Amazon since 2018, with a more than 30% increase in 2019 and a further 22% increase in 2020 and 2021. The 2021 data confirms the trend detected by multiple deforestation alert systems and shows that in 2021 forest clearing in Earth's largest rainforest stood at the highest level since 2006.²⁰</p> <p>Key driver(s) of deforestation: In 2019, 2.64 million hectares of tree cover loss occurred, with the key drivers being livestock (largely beef), agricultural expansion, and illegal deforestation.</p> <p>Brazil's most recent assessed Forest Reference Level (FRL)²¹ is 335,540,289 tCO₂ eq/year in 2020.²²</p>
Indonesia	Indonesia is the largest archipelagic nation in the world with a total terrestrial area of 188 million hectares (ha), half of which is forested (forested area 93.9Mha and non-forested area 94Mha). ²³ Indonesia is the second largest mega-biodiverse country after Brazil with substantial, intact tropical forests that extend over 88.1 million ha. Peatland ecosystems encompass approximately 14.9 million ha across 17 provinces, though concentrated on three major islands: Sumatra (6.4 million ha or 43% of total peatland), Kalimantan (4.8 million ha or 32.1%), and Papua (3.7 million ha or 24.7%.	<p>Current deforestation: The average deforestation in Indonesia in the period of 2006/2007 to 2019/2020 was 755,500 hectares.²⁴ Secondary drylands and secondary swamp forests were the most deforested with 453.7 thousand hectare and 220.8 thousand hectares annually. The land use/land cover type after conversion was dominated by estate crops, dry shrubs and estate crops, which accounted for 214.4 thousand hectares, 146.7 thousand hectares and 136.4 thousand hectares, respectively.²⁵</p> <p>Key driver(s) of deforestation: Commodity driven agriculture dominates Indonesia's tree cover loss including for palm oil which is driven by global demand.</p>

¹⁸ https://www.iucn.org/sites/dev/files/forests_and_climate_change_issues_brief_2021.pdf

¹⁹ Ibid

²⁰ Ministry of Science. 2020. Estimativa de desmatamento por corte raso na Amazônia Legal para 2021 é de 13.235 km². Available at: <https://www.gov.br/inpe/pt-br/assuntos/ultimas-noticias/divulgacao-de-dados-prodes.pdf>

²¹ The Forest Reference Level (FRL) and Forest Reference Emissions Level (RFEL) is a benchmark for emissions from deforestation and forest degradation and removals from sustainable management of forests and enhancement of forest carbon stocks. Reference levels are expressed as tonnes of CO₂ equivalent per year for a reference period against which the emissions and removals from a results period will be compared. Thus, reference levels serve as benchmarks for assessing each country's performance in implementing REDD+ activities.

²² <https://redd.unfccc.int/submissions.html?country=bra>

²³ World Bank database.

²⁴ Indonesia. 2022. National Forest Reference Level submissions to the UNFCCC. Available at

https://redd.unfccc.int/files/2nd_frl_indonesia_final_submit.pdf

²⁵ Ibid.

		Indonesia's most recent assessed forest reference level is 593,329,235 tCO ₂ eq/year for 2020. ²⁶
Cameroon	Cameroon has 20 million ha of natural forest, covering approximately 43% of the country's area. ²⁷	<p>Current deforestation: According to the updated NDC, the estimated net annual deforestation rate is 0.6%.²⁸ This combined with a low reforestation rate of 0.1% is leading to a rapid loss of biodiversity.</p> <p>Key driver(s) of deforestation: Cameroon's forests are under pressure from foreign investment in mining, agriculture and associated infrastructure development. Illegal and uncontrolled logging, slash-and-burn agriculture and the unsustainable development of agro-industry are all key drivers of deforestation.²⁹</p>
Colombia	Natural forests occupy 59.3 million ha in Colombia, 53% of the country's area, ^{30 31} including the third largest extent of Amazon Forest (after Brazil and Peru) within its territory. 69% of Colombia's territory (marine and terrestrial, including 285,000ha of mangroves) is considered to be in its natural state, while 31% has been transformed. The Amazon region has the country's largest natural forest coverage and it is currently the most affected by deforestation.	<p>Current deforestation: According to the national REDD+ Strategy, "Bosques Territorios de Vida", more than 6 million hectares have been deforested between 1990 and 2016, resulting in the loss of ecosystem and ecosystem services and increasing GHG emissions.³²</p> <p>The Ministry of Environment estimated the emission reduction potential from reduced deforestation (39% reduction compared to business-as-usual) as a contribution to the NDC as 32.4 million tons CO₂ by 2030.³³</p> <p>Key driver(s) of deforestation: The main direct causes of deforestation are expansion of the agricultural frontier, expansion of infrastructure, timber extraction and forest fires.³⁴ The national REDD+ Strategy also points to indirect, underlying factors that drive the direct causes such as poor land rights, population growth, and demand for forest products.</p> <p>Colombia's most recent assessed forest reference level is 140,732,334.73 tCO₂ eq/year in 2022.³⁵</p>

²⁶ <https://redd.unfccc.int/submissions.html?country=idn>

²⁷ World Bank database. Cameroon – forest area. Available at <https://data.worldbank.org/indicator/AG.LND.FRST.ZS?locations=CM>

²⁸ Republic of Cameroon. 2021. Updated Nationally Determined Contribution.

²⁹ Ibid.

³⁰ Colombia Ministry of Environment and Sustainable Development. REDD+ Strategy – Bosques Territorios de Vida. Available at https://redd.unfccc.int/files/eicdgb_bosques_territorios_de_vida_web.pdf

³¹ World Bank database. Colombia – forest area. Available at <https://data.worldbank.org/indicator/AG.LND.FRST.ZS?locations=CO>

³² Colombia Ministry of Environment and Sustainable Development. REDD+ Strategy – Bosques Territorios de Vida. Available at https://redd.unfccc.int/files/eicdgb_bosques_territorios_de_vida_web.pdf

³³ Climate Action Tracker. 2021. Colombia. Available at <https://climateactiontracker.org/countries/colombia/>

³⁴ Colombia Ministry of Environment and Sustainable Development. REDD+ Strategy – Bosques Territorios de Vida. Available at https://redd.unfccc.int/files/eicdgb_bosques_territorios_de_vida_web.pdf

³⁵ <https://redd.unfccc.int/submissions.html?country=col>

<p>Côte d'Ivoire</p>	<p>Côte d'Ivoire's forested area covers more than 3.4 million hectares, accounting for 10.64% of total land area.³⁶ More than 99.5% of this is naturally regenerated forest. Agricultural production is primarily subsistence-based and rainfed, as currently, only 0.2 % of the total national crop land is equipped for irrigation. Hence, especially smallholder farmers suffer from the impacts of climate variability, which can reduce their food supply and increase the risk of hunger and poverty. Limited adaptive capacity in the agricultural sector underlines the country's vulnerability to climate change.</p>	<p>Current deforestation: Côte d'Ivoire's forests are mainly severely degraded or in an early stage of secondary growth. According to the Ministry of Water and Forests: Cote d'Ivoire lost more than 70% of its forest cover between 1960 and 2015, from 16 million hectares to 3.4 million hectares. Only 1.3 million of the 4.2 million hectares of classified forest that existed in the country more than half a century ago remain undegraded. 13,179,403 hectares are allocated to forestry operations.³⁷ Between 2002 and 2020, the country lost 348kha of humid primary forest, making up 11% of its total tree cover loss in the same time period. Total area of humid primary forest in Côte d'Ivoire decreased by 26% in this time period.</p> <p>Key driver(s) of deforestation: According to the National REDD+ Strategy of Cote d'Ivoire, the direct drivers of deforestation and forest degradation over the period 1986-2016 include:</p> <ul style="list-style-type: none"> • Expansion of agriculture (62%), including an increase in cocoa and palm oil; • Logging (18%); • Extension of infrastructure (10%); • Mining (8%); • Spreading bushfires (2%).³⁸ <p>Cote d'Ivoire's most recent assessed forest reference level is 20,569,766.02 tCO₂ eq/year in 2017.³⁹</p>
<p>Democratic Republic of Congo. (DRC)</p>	<p>The Democratic Republic of the Congo (DRC) is the 2nd largest country in Africa (spanning 2.3 million square km) and home to large swaths of arable land, vast quantities of natural resources and minerals, and critical habitats supporting rich biodiversity. In 2010, DRC had 198 million hectares of natural forest, making up a significant portion of the forests within the Congo Basin. Forests are a valuable natural resource for DRC for both the products extracted and for the services provided.</p>	<p>Current deforestation: According to the national REDD+ Strategy, DRC's average annual deforestation rate rose from 0.22% during the period 2000-2005 to 0.25% for the next period up to 2010 – moving from approximately 350,000 hectares each year to over 400,000.⁴⁰ The average annual forest degradation rate of 0.12% is higher than other tropical forest basins.⁴¹ In 2020, the DRC's deforestation rate was second only to Brazil.</p> <p>The release of greenhouse gases due to deforestation and forest degradation are the country's principal emissions source.</p> <p>Key driver(s) of deforestation: The primary drivers for deforestation and forest degradation in the country are⁴²:</p> <ul style="list-style-type: none"> • Slash-and-burn agriculture; • Timber exploitation to supply wood market; • Mineral exploitation; • Fuelwood. <p>DRC's most recent assessed forest reference level is 1,177,318,178 tCO₂ eq/year in 2019.⁴³</p>

³⁶ UNEP. 2020. Ivory Coast Country Overview.

³⁷ Timber Trade Federation. 2020. Côte d'Ivoire Profile. Available at: <https://www.timbertradeportal.com/countries/ivory-coast/>

³⁸ Republic de Cote d'Ivoire. 2017. Reference emission level for forests of Cote d'Ivoire – presentation to the UNFCCC. Available at https://redd.unfccc.int/files/rci_nrf_ccnucc_2017.10.15.pdf

³⁹ <https://redd.unfccc.int/submissions.html?country=civ>

⁴⁰ DRC. National REDD+ Strategy. 2015. Available at https://redd.unfccc.int/uploads/3262_1_strategie-cadre_nationale_redd_de_la_rdc_1-corps_infographie1.pdf

⁴¹ Ibid

⁴² DRC. National REDD+ Strategy. 2015. Available at https://redd.unfccc.int/uploads/3262_1_strategie-cadre_nationale_redd_de_la_rdc_1-corps_infographie1.pdf

⁴³ <https://redd.unfccc.int/submissions.html?country=cod>

<p>Ecuador</p>	<p>Approximately half of Ecuador's territory is covered by forest – an estimated 12.55 million hectares.⁴⁴ More than 99% of the forest cover is primary forest or naturally regenerated forest, with the vast majority situated in the Amazon region. The three major forest types are the Amazon rainforest, Montane (sierra) forests in the Andes and tropical rainforests in the coastal plains. Mangrove forests used to be widespread but now only cover around 150,000 ha.⁴⁵</p>	<p>Current deforestation: Deforestation in Ecuador leads to a significant loss of biodiversity, water reserves and environmental services; in addition to GHG emissions. Between 1990 and 2014, nearly 2.2 million hectares of natural forest were lost in the country.⁴⁶</p> <p>According to the national REDD+ Strategy, native forest cover decreased from 14,587,771 hectares in 1990 to 12,753,383 hectares in 2014. The average annual gross deforestation in the period 1990-2000 was 129,943 hectares per year. For the period 2000- 2008 it was 108,650 hectares per year. For the most recent period, 2008-2014, it was 97,917 hectares per year.⁴⁷</p> <p>Key driver(s) of deforestation: The REDD+ Strategy deforestation map shows that of the areas that went from forest to non-forest:</p> <ul style="list-style-type: none"> • 64.9% of forest was due to changing to pasture for livestock; • 11.8% due to agricultural mosaics; • 10% due to other types of coverage; • 3.7% due to cocoa; • 3.1% due to hard maize, • 3% due to African palm; • 2% coffee; • the remaining 1% of the remaining deforested area was distributed among infrastructure, mainly related to urban areas and dense rural settlements.⁴⁸ <p>Ecuador's most recent assessed forest reference level is 43,418,126 tCO₂ eq/year.⁴⁹</p>
<p>Gabon</p>	<p>The vast majority of Gabon's land area is forest – approximately 20 million of the country's 22.68 million hectares.⁵⁰ After petroleum and mining, agriculture and forestry sectors are the two largest in the country, with agriculture alone employing 20% of the population. Today, 15.5 million hectares are allocated to some 40 logging companies, which extracted 3.6 million m³ of timber in 2021.⁵¹</p>	<p>Current deforestation: Nationally, deforestation has increased slightly in recent years and is currently estimated at 0.1% per year - around 25,000-30,000 hectares of loss annually over the last 5 years.⁵²</p> <p>Key driver(s) of deforestation: According to the national REDD+ Strategy, since 2012, industrial agriculture has expanded, with the establishment or strengthening of oil palm and rubber plantations that currently cover about 75,000 hectares (about 64,000 ha of oil palm and 11,000 of rubber).⁵³</p> <p>Some controlled deforestation of the degraded low-carbon forest-agriculture mosaic was undertaken in 2011-2015 for the establishment of industrial oil palm as part of the country's economic diversification. Subsistence agriculture and infrastructure expansion (roads, cities) are also recognised drivers of deforestation.⁵⁴</p>

⁴⁴ Timber Trade Federation. Ecuador Profile. Available at: <https://www.timbertradeportal.com/countries/ecuador/>

⁴⁵ Ibid

⁴⁶ Ministry of Agriculture. 2016. REDD+ Strategy – 'Bosques para el Buen Vivir (2016-2025)' submitted to the UNFCCC. Available at <https://www.undp.org/es/ecuador/publications/plan-de-acci%C3%B3n-redd-%E2%80%99Bosques-para-el-buen-vivir%E2%80%9D-y-acuerdo-ministerial-116-de-expedici%C3%B3n-del-plan-de-acci%C3%B3n-mae>

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ <https://redd.unfccc.int/submissions.html?country=ecu>

⁵⁰ The Rainforest Foundation. 2020. Gabon Profile. Available at: <https://www.rainforestfoundationuk.org/gabon>

⁵¹ Gabonese Republic National Climate Council. 2022. Gabon's National REDD+ Strategy

⁵² Gabonese Republic National Climate Council. 2022. Gabon's National REDD+ Strategy.

⁵³ Ibid.

⁵⁴ Ibid.

		Gabon's most recent assessed forest reference level is - 96,468,186 tCO ₂ eq/year in 2018. ⁵⁵
Lao People Democratic Republic (Lao PDR)	<p>Approximately 57.5% of Laos is covered by forest.⁵⁶ There are subtropical montane forest areas in the north, lowland semievergreen dipterocarp forest on the Mekong River Plain, and dry dipterocarp forest in the southern area. The ecosystem services provided by forests have been noted as particularly important to poorer smallholder farmers. In addition, forests provide resilience to the high inter-annual variability in success of rain-fed agriculture by diversifying incomes.</p>	<p>Current deforestation: According to Lao PDRs' National REDD+ Strategy (2021), in the ten-year period between 2005 to 2015, forest area in the country decreased from 14.3 million hectares (or 60.2% of the total land area) to 13.7 million hectares (58%).⁵⁷</p> <p>Key driver(s) of deforestation:</p> <p>Lao's REDD+ Strategy identifies the following as the four main drivers of deforestation and land degradation:</p> <ul style="list-style-type: none"> i) The need for expansion of permanent agricultural land, including illegal cropping and tree plantation; ii) The necessity of livelihoods linked to uncontrolled shifting cultivation; iii) The need for infrastructure development particularly hydropower, electricity distribution and road construction, and mining; and iv) Uncontrolled logging that is against laws and regulations⁵⁸. <p>Additionally, the REDD+ Strategy finds that "the main underlying causes of deforestation and forest degradation can be grouped as following: (1) the formulation of policies for the development of relevant sectors is not yet centralized, consistent or inclusive; (2) forest management and law enforcement are not strict; the legislation that provides a tool for forest management is not yet complete; and the demand for natural forest timber from domestic and foreign markets is high, leading to illegal logging; (3) demand for agricultural products in the domestic and external markets is increasing, but the efficiency of agricultural production is still low as traditional methods are still predominantly used in agricultural production; (4) most upland people are still poor and lack livelihood alternatives other than shifting cultivation; and, (5) land allocation and planning to accommodate population growth and investment have not been completed, which in many cases has allowed encroachment into forestland"⁵⁹.</p> <p>Lao PDR's most recent assessed forest reference levels are 41,013,316 tCO₂ eq/year (FREL) and -7,533,558 tCO₂ eq/year (FRL) for 2018.⁶⁰</p>
Liberia	Liberia faces significant climate stressors and risks. It is home to 40% of West Africa's Forest cover which is used for food, fuelwood,	Current deforestation: Liberia's Forest Reference Emission Level Submission to the UNFCCC (2019) outlines the (subnational scale) reference emissions levels for the two

⁵⁵ <https://redd.unfccc.int/submissions.html?country=gab>

⁵⁶ FAO. 2020. What is the forest area of Lao People's Democratic Republic. Available at: <https://www.fao.org/3/cb3000en/CB3000EN.pdf>

⁵⁷ Government of Laos (2021) National REDD+ Strategy

⁵⁸ Government of Laos (2021) National REDD+ Strategy

⁵⁹ Ibid

⁶⁰ <https://redd.unfccc.int/submissions.html?country=laos>

	<p>medicinal products and energy.⁶¹ Increased duration and intensity of rainfall causes slower tree growth and rotting, ultimately leading to a decline in forest cover. Higher temperatures reduce agricultural yield and shorten the growing season creating food insecurity risks.⁶²</p>	<p>priority landscapes in Liberia: (1) the North West; (2) the South East. Between 2009 to 2018 total deforestation in the two priority areas was 298,946 ha.⁶³</p> <p>Key driver(s) of deforestation:</p> <p>In Liberia's Forest Reference Emission Level Submission to the UNFCCC (2019), agriculture, mining and commercial logging are identified as large-scale drivers of deforestation and forest degradation⁶⁴.</p> <p>Liberia's Agriculture sector under the Liberia Agriculture Transformation Agenda (LATA) is promoting industrialization of the sector to benefit from more stable markets and better revenues for farmers. The country has prioritized industrial oil palm production as an important industry for economic development. The area of land cleared for oil palm plantation in the next 10-15 years is estimated at a maximum of 530,000 ha and is likely to be nearer 250,000 ha based on current industry plans (REDD+ Strategy, 2016). As such, the industry is likely to have a negative impact on forest cover and is likely to drive emissions in this sector⁶⁵.</p> <p>Liberia's most recent assessed forest reference levels are 31,353,454.1 tCO₂ eq/year (PL1) and 10,723,402.9 tCO₂ eq/year (pl2) for 2020.⁶⁶</p>
Zambia	<p>Forests and related resources in Zambia represent the lifeline of rural economies and daily subsistence. The forest sector currently contributes about 5.2% to the country's GDP and provides formal and informal employment to about 1.1 million people. The Government of Zambia seeks to manage and enhance forest products and services in order to mitigate climate change, boost income generation, poverty reduction and job creation, and protect biodiversity.</p>	<p>Current deforestation: Land-use change and forest loss are the main contributors to Zambia's greenhouse gas emissions. Deforestation rates are significant in Zambia, with approximately 300,000 ha of forest cover lost per year.</p> <p>According to the data from Zambia's Ministry of Green Economy and Environment, total deforestation for the period 2009 to 2018 was approximately 1,915,962.27 hectares which translates into an annual average deforestation of 191,569.23 hectares across the country. In the same period degradation in Zambia was 383,569 hectares or less than 40,000 hectares annually. The provinces with the highest degradation include Northern and Muchinga province followed by Central province.⁶⁷</p> <p>In the period 2009 to 2018, total emissions attributable to land use change (forest to cropland, grassland, settlements, as well as forest degradation) totaled 235,284,812.29 tCO₂e.⁶⁸</p> <p>Key driver(s) of deforestation:</p> <p>Zambian forests are vulnerable to factors such as extensive practices of slash and burn shifting cultivation; ever-increasing demands for wood-based energy (firewood and charcoal); unsustainable commercial utilization of indigenous tree species; over-grazing; and to a lesser extent, forest fires. In particular, the low productivity of small scale agriculture and degraded agricultural soils create pressure to expand land use for agriculture in forested areas.</p>

⁶¹ ClimateLinks. 2017. Liberia Climate Change Risk Profile. Available at: <https://www.climatelinks.org/resources/climate-risk-profile-liberia>

⁶² Ibid

⁶³ Government of Liberia (2019), Liberia's Forest Reference Emission Level Submission to the UNFCCC

⁶⁴ Government of Liberia (2019), Liberia's Forest Reference Emission Level Submission to the UNFCCC

⁶⁵ Ibid

⁶⁶ <https://redd.unfccc.int/submissions.html?country=lbr>

⁶⁷ Republic of Zambia, Ministry of Green Economy and Environment (2021), Forest Reference Emissions Level (Zambia).

⁶⁸ Ibid

		<p>Population growth in Zambia has led to increased pressure for agricultural land in order to meet national and subsistence food requirements. Agricultural expansion is caused both by shifting subsistence cultivation and intensification of subsistence and commercial farming. The demand for timber has over the past few years been exacerbated by the expanding and intensifying construction activities in the country and international demand for valuable timber species existing in the country such as <i>Pterocarpus chrysanthus</i>, <i>Pterocarpus angolensis</i>, <i>Guibourtia coleosperma</i>, <i>Colophospermum mopane</i>, and <i>Baikiaea plurijuga</i> which has contributed to illegal harvesting leading to Forest degradation⁶⁹.</p> <p>Zambia's most recent assessed forest reference level is 23,520,000 tCO₂ eq/year in 2020.⁷⁰</p>
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23. Climate change and deforestation severely impact global commodity supply chains, including the sectors &Green Fund targets: soy, livestock, cocoa, coffee, timber, palm oil and rubber.
24. Table 3 in section B.2.(a) – Theory of Change narrative and diagram - illustrates the climate rationale behind the &Green Fund's interventions. It shows the climate risks associated with targeted commodities, selected evidence of climate impacts from scientific literature and the potential appropriate interventions for both adaptation and mitigation that exist, along with their expected benefits. For the detailed accompanying written narrative, see section 1.2. of the Feasibility Study (Annex 2).

Barrier analysis

25. In a low-carbon, climate-resilient scenario, agri-commodity producers, smallholder farmers, government agencies and other stakeholders would identify these climate challenges and invest the time and resources required to shift to more sustainable production systems that are less vulnerable to climate impacts. Unfortunately, there are multiple interconnected barriers that prevent a spontaneous response:

Barrier: Limited capital flows due to high-risk perception by impact investors

26. There is insufficient investment in sustainable commodity production and forest protection. Investment in commodity production such as palm oil, soy and beef is estimated at USD 1.4 trillion and the annual value of trade in these commodities is USD 135 billion – several orders of magnitude higher than (predominately public and private philanthropic) investment in forest protection (around USD 6 billion).
27. &Green Fund started in 2017 expecting it to “grease- the-wheels” for existing direct foreign investors, commercial impact funds and local banks to finance land-use in a sustainable way. However, very few investors consider investing in the sustainable, long-term transformation of these sectors and &Green Fund has been required to act as the lead investor in the transactions it has worked on. The lack of co-investors is due to mainstream investors' risk perception of financing the transformational pathways that these sectors and jurisdictions require. These are challenging sectors for international investors who are concerned about reputational risk, and who do not have the internal knowledge to properly assess credit risk for land-use investments in emerging markets. &Green Fund's business model serves as a “first-mover” in this space, managing risks of perceived barriers and creating a blueprint for commercially viable and financially attractive no-deforestation investments that commercial investors can initially participate in, then replicate and scale to transformative levels.

Barrier: Market distortions undervalue standing forests and induce deforestation

28. Many of the benefits of standing forests, while critical to ecosystem health and local livelihoods, are difficult to capture and monetize. Producers expect and achieve far greater financial return from a hectare of soybeans than products harvested from standing forests. Payment-for-ecosystem-services mechanisms are incipient or non-existent in most jurisdictions, making it difficult to earn money for carbon storage or biodiversity. Similarly, a forest

⁶⁹ Republic of Zambia, Ministry of Green Economy and Environment (2021), Forest Reference Emissions Level (Zambia).

⁷⁰ <https://redd.unfccc.int/submissions.html?country=zmb>

reserve in many cases cannot be used as collateral for an agricultural loan. As a result, relatively little value is attached to standing forests.

29. Most of the environmental benefits of intact forests are unpriced externalities, and it is much more attractive for landowners to convert forest into agricultural land to produce tradable commodities, particularly where strong demand is increasing market prices. For example, a hectare of Sumatran rainforest, could produce around 2.5 tonnes of palm oil a year, and palm-oil prices have risen to \$1,520 a tonne, from around \$1,000 a year ago⁷¹. Even after the investments in plantings, this far outweighs the value of carbon stored on the same land at current voluntary carbon market prices⁷² and is a more familiar (and hence perceived lower risk) business model.
30. The result is a market mispricing natural forest assets and a disincentive to sustainable production, meaning that deforestation remains economically rational. This problem is expected to worsen without a paradigm shift changing how land is managed and how agricultural commodities are produced.
31. In farm areas where forests are largely already cleared, the costs associated with preserving the remaining forest and reforesting cleared areas are high. Existing laws aimed to prevent deforestation are often either weak or rarely enforced, so forest protection and restoration are uncommon. Meanwhile, there are significant financial benefits from clearing forests. In Brazil, properties with open areas for agriculture are valued at up to ten times more than forested areas. Extensive production (i.e., expanding the production frontier into new lands) requires less capital investment than agricultural intensification (i.e., growing more on the same hectare of land), despite the greater environmental impacts of forest clearing. Tighter credit conditions, such as those that occurred with the onset of the COVID-19 pandemic, further increase the relative attractiveness of forest-clearing activities.

Barrier: Limited local access to knowledge and technology for no-deforestation production

32. No-deforestation production methods often require producers to modify their systems and processes, to switch to new crops and varieties, and/or to adopt new production techniques (e.g. agroforestry), often as part of multi-year transformations. Unfamiliar approaches translate to higher perceived risk and less willingness to embrace change. As noted above, market distortions and capital and lender constraints can render this a financially unattractive proposition not offered by commercial lenders. Producers face an equally daunting challenge obtaining locally appropriate information, knowledge and technology to implement these changes. In many cases, the information and technology has not been employed widely in the country or region, while in others it has not been packaged in a way that is accessible to local agribusiness owners, farm workers and the smaller farms that supply agribusinesses.
33. Supply chains lack traceability and there are porous boundaries to farms that make ensuring production is from the farm stated difficult. Reliable and sophisticated supplier tracking and tracing systems are necessary in the market alongside outreach and cooperation with intermediaries.

Barrier: Inaccessible or poorly presented information on climate hazards and adaptive measures:

34. Reducing climate-related losses can go hand-in-hand with sustainably intensifying agricultural production. Relevant climate and weather data is often produced by government agencies, along with case studies on climate resilient production techniques. However, this information is often not shared directly with agri-commodity businesses and the communities that supply or depend upon them. In other cases, the information is available only in a highly technical, undigested form that cannot be absorbed by producers, converted into knowledge and put into action. Also, there are few examples available to producers that demonstrate feasibility and viability of these new models at scale / with mainstream agri-commodity companies.

Barrier: Insufficient regulatory or policy conditions that support sustainable practices and environmental impact

35. In regions with significant forest resources, it is necessary for local authorities to be committed to the prevention of deforestation and the protection of valuable ecosystems, and to actively work with the private sector, communities and civil society to achieve this. However, only a minority of local governments in key regions have developed (or have the resources to develop / enforce) regulations that promote protection of forest resources, together with increased production and inclusive management at a landscape level. Sustainable land use is not yet incentivized by the policy and stakeholder environment.

⁷¹ The Economist (19th May 2022), Offset markets struggle in the face of surging commodity prices. <https://www.economist.com/finance-and-economics/2022/05/19/offset-markets-struggle-in-the-face-of-surging-commodity-prices>

⁷² A preserved forest in Sumatra might store 700tCO₂e, and be contractually required to protect and retain the carbon for at least 60 years. At US\$10/tCO₂e, this is \$7,000 over 60 years, or ~\$120/ha/year.

36. Existing regulations in most cases do not incentivise or support shifting towards sustainable development of the agricultural sector, nor do they recognize the potential tax benefits and job creation opportunities from such a move. Insufficiently developed or unclear regulatory environments creates the potential for land use conflicts in situations where land use practices, land rights and future plans are not transparent or agreed upon.

&Green Fund seeks to overcome these barriers, making deforestation free commercial agriculture and forestry a profitable and viable alternative and setting the stage to drive sustainable land use investment at scale. Table 1 below summarizes the barriers and the programme elements that will overcome these barriers.

Table 2: Barriers to &Green Fund

Barrier	Interventions to overcome the barrier
<i>Limited capital flows due to high-risk perception by impact investors</i>	&Green Fund's business model serves as a "first-mover" in this space, managing risks of perceived barriers and creating a blueprint for commercially viable and financially attractive no-deforestation investments that commercial investors can replicate and scale (Outputs 1.2, 1.3, 2.1, 2.2).
<i>Market distortions undervalue standing forests and induce deforestation</i>	The Fund will incorporate robust environmental and social covenants into lending agreements, with breaches of these constituting events of default with related financial consequences and risks for clients. This provides a financial incentive to preserve forests and intensify production on existing acreage. By providing this money at the outset of the transformative activity preserving forests but with a clear timetable and scope to meet them, &Green Fund directly links the financial incentive to the paradigm shift needed in the targeted supply chain and company (Output 1.2).
<i>Limited local access to knowledge and technology for no-deforestation production</i>	Technical cooperation service contracts in eligible jurisdictions for capacity building of companies and business model development, landscape-level impact design and local community/smallholder inclusion; assessment against commercial viability and environmental and social impact criteria (Output 2.2).
<i>Inaccessible or poorly presented information on climate hazards and adaptive measures</i>	Technical cooperation service contracts in eligible jurisdictions for capacity building of companies and business model development, landscape-level impact design and local community/smallholder inclusion; assessment against commercial viability and environmental and social impact criteria (Output 2.2).
<i>Insufficient regulatory or policy conditions that support sustainable practices and environmental impact</i>	GCF investment will support policy dialogue, both through the JECA ⁷³ process, and via awareness raising and capacity building in each jurisdiction to maximise country ownership, blueprint communication and replication (Outputs 1.3 and 2.1).
<i>Subsidies to key commodities driving deforestation</i>	The Fund's investments will support sustainable agricultural practices in key sectors that have previously received or may still be receiving subsidies that – even if unintentionally by policy makers but as a consequence of the prevalent business models – drive deforestation (e.g., beef in Brazil and palm oil in Indonesia). Investees commit to no deforestation practices and must complete LPPs before receiving loans (Output 2.2.). The TA Facility engages policy makers and other stakeholders to improve the enabling environment for lower-emission agricultural practices (Output 2.1). The Fund therefore incentivizes producers, allowing them to contribute to food security and promote their livelihoods (the main reasons for subsidies) without driving deforestation.

B.2 (a). Theory of change narrative and diagram (max. 1500 words, approximately 3 pages plus diagram)

&Green Fund's Theory of Change

⁷³ &Green's Jurisdictional Eligibility Criteria Assessment process. For more details see <https://www.andgreen.fund/how-we-invest/>

37. The &Green Fund's financial and technical support levels the playing field for sustainable, climate resilient and deforestation-free agriculture. &Green Fund provides capital to new commodity production systems; incentivises the intensification of agricultural production without deforestation; helps commodity producers price the externalities provided by natural forests; reinforces public policy signals and encourages improved regulation; and motivates mainstream private sector investors to provide increased capital inflows at scale for responsible producers.
38. The Theory of Change (ToC) statement, as presented in the attached ToC diagram below is: **If &Green Fund works across tropical forest landscapes to support agri-commodity businesses with capital, expertise and partnerships, then large-scale tropical agricultural commodity production will be transformed to a climate-resilient, deforestation-free and socially inclusive model because private sector investors will have a commercially profitable investment blueprint that aligns with local and global sustainability objectives.**
39. Climate resilience is enhanced by the investments both in terms of increased resilience of individuals, as well as ecosystem resilience. Under Output 2.2 companies will receive support to incorporate both mitigation and resilience into their operations and those of their smallholder supplier base on a case by case, downscaled basis. In particular the 20 country and commodity specific climate hazard assessments prepared under Activity 2.3.2 will drive the resilience actions promoted by the Fund. The mechanisms are different between different sectors and jurisdictions, and further described section 2.4 of the Feasibility Study. &Green Fund's approach to transformational change / paradigm shift focuses on forest and climate-friendly and resilient interventions, and guidance is given in the template for establishing the investment rationales (part of the Annexes of the ESMS) how to maximise transformational change when defining a transaction.
40. The Theory of Change operates on several assumptions. They are explained in more detail in Section E – Logical Framework, but the core assumptions are:
 - Private sector investors are willing to participate if they can identify potentially profitable opportunities relating to NDPE (no deforestation, no peatland expansion, no exploitation) commodity supply chains.
 - The creation and dissemination of knowledge and learning products to create market blueprints will lead to replicability of &Green Fund's business model.
 - Political will to slow deforestation and support sustainable supply chains will develop throughout the period of programme implementation in target countries.
 - All activities in the ToC are aligned with the country needs and priorities identified in Annexes 7 and 8. See both annexes for more detailed information.

Figure 1: The &Green Fund Theory of Change

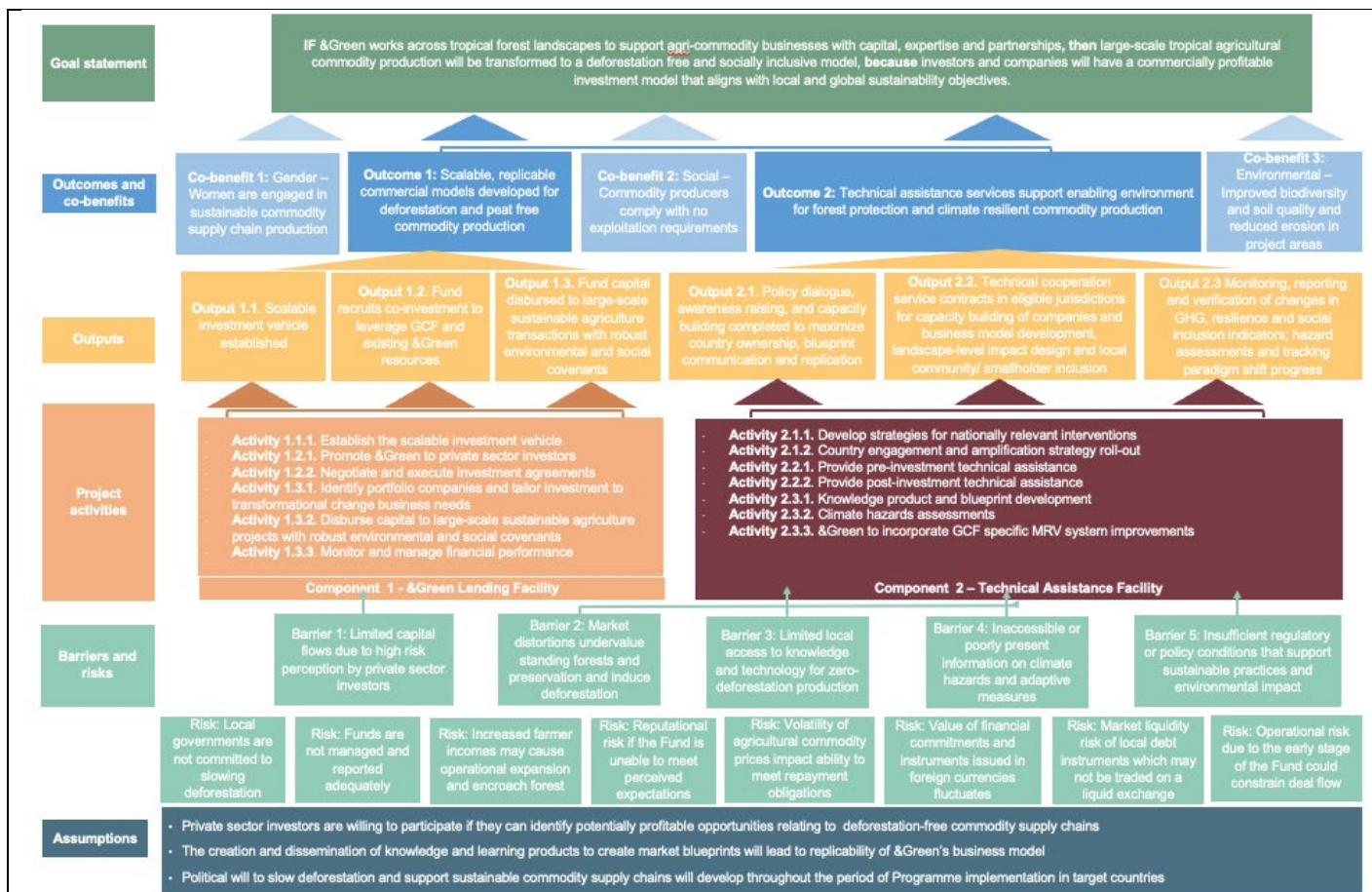


Table 3: The &Green Fund Climate Rationale

Sector	Climate risks	Evidence of impacts (selected examples from the scientific literature)	Adaptation and mitigation interventions	Adaptation and mitigation benefits
Palm oil	<p>Clearing of land for palm oil plantations is one of the largest single contributors to GHG emissions (Russell et al, 2017; Meijaard et al, 2020)</p> <p>Palm oil plantations cover 20% of peatlands in South East Asia and are a significant driver of peatland oxidation (Miettinen et al, 2016)</p> <p>Carbon impacts extend beyond lost forest and peatlands, and result in substantial direct emissions from the oil palm plantations</p>	<ul style="list-style-type: none"> Conversion of peat swamps for palm oil in South East Asia alone contributes 0.8% of total global GHG emissions (Cooper et al, 2020) Palm oil is responsible for 30% of peatland fires in Indonesia (Maskun et al, 2021) 20% of the peatland area in Malaysia has been disturbed for palm oil production (Taheripour et al, 2019) Palm oil frontier expansion has been detected in Sebangau National Park in Kalimantan, 	<ul style="list-style-type: none"> Develop plantations on degraded land rather than destroying forests and peatland (Mutsaers, 2019) Introduce appropriate management practices (Khatun, 2017) Use high-yield and disease-resistant cultivars (Murphy et al, 2021) Work with local and national governments to enable protection of high carbon storage areas (Umayah et al, 2021) Introduce and promote the use of sustainability industry standards (Macdonald, 2020) 	<ul style="list-style-type: none"> Produce higher yields and meet global demand for palm oil while avoiding large-scale GHG emissions (Monzon et al, 2021) Retention of undisturbed carbon sinks and ongoing carbon sequestration (Miller et al, 2021)

	<p>themselves (Jaafar et al. 2020)</p>	<p>Indonesia – one of the last remaining peat swamp forests (Robles et al. 2021)</p>	<ul style="list-style-type: none"> • Ensure any investee company engaged in palm oil production commits to no deforestation or peatland depletion (Dermawan, 2022) • Work with smallholder farmers so they understand the damage caused by land clearing (Suhada et al. 2018) • Downstream mitigation – e.g. reducing methane emissions from palm oil mill effluent (POME), &/or including production of biogas or biofuels from production processes (Choong et al. 2018) 	
<p>Livestock farming: cattle</p>	<p>Cattle are responsible for 9.4% of anthropogenic GHG emissions (FAO, 2013; Munidasa et al. 2021)</p> <p>Livestock use ~80% of global farming land (for grazing and animal feed production), resulting in deforestation and carbon loss (Skidmore et al. 2021), reduced ongoing soil carbon sequestration (Aryal et al. 2018), and use of land that could be allocated to lower-emission food alternatives (Simmons et al. 2022)</p> <p>Cattle farming contributes significantly to CO₂, CH₄ and N₂O emissions (Lynch & Pierrehumbert, 2019)</p> <p>Livestock manure and enteric fermentation are responsible for one-third of anthropogenic methane emissions (UNEP, 2021)</p> <p>Livestock is the most exposed agricultural sub-sector to the adverse impacts of</p>	<ul style="list-style-type: none"> • Cattle account for almost twice as much global deforestation as palm oil, soy, cocoa, rubber, coffee and plantation wood fibre combined (Goldman et al. 2020) • Extensive cattle ranching accounts for ~80% of deforestation in the Amazon (Trancoso, 2021) • Livestock methane emissions increased by 51% between 1961-2018, and this trend is expected to continue (FAO, 2018). • Rising temperatures and humidity are reducing dairy cattle milk yields in Tanzania (Ekine-Dzivenu et al. 2019) • The livestock sector accounts for 8% of global human water use: climate change (primarily rising temperatures) may increase this by a factor of 2-3 (Nardone et al. 2010) 	<ul style="list-style-type: none"> • Introduce improved grass species on rangelands with higher nutrient content, lower moisture use, heat tolerance and/or pest resistance (Perera et al. 2019) • Modify grazing management systems (e.g. rotation) (McDonald et al. 2018) • Use new/different pasture grasses, animal feed, supplements or changed genome to reduce methane emissions from methanogenesis in ruminants (Haque, 2018; McCauley et al. 2020) • Downstream mitigation – e.g. manure methane capture (Abdallah et al. 2018) • Develop the genome of new, or introduce existing, breeds tolerant to higher temperatures (such as Pe-Duro, Curraleiro or Indu-Brasil) (Pryce & Haile-Mariam, 2020) • Diversify crops and animals to reduce climate vulnerability (Idrissou et al. 2020) 	<ul style="list-style-type: none"> • Intensification of existing cattle grazing areas can reduce pressure on forest land while contributing to global food availability and continued rural development (Garrett et al. 2018) • Supplementation of roughage-based cattle diets with red seaweed can reduce enteric methane emissions by over 80% (Roque et al. 2021) • Agroforestry can reduce GHG emissions, increase productivity / head of cattle per hectare, provide shade and enhance nutrient cycling (Maia et al. 2021) • Changes in livestock genome can simultaneously reduce methane emissions by 10-20% and increase drought and heat tolerance (i.e. mitigation / adaptation trade-offs can be managed) (Eenennaam, 2019) • Changes to feeding practices such as diet modification, feeding time and frequency, and production and conservation of feedstock, can

	<p>climate change (Escarcha et al. 2018)</p> <p>Climate change leads to reductions in cattle productivity by directly depressing animals' adaptive response mechanisms (Rojas-Downing et al. 2017), altering the spread and prevalence of diseases (Bett et al. 2017), and causing heat stress and related welfare issues (Morignat et al. 2014); and indirectly by compromising the availability of feed crops and forage (Kandalam & Samireddypalle. 2015)</p>		<ul style="list-style-type: none"> • Apply agroforestry and land management practices to increase GHG sequestration and soil organic carbon absorption (Jordon et al. 2020) • Plant copses of trees in open paddocks to provide shade and localised heat shelters for livestock (and some carbon sequestration) (Junior et al. 2020) 	<p>promote higher intake or compensate for low feed consumption, thus reducing animal feed insecurity and malnutrition caused by climate change (Maleko et al. 2018)</p>
Soy	<p>The global land area allocated to soybean production is now greater than that of South Africa; soy production is linked to extensive deforestation and clearance of natural vegetation (Brack et al. 2016; Dreoni et al. 2022)</p> <p>Soybean plantations are associated with a greater loss of soil carbon than other crop-types (Villarino et al. 2017)</p> <p>Land clearance for soy production is altering the climate (primarily, reduced rainfall and higher temperatures) at the regional level in South America, contributing to a vicious cycle of lower agricultural productivity (Spera et al. 2016)</p> <p>In China, climate change impacts on the dates of soy anthesis, the lengths of the vegetative and reproductive growth periods and the duration of growing seasons are evident and are more</p>	<ul style="list-style-type: none"> • The area of soy cropping in Brazil has doubled in the past 20 years, with 20% of the expansion involving the conversion of natural forest (Zalles et al. 2018) • ~30% of the loss of Cerrado natural vegetation cover in Brazil is attributable to soy production (Rausch et al. 2018) • Soy is the second-largest contributor to N₂O emissions in Argentina and the largest crop-related source, accounting for more N₂O emissions than wheat, corn, sunflower and sugar cane combined (Castesana et al. 2020) • Climate change to date is estimated to have reduced soybean yields by 25% relative to yields under non-warming (i.e. pre-industrial) climate conditions (Iizumi et al. 2018) • The increasing frequency and intensity of drought 	<ul style="list-style-type: none"> • Ensure soil moisture content retention, through minimisation of tilling, covering soils with plants (cover crops) or mulches, and crop diversification (Nayak et al. 2019; Looby & Diaz. 2021) • Develop or disseminate new crop varieties (heat- or drought-tolerant) through breeding (Khojely et al. 2018; Tiwari. 2022) • Move (or provide in current location) soybean crops to areas with lower air temperature – e.g. higher elevations, adjacent to protected forest areas that lower local ambient temperatures and stabilise humidity; provide biodiversity strips or corridors that also break up wind currents and provide some shade effects; and areas with broad-acre irrigation that absorbs latent heat (Hatfield et al. 2016; Kukal & Irmak. 2018; Fernandes et al. 2022) • Introduce and promote the use of sustainability industry standards (Gibbs et al. 	<ul style="list-style-type: none"> • Augmenting soy with additional crop-types, rotating fallow land and adopting Integrated Crop-Livestock Production (ICLP) in an area serves to retain soil organic carbon and increase resilience to climate change (Kumar & Babalad. 2018; Chalise et al. 2019; Nepstad et al. 2019) • New soy varieties created through breeding can be more resilient to the impacts of climate change (Kulkarni et al. 2018; Raza et al. 2019) • Growing a range of crops allows income and risk diversification for farmers in case one crop underperforms or fails (Garbelini et al. 2020; Piedra-Bonilla et al. 2020) • The climate resilience of farmers and local communities is strengthened by adopting sustainable and climate-adapted soy farming practices (Ali et al. 2020; Siamabele. 2021; Akinyi et al. 2022)

	<p>significant than the influence of crop management practices (He et al., 2020)</p> <p>If baseline rates of technical change continue, then soybean yield can be expected to decrease by 26-57% by 2050 compared with 2013-17 levels, depending on the warming scenario (Yu et al., 2021)</p>	<p>in China is reducing soy yields – by ~10% in moderate drought years and ~22% in severe drought years (Wang et al., 2020)</p>	<p>2015; Kusumaningtyas & van Gelder, 2019)</p> <ul style="list-style-type: none"> • Work with local and national governments to enable protection of high carbon storage areas (Nepstad et al., 2014; Lima et al., 2019) 	
Rubber	<p>Expansion of rubber plantations is an accelerating driver of deforestation and carbon emissions: the global land area devoted to rubber plantations has doubled in the past 20 years (Singh et al., 2021)</p> <p>The land area allocated to rubber production is increasing rapidly in less traditional growing countries, including Myanmar, Cameroon, Côte d'Ivoire, Nigeria and the Congo Basin (Gitz et al., 2020)</p> <p>Climate change is already impacting rubber production due to drier seasons and more variable precipitation (Pinizzotto et al., 2021)</p> <p>Higher temperatures will likely reduce latex flows and therefore yields (Ismail & Gohet, 2021)</p> <p>As rubber is never planted in areas with average temperatures above 28°C, higher temperatures will likely have a severe</p>	<ul style="list-style-type: none"> • The spatial extent of rubber plantations in South East Asia is now equivalent to two-thirds that of palm oil (Warren-Thomas et al., 2018) • 3m ha of forest loss in the Mekong region can be directly attributed to the expansion of rubber cultivation since 2000 (Ecofys, 2018) • In Thailand, rubber plantations located on long-established cultivated land generate emissions of 0.5 tCO₂e/tonne of concentrated latex; on land where forest has recently been cleared for rubber production, the emission factor is 20 times higher (13 tCO₂e/t latex) (Jawitt et al., 2010) • Climate-driven geographical shifts in land suitability for rubber production are predicted in China (Liu et al., 2015), India (Ray et al., 2015), Malaysia (Hazir et al., 2018) and the Greater Mekong sub-region (Golbon et al., 2018). • Pestalotiopsis (a fungal leaf-fall disease), first detected in Indonesia in 2016, 	<ul style="list-style-type: none"> • Rubber plantations constitute carbon stocks that are comparable to or exceed sub-humid, humid and temperate agroforestry or forestry systems and some tropical agroforestry systems (Brahma et al., 2016). When planted on degraded land, rubber plantations can serve as an effective mitigation approach (Brahma et al., 2017; Jong et al., 2021) • Increase the use of rubber wood to reduce the need for additional wood collection in forests and for timber plantations: e.g. 80% of wooden furniture in Malaysia is now made from rubber wood (Ratnasingam et al., 2018) • Promote the use of rubber or rubber wood as alternatives to fossil fuels: e.g. for bio-energy production (Riazi et al., 2018; Waewsak et al., 2020) and as a replacement for synthetic polymers (Micu, 2019) • Promote evaporative cooling and moisture recycling from rubber plantations to the atmosphere (Nouvellon et al., 2021) • Intercrop rubber plants with native tree species rather than monoculture (Penot et 	<ul style="list-style-type: none"> • Reduced intrusion of rubber plantations into natural forests and hence retention of undisturbed carbon sinks (Grogan et al., 2019; Cho et al., 2022) • Enhanced carbon sequestration by existing rubber plantations (Singh et al., 2021) • Moving away from monoculture as a climate adaptation measure can provide shade, enhance soil nutrients, prevent moisture loss and reduce pest damage, potentially boosting yields and incomes for farmers (Esekhade et al., 2021) • Irrigation measures reduce the impacts of drought and keep rubber trees cooler (Mangmeechal, 2020) • Breeding can produce high yielding, climate-resilient and disease-resistant clones (Jacob et al., 2021).

	<p>impact on production (Jacob et al. 2021). Rubber plantations are particularly vulnerable to extreme rainfall events and high wind speeds (Chen et al. 2021; Qi et al. 2021)</p> <p>Most pests and diseases associated with rubber are influenced by climatic conditions (Mazlan et al. 2019)</p>	<p>is increasing rapidly, driven by wetter and more prolonged rainy seasons, and has reduced latex yields by more than 30% (Febbiyanti. 2021). It has since spread to Malaysia, Thailand and Sri Lanka (Chelong et al. 2020)</p>	<p>al. 2020) and with fruit crops, vegetables, legumes and natural flora (Déo-Gratias et al. 2018; Kadir et al. 2022)</p> <ul style="list-style-type: none"> • Introduce management measures including shading young plants, mulching, irrigation, reducing surface runoff and using rain guards to protect the bark (Blagodatsky et al. 2021; Gay et al. 2021) • Extend rotation lengths to increase carbon stocks (Nizami et al. 2014) • Support breeding with genomic assisted selection and collection of wild germplasm (Isarangkool Na Ayutthaya et al. 2017; Wiiesuriya. 2021) 	
Sustainable agroforestry: coffee	<p>Between 2001-2015, coffee plantations replaced ~2 million ha of forest globally, of which 1.1 million ha were for robusta coffee and 0.8 million ha were for arabica coffee (Goldman et al. 2020)</p> <p>Demand for coffee is expected to triple by 2050; unless growers can significantly increase coffee productivity per hectare, the industry will need to increase the area under coffee production commensurately (Nab & Maslin. 2020)</p> <p>GHG emissions attributable to coffee-driven deforestation amount to ~20 million tCO₂e/year (Treanor & Saunders. 2021)</p> <p>Coffee is categorised as a 'highly sensitive' plant to climate change (DaMatta et al. 2018); extensive</p>	<ul style="list-style-type: none"> • Aside from Brazil, where increases in coffee production are being driven by technology, in nearly all other countries deforestation is the primary driver of increasing coffee production (Baker. 2014) • Expected climate change in Brazil may lead to a ~60 % reduction in the area suitable for coffee production in unshaded plantations by 2050 (Gomes et al. 2020) • Climate-driven reductions in suitability are predicted in 90% of Nicaragua's coffee-growing areas, with lower elevations particularly impacted (25-50% projected suitability reductions) (Läderach et al. 2017) • Approximately 15% of Peruvian coffee-growing areas will require systemic climate adaptation 	<ul style="list-style-type: none"> • Cocoa and coffee are similar crops with overlapping areas of production, that can effectively be produced under sustainable agroforestry • Coffee can serve as an agent of reforestation (Somarriba & Lopez-Sampson. 2018) • Identify agricultural land that may become less productive for current use and more suitable to coffee production (such as higher elevations), where sustainable / shade-grown coffee can be introduced (Rahn et al. 2018; López et al. 2020) • Identify coffee production areas that are vulnerable to specific facets of climate change (changes in temperatures, rainfall variability, pests, etc.) and implement appropriate sustainable management actions, including: 	<ul style="list-style-type: none"> • Coffee production with appropriate agroforestry can significantly enhance carbon sequestration (particularly when conducted on degraded land) (Justine et al. 2019; Zaro et al. 2020; Goncalves et al. 2021), as well as reduce pressure on existing forest (Nijmeijer et al. 2019; Fitch et al. 2022) • Climate-adapted production systems – with appropriate geography, agroforestry and management systems – can maintain coffee output in the face of adverse climate change (Kumar et al. 2018; Mulinde et al. 2019) • Adaptation actions relating to coffee production provide a disproportionately effective means of reaching smallholder farmers and enhancing their climate resilience (Shapiro-Garza et al. 2019; Jawo et al. 2021)

reductions in agro-climatic extent (and spatial drift) of suitable growing areas are anticipated ([Bunn et al, 2015](#); [Pham et al, 2019](#)), as well as reductions in yields ([Kath et al, 2020](#)), impaired beverage coffee quality ([Gokavi & Kishor, 2020](#)) and greater pest incidence ([Ziska et al, 2018](#); [Lemma & Megersa, 2021](#)).

In the next 30 years, 75% of available, unforested land suitable for Arabica farming will be lost due to climate change, and 63% of similarly suitable land for Robusta farming ([Sachs et al, 2019](#))

Coffee is predominantly a family farmer's crop, produced by an estimated ~20 million farms, of which 70-80% are smallholder households ([Bacon et al, 2017](#); [Panhuysen & Pierrot, 2020](#)) and a large majority are climate-vulnerable ([Eakin et al, 2014](#); [Harvey et al, 2018](#); [Guido et al, 2020](#))

- to remain viable ([Morales et al, 2022](#))
- Local production systems in Uganda are maladapted to future climate conditions: without adaptation, coffee production in Uganda will likely become uneconomic in most of the country ([Bunn et al, 2019](#))
- 39-59% of the current coffee-growing area of Ethiopia could experience climatic changes that are large enough to render it unsuitable for coffee farming ([Moat et al, 2017](#))
- Four of the top five producing countries are expected to become less suitable for growing by 2050 ([Gruter et al, 2022](#))
- Processing of coffee beans results in considerably higher GHG emissions (~2.5 tCO₂e/t coffee beans) than cocoa or palm oil processing, largely due to methane emissions from wastewater and landfilled pulp ([Wainaina et al, 2021](#))
- Introduce agroforestry systems that provide at least 50% shade cover and provide fruit, firewood, timber and other climate resilience benefits to farmers ([Nesper et al, 2017](#); [Rice, 2018](#); [Harvey et al, 2021](#))
- Introduce incentives for local stakeholders to safeguard production areas, including improved land tenure security and crop consistency (and hence higher farm-gate prices) ([Alemie & Amsalu, 2020](#); [Nghiem et al, 2020](#))
- Replant coffee plantations with disease-resistant cultivars ([Avelino & Anzueto, 2020](#))
- Provide incentives for local stakeholders to identify valued conservation areas for set-aside forest protection, that may hold cultural significance as well as provide biodiversity reservoirs to increase ecosystem resilience ([Gladkikh et al, 2019](#); [Verbarg et al, 2019](#))
- Introduce or scale-up appropriate agroforestry practices, such as introduction of native trees and crops (intercrops or companion plantings) ([Mariño et al, 2016](#); [Rahn et al, 2018](#))
- Increase the coffee area grown under sustainability standards ([Hagggar et al, 2015](#); [Elliott, 2018](#))
- Promote downstream bio-energy generation using coffee residues – e.g. gasification using coffee grounds and husks, briquettes, etc. ([Espeulas et al, 2020](#); [Martinez et al, 2021](#))

<p>Cocoa</p>	<p>Between 2001-2015, cocoa farms replaced an estimated 2.3 million ha of forest globally, more than rubber, coffee or plantation wood fibre (Goldman et al, 2020)</p> <p>Cocoa production was responsible for ~1% of global forest loss in the period 1988-2008 (Kroege et al, 2017)</p> <p>Cocoa production remains concentrated in West Africa (primarily Côte d'Ivoire and Ghana) but is expanding rapidly in South America, contributing to Amazonian deforestation (Castro-Nunez et al, 2020; Orozco-Aguilar et al, 2021)</p> <p>Low-shade and no-shade cocoa systems are replacing shade-based systems, with resultant loss of tree cover and carbon storage (Blaser et al, 2018)</p> <p>Prolonged dry periods, increasing mean temperatures, erratic precipitation and droughts are expected to be key climate change stressors on cocoa production (Bunn et al, 2019; de Sousa et al, 2019; Lahive et al, 2019), exacerbated by indirect effects on companion forest species, cocoa pollinators, and pests and diseases (Arnold et al, 2018; Cilas & Bastide, 2020; Jung et al, 2020; Lima et al, 2022)</p>	<ul style="list-style-type: none"> • ~10% of Ghana's forest loss since 2001 is attributable to cocoa production (World Bank, 2017); the corresponding statistic for Côte d'Ivoire is almost 3 times higher (UN-REDD, 2016) • 7 of 23 protected areas in Côte d'Ivoire have been partially or almost entirely converted to cocoa production (Bitty et al, 2015) • In Côte d'Ivoire, production of 1 kg of cacao beans is associated with emissions of ~1.5 kg CO₂e, with the high emission factor attributable to extensive deforestation (Vervuurt et al, 2022) • Cocoa farming in West Africa is sensitive to changes in climate, notably: the maximum temperature reached during the year and the length and intensity of the dry season (Läderach et al, 2013; Black et al, 2020; Wongnaa & Babu, 2020) • Climate aridification since the 1960s has already significantly reduced cocoa production in the eastern forest belt of Côte d'Ivoire (Ruf et al, 2015) • Climate change will shift the geography of cocoa production in West Africa, with Ghana, Nigeria and Togo being negatively impacted – potentially significantly – and new growing opportunities arising in 	<ul style="list-style-type: none"> • Cocoa and coffee are similar crops with overlapping areas of production, that can effectively be produced under sustainable agroforestry • Cocoa can serve as an agent of reforestation: e.g. on previously cleared pastureland (Schroth et al, 2016; Middendorp et al, 2018) • Identify agricultural land that may become less productive for current use and more suitable to cocoa production (such as higher elevations), where sustainable / shade-grown cocoa can be introduced (Herawati et al, 2021; Sassen et al, 2021; Singh et al, 2021) • Identify cocoa production areas that are vulnerable to specific facets of climate change (changes in temperatures, rainfall variability, pests, etc.) and implement appropriate sustainable management actions, including: • Introduce agroforestry systems that provide at least 50% shade cover to mitigate temperature spikes and moderate humidity changes to reduce likelihood of plant mortality and improve consistency of fruit production (Jezeer et al, 2017; Roth et al, 2017; Niether et al, 2020) • Introduce incentives for local stakeholders to safeguard production areas, including improved land tenure security and crop consistency (and hence higher farm-gate prices) (Boeckx et al, 2020; 	<ul style="list-style-type: none"> • Effective agroforestry systems can mitigate the effects of climate change and maintain up to 75% of the area suitable for coffee production (Gomes et al, 2020; Gusli et al, 2020; Arimi & Omoare, 2021) • Agroforestry techniques have proven efficacy in addressing climate change stressors, including reduced water availability, excessive heat and wind damage (Apuri et al, 2018; Somarriba et al, 2018; Fisher-Ortiz, 2022) • LISA technologies safeguard food security and combat the negative impacts of climate change on productive land (Sarkar et al, 2020)
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		<p>Cameroon and Liberia (Schroth et al., 2016)</p> <ul style="list-style-type: none"> • Climatic variability is reducing cocoa yields in Cameroon, including via poor pod formation and increased incidence of pests and diseases (Suh et al., 2022) • Brazil will likely experience a 37% and a 73% reduction in land areas suitable for cocoa expansion under RCP 4.5 and RCP 8.5, respectively (Igawa et al., 2022) 	<p>Folefack & Darr, 2021)</p> <ul style="list-style-type: none"> • Provide incentives for local stakeholders to identify valued conservation areas for set-aside forest protection, that may hold cultural significance as well as provide biodiversity reservoirs to increase ecosystem resilience (Santiago et al., 2018; Osei-Owusu & Frimpong, 2019) • Introduce or scale-up appropriate agroforestry practices, such as introduction of native trees and crops (intercrops or companion plantings) (Apuri et al., 2018; Niether et al., 2020; Saputra et al., 2020) • Introduce viable low-input sustainable agriculture (LISA) technologies in low-income countries (Gertsis & Vasilikiotis, 2018) • Encourage (through, for example, awareness raising, provision of seedlings and training on non-timber forest products) the use of native species in rural and peri-urban agro-ecosystems (Asigbaase et al., 2019; Braga et al., 2019) 	
Timber	<p>Clearing of forests for timber accounts for ~25% of global deforestation, just behind commodity production (27%) (Curtis et al., 2018); logging is also a major driver of forest degradation (Pearson et al., 2017; Ken et al., 2020)</p> <p>Timber production is responsible for ~13% of the GHG emissions from tropical deforestation and</p>	<ul style="list-style-type: none"> • Logging accounts for up to ~78% of forest-related GHG emissions in India, ~24% in Indonesia and ~10% in South America (Pendrill et al., 2019) • Globally, timber production may experience a net increase due to climate change: ~8% by 2100 under RCP 2.6 and ~30% under RCP 8.5. However, the largest increases 	<ul style="list-style-type: none"> • Improve the efficiency of primary wood utilisation, which can serve to reduce the rate of harvesting (McEwan et al., 2020; Iwanaga et al., 2021) • Promote the productive use of wood waste (bio-energy, plywood, etc.) (Simangunsong et al., 2017; Dulys-Nusbaum et al., 2019; Swinton et al., 2021) • Increase the forest area grown under certification standards 	<ul style="list-style-type: none"> • Application of sustainable on-site timber production techniques, selection of appropriate sites (degraded land, denuded agricultural land) for extensification of timber production, substitution of materials for harvested wood products and fuller utilisation of timber residues offer substantive carbon sequestration and avoided emissions benefits (Marchi et al.,

degradation ([Pearson et al., 2018](#))

Global demand for timber is set to triple by 2050 ([FAO, 2022](#))

Inefficiencies in primary wood utilisation and under-utilisation of wood waste contribute to unnecessary timber harvesting and associated GHG emissions ([Aalmo et al., 2019](#); [Charis et al., 2019](#); [Pandey, 2022](#))

The timber industry is vulnerable to climate change ([Andersson et al., 2017](#); [Brecka, 2018](#); [Subramanian et al., 2019](#); [Brecka et al., 2020](#)), notably die-back driven by temperature and moisture changes ([Deb et al., 2017](#); [Ofoegbu et al., 2017](#); [Shvidenko et al., 2017](#)), damage from increasingly frequent extreme events (heatwaves, fires, floods, storms) ([Keskitalo et al., 2016](#); [de Oliveira et al., 2018](#); [Da-Rocha et al., 2021](#)), and pests and diseases ([Wyka et al., 2016](#); [Pureswaran et al., 2018](#); [An et al., 2019](#); [Zaiton et al., 2020](#))

Timber management approaches rarely incorporate carbon sequestration or community resilience objectives ([Torres-Rojo et al., 2016](#); [Sheppard et al., 2020](#); [von Hedemann et al., 2020](#))

will likely occur in temperate and boreal regions – the tropics may experience reductions ([Favero et al., 2021](#)); there will be considerable intra-regional shifts and disruption ([Tian et al., 2016](#)); and the majority of timber producers, and particularly smallholders, are ill-equipped to adapt ([Keenan, 2015](#); [Jandl et al., 2018](#))

- A number of key timber supply countries, including Colombia, Mexico, Tanzania, DRC and Vietnam, appear to be in 'timber deficit', meaning the total area of forest currently used exceeds the area designated for production: there is a significant risk that any further supply from these countries can only come from areas designated for forest conservation ([Dean, 2016](#))
- Logging in violation of national laws may account for ~8-10% of global timber production ([Nguyen & Cao, 2020](#))
- Climate-linked wind damage is predicted to increase in many temperate forests ([Potter et al., 2022](#)); wildfire frequency and extent will increase in temperate and tropical areas ([Mansoor et al., 2022](#)); and water stress will negatively impact timber yields in many tropical areas ([Lam et al., 2020](#))

([Halalisan et al., 2018](#); [Wibowo et al., 2018](#)) and in compliance with national laws ([Guan et al., 2017](#); [Torres-Rojo, 2021](#))

- Select and breed fast-growing tree species that accelerate carbon sequestration and are adapted to expected climate change ([Pilipović et al., 2018](#); [Isabel et al., 2019](#); [Ahtikoski et al., 2020](#))
- Promote win-win strategies that boost timber yields and promote carbon sequestration, such as protecting trees from predation and replacing low-productivity forests with more vigorous stands ([Bellassen and Luyssaert, 2014](#), [Pukkala, 2018](#))
- Deploy reduced-impact logging techniques, which can reduce GHG emissions by almost half while maintaining timber production ([Ellis et al., 2019](#); [Umunay et al., 2019](#))
- Reforest degraded land with timber plantations ([Veintimilla et al., 2018](#); [Rodríguez & Sabogal, 2019](#); [Briceño et al., 2020](#))
- Promote mixed-species timber plantations to diversify away from climate risks ([Pukkala, 2017](#); [Liu et al., 2018](#))
- Promote the use of harvested wood products in applications (furniture, buildings, etc.) that serve as durable carbon stores ([Jordan et al., 2018](#); [Johnston & Radloff, 2019](#)), as well as alternatives to materials with large carbon footprints (e.g. steel, plastics, cement) ([Leskinen et](#)

[2018](#); [Ezquerro et al., 2019](#); [Piponi et al., 2019](#))

- Modification of tree species (and mix) and the introduction of adapted management techniques can serve to avoid, or reduce the impacts of, climate change stressors ([Halofsky et al., 2018](#); [Jhariya et al., 2019](#); [Ontl et al., 2020](#)), as well as sustain the livelihoods of forest-dependent communities ([Lescuyer et al., 2016](#); [Lin et al., 2019](#); [Nambiar, 2019](#))

			<p>al, 2017; Breton et al, 2018; Švajlenka & Kozlovská, 2020)</p> <ul style="list-style-type: none"> Promote tenure and property rights that incentivise long-term, sustainable wood harvesting (Aggarwal et al, 2021; Sarfo-Adu, 2021) Build smallholder capacities and incentives to adopt sustainable logging practices and adapt to anticipated climate change (Arvola et al, 2019; Susilawati et al, 2019) 	
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B.2 (b). Outcome mapping to GCF results areas and co-benefit categorization

Fill in the GCF results area table below to map each project/programme outcome identified in section B.2(a) to the contributing GCF results area(s) by referring to the description of eight results areas provided in the guidance note.

OUTCOME	ALIGNMENT WITH RESULTS AREA
Outcome 1: Scalable, replicable commercial models developed for deforestation and peat free commodity production	<p>Outcome 1 aligns with result area:</p> <ul style="list-style-type: none"> - MRA 4 – as Fund investments will transform agri-commodity supply chains to deforestation and peatland development free, yielding large scale mitigation. - ARA 2 – investments benefit supply-chain farmers by increasing yield (and hence income) and improving resilience of production through better agricultural practices and genomes, as well as diversification of crops and improved land tenure.⁷⁴ - ARA 4 – investments conserve and densify existing forests as well as restore or reforest degraded lands, protect riverine zones/watercourses and protect biodiversity corridors and hotspots. Areas under cultivation are managed more sustainably/ and are less extractive. Together these improve &/or protect ecosystems and ecosystem services. This has a compounding effect of improving hydrological stability in microclimates, and water availability and security for human and agricultural use (linked to ARA 2).
Outcome 2: Technical Assistance Facility supports enabling environment for forest protection and climate resilient commodity production	<p>Outcome 2 aligns with result area ARA 4 as the Fund will enable resilience in ecosystems through forest protection and sustainable commodity production.</p>

1. CO-BENEFIT: Increased proportion of women engaged in commodity production	Co-benefit 1 relates to gender co-benefits - the programme will promote more inclusive participation in commodity supply chains.
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⁷⁴ For both mitigation and adaptation outcomes, the level of control and tenure is determined by &Green in deal-specific Landscape Protection Plans, which determine the scope from which mitigation impact is derived. Typically, the supply chains &Green finances have reasonable land tenure clarity, and where this is not the case, such tenure is promoted as part of the ESAPs. Investees are contractually obligated to monitor and report land tenure and use rights to &Green and seek approval for amendment if changes occur. If necessary, &Green will then revise results and targets for the transaction. This is set out in the accompanying Investment Principles document.

2. CO-BENEFIT: Elimination of exploitation in commodity supply chains	Co-benefit 2 relates to social co-benefits related to the creation of more ethical commodity supply chains.
3. CO-BENEFIT: Improved soil quality and reduced soil erosion	Co-benefit 3 relates to environmental co-benefits resulting from land placed under more sustainable production practices and positive biodiversity impacts.

Outcome number	GCF Mitigation Results Area (MRA 1-4)				GCF Adaptation Results Area (ARA 1-4)			
	MRA 1 Energy generation and access	MRA 2 Low-emission transport	MRA 3 Building, cities, industries, appliances	MRA 4 Forestry and land use	ARA 1 Most vulnerable people and communities	ARA 2 Health, well-being, food and water security	ARA 3 Infrastructure and built environment	ARA 4 Ecosystems and ecosystem services
Outcome 1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Outcome 2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If any co-benefits have been identified in section B.2(a), fill in the Co-benefit table below to map each co-benefit to the corresponding category as defined in the FP guidance note.

Co-benefit number	Co-benefit					
	Environmental	Social	Economic	Gender	Adaptation	Mitigation
Co-benefit 1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Co-benefit 2	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Co-benefit 3	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

B.3. Project/programme description (max. 2500 words, approximately 5 pages)

&Green Fund – Investing in Inclusive Agriculture, Protecting Forests

41. Note on terminology: “&Green Fund refers to the combination of Stichting andGreen.fund and the scalable investment vehicle suitable for commercial investors. **Stichting andGreen.fund** (“**Stichting**”) is the existing legal entity through which investments are made currently and since inception in 2017. **&Green B.V.** refers to the type of entity that will be established as a scalable investment vehicle by the Stichting. **Scalable investment vehicle** is the financial instrument and/or legal entity which the Stichting will establish under output 1.1 to attract commercial investors, the form of which is the &Green B.V.
42. Stichting AndGreen.Fund was launched in 2017 to support the transformation of global supply chains by de-linking them from deforestation and exploitation and producing a positive social and climate change impact.
43. &Green Fund brings to the mainstream a model for financing socially inclusive, sustainable and deforestation-free commodity production that is commercially viable and replicable, strengthening the case for a rural development paradigm that protects valuable forests and peatlands and supports high-productivity agriculture. It achieves this by providing technical assistance and by offering finance to producers with conditions that require both the adoption of sustainable agricultural practices and the commitment to protect existing forest, restore forest where appropriate, and be socially inclusive in approach. &Green Fund transactions create blueprints for sustainable land use and management that other market players can adopt, replicate and scale significantly; thereby making &Green Fund’s and GCF’s initial investment in the market transformational.
44. &Green Fund will scale up commercial investment in tropical agricultural supply chains while transforming them to be no deforestation and socially inclusive at a landscape level. Investments include those targeting forest and peat conservation and restoration embedded in landscapes of sustainable and regenerative agriculture. Target sectors are the major supply chains driving deforestation, such as livestock, palm oil, soy, rubber, cocoa and forestry.

45. &Green Fund promotes sustainable intensification and higher productivity on existing agricultural land to meet growing demand for food. Producing more food on existing land reduces the demand and incentives for deforestation for agricultural production, and is essential to stopping deforestation AND meeting food security. That is, sustainable intensification rather than destructive extensification.
46. &Green Fund currently has approximately USD 180 million under management, with key investors including Norway (NICFI), FMO, Unilever, the United Kingdom (through the FMO-managed Mobilising Finance for Forests programme), the Global Environment Facility (GEF) and a private sector reinsurance company.⁷⁵
47. The initial investments of the USD 142.75 million portfolio of Stichting AndGreen.Fund demonstrate the &Green Fund concept, using largely non-commercial funding. To match the size and urgency of the deforestation challenge, larger amounts of private sector contributions are needed. These are difficult to secure until the Fund reaches sufficient scale. The GCF investment will provide the Fund with the patient capital that will allow &Green Fund to accelerate and reach the scale and private sector de-risking required to achieve transformational change, creating a portfolio, structure and scalable investment vehicle that attracts private sector investors.
48. The &Green Fund has a dedicated Technical Assistance Facility (TAF), launched in 2020, in terms of which it manages TA services in cooperation with IDH – the Sustainable Trade Initiative⁷⁶. The &Green Fund will continue to work through an extension of its existing TA partnership with IDH to implement Component 2 of the Funded Activity. This is because the cooperation agreement (and the PCU established in terms of that agreement) are an efficient mechanism identified as being well suited to managing the TA component of this programme (please see Section B.4, Implementation Arrangements for further details).
49. IDH was the incorporator of the Stichting AndGreen.Fund. An incorporation of an entity refers to the legal process by which an entity is formed. IDH and &Green Fund work collaboratively on a number of aspects, including the TAF. For avoidance of doubt, IDH is not a contributor to the Fund and does not have any shares or ongoing responsibility in the operations of the &Green Fund. IDH also has no legal or governance role within the Stichting.
50. Through its sustainable supply chain engagements, its country offices, and through the international sustainable landscapes programme, IDH works closely with public and private actors, in key jurisdictions for the Fund, to develop potential projects of interest for &Green Fund, and to support local government in meeting the Fund's Jurisdictional Eligibility Criteria.
51. The &Green Fund TAF aims to reduce risk and maximise the impact of the &Green Fund (potential) investment projects, by supporting investment-readiness, monitoring, post-investment client support and sharing of lessons and knowledge from the Fund and its investment projects with third party stakeholders. Under the TAF, project implementation and other work such as knowledge product development may be contracted to and with other partners (see section G.3. regarding procurement arrangements).
52. &Green Fund, especially on land and forest governance, supports and requires its investees to engage with communities and local, regional and national governments. These engagements are often enabled by its long-term supply chain and landscape convening partner, IDH, or other convening organisations⁷⁷, and its clients' partner implementing organisations on the ground in the majority of &Green Fund target regions. In implementing Component 2, the &Green Fund may choose to cooperate with other conveners (such as Conservation International, The Nature Conservancy, etc.,) in geographies where their networks and presence are better established (please refer to section G.3).
53. &Green Fund provides senior and subordinate long-term loans to finance commercially sustainable commodity supply chain projects. They include quantitative, output-based, environmental and social inclusion criteria and targets to measure transformational change progress, loan suitability and impact performance.
54. &Green Fund catalyses investment into jurisdictions where local and host government authorities are also committed to reducing deforestation, and are actively taking steps to work with the private sector, communities and civil society to protect forest and peatlands. This Jurisdictional Eligibility Criteria Assessment (JECA)⁷⁸ process is mandatory prior to investment and assures investors that the policy context of the investment is amenable and supportive of the transformational changes sought. The JECA is conducted by SAIL Ventures under a mandate from the Stichting. The Fund triggers a JECA once prospective investments are identified. In an initial assessment, the JECA evaluates the following criteria:

⁷⁵ Funds under Management refers to all capital under the management of the &Green structure typically. The Fund aims to invest funding drawn down from Contributors and place them as soon as possible in underlying projects, i.e. we draw funds when it has projects to invest in. Currently USD 142.5 million (approx) is committed to underlying portfolio projects, meaning there is still some funding (from MFF and Unilever) which has not yet been drawn and invested, but it is expected that this will be committed, drawn and invested in the remainder of 2022.

⁷⁶ Translated from the original Dutch: "Initiatief voor Duurzame Handel" (IDH)

⁷⁷ A "convener" or "convening partner" is a partner who facilitates or enables engagement with local stakeholders.

⁷⁸ <https://www.andgreen.fund/#jurisdictional-eligibility-approach>

55. Scope: the amount and quality of forest / peatland potential is significant and highly relevant from a global perspective; and
56. Ambition & Strategy: There is a clear strategy with targets tracking the reduction of deforestation against historic trends in the jurisdiction. Of the proposed countries, &Green Fund has approved JECAs for Para and Mato Grosso (Brazil), Colombia, Indonesia, Ecuador, Gabon, Liberia, Zambia, and Lao PDR. Typically, such assessments take 2-3 months prior to their presentation in the Advisory Board. The remaining target jurisdictions (Cameroon, Côte d'Ivoire and DRC) will be tackled in late 2022 or early 2023⁷⁹. Note that the JECA process is paid for via the Fund's operating expenses (and would not be financed directly by GCF).
57. To prove the viability of the business model, the &Green Fund has already begun building its investment portfolio.⁸⁰ Currently, the Fund has seven portfolio investments accounting for USD 142.75 million.⁸¹ These investments are:
- USD 30 million loan to FS Agrisolutions in Brazil for the grain supply chain (corn and soy).
 - USD 10 million loan to Agropecuária Roncador Ltda (Roncador) in Brazil for its integrated cattle-and-soy project at scale.
 - USD 30 million loan to Marfrig Global Foods S.A. in Brazil within the cattle production supply chain.
 - USD 7 million loan to Agropecuaria Bambusa S.A.S. (Hacienda San Jose (HSJ)) to enhance cattle production.
 - USD 12 million loan to PT Hilton Duta to reduce deforestation in their palm oil operations in West Kalimantan, Indonesia.
 - USD 30 million loan to PT Dharma Satya for their upstream palm oil supply chain in Indonesia.
 - USD 23.75 million purchase of notes for PT Royal Lestari Utama for the development of three sustainable rubber concessions.
- For more information on the investment summary, rationale for each investment and the expected environmental and social impacts, see Section 2.2. of the feasibility study.
58. The &Green Fund aims to invest in countries with significant tropical forests under threat from agricultural expansion and where the largest opportunities for transformational change exist. This includes, during the lifetime of the GCF investment: **Brazil; Indonesia; Colombia; Cameroon; Côte d'Ivoire; Democratic Republic of the Congo; Ecuador; Gabon; Lao People's Democratic Republic (PDR); Liberia; Zambia.** See Figure 2 for visual representation of target countries.

⁷⁹ In case assessments are not successful, the assessments also draw a conclusion on what additional information is needed or how policy frameworks would need to develop to provide a conducive environment for &Green investments, and supportive activities would be developed in collaboration with relevant stakeholders in the jurisdiction under Output 2.1, in order to address such barriers.

⁸⁰ Two of the seven portfolio companies – Marfrig Global Food (BVMF:MRFG3) and PT Dharma Satya (IDX: DSNB) are publicly listed in their countries. Their financial information can be found at <https://ri.marfrig.com.br/en/informacoes-financeiras/relatorios-anuais> and <https://dsn.co.id/investor/annual-report>. See the accompanying document titled '&Green Portfolio' for further information for the remaining portfolio investments.

⁸¹ For more information on &Green's existing portfolio, see <https://www.andgreen.fund/portfolio/>



Figure 2 Map of target & Green Fund countries

59. Detailed contextual information relating to socioeconomic background, demography and financial landscape for each target country is presented in the feasibility study – see appendices 3 and 4.
60. The deforestation profiles of the target jurisdictions are provided in Table 1 above. All the above countries except Lao PDR signed the Glasgow Leaders' declaration on forests and land use on 2 November 2021, committing to "...working collectively to halt and reverse forest loss and land degradation by 2030."⁸² The political commitments underline the need for practical investment tools such as &Green Fund to realise this goal. All of these countries have significant forest cover that is threatened by agricultural expansion and include actions to halt deforestation in their NDCs.
61. The Fund and accredited entity have engaged, and had in-depth discussions, with all 11 country NDAs⁸³ as per the GCF Secretariat's DCP guidance. This engagement ensures country ownership and strengthens their role in the formulation of the programme. As part of the outreach and to initiate the No-Objection Letter (NOL) process, an advanced version of the Funding Proposal has been shared, as well as country specific sections of the Feasibility Study, outlining how the programme aligns with each Country Programme (where relevant), contributes to the country's policies, plans and development priorities, and aligns with existing projects or programmes. Each country has a different No-objection Letter (NOL) process, and the Fund has recognized the need to remain flexible to accommodate different country contexts. As well as the circulation of project information, presentations have been offered and provided to NDAs and relevant agencies and departments where requested, to provide more information and to allow for feedback and comments. This feedback has been included in the Funding Proposal. As of April 2023, all 11 NOLs from target countries have been received. Annex 7 Stakeholder Consultation and Stakeholder Engagement Plan includes details of the programme and sub-project level stakeholder mapping in section 2 and a country-by-country overview of specific consultations with relevant experts and authorities in each country in section 3. See Annex 7 for additional details.
62. &Green Fund works across tropical forest landscapes to support agri-commodity businesses that empower communities, protect forests & optimize production to drive transformational change in global supply chains.
63. &Green Fund sequesters emissions in regrowth, regeneration and densification in forest conservation and restoration, and reduces emissions from deforestation by transforming inefficient agri-commodity businesses associated with deforestation into efficient enterprises that intensify production, build resilience to climate change, and conserve and restore forests.

⁸² COP 26. Glasgow Leaders' Declaration on Forests and Land Use. 2021. Available at: <https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use/>

⁸³ The NDAs represent major tropical forest areas worldwide. Via the NOL process they have welcomed the &Green Fund as an element of their strategy to address deforestation, and agreed to participate in future exchanges, both on mitigation and adaptation impact but also in a number of cases to promote, through the relevant authorities, concrete commercial operations seen as aligned with the NDCs or NAPs (e.g. balsa wood in Ecuador, or cocoa in Brazil).

64. &Green Fund's approach is to finance delinking deforestation from major commodity supply chains by changing the economic incentives available to commercial agricultural players, and through supply chains to smallholder farmers and local communities, and by deploying investments in tropical regions (specifically, areas with significant forest resources and progressive forest and/or peat protection agendas, as identified by the Fund's Jurisdictional Assessment approach). Through its existing &Green Fund TA Facility, IDH enables such investments, by the landscapes program that convenes 'Produce-Protect-Include' compacts in agro-commodity producing landscapes where forests are at risk, as well as by convening supply chains action, co-funding business model innovation and investment readiness initiatives and enabling impact tracking and sharing of lessons.
65. The project builds a virtuous cycle between GHG mitigation and climate resilience, because reducing agri-commodity businesses' vulnerability to climate impacts will reduce per-hectare losses and remove an incentive to advance the agricultural frontier through deforestation.
66. The Fund is sector and supply chain agnostic. However, it prioritizes key sectors associated with most commodity-driven deforestation and highest transformational potential: palm oil, soy, livestock, rubber and plantation forestry.
67. Private sector investors (requiring commercial returns) cannot invest in the current structure of Stichting AndGreen.Fund (existing funding from Unilever is a redeemable grant given for strategic purposes soon after the launch of the Fund – this contribution is not scalable to other private investors), a Dutch Stichting, which was used to date to provide the proof of concept for the pilot portfolio.⁸⁴ Stichting AndGreen.Fund with the investment of GCF is structuring into a scalable investment vehicle wholly controlled by Stichting AndGreen.Fund (a Dutch private company, called a B.V. in the Netherlands) that allows private sector investors to invest commercially at scale. From private sector investors' perspective, the short track record of &Green, the limited diversification of its portfolio and the focus on a narrow sector (emerging markets agri-business) with high-risk perception, the fund will need to offer risk protection to private sector investors as it further scales to attract such investors. While this initial risk protection needs to be substantial, its extent will decrease as the fund matures and grows in size. At around a USD 1 billion portfolio, &Green Fund will have sufficient track record, diversification and cash flows (liquidity) to not need further risk protection (concessionality) to raise further funding.

Proposed programme structure

68. The proposed GCF programme is comprised of two main components. Component One focuses on the establishment and operation of the investment vehicle which will secure co-financing and invest directly in commodity supply chain businesses that embrace no-deforestation production and forest protection. Component Two will further establish and implement the technical assistance services that overcome the capacity and information barriers facing commodity producers and neighbouring communities, while building a community of practice for replication and scale-up for producers in target countries. Both programme components are elaborated in more detail below.
Specifically, Component 1, Output 1.1. focuses on setting up the &Green Fund's structure and investment / disbursement mechanisms. &Green Fund will first establish a scalable investment vehicle suitable for private sector investors. The investment vehicle will take the form of a Dutch B.V. &Green B.V., will be a new and separate entity from the Stichting AndGreen.Fund (established in 2017) but wholly controlled by the Stichting. Once established, co-investment from the private sector, triggered by GCF participation, will be secured from commitments made by potential investors to scale capital disbursements to borrower companies.

Component 1 &Green Financing Facility

Outcome 1: Scalable, replicable commercial models developed for deforestation free commodity production

Executing Entity: Component 1 activities will be implemented by Stichting AndGreen.Fund as Executing Entity.

69. Component 1 drives sustainable investment via **three outputs** that are presented in sequence, though practically they are implemented in parallel, building on the &Green Fund's existing portfolio and experience. SAIL Ventures, an independent Dutch asset management firm, will continue to serve as investment manager for &Green Fund tasked with the operational management of the Fund. Please note that the investment mandate of the &Green

⁸⁴ The Stichting was used because it was the most appropriate vehicle for government donors and specifically for the anchor investor (NICFI) to invest in the Fund's launch.

Fund will always be wholly determined by the Stichting AndGreen.Fund including the authority to dismiss the investment manager if the investment mandate is not maintained.

Output 1.1: the &Green Fund is restructured as a Scalable Investment Vehicle

This investment vehicle will include the existing &Green Fund resources and assets and allow investment by the GCF as well as commercial investors (particularly institutional investors such as pension funds and insurance companies, strategic corporates and family offices), enabling the Fund to launch and operate at scale.

Activity 1.1.1. Establish the scalable investment vehicle

70. Once the programme receives GCF approval, the &Green Fund will incorporate the new investment vehicle as a B.V. This new investment vehicle will receive a transfer of assets from the existing Stichting AndGreen.Fund. Assets, referring to the underlying loans from the current portfolio, will be transferred to the B.V. This is allowable as per the loan agreements previously signed. The value of this equity is determined at current valuation of the assets. The B.V. will issue the A Shares to the Stichting and the Stichting will transfer the portfolio to settle the subscription price in-kind. The &Green Fund is thereby restructured to allow investment by commercial private sector investors.
71. The documents showing the evidence to show the establishment of the investment vehicle will be provided, including the presentation of valid certificate of incorporation, bylaws, and bank account for investment vehicle.

Output 1.2: the &Green Fund will recruit private sector co-investment to leverage GCF and existing &Green Fund resources

72. Inflows into the scalable investment vehicle will be tracked and published in &Green Fund's audited annual financial accounts. By the mid-point of the GCF investment period, the Fund expects to mobilize USD 300 million of new investment, with a target of USD 600 million of private sector money mobilized by the end of the period. The Fund is evergreen and expects to attract additional investment beyond USD 1 billion after the GCF's involvement ends. The Fund is already engaged in discussions with commercial investors and has a plan to progress this and ensure commitment. The Fund intends to follow a targeted marketing approach to find anchor investors. This approach includes reaching out to commercial investors through connections, attending commercial conferences and relevant networking events. A confidential summary of &Green fundraising efforts has been provided to the GCF Secretariat.

Activity 1.2.1. Promote &Green Fund to private sector investors

73. While the scalable investment vehicle is established, &Green Fund will implement an outreach and promotional campaign to attract private sector investors. &Green Fund will promote the investment opportunity to large private and public investors via its website, roadshows and other outreach activities, partly supported by its donor investors NICFI and United Kingdom. &Green Fund will engage in discussions with investors to ensure private sector actors are aware of the &Green Fund and understand its objectives. The focus of this activity is to signal to private sector investors that the &Green Fund is a viable investment opportunity that provides exposure to emerging markets and commodity supply chains that are otherwise challenging to access, and the fund has a positive environmental impact and provides opportunity for strong financial returns over the medium term. Investment from the GCF builds credibility, lowers risk perceptions, acts as a catalyst to unlock additional co-investment and de-risks this during the time of investment.

Activity 1.2.2. Negotiate and execute investment agreements

74. For each private sector investor, &Green Fund will engage in thorough due diligence and adhere to the Fund's investor requirements, including those regarding AML/CFT. Once investors are successfully identified and progress through the due diligence process, &Green Fund will negotiate a term sheet and execute the relevant investment agreement. The executed investment documents/contracts provide the evidence for the completion of this activity and set the stage for project-level disbursement.

Output 1.3. Fund capital disbursed to large scale sustainable agriculture projects with robust environmental and social covenants incorporated into lending agreements as events of default

75. &Green Fund catalyses investment into jurisdictions where local and host government authorities are also committed to reducing deforestation and are actively taking steps to work with the private sector, communities

and civil society to protect forest and peatlands. This Jurisdictional Eligibility Criteria Assessment (JECA)⁸⁵ process is mandatory prior to investment and assures investors that the policy context of the investment is amenable and supportive of the transformational changes sought. In an initial assessment, the JECA evaluates the following criteria:

76. Scope: the amount and quality of forest / peatland potential is significant and highly relevant from a global perspective; and
77. Ambition & Strategy: There is a clear strategy with targets tracking the reduction of deforestation against historic trends in the jurisdiction.
78. The Jurisdictional Eligibility Criteria Assessment (JECA) will establish where, in a given jurisdiction, a specific commodity drives deforestation, and will narrow down the scope of the investment universe that is interesting for &Green. The JECA analysis is conducted in house and is based on the analysis of forest cover and deforestation trends (FREL, GFW, local geospatial monitoring platforms, governmental and multilateral institutions reports, academic literature etc.), of the relevant public policies and climate mitigation targets (NDC, REDD+ national strategies, National Communications, National Climate Strategies etc), as well as of the monitoring capacity. &Green assumes forests are degraded:
 - in highly trafficked forest areas, with populations living in or in close proximity to forest;
 - in edge-zones of forests up to 500m⁸⁶ from forest boundaries; and / or
 - in highly fragmented forests (e.g., pockets of <50ha).
79. This is the most likely scenario for &Green's investments and is clearly the case in and around palm or rubber leases, cocoa farms, beside mining sites, along major roads, or in close proximity to urban or peri-urban areas. Annex 22(a) describes how &Green establishes deforestation rates for the target jurisdiction in a conservative manner. The Advisory Board of &Green will determine the validity of the assessment.
80. As part of the Investment Rationale step, the Investment Manager will describe, and justify to the Investment Committee, the reasons why, how and to what extent the transaction can reduce deforestation/forest degradation risk.
81. During the Deal Note stage, the Investment Manager will establish the historic deforestation rates in the Area of Assessment (i.e. the landscape in which &Green seeks to create impact), including its causes and a baseline scenario in the absence of the transaction. Significant deviations from the FREL rates used for the avoided deforestation calculations are identified at this stage. As &Green acts at the deforestation frontier, these actual historic rates are typically higher than the FREL: therefore, the calculation of avoided deforestation (which uses the 'official' FREL rates) results in lower – i.e., more conservative – mitigation benefits than will actually be achieved in reality. The calculations (parameter values, assumptions, etc.) are fully documented and must be justified to the Investment Committee.
82. During the Credit Application stage, independent third-party consultants will further assess deforestation risks, and the Investment Manager, in collaboration with the client, will determine in the Landscape Protection Plan the scope and mechanism for forest protection, as well as the MRV strategy to evidence it.
83. Once part of the &Green portfolio, the deforestation rate is tracked on an on-going basis using satellite tools and publicly accessible databases.
84. Mitigation impact is calculated based on forest protection in areas where the deforestation risk is clearly associated with the commodity, including, as referred to under (a) above, in a way that it can be disaggregated as per level of assurance of the attribution.
85. The process described ensures that the deforestation-related emissions in the project area are typically considerably greater than the avoided deforestation mitigation benefits that are calculated and claimed using the conservative FREL approach (as described in Annex 22a).
86. In Annex 21 - Operations Manual, the respective steps are linked to the detailed description in the Investment Principles and subordinated guidance.
87. Once established, continued jurisdictional eligibility is dependent on subsequent biennial positive assessment of progress on the following criteria:
88. Timely progress towards milestones indicated in the strategy of the jurisdiction, on a trajectory towards the targets for reducing deforestation;
89. A transparent MRV system is operational to monitor, report and verify reductions in deforestation, and where relevant, forest and peat degradation, in the jurisdiction;
90. Social & Environmental Safeguards: Progress shown towards implementation of the Cancun Agreement.

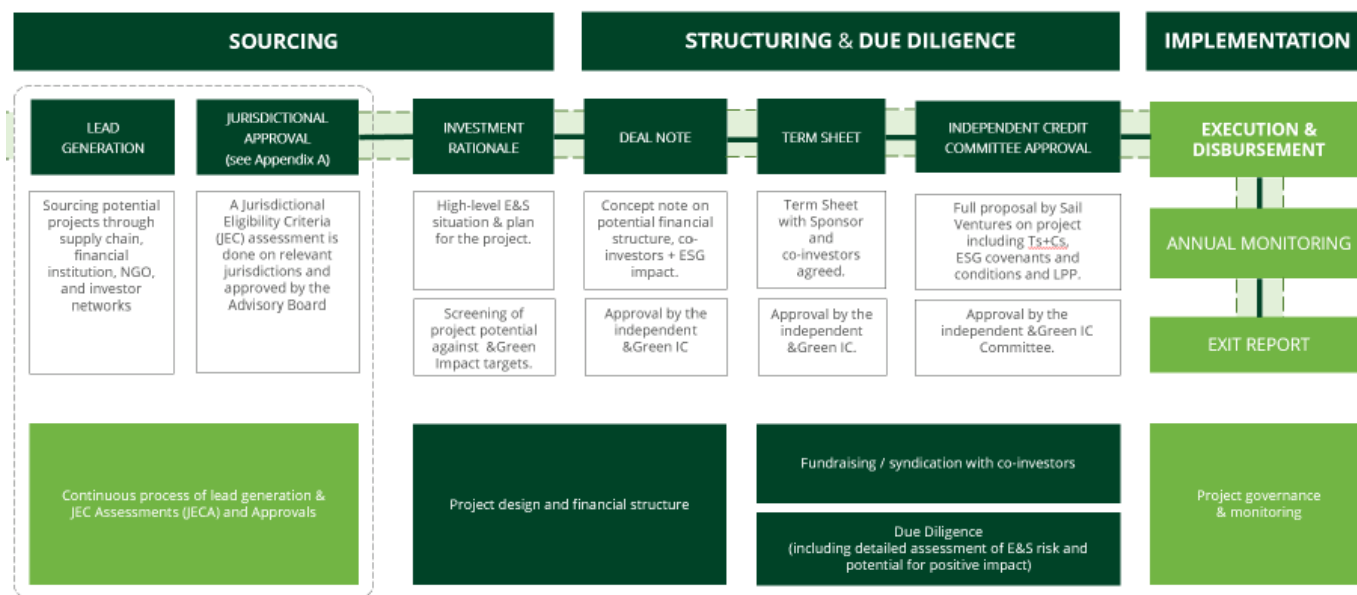
⁸⁵ <https://www.andgreen.fund/#jurisdictional-eligibility-approach>

⁸⁶ The 'edge-zone' varies with forest-type and incursion intensity and type. 100m is typically a minimum distance, and edge effects have, on occasion, been seen more than 1km from the forest boundary.

91. The Fund will continue to develop its investment pipeline and disburse Fund capital to transformational agricultural projects with robust environmental and social covenants incorporated into lending agreements. These covenants align producer incentives for more efficient and intensified production with reduced expansion into forested areas and increased social protections for workers and communities. &Green Fund's current investment portfolio is USD 142.75 million. The Fund is targeting USD 400 million by mid-term and USD 900 million by the end of the GCF programme.

92. &Green Fund's typical investment cycle is summarized in Figure 4 below:

Figure 3: &Green typical investment cycle



Activity 1.3.1. Identify portfolio companies and tailor investment to business needs

93. The Fund will continue to develop its investment pipeline of transformational agricultural projects to add to the existing portfolio investments. For each potential investment, &Green Fund will follow the sourcing process summarized in Figure 4, including checks for jurisdictional approval including published JEC assessments; due diligence that includes environmental and social risks and the potential for positive impacts; and ensuring the investment rationale aligns with the goals of the Fund.

Activity 1.3.2 Disburse capital to large scale sustainable agriculture projects with robust environmental and social covenants

94. The Fund will negotiate commercial lending agreements and disburse funds to target companies that pass the rigorous due diligence and agree to robust environmental and social covenants incorporated into lending agreements. Key deliverables include executed investment documents / contracts (confidential) and periodic financial disbursement summaries.

95. The &Green B.V. will sign LMA based loan agreements (which may also be called facility agreements) with its borrowers. Those agreements will include the E&S clauses required to implement the Investment Principles in each case. &Green B.V. will be the lender of record in the financing agreements.⁸⁷

Activity 1.3.3. Monitor and manage financial performance

96. &Green Fund will monitor investee companies' performance, and enforce the financial and other terms of the investment agreements. The financial performance of the Fund's portfolio companies will be published in semi-annual / annual financial statements.

97. Activities 1.3.1., 1.3.2., and 1.3.3. will contribute to achieving Output 1.3.

Component 2: &Green Fund Technical Assistance Facility

⁸⁷ While it has not occurred yet, to the extent that any licence is required in order to make a specific loan to a specific borrower in a specific Host Country - any required licence will be obtained as part of the implementation of that specific transaction.

Outcome 2: Technical assistance services to support an enabling environment for forest protection and climate resilient commodity production

Executing Entity: Component 2 activities will be implemented by Stichting &Green Fund as Executing Entity⁸⁸.

98. **Component 2** further contributes to the implementation of the &Green Fund TAF, the services of which will be delivered through an extension of the existing Cooperation Agreement between the Stichting and IDH.⁸⁹ The TAF helps to overcome the many information, coordination, technical and policy/regulatory barriers that prevent effective climate action in the tropical agri-commodity sector. Co-financing for the implementation activities will be provided by Stichting &Green Fund. This extension of the TAF will focus on Engagement and Amplification, and enable and strengthen &Green Fund impact through the following workstreams:

- 2.1 Country and sector engagement to improve enabling environment and replication for more and deeper impact.
- 2.2 Business and landscape level TA and engagement, to deepen impact of individual transactions
- 2.3 Strengthening the technical capacities and tools of &Green Fund
- 2.4 Impact monitoring support, to enable investees and the &Green Fund to better monitor social and environmental impacts and practice adaptive management more effectively.
- 2.5 Learning & Knowledge Sharing of successful models for sustainable land management investment, beyond &Green Fund and its projects.

Accessing the &Green Technical Assistance Facility⁹⁰

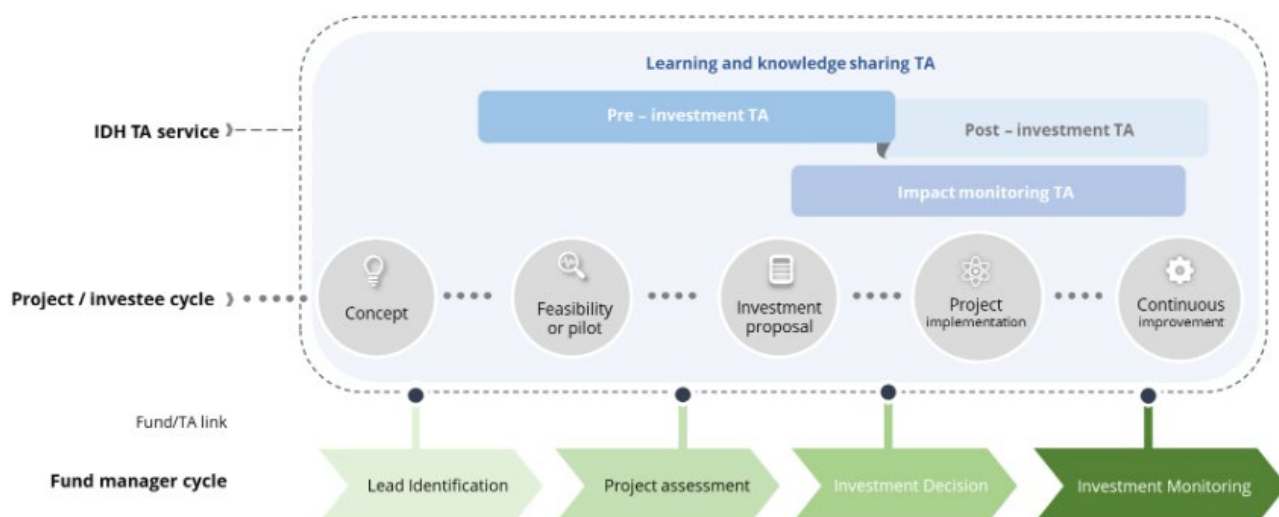
99. IDH has an existing partnership with the Stichting to support the &Green Fund's TAF where the Project Coordination Unit (established by that agreement) decides whether a project in the development and investment pipeline or in the &Green Fund's portfolio is a suitable recipient of support from the TAF. Under the current agreement, each of IDH and the Stichting is entitled to appoint one representative to the PCU, and the Stichting appointed a director of Sail Ventures as its representative to the PCU. &Green Fund's Investment Advisor is responsible for identifying and designing TAF projects, and the IA submits projects for consideration to the PCU. The PCU is tasked with operational management decision making of the TAF including the responsibility of defining the annual workplan and budget. The Stichting &Green BOD provides oversight of the functioning of the TAF. For the GCF Proceeds for the TAF, an addendum to the current TAF Cooperation Agreement will be concluded, in terms of which the Stichting &Green BOD will assume the governance responsibilities for the management of the TA Grant. (Note that Stichting &Green BOD is permitted to appoint service providers to implement certain portions of the TAF in accordance with its procurement practices, however, the Stichting &Green Board shall retain all responsibility, authority and discretion for the implementation of the TAF). Over time the &Green Fund will generate sufficient fees to support the relevant ongoing activities of Component 2 as part of its operating expenses and with the rationale to secure sustainable TA activities. FMO, as AE and a contributor to &Green Fund, will be offered a seat on the Annual Operational committee to be established through the Addendum. The role of the &Green Fund (as represented by SAIL Ventures) and further detail relating to legal arrangement between parties is presented in section B.4, Implementation Arrangements. The below diagram shows how the TAF works.

⁸⁸ The executing entity operational team will grow as the programme develops and GCF investment in Component 2 will support this growth.

⁸⁹ The TA Grant from GCF will be managed by &Green Fund with support from IDH as an extension of the existing TAF Cooperation Agreement, provided that the Stichting Board of Directors will assume the governance responsibilities for the management of the TA Grant.

⁹⁰ For more detail on the TAF, see <https://www.idhsustainabletrade.com/landscapes/the-green-technical-assistance-facility/>

Figure 4: IDH-&Green Technical Assistance Facility



100. IDH's landscape approach focuses on the establishment of local coalitions covering all land-users and actors influencing the land-use change in each landscape. Across the landscapes, IDH developed Production, Protection, and Inclusion (PPI) Compacts that help establish the medium and long-term targets to direct the land-use transformation to more sustainable occupation and is implemented through a landscape governance model, transparency systems, development of a bankable investment pipeline and market connection for sustainable produced commodities. Before the establishment of a PPI Compact, IDH promotes the scoping of each region and its main bottlenecks for the sustainable development of the commodities production, forest conservation and land-use changes. It enables the establishment of a tailor-made set of interventions to create the enabling conditions for private investments and scalable models through market connection. IDH's engagement with local governments has enabled cross-learning and information transfer. Introducing &Green's approach raised government awareness and action to support the enabling condition for green investment to be secured.
101. The business plan for this component is frontloaded to reinforce country ownership and awareness in the early years of the project, as supportive institutional frameworks and stakeholder support will drive the willingness of potential investees to embrace transformational initiatives in their supply chains. Over time the fund will generate sufficient fees to support the relevant ongoing activities of Component 2 as part of its operating expenses and with the rationale to secure sustainable TA activities.
102. The TA Grant from the GCF will be managed by the &Green Fund with services provided by IDH as an extension of the existing TAF Cooperation Agreement, provided that the Stichting &Green Board of Directors will assume the governance responsibilities for the management of the TA Grant. See Section B.4. for detailed explanation of the implementation arrangements.

Output 2.1: Policy dialogue, awareness raising and capacity building to maximise country ownership, blueprint communication and replication.

103. Output 2.1 leverages strongly on existing regional, national and jurisdictional mandates of IDH on sustainable supply chains and the landscapes approach. An overview of ongoing "parallel" programs is provided in section C.1.d. In sum, IDH's landscape approach focuses on the establishment of local coalitions covering all land-users and actors influencing the land-use change in each landscape. Across the landscapes, IDH developed Production, Protection, and Inclusion (PPI) Compacts that help establish the medium and long-term targets to direct the land-use transformation to more sustainable occupation and is implemented through a landscape governance model, transparency systems, development of a bankable investment pipeline and market connection for sustainable produced commodities. Before the establishment of a PPI Compact, IDH promotes the scoping of each region and its main bottlenecks for the sustainable development of the commodities production, forest conservation and land-use changes, as well as the investment needs and opportunities to enable such a sustainability transition. It enables the establishment of a tailor-made set of interventions to create the enabling conditions for private investments and scalable models through market connection. IDH's engagement with national governments has enabled cross-learning and information transfer. Introducing &Green's approach raised government awareness and action to support the enabling condition for green investment to be secured.

104. Output 2.1 includes stakeholder engagement in target countries, convening and socialising the approach of &Green Fund and more generically the business cases and investment models for deforestation free commodity production. &Green Fund will in each active jurisdiction expand its network including the NDAs but also important commercial operators like local Financial Institutions; the latter are already engaged in existing &Green transactions.
105. Engagement strategies must be tailored to the needs of &Green investments and depend on the situation in the country, e.g., whether there are existing investments serving as examples to persuade notoriously conservative local FIs, whether &Green is actively sourcing, or whether &Green can already demonstrate that it is actively contributing to reducing emissions and increasing resilience in the jurisdiction.
106. IDH - in partnership with &Green Fund representatives will engage with key governmental, private and civil society stakeholders:
107. explaining and/or co-designing the business case for a deforestation free and climate resilient commodity sector (see for example Box 2 in Annex 2, on developing the business case for deforestation free and climate resilient development in West Kalimantan);
108. business development, mobilising ambition and landscape collaboration (see for example Box 3 in Annex 2, on the enabling role of TA for &Green investment in Marfrig);
109. linking with host government policies on mitigation and adaptation and gender priorities in agriculture relevant to the Fund's focus; (see for example Box 1 in Annex 2, on the IDH co-convened Cocoa and Forest initiative); and
110. communicating and advocating the success of blueprints to stimulate replication.
- This will include enabling cross learning per country, which promotes and advances knowledge generation and dissemination and helps create the blueprints that will ultimately ensure programme sustainability and replicability in the long term.

Activity 2.1.1 Develop strategies for nationally relevant interventions

111. The vast demand for agricultural commodities worldwide creates increasing pressure to convert natural vegetation into productive land. A thought-through and monitored transition of land use is critical if we wish to reduce the impacts of agriculture and livestock on the climate, prevent ecosystem degradation, soil erosion and the loss of valuable land to desertification. Land use must therefore be managed intelligently to halt land and forest degradation.

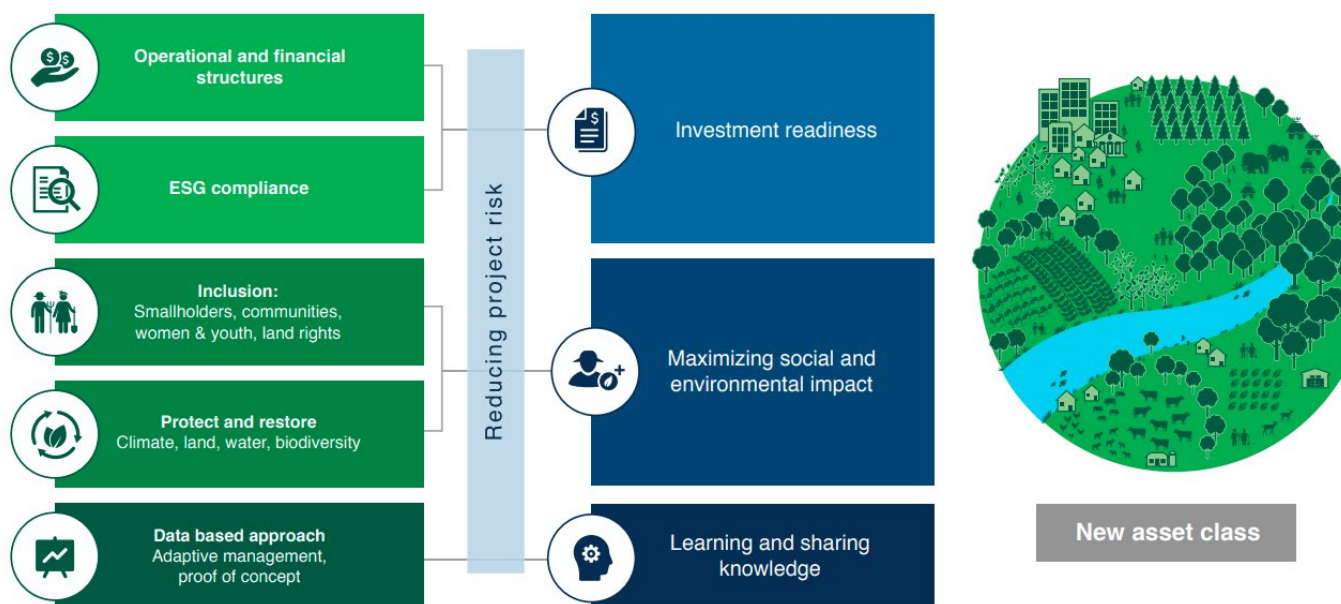


Figure 5 Strategy development process

112. IDH will continue to support the &Green Fund to work with stakeholders and partners to lay the groundwork for nationally relevant blueprint communication and replication.
113. IDH regional leads- employees in various regions across the globe - enable cross learning per country, which promotes and advances knowledge generation and dissemination and helps create the blueprints that will ultimately ensure programme sustainability and replicability in the long term.

To start with, in year one, the &Green Fund and IDH will work to develop engagement strategies per country and per region, including specific actions per key country and priority sector. These Engagement and Amplification strategies will become the roadmap for Output 2.1, and are based on technical data, (including that from the relevant &Green Fund commodity sectors, plans such as the NDCs and NAPs, country/sector specific climate hazard reports and the &Green Fund JEC assessments that must be completed to confirm eligibility of the investment jurisdiction as well as analysis and assessment of political and market dynamics.

114. The strategy will focus on the need to create and enhance enabling environments in target countries, and within supply chains, to support an environment exists to enhance transformative investments that allow the Fund to reach the overall objectives.
115. Key elements of the regional strategies will include:
116. Analysis of potential enabling environment drivers and limiting factors in the region, and in priority countries and sectors, based on NDCs and NAPs and country/sector specific climate hazards, mapping of existing platforms for engagement and political and market dynamics;
117. Analysis of the combined offering of &Green Fund and IDH in terms of investment instruments, business and investment models, special attention for gender, and stakeholder engagement models (JEC, LPP, IDH convening, PPI approach)
118. Mapping key stakeholders and institutions to engage;
119. Action plan detailing out key stakeholder engagement plan, partnerships to be developed/enhanced with existing platforms and institutions, tools and knowledge projects to be developed, and detailed responsibilities and budget.

Activity 2.1.2. Country engagement and amplification strategy roll-out

120. This activity takes the national and regional strategies developed under Activity 2.1.1 into implementation, and focuses on the need to create and enhance enabling environments in target countries. Ensuring an environment exists to enhance transformative investments allows the Fund to reach the overall objectives.
121. &Green and IDH will implement actions to deliver the policy dialogue, raise awareness about deforestation and sustainable commodity supply chains, enhance country ownership and communicate the blueprints produced to help with the replication strategy to scale effectively.
122. Intervention options to be implemented include:
123. Feedback loop on policies coming from the Jurisdictional Eligibility Criteria Assessments to help engage with government to further enable these investments with the appropriate regulations and enabling environment.
124. Convene green growth compacts and other work with government that promote green private sector investments.
125. Each annual report will provide detailed updates on the progress on specific country engagement.

Output 2.2.: Technical cooperation service contracts in eligible jurisdictions for capacity building of companies and business model development, landscape-level impact design and local community/smallholder inclusion plan⁹¹; assessment against commercial viability and environmental and social impact criteria.

126. This output contributes to the establishment of a viable investment pipeline for the &Green Fund and longer-term project development to bankability. Technical assistance services will support identification of capable potential investees and development of transaction opportunities that build on existing early-stage capacity building efforts in the agri-sectors in target countries, including supply chain influences on landscapes and producers. This project element will prepare companies for the high standards and commitments required for fund participation (operationalising and piloting business models driving paradigm shift, E&S risk management), and help &Green target clients to develop and implement landscape protection plans and drive smallholder and local community inclusion. Technical assistance services will include support to help agri-commodity businesses develop and implement strategies that build resilience to climate hazards. Projects may also be supported in the early phase of transactions in implementing innovative and first-of-kind activities.
127. All &Green Fund investments require the Client's commitment for a deforestation-free, inclusive supply chain. An immediate action upon investment is the publication of an organization-wide No Deforestation, No Peat and No Exploitation (NDPE) Policy⁹², holding the companies accountable for the environmental and social management of their upstream suppliers. &Green's NDPE and contractual commitments on forest protection requires &Green investees to prevent any additional conversion of land both on their own operations as well as in

⁹¹ Funds will flow directly from the Stichting to the contractees.

⁹² Under &Green's NDPE policy, drafted in reference to the Accountability Framework as a global standard for best practice, clients commit to eliminating deforestation, both legal and illegal, unconditionally and time-bound. The Fund constantly monitors the commitments along with milestones necessary for the transition to deforestation-free production and supply chains. Thus, the NDPE Policy is aligned with the regulations being drafted in the US (Forest Act), EU (EUDR) and UK (Environment Act).

their supply chain. This means steps must be taken to prevent the spillover of intensified management practices in forest areas. This approach and assessment to manage potential source emissions increases within the project boundary is described in detail in Annex 22e.

128. In the wider landscape and at the level of the jurisdiction, the spillover risk is captured by landscape level actions the clients are committed to on an output basis to address any such risks as identified in the Due Diligence; and jurisdictionally, by only investing in jurisdictions with strong forest protection frameworks which would guide any spillover to be in line with national development priorities including NDCs.
129. In addition, the Fund works with investees to prepare roadmaps for the implementation of the NDPE throughout the Clients' supply chains, together with external experts and in close consultation with the Client, prior to investment. These roadmaps result in milestones and targets that are tracked throughout the loan tenor, and become concrete and auditable outcome-oriented deliverables, thereby enhancing clients' accountability for progress.
130. A company-wide commitment to an NDPE Policy that is based on international standards (Accountability Framework) is a key element of investee commitments to &Green Fund. By aligning their commitment to stop deforestation in Tier 1 immediately, and end it in Tier 2ff upon discovery of the supply chain through traceability (with a time-bound end date) provides the tools and evidence to underpin deforestation-free claims. The NDPE approach expects commitments to be inclusive, that is, by providing ways to include small suppliers in the upstream supply chain through TA, financing and other support. In turn, this ensures access to consumer markets and that beneficiaries can align their new models with market regulations, including new regulations taking shape in key geographies such as the EU, UK and US.

Activity 2.2.1. Provide pre-investment technical assistance

131. TA services will be provided at pre- and post-investment stages. Prior to investing, IDH and the &Green Fund will engage in outreach and dialogue with prospective investees and scope their investment needs and opportunities for sustainable business models. &Green Fund will begin the early stages of due diligence to identify potential investment opportunities in the target sectors within the approved jurisdictions. Such companies will be those that advance through the rigorous due diligence process (as shown in Figure 3 above).
132. Pre-investment technical assistance will operate at two levels:
133. Co-funding sustainability innovations with investment potential to create appetite for change within companies before &Green Fund can engage;
134. Supporting Landscape Protection Plan development and stakeholder engagement

Activity 2.2.2. Post-investment technical assistance

135. Post-investment TA services will support companies to achieve scalability and 'durability' of impact and enhance connection with stakeholders in the wider production landscape. Post-investment technical assistance activities will include:
136. Capacity building for companies
137. Business model development
138. Landscape-level impact design
139. Assessment against commercial viability and environmental and social impact criteria
140. Technical cooperation services to support/ engage smallholders/ households

Output 2.3 Monitoring, reporting and verification (MRV) of changes in GHG, resilience and social inclusion indicators; hazard assessments and tracking paradigm shift progress

141. Output 2.3 includes tasks that support impact alignment. These include initial establishment of streamlined systems of Monitoring, Reporting and Verification to track impacts to meet the Fund and incremental GCF requirements for GHG reductions, climate resilience and social inclusion, as well as alignment with multinational corporate mandates (such as the SBTi, CDP), to leverage supply chain actions.

Activity 2.3.1 Knowledge product and blueprint development

142. Development of knowledge products at region, country and sector level, with special attention to gender. .
143. &Green Fund knowledge products on business and investment models will provide the blueprint for sustainability and support widespread adoption and replication of NDPE commodity production at scale.

Activity 2.3.2 Climate hazard assessments

144. Commodity and country specific climate hazard assessments will drive the resilience actions promoted by &Green Fund.⁹³
145. &Green Fund estimates that over 20 hazard assessments will be produced for its target countries and commodities.
146. &Green Fund to Incorporate GCF specific MRV system improvements, and to incorporate corporate reporting capacity (SBTi, CDP, GRI) for sustainability on exit. Proposed actions include:
147. Capacity building and system updates
148. Integrate impact reporting formats relevant to corporates to increase value and sustainability on exit
149. Expand remote sensing capability to enable near-real-time detection of reversals and assess forest quality.

B.4. Implementation arrangements (max. 1500 words, approximately 3 pages plus diagrams)

Implementation Arrangements:

Flow of funds

150. The GCF and FMO will contractually agree that the GCF will commit USD 189.35 million to the Stichting for the funding of the Funded Activity. The terms for Components 1 and 2 are to be agreed in the term sheet.
151. Of the total amount, USD 750,000 will be provided to the Stichting as a non-reimbursable grant for Component 1, Outputs 1.1 and 1.2; and USD 180 million will be provided to the Stichting as a subordinate loan for Outputs 1.3 (the "Investment Facility").⁹⁴ For Component 2, USD 8.60 million will be provided as a non-reimbursable grant to the Stichting.
152. For the avoidance of doubt, all the GCF Proceeds for the purpose of the Stichting will be kept on a separate ledger on FMO's GCF account.⁹⁵
153. FMO will make the USD 180.75 million capital commitment to the Stichting in the form of a non-reimbursable grant and a subordinated loan as stipulated above. The Stichting can then remit the full USD 180 million Investment Facility to the scalable investment vehicle, &Green B.V. (the "BV") (as Tranche A equity) in the form of the current portfolio assets, cash and undrawn commitments and further capital that is raised by the Stichting to the extent required, for loans to Project Companies.
154. The following disbursement plan for the Investment Facility is indicative and disbursements are subject to fulfilment of the conditions for disbursement set forth in the Term Sheet. FMO will make downstream disbursements as follows.

GCF Disbursement to FMO	Amount (US\$)	GCF Proceeds (%)	Conditions
Disbursement 1 – upon signature [2023]	80,750,000	44.67%	Signature of Concessional Debt Facility.
Disbursement 2 – 2024	50,000,000	27.66%	&Green signing commitment of USD 200 million into the Linked Catalyzed Tranche.
Disbursement 3 – 2025	50,000,000	27.66%	&Green signing further commitment of USD 200 million into the Linked Catalyzed Tranche.
TOTAL	180,750,000	100.00%	

155. FMO will likewise make a USD 8.6 million capital commitment in the form of a non-reimbursable grant to the &Green Fund for implementing some or all of Component 2's activities through its existing TAF Cooperation Agreement with IDH, the service provider for TA.

⁹³ Target countries will be the host countries that provide Letters of Non-Objection. Target sectors are as per &Green investment principles. Predominantly, depending on jurisdictions, these are forestry, rubber, palm oil, cattle, soy, cocoa, coffee.

⁹⁴ The GCF Proceeds will be drawn down by the Stichting AndGreen.Fund and then, for the amounts concerning Output 1.3, provided by the Stichting AndGreen.Fund (in its capacity as Class A Shareholder) to the &Green B.V. through the contribution of additional share capital (in the form of share premium). No further Tranche A shares will be issued for each draw down as the capital will be provided as additional share premium on the A Shares issued upon incorporation.

⁹⁵ GCF is an indirect lender to the Stichting (through FMO, in its capacity as a GCF Accredited Entity).

156. FMO will request the GCF funds on a bi-(annual) basis based on progress made by the Stichting towards its Disbursement Schedule as detailed in Section 6 of the Term Sheet. Upon receipt and after analyzing the compliance with its internal policies and procedures, FMO will remit the funds to the Stichting from its fiduciary GCF account.
157. For Component 2, Stichting AndGreen.Fund will issue drawdown notices to FMO during the availability period of the TA Grant until USD 8.6 million has been spent in accordance with the agreed upon disbursement schedule. The &Green Fund will then spend the funds according to the pre-agreed procurement and budget plans detailed in the TA Grant Agreement.

Implementation arrangements

158. Table 4 below summarises the implementation arrangements for each programme output, in terms of budget allocation and responsible EE.

Table 4: The &Green Fund programme implementation arrangements

Outputs	Financing/Co-Financing (million USD)	Financing source	Executing Entity (EE)	Activities
Component 1				
Output 1.1 Scalable investment vehicle is established	Total: \$1,750,000 GCF: \$250,000 Co-finance: \$1,500,000	GCF Co-financing	Stichting AndGreen.Fund	Activity 1.1.1
Output 1.2 Fund recruits co-investment to leverage GCF and existing &Green Fund resources	Total: \$2,000,000 GCF: \$500,000 Co-finance: \$1,500,000	GCF Co-financing	Stichting AndGreen.Fund; &Green B.V. ⁹⁶	Activity 1.2.1 Activity 1.2.2.
Output 1.3 Fund capital disbursed to large scale sustainable agriculture projects with robust environmental and social covenants incorporated into lending agreements as events of default	Total: \$960,670,000 GCF: \$180,000,000 Co-finance: \$780,670,000	GCF Co-financing	Stichting AndGreen.Fund; SAIL Ventures; &Green B.V.	Activity 1.3.1 Activity 1.3.2 Activity 1.3.3
Component 2				
Output 2.1 Policy dialogue, awareness raising and capacity building to maximise country ownership, blueprint communication and replication.	Total: \$6,477,782 GCF: \$2,127,782 Co-finance: \$4,350,000	GCF Co-financing	Stichting AndGreen.Fund	Activity 2.1.1. Activity 2.1.2

⁹⁶ The B.V. will be established in Output 1.1. and thereafter will act as EE for Outputs 1.2. and 1.3.

Output 2.2 Technical cooperation service contracts in eligible jurisdictions for capacity building of companies and business model development, landscape-level impact design and local community/smallholder inclusion plan; assessment against commercial viability and environmental and social impact criteria.	Total: \$9,234,993 GCF: \$4,984,993 Co-finance: \$4,250,000	GCF Co-financing	Stichting AndGreen.Fund	Activity 2.2.1 Activity 2.2.2
Output 2.3. Monitoring, reporting and verification (MRV) of changes in GHG, resilience and social inclusion indicators; hazard assessments and tracking paradigm shift progress.	Total: \$1,487,225 GCF: \$1,487,225	GCF	Stichting AndGreen.Fund	Activity 2.3.1 Activity 2.3.2 Activity 2.3.3

Governance and legal structure

159. The Stichting is already funded with grants from Norway's International Climate and Forestry Initiative (NICFI), the Unilever Group and the Global Environment Facility (via the UN Environment Program, acting as accredited entity); and with concessional loans from FMO, the Mobilising Finance for Forests (MFF) fund and a private sector reinsurance corporate.
160. In order to catalyse finance from the private and public sector to scale up the impact objectives of the &Green Fund, the Stichting will incorporate a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid* or B.V.) under the laws of the Netherlands. The Stichting will provide equity capital to the B.V., (and is the only equity capital provider to the B.V.) in the form of the current portfolio assets and further capital that is raised by the Stichting. (Note: further costs to raise capital for the Stichting will come from the existing funds of the Stichting, not from outputs 1.1. and 1.2.) The B.V. will conclude an Investment Management Agreement with Sail Ventures B.V. ("SAIL") in addition to the Investment Advisory Agreement between the Stichting and SAIL.⁹⁷
161. The programme will have a robust governance structure that will be specifically designed to safeguard the environmental and social returns as well as the financial and commercial sustainability of the scalable investment vehicle and its investments, adapted to the requirements of the commercial investors. The scalable investment vehicle is to be established by &Green Fund, with Stichting AndGreen.Fund including the GCF capital acting as the sole equity (Tranche A) investor and therefore catalyst for the private sector investors contributing through the purchase of Senior Notes (Tranche B).
162. The scalable investment vehicle will include the following governance bodies responsible for decision making and oversight:
163. A Board of Directors ("B.V. Board") will have legal authority to represent the scalable investment vehicle and responsibility for making executive decisions with respect to the administration and management of the scalable investment vehicle.
164. The B.V. Board will establish an Investment Committee (B.V. Investment Committee) comprising investment, sustainability, environmental & social and credit specialists, and will include independent members.⁹⁸ The B.V. Board will delegate its responsibility for making investment decisions for the scalable investment vehicle to the B.V. Investment Committee.⁹⁹

⁹⁷ Note: There is no intention to raise more equity into the B.V. The Stichting will be the only equity holder. GCF will be part of the Stichting.

⁹⁸ The articles of the BV will provide for the establishment of the Investment Committee by the Board of the BV..

⁹⁹ The funded activities are unlikely to be implemented at the scale which the GCF Proceeds are required to catalyze without the scalable investment vehicle. Private sector investors require a commercial vehicle with which they are familiar (company, LLP, Co-operative) and the Stichting is not a familiar vehicle (particularly its capital and governance structures). The GCF Proceeds will be provided to the Stichting &Green through the GCF Accredited Entity, FMO.

165. The Advisory Board of Stichting AndGreen.Fund will provide strategic advice to the B.V. Board and will be responsible for approving all Jurisdictions in which the scalable investment vehicle is able to invest, as well as defining the investment strategy through the Lending Guidelines¹⁰⁰ and the ESMS.
166. As per the Stichting's current Operating Guidelines, the Board of the Stichting is appointed by the Stichting's Advisory Board. It should be noted that this Stichting Board is distinct from the Board of the scalable investment vehicle (B.V. Board). It has to be independent from investors, meaning investors are not represented at the Stichting Board.
167. The GCF will be represented indirectly on the Advisory Board via the delegated authority FMO holds as the Accredited Entity. Investors into &Green Fund Tranche B will not be represented on the Advisory Board.
168. Because the Advisory Board of the Stichting also has the sole authority to change the Lending Guidelines and the ESMS of &Green Fund, investors in Tranche B will not have the ability to change these, safeguarding the established mission of &Green Fund.¹⁰¹
169. In the &Green Fund structure to be established, the B.V. Board will consist of representatives of the Investment Manager (SAIL Ventures) and the Stichting Board. The Investment Manager will report to a Noteholders Committee, which is a forum for annual reporting and discussion of Fund developments where noteholders are represented.
170. The expert Investment Manager (SAIL Ventures) appointed to the scalable investment vehicle is responsible for:
171. Overseeing the day-to-day business and operations related to the management of the scalable investment vehicle.
172. Fundraising for the scalable investment vehicle and implementing the investment strategy with the capital raised – the decision making with respect to the B.V. investments is the responsibility of the B.V. Investment Committee and not SAIL Ventures. This includes maintaining all relationships with current and potential clients, current and potential contributors, civil society, co-investors and other key stakeholders.
173. Sourcing transactions which meet the investment strategy, conducting due diligence, proposing viable transactions to the Investment Committee, executing transactions and managing the portfolio of investments.
174. As the Accredited Entity, FMO is represented in the structure in two ways: 1). it has the right to appoint a Class I Stichting Advisory Board representative. This provides FMO, and therefore indirectly GCF, with the possibility to participate in decisions relating to any changes in the Lending Guidelines and the ESMS; in defining in which jurisdictions the fund can invest in; and who to appoint to the Stichting Board of Directors which, in turn, will represent the Stichting AndGreen.Fund on the B.V. Board; 2). FMO is a concessional lender to the Stichting AndGreen.Fund directly, with USD 25 million exposure as well as facilitating an additional GBP 33.25 million concessional loan through the UK government's 'Mobilising Finance for Forests' programme.¹⁰²
175. For Component 2 – the TAF, Stichting AndGreen.Fund will be responsible for overseeing the design, implementation and reporting of Component 2, in close cooperation with IDH.
176. The PCU outlined in the existing Cooperation Agreement between the Stichting and IDH is tasked with operational management decision making of the TAF including proposing to the Stichting the annual workplan and budget. Under the current agreement, each of IDH and the Stichting is entitled to appoint one representative to the PCU. The Stichting &Green Board of Directors and Stichting Credit Committee¹⁰³ provides oversight of functioning of the TAF. For the GCF proceeds and through an addendum to the current agreement, the Stichting &Green BOD will assume the governance responsibilities for the management of the TA Grant.
177. In addition, the Governance and specific operating principles already in place in the existing TAF ensures:
178. strong alignment and coordination between &Green Fund and IDH;

¹⁰⁰ &Green's lending policy available at: <http://www.andgreen.fund/downloads/General-Lending-Policy.pdf>. Note that in anticipation of the GCF investment, these are adapted and combined with the ESMS Policy to "&Green's Investment Principles", which form part of the ESMS disclosure as declared in Annex 6.

¹⁰¹ The Stichting, represented by the Board of Directors, will not be permitted to exercise any rights or authority on certain matters (Investment Principles and ESMS included) without getting the Advisory Board's approval. The Articles of the B.V. and the Shareholders Agreement between the Stichting (Board of Directors), the BV and Sail Ventures will bind the parties to requiring the Stichting's approval on any changes to the Investment Guidelines and ESMS and requiring that no deviation from those documents is permitted unless the Stichting (BOD as approved by the AB) approves.

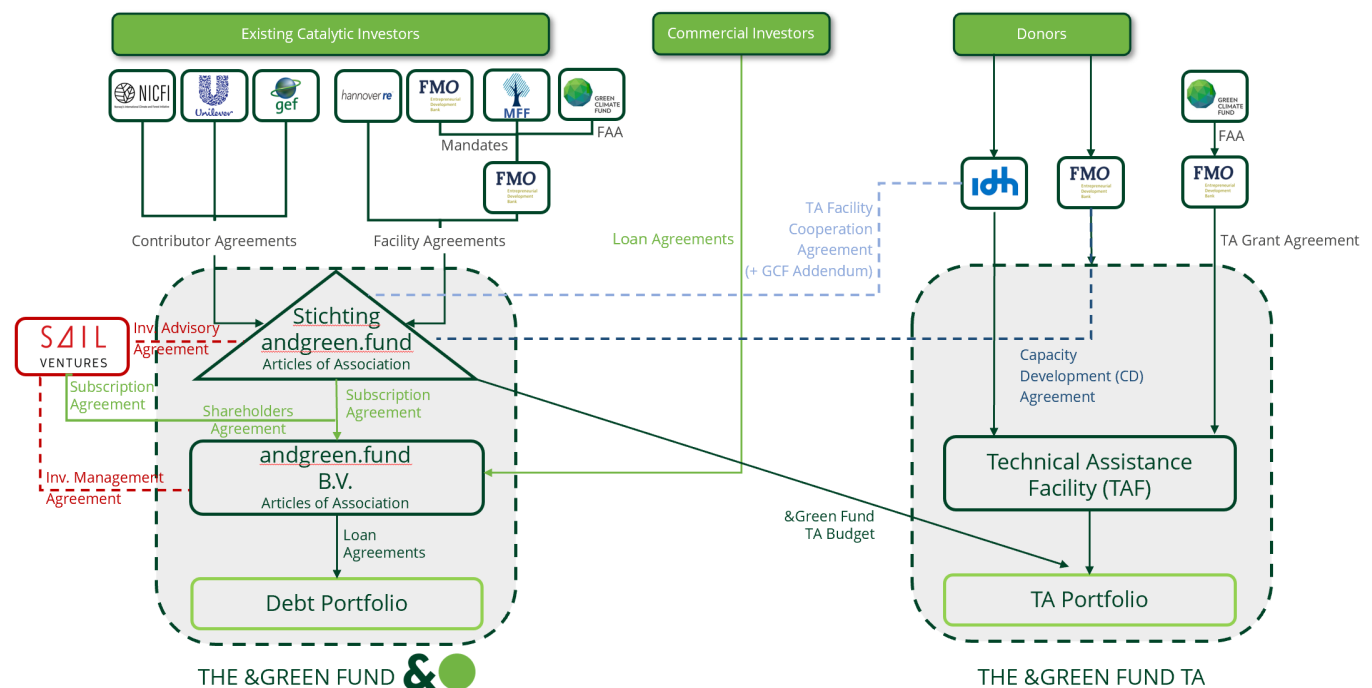
¹⁰² Parts of these loans may be moved from the Stichting AndGreen.Fund to the level of the &Green Fund as they are structurally more aligned with the conditions of the notes.

¹⁰³ The Credit Committee is a body of independent investment and sustainability experts appointed by the Board of Directors to safeguard the environment, social and financial compliance of investment proposals with &Green's guidelines. It assesses the documentation submitted by &Green's investment advisor, SAIL Ventures, and makes a recommendation to the Board of Directors.

179. effectiveness: Effective convening and TA requires relationship building, strong communication strategy, feel for momentum and flexibility to act on opportunities. The working relation between &Green Fund and IDH and its governance is therefore hands-on;
180. efficient and demand driven: TA is demand-driven and designed to fit the needs of the client; and
181. additionality: The TAF team assesses developmental and financial additionality of TA.

The design and structure for this complementary scalable investment vehicle (&Green B.V.) has been vetted by &Green Fund's attorneys (Simmons & Simmons) and is shown in the diagram below.

Figure 5 Scalable investment vehicle and TAF structure



182. The GCF, alongside the current providers of concessional capital enable &Green Fund to attract commercial investors at scale to this new complementary scalable investment vehicle (&Green B.V.) because the concessional capital can provide risk coverage for the private sector. GCF is key for the Fund's scale up as it is the sole player in the market that can provide catalytic capital at scale. Without GCF funding, &Green Fund will not be able to scale to the desired USD 1 billion fund until 2030 (and beyond, after 2030), and its impact on the transformation of tropical commodity supply chains will remain limited, with correspondingly lower climate mitigation and adaptation benefits.
183. The complementary scalable investment vehicle (&Green B.V.) will issue equity (Tranche A) to the Stichting in exchange for the existing funds (in the form of grants, redeemable grants and concessional loans - see waterfall dynamics below), portfolio transfer - and will raise additional funds through the issue of debt instruments (Tranche B) in the form of notes to private sector investors (please note that private sector investors are not issued equity as the structure must be simple with the clearest form of subordination between catalytic investors (equity) and commercial private sector investor debt in order to be attractive to private sector investors and not generate extra risks).
184. Moreover, this structure (equity and debt) will differentiate the required strategic rights of the equity holders (Stichting), namely, among others approval of the fund's jurisdictional scope, investment mandate, ESMS, board governance), through the Advisory Board.

Waterfall Structure

185. GCF will disburse its subordinated loan, through the AE (FMO) to the Stichting, and therefore will be part of Tranche A investors and governance.
186. The Stichting (catalytic investors – Tranche A) will hold an equity position in the structure of the &Green B.V. that is junior to the Tranche B debt instruments held by private sector investors in tenor and timing of reflows.
187. Tranche A is acting as the principal catalyst to attracting commercial capital into the structure – by providing a first-loss buffer to further private sector investors in the &Green B.V.
188. The catalytic investors will rank within the Stichting as follows (from junior to senior): i) NICFI (permanent capital in form of a grant), ii) GEF (redeemable grants), iii) Unilever (redeemable grants), iv) **GCF** and BEIS MFF (concessional loans) and v) FMO and the private reinsurer (concessional loans).¹⁰⁴
189. Private sector investors (Tranche B) will hold a senior position in the &Green B.V. as they will be issued with debt instruments (Notes) with specific terms. The Notes target private sector investors seeking commercial returns at acceptable risk levels. Noteholders are supported by the first loss position provided by the Stichting and its providers of catalytic capital.¹⁰⁵
190. The articles of the BV will stipulate that – once operating expenses (including the management fee) and financing costs on the Notes have been settled each six months - the BV will distribute to Stichting AndGreen.Fund (either by way of dividend or return of share premium) an amount of 1.5% on all of the share capital provided (including that financed by grant, redeemable grant and concessional debt). This amount will be used to settle the 1.5% interest from Stichting AndGreen.Fund to GCF and all of the other financing costs of the Stichting. The amount that can be distributed to the Stichting is dependent on the performance of the BV portfolio which is (partly) financed by the GCF capital.



¹⁰⁴ All of FMO's financing is loans. GCF is subordinate to FMO but senior to NICFI and Unilever.

¹⁰⁵ There may be multiple note offerings with their own specific terms. This will not affect the terms of the Stichting (where the GCF investment is) agreed on the term sheet.

191. Both the Stichting (Tranche A) and commercial investors (Tranche B) will earn returns financed by the interest income received from the fund's debt investments.
192. Income earned by the &Green B.V. includes interest income from the debt portfolio, interest income on any term deposits or other short-term savings instruments and fee income (including upfront fees, structuring fees).
193. The interest income earned and the principal repayment from those portfolio investments will be paid out following a structured waterfall:
194. Fee income will first be applied to transaction costs.
195. Noteholders (Tranche B) will receive distribution paid semi-annually and repayment of note principal (after 10 years).
196. Catalytic investors (Tranche A) will receive distribution paid semi-annually to preserve catalytic capital following the ranking shown in the preceding paragraph. Tranche A will have a catch-up after each Tranche B is repaid following the ranking explained above for the Stichting. Concessional loans within the Stichting will receive repayment of note principal¹⁰⁶ (for their specific redemption rates and after 15 years for GCF)
197. Any excess cash in the fund ("upside") after the repayment of interest, principal and the catch up for GCF will be shared following a structured waterfall: i) Tranche B and then ii) Tranche A grants and redeemable grants contributors.
198. The &Green B.V. intends to raise ca. USD 400 million in total from Catalytic Investors (from current USD 180 million) and USD 600 million (over the course of this decade) from Commercial investors to reach an AuM portfolio size of at least USD 1 billion by 2030. It will provide senior or subordinated debt to projects in Latin America, SE Asia and Africa (Tropical Forest zones).
199. Dividing the &Green B.V. (the complementary scalable investment vehicle) into two instruments (equity/Tranche A and debt/Tranche B) enables the structure to de-risk the investment proposition to commercial investors who acquire the Notes, while supporting their returns by utilizing risk-tolerant, highly additional catalytic capital in the Stichting. Without the provision of this type of catalytic capital, the investment proposition would not be attractive enough to risk-averse commercial capital providers at the required scale.
200. The fund is evergreen, given the grant from the Norwegian government. Having received feedback from commercial investors, private sector capital is being raised with a 10-year lockup at the moment but that might decrease over time (as the Fund's portfolio grows and thus, has more liquidity). In the equity tranche (Tranche A) &Green Fund seeks to raise long-term grants, which it regards as 15 years or longer. Longer tenor provided by catalytic capital is more attractive to commercial investors. Hence, &Green Fund seeks a 15-year tenor from the GCF to provide commercial investors sufficient comfort.

Legal arrangements

201. FMO, in its capacity as Accredited Entity, will ensure that the following agreements are entered into for the implementation of the Funded Activity (each a "Subsidiary Agreement" and together the "Subsidiary Agreements"):
202. For Component 1:
 - The Investment Facility Agreement between the Accredited Entity and the Stichting whereby the Accredited Entity commits and the Stichting accepts the Investment Facility portion of the GCF Proceeds. The obligations on the Stichting should largely be dealt with in the Investment Facility Agreement as covenants. Given this is a debt facility to a debt fund, the Investment Facility Agreement can be tailored to flow down all the necessary obligations to the Stichting; and
 - A side letter between the Accredited Entity, the Stichting, SAIL Ventures and the scalable investment vehicle (e.g. the B.V.) to pass down all relevant obligations in accordance with the AMA, FAA and Investment Facility Agreement (to be negotiated). The obligations will include any obligations in relation to Component 1 that need to be flowed down to the Investment Advisor from the Stichting and/or potentially the scalable investment vehicle (&Green B.V.), if and when it is established. The Side Letter shall also set out the mechanism whereby the authority and rights of the Advisory Board (on which the GCF is represented by the FMO nominee) are passed down to the Stichting (and the B.V.) through the Investment Facility Agreement and pursuant to which the &Green Fund shall seek the Accredited Entity's consent before presenting certain matters (which may require GCF's approval) for approval to the

¹⁰⁶ If the fund performs as expected (yield of 6-8% from portfolio investments), GCF will be able to receive a return equal to the [4.5]% coupon received by investors. This catch up will be calculated once the commercial investors exit the fund (year 10) and GCF will receive it at the end of its investment period (i.e. at redemption or once the concessional loan is repaid – in case is repaid earlier)

relevant governing and decision-making bodies, and the Accredited Entity shall not provide such consent to the &Green Fund on those specific matters without the prior written approval of the GCF.

203. For Component 2:

- The TA Grant Agreement between the Accredited Entity and the Stichting whereby the Accredited Entity commits and &Green accepts the TA Grant portion to deliver the TA services through its existing Cooperation Agreement with IDH. An addendum to the existing Cooperation Agreement between the Stichting and IDH will be signed that reflects the TA Grant Agreement to be signed between FMO and &Green Fund in respect to the TA activities, obligations and conditions precedent for disbursement from &Green Fund.
- It is not anticipated that a side letter will be needed for the TA Grant Arrangement, pending the Term Sheet negotiations - as that should be dealt with in the agreement. If some terms cannot be included in the TA Grant Agreement, a side letter would be needed.

204. Specifically in relation to Component 1 of the Funded Activity, FMO in its capacity as Accredited Entity of the GCF will ensure that the following agreements are entered into for the implementation of the Funded Activity (together with the Subsidiary Agreements for Component 1, the “Key Fund Documents”):

- The Articles of Association of the Stichting (the “Stichting Articles”);
- For the further flow of the GCF Proceeds from the Stichting to the BV, a subscription agreement entered into by the Stichting and the BV, whereby the Stichting provides equity capital to the BV as set out in item 2(ii) (andgreen.fund BV) above (“BV Subscription Agreement”);
- The Articles of Association of the B.V. (“BV Articles”), and in particular the rights of the Stichting with respect to the matters reserved for approval by the Advisory Board of the Stichting;
- The Shareholders Agreement between the Stichting, the BV and SAIL with respect to the rights of the Stichting as shareholder in the BV; and
- SAIL Ventures will act as the advisor and/or manager of the &Green Fund under investment advisory and/or management agreements (each a “Management Agreement”).

Operations Manual

205. Given the multiple entities involved in the preparation, assessment and investment decision-making for the programme, &Green has developed a comprehensive Operations Manual (Annex 21) using the “RACI format” (Responsible, Accountable, Consulted, Informed).

206. The Operations Manual is an Excel document with automatic links¹⁰⁷ to the established methodologies and guidance under the Investment Principles (Annex 6a and 6b), including the &Green ESMS, where the “how” for each step is described in detail, and at several levels, from principles to policies to guidance notes to guided templates. The Operations Manual (Annex 21) clearly spells out “who” and “when” in the investment process is responsible, accountable, consulted and informed.

207. The responsibilities and the Investment Process in turn are informed by the existing Stichting.AndGreen.Fund Operations Memorandum (Annex 21, Appendix 1), the Stichting.AndGreen.Fund Articles of Association (Annex 2, Appendix 10) (namely articles 5 to 27) and, for the prospective B.V. to be established under Output 1.2, the &Green B.V. governance report, as well as the Investment Principles (Annex 6a and 6b). See these documents, which accompany the funding proposal package, for further detail.¹⁰⁸

208. The Operations Manual (Annex 21) was created to clarify the links between the existing documentation and governance set up (as explained in paragraphs 159-185). For the proposed &Green B.V. scenario to be established under Output 1.2., the Operations Manual clearly and unambiguously defines:

- Responsibilities lie to a large extent with the Investment Manager, SAIL Ventures, who defines Deal Teams with a suitable mix of specialists to manage specific transactions.
- Accountability is delegated to the Investment Committee for transaction level investment decisions (representatives from SAIL and delegated from Stichting AndGreen.Fund); and to the Stichting’s Advisory

¹⁰⁷ N.B. hyperlinks only work if the Excel file is run from the same file folder as the linked documents. The AE has provided the Excel and the linked files in a ZIP file format for reference, in order for the links to function.

¹⁰⁸ The Stichting Articles of Association (Annex 2, Appendix 10), the Conflict of Interest Policy (Annex 21, Appendix 3) and the Investment Principles (Annex 6) are publicly available on the &Green website. A final Investment Memorandum (IM) will be prepared by &Green’s Legal Advisor once the GCF Term Sheet is finalised – the IM describes the governance of the B.V.

Board (which includes AE representatives) for the Investment Principles, selecting eligible jurisdictions and hiring the Stichting AndGreen.Fund Board of Directors, which represents the Stichting AndGreen.Fund as equity investor and sole economic beneficiary of the &Green B.V. in the &Green B.V. governance, as such overseen the operations of the &Green B.V. operationally. Within the investment manager's team, there is also accountability within "Deal Teams" and towards senior management, which in turn is bound by fiduciary duty by the &Green B.V. and its investors.

- Consultations are held with stakeholders, internal and external, at different stages of the investment process.
- Information is shared with a variety of stakeholders, internal and external, at different stages of the investment process.

209. The figure below describes this logic:

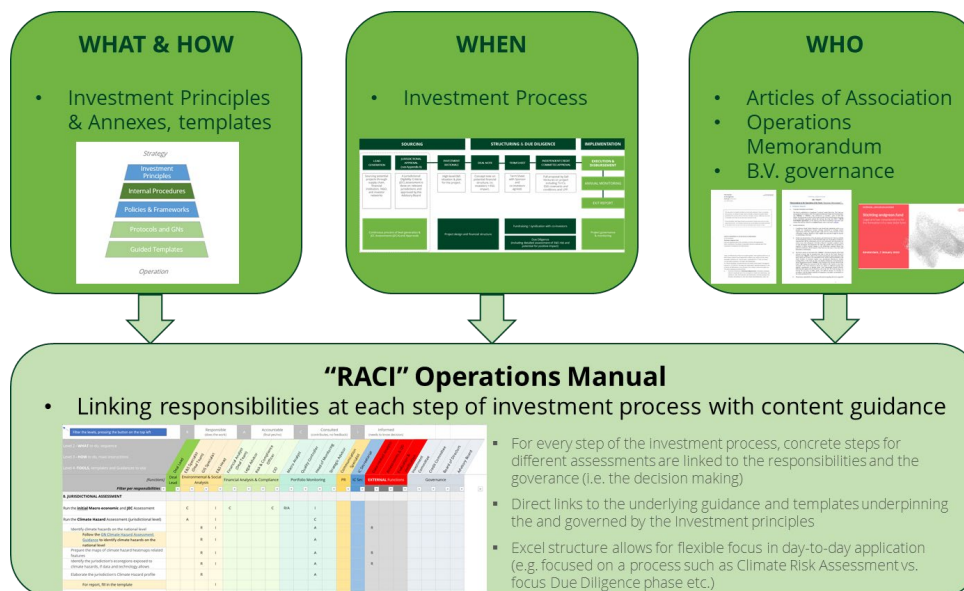


Figure 8 Operations Manual Logic

B.5. Justification for GCF funding request (max. 1000 words, approximately 2 pages)

Support for the &Green Fund will contribute to GCF's strategic mission and results

210. The &Green Fund is a global programme targeting 11 countries including Least Developed Countries and African nations. Unsustainable natural resource exploitation and deforestation are major GHG emissions in these countries. Communities and businesses in the target countries are highly reliant on forests and ecosystems for protection against climate change impacts and for sustaining millions of livelihoods. The Fund is aligned with the climate targets and national policies in the target countries, as evidenced in their NDCs, NAPs and other strategies. Supporting these countries to sequester emissions in protected forests and avoid emissions from deforestation and degradation, while addressing the climate resilience needs of people working at the base of global agricultural supply chains is at the core of the GCF's mandate.

211. The adoption of adaptation and mitigation practices focusing on forests is rarely taken up due to the knowledge and capacity gaps of those most reliant on forest resources (as detailed in Section B.1.).

Minimum concessionality

212. National governments do not have the financial resources to deliver the programme's climate resilience and GHG mitigation objectives on top of existing development priorities or to prevent alternative, less forest- and climate-friendly development alternatives. This trade-off is especially challenging in the wake of the COVID-19 pandemic, which has forced countries to increase spending and international borrowing. GCF investment in the &Green Fund will help target countries avoid a trade-off between meeting their commitments to reduce and eliminate deforestation and other development and environmental priorities.

213. &Green Fund operates on the principle of minimum concessionality. GCF financing to Stichting AndGreen.Fund will be provided as a concessional loan, with a catch-up for GCF at the end of the loan tenor to match the expected coupon of the senior commercial private sector investors. Grant financing comprises a small

percentage (< 5%) of total GCF funding and is intended to strengthen the enabling environment in participating countries for ongoing commercially-driven replication and scale up.

GCF support will overcome barriers and support a paradigm shift towards low-carbon and climate resilient commodity production

214. GCF support for &Green Fund will help to overcome critical barriers to commercially viable, deforestation-free commodity production at scale. The financial and market barriers outlined in Section B.1 prevent the &Green Fund from reaching the scale necessary for sector transformation without GCF investment. They include limitations of other financing sources including other investment funds: financing sources for agricultural companies or projects seeking funding currently includes traditional banking or financing through conglomerates (diversified entities). These traditional sources of finance do not include sustainability commitments and typically do not offer attractive terms (e.g. long tenors, cash flow adapted repayment structures) for more sustainable production practices. Mainstream investors are unfamiliar with sustainable production approaches and this is perceived as 'risk'. Carbon finance via voluntary and compliance markets is prohibited by &Green Fund's mandate. In addition, the policy and regulatory environment surrounding forest-related carbon finance has grown increasingly complex since the Paris Agreement, making it unlikely that this source of finance will provide the confidence required to crowd in commercial investors at scale.
215. Local financial markets in tropical regions and developing economies are relatively small and the many family-owned, or smaller agriculture companies or farmers have limited access to patient capital. Without patient capital and technical support, these farmers typically find deforestation-free production to be unprofitable compared to traditional practices.
216. &Green Fund will provide attractive financing terms, legally binding loan covenants, technical assistance and policy support to align incentives between farmers, investors, local communities, and governments to drive the transformation in commodity production.

A critical mass of investment will crowd-in private sector co-finance at scale

217. GCF funding will enable the &Green Fund to increase scale, crowd in private sector investment and accelerate interventions and impact commensurate with the urgency of the climate and deforestation crises. Without additional capital from GCF, &Green Fund would grow incrementally, but would not be able to drive impact at increased scale in the critical decade to 2030, and the commitments made at CoP26 (See Section B.1) to stop deforestation in the target countries. &Green Fund offers a 'market-ready' platform, and GCF's commitment of up to USD 180 million will rapidly unlock scale-up from private sector investment, and accelerate achievement of impacts the Fund is targeting.
218. To scale rapidly and achieve sector transformations given the lack of private sector engagement in this space, the Fund requires a reputable source of debt financing to provide an initial first-loss tranche¹⁰⁹ to lenders to the fund, helping to de-risk the investment opportunity for private sector investors by ensuring their coupon is secure. In addition, transactions must be structured with considerable downside risk protection to be attractive to private sector investors that can provide capital at scale. The necessary collateral, professionalism and security is only available from larger, more established players in tropical supply chains. Equally, to be attractive as a lender for those larger scale actors that can influence tropical commodity supply chains and reduce deforestation at scale, comparatively large ticket sizes (typically USD 5 to 35 million) are required to see meaningful impact on business models and for companies to venture into such transformational transactions. Scale is an important prerequisite for the paradigm shift targeted.
219. &Green Fund will scale a portfolio of investments delivering quantifiable social, forest and climate benefits as well as solid, risk-adjusted returns for investors. The innovative &Green Fund business model requires additional funding to achieve the necessary scale for paradigm shift to occur. To attract institutional investors, the Fund needs to provide sufficient financial and reputational (i.e., ESG) safeguarding. With a growing portfolio and increasing diversification as well as increasing track record, private sector investors will feel increasingly comfortable with decreasing risk cover with each Note issued. That is, the barriers to private sector investment will progressively be overcome. This will increase the private sector share of the financing to underlying projects, ultimately leading to commercial investor led transformation of tropical commodity supply chains towards a deforestation-free, socially inclusive model.
220. GCF's investment of USD 180 million on top of the Fund's existing USD 180 million will provide credibility to the &Green Fund business model, change perceptions regarding the risk-reward ratio of investments in this sector and support the Fund to crowd-in private sector investors. In turn, private sector actors will view this

¹⁰⁹ GCF will commit 50% of the first loss capital available to attract the private sector investors; the other concessional capital is provided by Stichting &Green Fund. More detail is provided in the Term Sheet (Annex 14).

area as one of significant economic opportunity, which will stimulate money to flow into the Fund and the sector more broadly and achieve transformational change, and large-scale mitigation and resilience impacts. There has been no other example of blended finance at scale in the land-use space. It is critical that &Green Fund creates that pathways for the market and allows rhetoric of institutional investors to shift as they see credible and investable opportunities.

221. Any potential GCF risks related to successful private sector fundraising is mitigated by phased conditional disbursements linked to the achievement of fundraising milestones (see Annex 14 – Term Sheet for details).
222. It is expected that a long-term USD 180 million contribution from GCF will catalyse institutional investor capital at fund level, funds from existing donors, as well as directly mobilize additional private and public sector investments at portfolio level totalling around USD 780,670,000 (see the programme budget in section C.1. for more details).
223. This mobilisation does not include the additional private sector capital mobilisation that happens at the project level: for the assets of the tropical commodity supply chain actors. &Green Fund's Lending Guidelines require that over the lifetime of its exposure, &Green Fund may not hold more than 25% of the total project exposure. Therefore, at least an additional 3x private sector leverage, or approximately USD 3 billion will be mobilised from project sponsors, financial institutions or capital markets and others, albeit with potentially differing financial terms (i.e., through a catalytic de-risking through &Green Fund's lending). &Green Fund reports this mobilisation, but due to the variance in attribution it does not form part of the budgeted outcomes proposed to GCF as part of the budget under C.1.

B.6. Exit strategy (max. 500 words, approximately 1 page)

224. GCF's subordinate loan to the Fund will have a 15-year tenor. The capital invested by GCF, plus interest, will be repaid in accordance with the Fund's distribution waterfall. This approach aligns incentives and ensures the Fund will continue to attract commercial investors after the GCF's exit.
225. GCF's repayment and exit are built into &Green Fund's business plan. The &Green Fund structures its loans to clients on commercial terms with contractually agreed schedules for repayment of principal and interest. The initial client due diligence process includes an analysis of the market, the client's intended customers and the client's resultant ability to repay the loan's interest and principal to the Fund. **Stress-testing the Fund's financial model shows that GCF's successful exit would be ensured even with significant impairments in the Fund's underlying investments.**

Sustainability and replicability

226. The &Green Fund is designed from the outset for sustainability and scale-up. The Fund's sustainability is ensured by an evergreen financial structure, and a transparent monitoring, reporting and verification that builds investor confidence. The 15-year commitment from the GCF will catalyse additional investment to provide enough resources to sustain the Fund through the critical period of establishing the commercially viable blueprints for the sectors and jurisdictions targeted, and beyond the period of GCF involvement. &Green Fund issues highly transparent, audited annual reports¹¹⁰, and will continue to do so, and will provide investors with regular updates on portfolio performance, including financial statements status of current investments.
227. &Green Fund is designed to finance and expedite sustainable commodity supply chain projects enabling large-scale sector players to confidently transition well beyond business-as-usual practices. Once established (through Component 1), &Green Fund will scale up to USD 1 billion with the potential for expansion to additional sectors and geographies. At USD 1 billion scale there is sufficient volume and stability in the portfolio that actual and perceived risks are reduced, a clear track record is established, and commercial investors will confidently invest in the target sectors (barriers to commercial investment are overcome).
228. Since the recent commitment to reducing and eliminating deforestation made at COP 26 includes 141 countries and the &Green Fund is currently targeting only 11, there is considerable potential for replicating and scaling-up investments. Other investors will be targeted to increase the potential of the Fund to deliver private sector-driven impact on forest protection. The scalable fund structure means that future international investors and development agencies can be included, complementing the project's technical, financial and convening capacities over time.
229. The &Green Fund investment strategy can be scaled by expansion of the businesses it invests in via attracting additional capital; potentially expanding the commodities it focuses on and their supply chains; developing and disseminating knowledge and learning products (such as best practice examples and case studies) that illustrate success stories for others to replicate; and by encouraging other investors to apply &Green Fund's strategy to other regions or sectors.

¹¹⁰ See Annual Reports publicly available at: <https://www.andgreen.fund/wp-content/uploads/2021/12/2020-Green-Fund-Annual-Report.pdf>

230. &Green Fund anticipates increasing interest in its approach and offering from potential Clients as a result of market signals from end-consumers and hence major buyers (multinationals) of tropical commodities. Stronger regulation for deforestation-free commodities in the EU and other jurisdictions creates a significant pull for market actors who wish to retain the ability to trade their produce freely. This creates an added incentive to find, implement and replicate blueprints for sustainable commodity production.
231. The initiatives supported under the project will establish a scalable mechanism that uses financial incentives to achieve behaviour change on the part of resource users that will contribute to sustainability. The paradigm shift delivered by this programme across different geographies increase the likelihood that local actors (public and private) will be willing to adopt and scale such an approach themselves given the benefits for both. &Green Fund believes that long-term economic returns are a requirement for delivery of robust and sustainable impact.
232. In 15 years' time (GCF investment period), it will be beyond 2035 and global public and private sector strategies will be midway to their 2050 climate change targets. &Green Fund will have played an important role in ending deforestation in tropical forests from key commodity supply chains. &Green Fund will have also demonstrated that social and environmental impact with global relevance and at scale is possible with proper financial planning and a funding mechanism that mitigates risk and delivers absolute returns in line with private sector investor demands.
233. &Green Fund, at the time of GCF's exit, will continue to accelerate and scale deep market transformation in the same landscapes, jurisdictions, and supply chains without the need to renew funding with additional catalytic money (i.e., fully funded by commercial investors, underpinned by the grant from NICFI), acting as a mainstream green lender essentially alongside other international funds and local banks. This long-term goal would be a marker for a significant shift in how commodities are produced and financed. &Green Fund expects that by 2035 the financing and traceability of tropical supply chains will be the norm across the tropics. Other kinds of finance products, syndication, structured finance, distressed finance, and club loan opportunities will remain opportunities for &Green Fund as a purely commercial offering to continue its financing of the sector and drive sector innovation. The no-deforestation additionality will then be about maintaining rather than creating no-deforestation status in these supply chains.
234. &Green Fund, at that point, will be inherently replicable, given that it is based on a proven concept that applies broadly accepted lending and risk management principles.
235. GCF's Financial Exit Strategy depends on &Green Fund managing its cash flows (including debt interest and principal payments) in line with its obligations to commercial investors and GCF's maturity timelines, which will be constantly validated as new investments are approved and existing portfolio is managed. After year 10, commercial investors will get repaid their notes and &Green Fund will begin to unwind the catalytic investors' money by catching up to commercial investors' return and repaying its principal by year 15.
236. As the Fund is a debt fund, the exit from portfolio projects is predefined and less of a risk than for equity investments (&Green Fund extends credit with fixed repayment terms), and thus the Asset-Liability Management Policy (which requires that the portfolio is managed in line with any repayment obligations) and &Green Fund's ability to manage liquidity is more important. &Green Fund will manage its business so as to not be taking refinancing-risk with respect to the GCF or any other repayment.

FINANCING INFORMATION						
C.1. Total financing						
(D) Requested GCF funding (I + II + III + IV + V + VI + VII)	Total amount			Currency		
	189,350,000			million USD (\$)		
GCF financial instrument	Amount	Tenor	Grace period	Pricing		
Senior loans	Enter amount	Enter years	Enter years	Enter %		
Subordinated loans	180,000,000	15 years	Enter years	1.5 %		
Equity	Enter amount			Enter % equity return		
Guarantees	Enter amount	Enter years				
Reimbursable grants	Enter amount					
Grants	9,350,000					
Results-based payments	Enter amount					
(b) Co-financing information	Total amount		Currency			
	Enter amount		Options			
Name of institution	Financial instrument	Amount	Currency	Tenor & grace	Pricing	Seniority
Public and private investors	Senior loans (600 million); Grant (94.69 million co-financed by NICFI); Reimbursable grants (26.98 million) Concessional loans (59 million)	780,670,000	million USD (\$)	10 years Enter years	Enter%	Options
Stichting AndGreen.Fund	In kind	3,000,000 ¹¹¹	million USD (\$)	Enter years Enter years	Enter%	Options
Stichting AndGreen.Fund	Grant and in-kind	4,350,000 ¹¹²	million USD (\$)	Enter years Enter years	Enter%	Options
Stichting AndGreen.Fund Stichting AndGreen.Fund FMO (MFF)	Grant	4,250,000 ¹¹³	million USD (\$)	Enter years Enter years	Enter%	Options

¹¹¹ This figure represents cofinancing for Output 1.1 and Output 1.2. See co-financing information below in C.2.

¹¹² This figure refers to co-financing provided by the TA Service Provider, IDH, as part of the extension of the TA Cooperation Agreement.

¹¹³ Co-financing from Stichting AndGreen.Fund in cash (USD 3.75 million) and FMO in cash (USD 0.5 million)

Total financing (c) = (a)+(b)	Amount	Currency
	981,620,000	million USD (\$)
(d) Other financing arrangements and contributions (max. 250 words, approximately 0.5 page)	Stichting AndGreen.Fund's equity contribution is composed of:	
	Contributors	Amount (USD)
	NICFI	94.69 million
	Unilever; GEF	26.98 million
	Private reinsurer; FMO; UK MFF	59.0 million

C.2. Financing by component

Please provide an estimate of the total cost per component and output as outlined in section B.3. above and disaggregate by source of financing. More than one co-financing institution can fund a single component or output. Provide the summarised cost estimates in the table below and the detailed budget plan as annex 4.

Component/Output	Indicative cost (USD)	GCF financing		Co-financing		
		Amount (USD)	Financial Instrument	Amount (USD)	Financial Instrument	Name of Institutions
Component 1: &Green Fund Lending Facility	964,420,000	180,750,000		783,670,000		
Output 1.1 Scalable investment vehicle is established	1,750,000	250,000	Grants	1,500,000	In-kind (Operating costs)	Stichting AndGreen.Fund
Output 1.2 Fund recruits co-investment to leverage GCF and existing &Green resources.	2,000,000	500,000	Grants	1,500,000	In-kind (Operating costs)	Stichting AndGreen.Fund
Output 1.3: Fund capital disbursed to large-scale sustainable agriculture projects with robust environmental and social covenants incorporated into lending agreements as events of default	960,670,000	180,000,000	Subordinate loan	780,670,000	Equity (180.67 million) Senior Loans (private sector) (600 million)	Stichting AndGreen.Fund, Private (investors)
Component 2: Technical Assistance Facility	17,200,000	8,600,000		8,600,000		
Output 2.1 Policy dialogue, awareness raising and capacity building to maximize country ownership, blueprint communication and replication	6,477,782	2,127,782	Grants	4,350,000	Grants	Stichting AndGreen.Fund
Output 2.2 Technical cooperation service contracts in eligible jurisdictions for capacity building of companies and business model development, landscape-level impact design and local community/ smallholder inclusion; assessment against	9,234,993	4,984,993	Grants	500,000 3,750,000	Grants Grants	FMO Stichting AndGreen.Fund

commercial viability and environmental and social impact criteria						
Output 2.3 Monitoring, reporting and verification of changes in GHG, resilience and social inclusion indicators; hazard assessments and tracking paradigm shift progress	1,487,225 over investment lifetime	1,487,225	Grants	0	n/a	Stichting AndGreen.Fund
Indicative total cost (USD)	981,620,000	189,350,000		792,270,000		

This table should match the one presented in the term sheet and be consistent with information presented in other annexes including the detailed budget plan and implementation timetable.

In case of a multi-country/region programme, specify indicative requested GCF funding amount for each country in annex 17, if available.

Please see Annex 17 (Multi-country Programme Information) for indicative GCF funding amount for each country.

C.3 Capacity building and technology development/transfer (max. 250 words, approximately 0.5 page)

C.3.1 Does GCF funding finance capacity building activities?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
C.3.2. Does GCF funding finance technology development/transfer?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

If the project/programme is expected to support capacity building and technology development/transfer, please provide a brief description of these activities and quantify the total requested GCF funding amount for these activities, to the extent possible.

237. Component 2 – &Green Fund's TAF delivers capacity building, technical assistance and stakeholder engagement activities required to strengthen the enabling environment for deforestation-free agricultural commodity production in tropical countries.

D. EXPECTED PERFORMANCE AGAINST INVESTMENT CRITERIA

This section refers to the performance of the project/programme against the investment criteria as set out in the GCF's [Initial Investment Framework](#).

D.1. Impact potential (max. 500 words, approximately 1 page)

Describe the potential of the project/programme to contribute to the achievement of the Fund's objectives and result areas. As applicable, describe the envisaged project/programme benefits for mitigation and/or adaptation. Provide the intended outcomes for mitigation by elaborating on how the project/programme contributes to low-emission sustainable development pathways. Provide the intended outcomes for adaptation by elaborating on how the project/programme contributes to increased climate-resilient sustainable development. Calculations should be provided as an annex. This should be consistent with section E.3 reporting GCF's core indicators.

Impact Potential

Mitigation impact:

238. Based on results from investments over the past four years and potential results from pipeline investments, this programme is expected over the lifetime of the investment to result in approximately 350,000 tCO_{2e} of GHG reductions and removals per USD 1 million invested, as a result of changes to agri-commodity production practices. For a projected investment of USD 960 million the fund would therefore contribute to over 339 MtCO_{2e} over the investment lifetime. [Table 5 Summary of mitigation impacts](#) below provides an overview of the programme's expected lifetime mitigation impacts. For detailed information on the methodology and calculation of these figures, see documents in Annex 22.
239. Intensification of agriculture and livestock management can, in some cases, increase emissions from methane (CH₄) and/or nitrous oxide (N₂O). &Green does not historically require its investments to provide a full-scale GHG inventory because the material GHG impact from its transactions stems from the quantified forest protection. However, where potential source emissions increases within the project boundary might occur due to the transaction, this would be captured in the International Finance Corporation Performance Standard 3 risk assessment that &Green performs on a standard basis for all investments¹¹⁴. Projects with risks to potentially increase emissions >25,000tCO_{2e}¹¹⁵ require quantifying and addressing with mitigation actions and monitoring through the ESAP. &Green has created a specific, detailed, protocol for addressing material source emissions increases within the project boundary, as described in Annex 22e (see section 3) for the assessment and management process and section 2.2 for an illustrative example of how the process would work for a sub-project.
240. To document removal estimates for the enhancement of carbon stocks in forest remaining as forest and reforestation, &Green uses and conservative removal factors derived from national sources and updated to the latest UNFCCC-approved FRELs and FRLs. These removals are not claimed as mitigation impacts in the GCF reporting, to ensure alignment with GCF approaches. &Green will transparently report conservatively quantified estimates of removals as part of annual reporting to the GCF and make data and information available to relevant host government authorities, including the NDAs. Annex 22c includes guidance on the approach taken to estimate GHG removals, including how removal factors are calculated, differentiation between forest restoration types and assumptions made in the calculations, and example calculations illustrating how the guidance is applied.
241. Annex 17 (Multi-country Programme Information) illustrates how the programme's mitigation impact across the countries that provided NOLs. The figures are *indicative* forecasts based on the benchmarked CO_{2e} mitigation potential / USD million invested ratio, derived from existing &Green portfolio investments. Precise country or transaction specific allocations are not possible in advance as the programme includes future investments (sub-projects) that are yet to be identified; relevant downscaled information cannot be collected until pipeline investments reach the due diligence stage.¹¹⁶ For each of the approaches discussed above, the Operations Manual (Annex 21) describes how and where this is addressed and which actor in the investment process has

¹¹⁴ IFC PS 3 is summarized in Guidance Note 3 – Resource Efficiency and Pollution Prevention, IFC 2012, p.5. https://www.ifc.org/wps/wcm/connect/e99f8ca9-dbf3-4eae-a48d-206ca099b7b3/Updated_GN3-2012.pdf?MOD=AJPERES&CVID=nXqn9PX

¹¹⁵ The IFC derived materiality threshold of 25,000tCO_{2e}/year is a maximum. Some jurisdictions or sectors may have alternate thresholds (in % or in absolute value in tCO_{2e}) that are more relevant and applicable. These alternate thresholds will be adopted where applicable, but &Green retains a maximum threshold of 25ktCO_{2e}/year, even if the alternate threshold is a higher amount (via % or in tCO_{2e}/year). If source emission increases are above this threshold, they are considered material.

¹¹⁶ &Green can disaggregate different levels of control and report for each level separately. This is described in the Guidance Note on MRV (Annex 6, Appendix 4 on pages 3 and 6). Only the impact on land under control by the transaction operators and their supply chain partners bound by the NDPE is accounted for.

responsibility. &Green's transparent reporting process will include frequent progress updates, in line with the reporting requirements of the GCF, provided to the GCF Secretariat. &Green also includes a transparent reporting system for other donors and investors to monitor Fund progress to mitigation impact goals.

Table 5 Summary of mitigation impacts

Mitigation contribution type	Location	Quantification approach	Impact for US\$960M portfolio (MtCO _{2e})	Attributed to MRA4 (Y/N)
Avoided deforestation	In forests protected by &Green incentives	Downscaled FREL	339	YES
<i>Avoided deforestation</i>	<i>In forests in supply sheds (landscapes) of &Green influence</i>	<i>Marginal production</i>	<i>618</i>	<i>No</i>
<i>Forest restoration</i>	<i>In forests protected by &Green incentives</i>	<i>Forest area multiplied by Removal Factor (RF) from FREL or IPCC.</i>	<i>504</i>	<i>No</i>
Total mitigation estimate			1461	No
Total mitigation reported to GCF under MRA4			339	Yes

Adaptation impact:

242. This programme contributes to GCF results areas for Health and well-being, and food and water security and also to ecosystem and ecosystem services. Based on Stichting AndGreen.Fund's existing portfolio and pipeline potential, the programme is expected to yield the following adaptation metrics:

- Approximately 16,000 ha/USD 1 million invested (16 million hectares for a USD 1 billion investment)
- Approximately 2,000 people with enhanced resilience/USD 1 million invested (2,000,000 people for a USD 1 billion investment).

243. Because the programme includes future investments (sub-projects) that are yet to be identified, precisely specifying the contribution to adaptation at the jurisdictional level is not possible at this stage. Annex 22f describes the detailed climate hazard, vulnerability and resilience assessment process undertaken for each investment to identify, plan, implement and monitor, and report and verify adaptation actions in line with GCF requirements. Sections 3.3-3.10 in Annex 22f include a detailed explanation of the 8-step process. The key element of the methodology is the design of adaptation activities as part of the Landscape Protection Plan by the Investment Manager in collaboration with the investee (client). These activities will align with and build upon nationally identified priorities relevant for the sector, landscape and geography. Once sub-projects are identified, this methodology will also be applied to the JECAs. The adaptation impact methodology comes with an accompanying case study to illustrate how it works. Output 2.3 provides support to identify and continuously expand the visibility of relevant climate hazards, adaptation options and quantification of increased resilience. The application of this methodology is included in the Operations Manual (Annex 21) to show how it is operationally linked to the investment process.

244. As set out in Section E3 of the logical framework, &Green Fund's investments will generate positive impacts against the following IRMF indicators:

Forests and Land Use
<ul style="list-style-type: none"> • GHG emissions reduced, avoided or removed/sequestered • Direct and indirect beneficiaries reached

<ul style="list-style-type: none"> Hectares of natural resources brought under improved low-emission and/or climate-resilient management practice
Health, well-being, food and water security
<ul style="list-style-type: none"> Hectares of natural resources brought under improved low-emission and/or climate-resilient management practice
<ul style="list-style-type: none"> Number of livestock brought under sustainable management practices (relevant to investments in livestock value chains).
Ecosystems and ecosystem services
<ul style="list-style-type: none"> Hectares of terrestrial forest, terrestrial non-forest, freshwater and coastal marine areas brought under restoration and/or improved ecosystems

The &Green Fund has developed a transformational change model:

245. By financing business models that focus both on generating revenue through commodity production and decoupling revenue growth from forest impact, the mindset of financiers can be changed so that lending products are offered to clients where sustainability criteria are intrinsically embedded in the financial conditions of the loan. &Green Fund aims to transform finance and business models in mainstream markets such that they sustain land-use practices in which the increased production of agro-commodities contributes to the protection and restoration of forests and the inclusion of smallholders and forest communities in the economy. This contributes to countries' land degradation prevention efforts and hit Sustainable Development Goals (SDGs) targets by mobilizing private finance at scale.

The GCF's investment will be used by &Green Fund to realise the following two outcomes:

- Outcome 1: Scalable, replicable commercial models developed for deforestation and peat free commodity production**
- Outcome 2: Technical Assistance Facility (TAF) supports an enabling environment for forest protection and climate resilient commodity production**

Calculations are presented in Annex 2 – Feasibility Study; Annex 4 – Budget; and Annex 17 – Multi-country project/programme information.

D.2. Paradigm shift potential (max. 500 words, approximately 1 page)

Catalyzing Impact

246. &Green Fund employs a **Production-Protection-Inclusion** approach. This is a multi-stakeholder approach, taken to secure inclusive, sustainable, deforestation-free production within a defined area (the “Landscape”) involving local communities, producers, financiers, supply chain companies, local and national government, and civil society. This approach is enshrined in a binding and contractually agreed plan (the “Landscape Protection Plan, LPP”) between the lender (&Green Fund) and the borrower.
247. &Green Fund generates its impact within supply chains that are active in landscapes where valuable ecosystems require active protection and/or restoration but face increasing pressure from agricultural production. That is, &Green Fund directly targets the *drivers* of deforestation, rather than forest areas for conservation. The key paradigm shift is between agricultural expansion (and deforestation) to sustainable agricultural intensification (more production from the same area of land). Communities and participants in the relevant commodity supply chains will benefit from sustainable use and management of ecosystem services in the Landscape. This way, &Green Fund can finance the process of delinking deforestation from major commodity supply chains.
248. &Green Fund advances its credit only in jurisdictions that have a progressive forest protection agenda and therefore reviews every potential jurisdiction on 5 Jurisdictional Eligibility Criteria (JECs)¹¹⁷. &Green Fund evaluates transactions with respect to the environmental and social impacts generated by: ensuring borrowers commit to the organisational NDPE policy; Environment and Social Action Plans (ESAPs) that are conditions of loan contracts are aligned with IFC performance standards for each client; an LPP is developed with quantitative impact targets that describe and monitor performance. This information is transparently reported¹¹⁸ and creates a blueprint for sustainable land use and management that the broader market can adopt.

Innovative financing:

249. Commodity players work in very low margin markets, where any changes to sourcing are risky and find limited appetite from a commercial perspective. Working capital is always a limiting factor for commodity businesses, and therefore there is reduced appetite to deploy it to make risky changes to the status quo. &Green provides long-term funding that is adapted structurally to the nature of the paradigm shift the fund finances – therefore reducing these risks for the commodity players to an acceptable level.
250. The Fund offers financing that is structured to achieve transformational changes. Credit terms are flexible and adapted to client needs - they can include longer tenors, subordinate loans, risk guarantees, and extended grace and/or repayment periods tailored to the nature and needs of investments. Commodity producers or supply chain actors can build the blueprint business models that cover the costs of implementing sustainable practices and for opportunity costs associated with forest conservation and other environmental and social targets.
251. &Green Fund imposes clear requirements on its clients regarding impact targets that must be delivered during the loan period. The Fund provides support and technical assistance to clients to build a robust Environmental and Social Management Systems (ESMS) that incorporates the necessary process, resources and actions to achieve these targets in the operations of the business. This support makes it practical for investees to deliver on and report these outcomes.
252. The funding &Green provides is not currently available in the market today, and it is a key objective for &Green to demonstrate to the financial markets that adapting their funding structures could drive paradigm shift at scale. There is, in addition, a reputational benefit from working with &Green given the high-profile investors it has, as this serves as a “seal of approval” for high ESG quality and makes projects more bankable.
253. &Green’s early investments have already led to increased interest in &Green in countries of operation to date (Indonesia, Brazil, Colombia), and increasingly &Green is working with local banks to structure co-financing transactions. All &Green investments must, at project level, over the duration of the transaction catalyze at least three times &Green’s funding; this project level co-financing is in place already for a number of existing investments. In some transactions, &Green’s funding is directly connected to the co-funding of local banks (such as for DSNG and Roncador) through cross-default arrangements, indicating the importance of &Green’s support for the co-financiers. Ultimately, &Green is successful when local players learn to set the same conditions and offer the same terms and tenors for financing as &Green does today, as this will enable commodity businesses to fund their climate transition without jeopardizing their profitability. See &Green’s KPI Framework (Annex 6, Appendix 1) which accompanies the Funding Proposal package and details the approach to transformational change and paradigm shift.

Impact model:

254. &Green Fund aims to transform finance and business models in mainstream markets such that they sustain land-use practices in which the increased production of agro-commodities contributes to the protection and restoration of forests and the inclusion of smallholders and forest communities in the economy. This

contributes to countries' land degradation prevention efforts, and Sustainable Development Goals (SDGs) targets by mobilizing private finance at scale.

255. &Green Fund has developed a transformational change model: by financing business models that focus both on generating revenue through commodity production – and at the same time decoupling revenue growth from forest impact – the mindset of financiers can be changed so that lending products are offered to clients where sustainability criteria are intrinsically embedded in the financial conditions of the loan. These criteria are set out in the Environmental and Social Action Plan (ESAP) and Landscape Protection Plan, which are highly customized, each taking into account the client type, jurisdiction, commodity supply chain, and individual landscape complexities.

- Landscape Protection Plan: A comprehensive, long-term land-use and management plan developed by the prospective client in conjunction with key stakeholders, covering all relevant areas of high carbon stock and high conservation value forest and peatlands.
- Environmental and Social Action Plan: a document that defines how the client will implement and monitor its progress towards achieving the vision set out in the LPP. The ESAP is aligned with the IFC Performance Standards (or equivalent) and NDPE policies and constitutes an enforceable part of loan contractual obligations.

256. Through the implementation of LPP, ESAP and NDPE policies, investees will transform their business models and decouple commodity production from deforestation. Investments are designed to be commercially viable, create lasting, irreversible change and serve as blueprints for replication and scale up.

257. The environmental and social impact strategy of &Green Fund is embedded in and operationalized through an Environmental and Social Management System ("ESMS") designed to identify, manage and report on environmental and social aspects and potential impacts of the Fund's lending program.

Potential for scaling up and replication:

258. The &Green Fund establishes a blueprint for financing inclusive, sustainable and deforestation-free commodity production that is commercially viable and replicable, strengthening the case for a rural development paradigm that protects valuable forests and peatlands and promotes high productivity agriculture.

259. &Green Fund plans to scale-up as follows:

- With USD 180 million confirmed by the GCF in 2023, &Green Fund will then unlock 600 million in additional commitments from commercial investors.
- By December 2025, the Fund will meet its original impact targets (5 million hectares of forest conserved, 500,000 beneficiaries) and achieve a USD 400 million portfolio, with major climate change investors from the public and private sector.
- By December 2030, the Fund will meet its multiplier impact and achieve a USD 960 million+ portfolio, with major institutional and corporate investors.

260. The Fund can expand to other commercially productive landscapes, and other countries, provided they meet eligibility and investment criteria and these opportunities attract additional investors. Other investors will be targeted to optimize the potential of the Fund for private sector driven impact on forest protection. Other international investors and development agencies can be included, complementing the project's technical, financial and convening capacities over time.

261. In addition, &Green Fund's investments will de-risk client companies that have adopted sustainable production approaches, making them more attractive to follow-on investment from other sources.

Potential for knowledge sharing and learning:

262. The &Green Fund's transactions stimulate innovation in agricultural business models by taking the best growth ideas from more mature industries in target jurisdictions or other countries and adapting those processes to the target company while incorporating environmental sustainability. Developing integrated supply chains with centralised operational control allows for transparency and traceability of the entire production process – a requirement that is increasingly becoming the standard for international commodity purchasers. &Green Fund's high degree of transparency and insistence on collecting and sharing data helps to form a community of practice among agri-producers and investors about what works, and how to replicate success. These replicable blueprints are a key element of the Fund's transformational impact.

¹¹⁷ See all JECAs at: <https://www.andgreen.fund/downloads/>

¹¹⁸ Available publicly at: <https://www.andgreen.fund/portfolio/>

263. To achieve the Fund's desired outcomes - to create blueprints for sustainable land use and management which others in the market can adopt, replicate and scale significantly - the Fund reports publicly with high transparency, and implements the following Knowledge Management Approach:

264. The first level of learning takes place within the landscape relating to a particular investee, where there is a focus on strategic issues and critical challenges being faced, both on a project-level and jurisdictional-specific matters. The &Green Fund Technical Assistance window works with each client producer to identify the most effective and climate-resilient approaches to intensifying agricultural production. The results of these interventions and the overall investment are tracked and reported against &Green Fund's Key Performance Indicators (KPIs).

265. &Green Fund evaluates every potential and executed transaction with respect to the environmental return and social inclusion impact generated. The Fund's Key Performance Indicators (KPIs) include the engagement of smallholders in a supply chain and ensuring the inclusion of local communities. Knowledge sharing at the project level mainly benefits those upstream in the supply chain, namely the smallholders, and provides an opportunity for two-way learning. With technical assistance provided to improve smallholders' resilient production capacity, this knowledge sharing has the overall effect of improving the long-term sustainability of production and traceability of the supply chain.

266. The investees, beneficiaries, investors and other partners, as well as the Fund itself, engage in an ongoing learning process. As deals are executed, the Fund's investment team will capture and share best practices, lessons and models within and across sectors through multiple channels. &Green Fund aims to create blueprint transactions – practices and approaches that can be replicated – therefore knowledge sharing is built into the Fund's operating structure and KPIs.

Creation of an enabling environment – through the &Green Fund's Production – Protection – Inclusion approach:

267. The &Green Fund takes an innovative **Production-Protection-Inclusion** approach. This is a multi-stakeholder approach, taken to secure inclusive, sustainable, deforestation-free production within a defined area (the "Landscape") involving local communities, producers, financiers, supply chain companies, local and national government, and civil society. This approach is enshrined in a binding and contractually agreed plan (the "Landscape Protection Plan, LPP") between the lender, &Green Fund, and the borrower.

268. &Green Fund generates its impact within supply chains that are active in Landscapes where valuable ecosystems require active protection and/or restoration but face increasing pressure from agricultural production. Communities and participants in the relevant commodity supply chains will benefit from sustainable use and management of ecosystem services in the Landscape. This way, &Green Fund can finance the process of delinking deforestation from major commodity supply chains.

Contribution to regulatory framework and policies:

269. &Green Fund advances its credit only in jurisdictions that have a progressive forest protection agenda and therefore reviews every potential jurisdiction on 5 Jurisdictional Eligibility Criteria (JECs). &Green Fund evaluates transactions with respect to the environmental and social impacts generated by: ensuring borrowers commit to the organisational NDPE policy; Environment and Social Action Plans (ESAPs) that are conditions of loan contracts are aligned with IFC performance standards for each client; an LPP is developed with quantitative impact targets that describe and monitor performance. This information is transparently reported and creates a blueprint for sustainable land use and management that the broader market can adopt.

270. All target &Green Fund countries must have at least a minimum acceptable regulatory environment, or specific mechanisms to adequately value natural/forest assets. Advances made in regulatory and institutional frameworks vary among the targeted countries (see Appendix 5 of the Feasibility Study). The development of sustainable commodity production strategies remains in its infancy, as producers struggle to shift towards environmentally friendly practices. Overall, legal and policy frameworks are in place for the conservation and sustainable management of forests and biodiversity, but incentives for streamlining the participation of private investors in businesses relating to forest protection and sustainable commodity production are generally not in place.

271. On the other hand, targeted countries have financial systems with limited depth, are inherently risk-averse and offer very limited financing alternatives for these ventures. Adequate financial instruments that can crowd in the private sector to support more rapid development of these business models are still lacking. In general, the

risks (or perceived risks) associated with these transactions, especially in the absence of proper natural capital valuation, hinders credit and investment by private actors. In addition, support is needed to overcome barriers related to the limited expertise and advancement in technology development associated to the innovative nature of these businesses (see Section B.2).

272. The Fund offers financing that is structured to achieve the transformational changes sought. Credit terms are flexible and adapted to client needs, they can include longer tenors, subordinate loans, risk guarantees, and extended grace and/or repayment periods tailored to the nature and needs of investments. Commodity producers or supply chain actors can build the blueprint business models that cover the costs of implementing sustainable practices and for opportunity costs associated with forest conservation and other environmental and social targets.

273. &Green Fund imposes strict requirements on its clients regarding impact targets that must be delivered during the loan period. The Fund provides support and technical assistance to clients to build a robust Environmental and Social Management Systems (ESMS) that incorporates the necessary process, resources and actions to achieve these targets in the operations of the business. This support makes it practical for investees to deliver on and report these outcomes. GCF resources are necessary for deploying mechanisms that can attract private capital and can deliver climate benefits with the maximum leverage possible. They are also needed to build knowledge and capacity within local governments, and along the finance and production value chains.

Overall contribution to climate-resilient development pathways consistent with relevant national climate change adaptation strategies and plans:

274. Despite governments' (of the target countries) willingness to find ways to reduce deforestation and land degradation, efforts so far have been insufficient. A shift in local productive structures and practices can contribute to addressing this issue, although this cannot be achieved by public efforts alone.

275. Private sector participation is key to produce a fundamental and long-lasting change, specifically via investing in the adoption of business models, activities and technologies that use natural resources sustainably, and contribute to climate-resilient development pathways. In all targeted countries, natural capital is substantial, and the development of bio-businesses poses an important opportunity to address AFOLU-related GHG emissions and increase resilience to climate change. Yet, capital flows to these activities are minimal. Measures are needed to better connect relevant actors within these markets and for them to realize the value of natural capital in these activities at scale.

276. All of &Green Fund's target countries have demonstrated a commitment to reducing greenhouse gas emissions, adapting to the impacts of climate change and safeguarding their natural capital. These commitments are outlined in national climate policies of the respective countries (including Nationally Determined Contributions and National Adaptation Plans) and through being party to international agreements. The &Green Fund strives to ensure close alignment with the mitigation and adaptation objectives of each target country. To this end, &Green Fund have undertaken a detailed analysis of the climate policies of each target country and engaged with relevant stakeholders in each country. The &Green Fund's alignment with national climate policies is documented in Appendix 5 of the Feasibility Study (Annex 2). &Green Fund's engagement with relevant stakeholders in each target country is documented in Annex 7.

277. &Green will monitor and report investments' contribution to paradigm shift and transformational change as part of the existing &Green MRV framework. For example, KPI 1 in the MRV framework requires reporting on contribution to systems change, scale and durability.

D.3. Sustainable development (max. 500 words, approximately 1 page)

Describe the wider benefits and priorities of the project/programme in relation to the Sustainable Development Goals and provide the potential in terms of:

- *Environmental co-benefits*
- *Social co-benefits including health co-benefit*
- *Economic co-benefits*
- *Gender-sensitive development benefit*

278. The proposed programme contributes indirectly to almost all of the Sustainable Development Goals (SDGs), but contributes most directly to:

- Goal 8: Decent work and economic growth;

- Goal 12: Responsible Consumption and Production;
- Goal 13 Climate Action;
- Goal 15: Life on Land.

279. &Green Fund will support these goals by improving sustainable forest and agricultural land management, contributing to climate change mitigation, and building climate resilience. Goal 5: Gender-sensitive Development has been mainstreamed into &Green Fund operations at both programme and project level.



280. &Green Fund's borrowers must adopt a "no-deforestation, no peat, no exploitation" policy as a condition of investment. In alignment with SDG 8, these provisions, and the technical assistance provided via Component 2, will help to improve working conditions for smallholders in producers' supply chains, and a more equitable share of the benefits from commodity supply chains.



281. The &Green Fund makes a major contribution to the achievement of SDG 12 in all participating countries. By promoting agricultural intensification, sustainable management and reduced natural resource exploitation, the Fund engages large companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle.



282. As described throughout this Funding Proposal, the &Green Fund will contribute to SDG 13 by delivering >339 million tCO₂e in emission reductions from the agriculture, forestry and land use sectors over the GCF investment lifetime, while building climate resilience for agricultural producers.



283. The Fund's investments will support SDG 15 by protecting, restoring and promoting sustainable use of terrestrial ecosystems, contributing to sustainable forest management and halting / reversing land degradation and biodiversity loss in tropical ecosystems threatened by unsustainable agricultural practices.

284. &Green Fund does not quantitatively account biodiversity impacts as co-benefits from investments and forest protection, though each hectare of forest protected and restored contributes to slowing biodiversity decline, and the reported number of hectares with increased ecosystem resilience can be considered a proxy for biodiversity improvement. Beyond this, the Fund is very aware of the importance of halting and reversing the catastrophic decline in biodiversity and has used best practice approaches in this regard. See Section 2.9 of Annex 2 – Feasibility Study for more detail on the Fund's approach to biodiversity.

285. The contribution to the achievement of social and environmental co-benefits will be measured and reported regularly. &Green has strong transaction-level MRV that addresses requirements in each ESAP, subject to annual monitoring and 3rd party review. Project-level ESAPs follow a standardized structure to track timely

delivery of expected milestones, annual performance in KPIs, and progress in (or maintenance of) IFC PS compliance. These elements are contractually prescribed in ESAP documentation and are made publicly available.¹¹⁹

286. &Green monitors and tracks NDPE and IFC PS compliance for all transactions as part of careful oversight of our investments. This data is aggregated from project level to portfolio in a defined process and used as a portfolio indicator by management and the &Green Board (OPI 9.2 and 9.4 respectively; see &Green KPI Framework).¹²⁰
287. &Green Fund's robust approach to implementation, monitoring and reporting is described further in Annex 21 - Operations Manual as well as accompanying MRV documents (MRV Protocol (Annex 6, Appendix 2), Guidance Note (Annex 6, Appendix 4) and KPI Framework (Annex 6, Appendix 1)).

Gender-sensitive development benefit



288. The formative research conducted for Annex 8 (Gender Assessment and Action Plan) revealed that women, more so than men – in the &Green target countries – face a number of gendered and social barriers and constraints when working in agricultural production and processing.
289. These include: limited equal opportunity to acquire the factors of production such as land, credit, networks, infrastructure and education; limited time to take advantage of economic incentives (e.g. by participating in agricultural development projects) due to women's existing roles and responsibilities to carry out non-salaried tasks (e.g. child care, housework), also referred to as the unpaid care economy; discriminatory gender norms prevalent in communities, markets and institutional structures which favour male participation and prevent women from having an equal voice in decision-making.
290. &Green Fund, as a Fund that aims to generate substantial environmental and social returns, also works on diminishing gender inequality through the invested portfolio. In principle, &Green Fund will tackle gender inequalities in three ways: understanding the gendered division of labour, decision making process and access to financial services; drawing action plans specific to the local context with specific attention to SEAH and GbV in commodity supply chains; and enhancing cooperation in local communities and raising awareness of women's empowerment. Please see Annex 8 – Gender Analysis and Gender Action Plan for more detail. Through an intersectional approach &Green Fund will build an awareness of the differentiated needs and vulnerabilities of other underrepresented groups based on gender, age, sexual orientation, race and other characteristics.

D.4. Needs of recipient (max. 500 words, approximately 1 page)

Describe the scale and intensity of vulnerability of the country and beneficiary groups and elaborate how the project/programme addresses the issue (e.g. the level of exposure to climate risks for beneficiary country and groups, overall income level, etc.). Describe how the project/programme addresses the following needs:

- *Vulnerability of the country and/or specific vulnerable groups, including gender aspects (for adaptation only)*
 - *Economic and social development level of the country and the affected population*
 - *Absence of alternative sources of financing (e.g. fiscal or balance of payments gap that prevents government from addressing the needs of the country; and lack of depth and history in the local capital market)*
 - *Need for strengthening institutions and implementation capacity*
291. As described in Section B.1, the agriculture, forestry and land use sector is a major contributor to GHG emissions in all target &Green Fund countries. Moreover, agriculture and shifting of commodity productions are primary drivers of deforestation in these countries (see table on deforestation in each country in section B.1.). The sector is also highly vulnerable to climate change: increasing temperatures, changes to rainfall variability and frequency and intensity of fires, are already impacting agricultural productivity. A shift in local productive structures and practices can contribute to addressing this issue, but this cannot be achieved with public

¹¹⁹ https://www.andgreen.fund/wp-content/uploads/2022/05/ESAP_FS_Final_Public-1.pdf

¹²⁰ While the GCF logframe templates do not include sub-investment indicators. &Green is happy to share this monitoring data GCF as part of quarterly, semi-annual and annual reports that go to all &Green investors.

investment alone. Despite governments' willingness to find ways to reduce deforestation and land degradation, efforts so far have been insufficient. Private participation is key to produce a fundamental and long-lasting transformation, specifically via investing in the adoption of business models, activities and technologies that use the natural resource base more sustainably. In all targeted countries, natural capital is substantial, and the development of more sustainable businesses models poses an important opportunity to address AFOLU-related GHG emissions and increase resilience to climate change. However, as described in Section B.1 and B.2, multiple barriers prevent the spontaneous adoption of low-emission, climate resilient agricultural commodity production.

292. &Green Fund's target countries have demonstrated their commitment to consolidate a support system for safeguarding their natural capital through international agreements and their own policy documents (NDCs, NAPs, etc.). However, these countries require support to strengthen regulatory environments, or establish specific mechanisms to adequately value natural / forest assets. Advances made to establish or enforce these regulatory and institutional frameworks vary among the targeted countries (see Appendix 5 of the Feasibility Study). The development of sustainable commodity production strategies remains in its infancy, as producers struggle to overcome barriers that hinder the shift towards environmentally friendly practices. Overall, legal and policy frameworks are in place for the conservation and sustainable management of forests and biodiversity, but incentives for streamlining the participation of private investors in businesses relating to forest protection and sustainable commodity production are generally not in place.
293. The main commercial lenders in &Green Fund's target countries typically employ risk-averse investment strategies and offer very limited financing alternatives for these ventures. In general, the risks associated to these projects, especially in the absence of proper natural capital valuation, hinders credit and investment by private actors. In addition, support is needed across the region to overcome barriers related to the limited expertise and advancement in technology development associated to the innovative nature of these businesses (see Section B.2).
294. GCF resources are necessary for deploying mechanisms that can attract private capital and can deliver climate benefits with the maximum leverage possible. They are also needed to build knowledge and capacity within local governments, and along the finance and production value chains.
295. For detailed descriptions of the economic and social development and overviews of the financial landscape in each country, see appendices 3 and 4 of the Feasibility Study.

D.5. Country ownership (max. 500 words, approximately 1 page)

Alignment with existing national strategies and GCF Country Programmes

296. A detailed review of the 11 target countries concluded that the Fund is well-aligned with multiple strategies, targets, and plans (such as Nationally Determined Contributions (NDC) and National Adaptation Plans (NAPs)) of the target countries. In addition, the Fund has reviewed the GCF Country Programmes for all target countries. While this Funding Proposal was prepared subsequent to the publication of those GCF Country Programmes, nearly all of the CPs call for interventions that make agricultural production more climate resilient and reduce deforestation threats. **Annex 2 includes an extensive (100+ pages) analysis of &Green Fund's alignment with each target country's strategy.**
297. The proposed program is aligned with recent global commitments to which the target jurisdictions are parties. The **Glasgow Leaders' Declaration on Forests and Land Use**, signed at COP26, highlights the need for transformative steps to transform agriculture as part of efforts to conserve forests and other terrestrial ecosystems.
298. **The Convention on Biological Diversity (CBD)** has three main targets: biodiversity conservation, sustainable use of biodiversity and fair and equitable sharing of genetic resources. &Green Fund activities directly align with CBD objectives by targeting sustainable use and conservation of forests in all target geographies and incorporating the principles and practices of the TNFD (Taskforce on Nature-related Financial Disclosures) based.
299. All countries are parties to the **Nagoya Protocol** and will support the main objectives of the protocol to promote equal use of natural resources and environmental benefits through this project by improving local smallholder livelihoods through sustainable forest management.

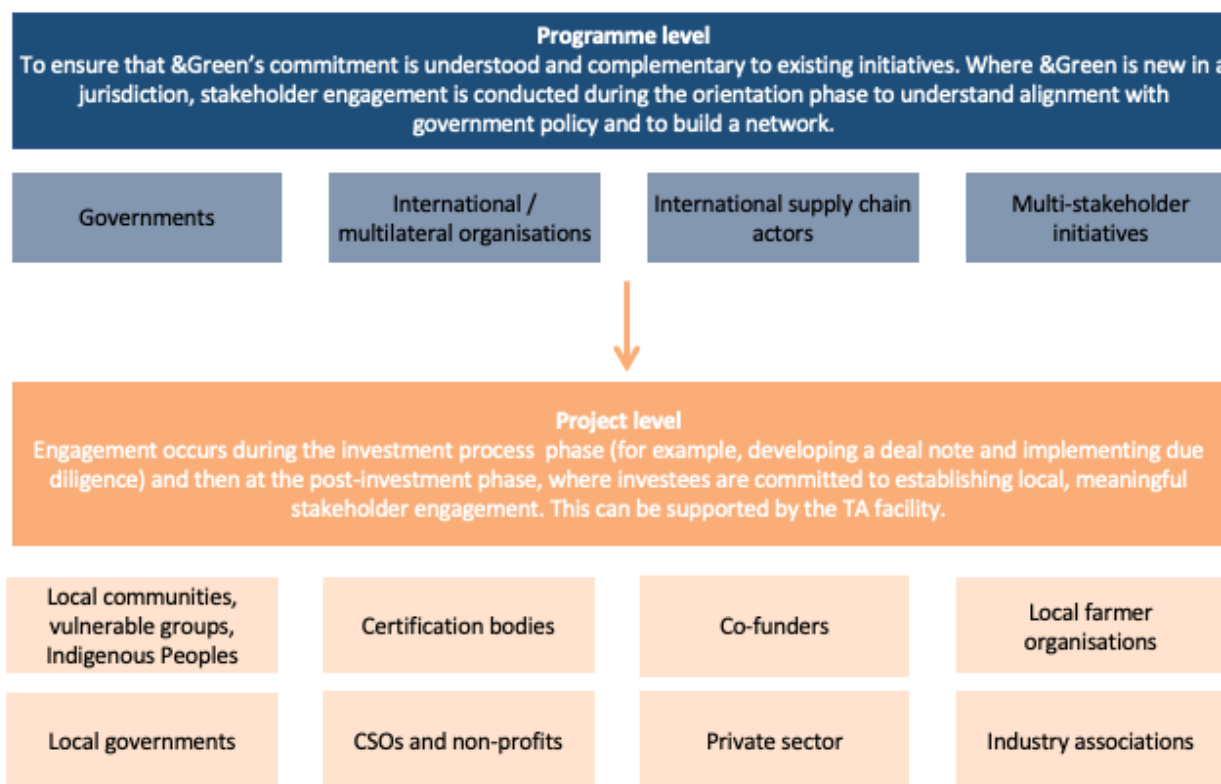
Engagement with National Designated Authorities and other stakeholders

300. &Green Fund has received letters of No-Objection Letters (NOLs) from the NDAs of all 11 target countries: Brazil; Indonesia; Colombia; Cameroon; Congo, Côte d'Ivoire; Democratic Republic of the Congo; Ecuador; Gabon; Lao People's Democratic Republic (PDR); Liberia; Zambia. FMO shared an overview presentation of the

programme along with formal NOL request letters and the GCF approved Concept Note or draft Funding Proposal (depending on the timing of communications). This initial outreach was followed up by the Fund and IDH (where there is in-country presence) for further engagement. Presentations and virtual meetings were offered to all NDAs. The following points provide a summary of the NDA consultations (further details can be found in Annex 7):

- Presentations and Q&A virtual meetings: Democratic Republic of Congo, Ecuador, Gabon, Indonesia;
- IDH direct engagement in-country: Brazil, Colombia, Cameroon, Liberia;
- NDA engaged through email or phone: Cote d'Ivoire, Lao PDR, Zambia.

301. &Green Fund and its partners have been in regular dialogue with the NDAs and country representatives throughout the Funding Proposal development, incorporating comments and feedback into the proposal as it is being developed. The final package will be shared with all the NDAs upon completion. As illustrated in the Figure below, stakeholder engagement occurs at both the programmatic and project levels. As part of the programmatic engagement during preparation of the Funding Proposal, all stakeholders were invited to attend virtual stakeholder consultations (i.e. webinars) in June 2022, which provided an opportunity for Q&A and feedback, as well as a call to feedback through the &Green Fund stakeholder webpage (see: <https://www.andgreen.fund/stakeholders/>).



302. As of April 2023, eleven NOLs have been received from the NDAs of **Brazil; Indonesia; Colombia; Cameroon; Côte d'Ivoire; Democratic Republic of the Congo; Ecuador; Gabon; Lao People's Democratic Republic (PDR); Liberia; and Zambia**. The programme has been well received, with a high level of interest from NDAs and key ministries in developing the programme in their country. Additional countries, beyond the 11 targeted, have been contacted and NOL process initiated but no NOL has been received. These countries include (without limitation) Ghana, Malaysia, Mexico, Paraguay, Peru and Viet Nam. The programme may include further countries if NOLs are received prior to GCF board approval.

303. The programme has provided ongoing opportunities for stakeholders at programme, national, and project level to contribute their views and influence the design of the programme, including via a series of virtual stakeholder consultation webinars held in English, Spanish, French and Portuguese in June 2022. Engagement has been promoted with national and local governments, including the National Designated Authorities and relevant ministries both during programme formulation and implementation. The private sector, civil society organisations, and local communities will also be engaged and supported at deal level, also supported by the TAF to, where needed, avail additional capacity and resources for meaningful engagement and development of gender sensitive or gender transformational strategies.

D.6. Efficiency and effectiveness (max. 500 words, approximately 1 page)

Appropriate financial structure and minimum concessionality

304. The &Green Fund seeks USD 180 million from GCF in the form of subordinate loans, and a further USD 9.35 million in grants to support programmatic activities over a 15-year timeframe. The total funding request is USD 189.35 million. &Green Fund will on-lend to agricultural commodity producers – an appropriate financial intervention given the income-generating nature of the producers' activities. Grant financing comprises only 4.9% of total GCF funding, and is essential to overcome policy, technical and information barriers that prevent a rapid transformation of the sector.
305. GCF financing to Stichting AndGreen.Fund will be provided as a concessional loan, with a catch-up for GCF at the end of the loan tenor.
306. GCF capital is subordinated to commercial lenders in the timing of the reflows, and in the way the catch-up is structured. This approach avoids crowding out private and other public investors. Once the principal and interest from GCF's loan to &Green Fund have been repaid, these resources will be available once again for GCF's use in driving transformational climate action.
307. As noted in Section B.5, GCF's loan of USD 180 million on top of the Fund's existing USD 180 million will provide credibility to the &Green Fund business model, change perceptions regarding the risk-reward ratio of investments in this sector and support the Fund to crowd-in private sector investors. The financial model (See Annex 3) shows that, without GCF support, the &Green Fund is unable to crowd-in sufficient private sector investment to scale rapidly and achieve sector transformation. In the absence of early-stage GCF debt financing, the Fund is expected to achieve a maximum size of USD 300 million over the next 15 years, instead of the USD 1 billion fund size projected in the 'with-GCF' scenario. The USD 1 billion is merely a north star to guide the Fund, but in reality (given it is an Evergreen structure) it is possible that &Green Fund could raise and deploy significantly more than that. It would not need more concessional financing at that stage to do so.

Leveraging significant co-financing

308. The programme anticipates co-financing in the form of loans and equity from private and public investors totaling at least USD 783.6 million over the GCF investment period. The margin over the risk-free rate, the tenor, and the downside protection currently required by the private sector investors have all been incorporated into the financial model that underlies the funding proposal, based on discussions with prospective investors. In addition, the programme will provide USD 8.6 million of co-financing in the form of grants. Total co-financing for the programme is therefore USD 792.27 million, for a co-financing ratio of 4.18:1.
309. As per &Green Fund Lending Guidelines, any investment of the fund must, over the lifetime of the investment, be no more than 25% of the total project investment amount. The balance (75%) of the necessary investment can come from the project sponsor (equity or other instruments), local investors (including commercial banks, individuals, etc.) and international investors. Project-level co-investments are **NOT** counted under the co-financing indicated under Section C.2 – Financing by Component and are additional to the co-financing indicated there. **Including the project-level co-investments would yield an effective co-financing ratio of at least 15:1.** However, &Green Fund and the Accredited Entity have presented only the Fund-level co-financing in the GCF budget presentation.

Cost-effective programme impact

310. &Green Fund is a cross-cutting programme that reduces emissions from deforestation while making ecosystems and agricultural producers more resilient to the impacts of climate change. GCF's catalytic support is expected to result in net GHG reductions of 339.15 million tCO_{2e} over the lifetime of the investment (see Section E – Logical Framework, and Annex 22 – GHG calculations for details). Over the same period, the programme is expected to deliver direct climate resilience benefits to more than 1.9 million people and bring more than 15.7 million ha of land under sustainable and climate resilient management.
311. Table 5 below summarises the programme's performance against multiple efficiency and effectiveness metrics.

Table 6: Cost-effectiveness metrics

Total budget (USD)	981,620,000
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GCF contribution (USD)	189,350,000
Co-financing (USD)	792,270,000
GCF contribution as percentage of total budget	19%
Co-financing as percentage of total budget	81.26%
Co-financing ratio (co-finance:GCF) – programme level	4.2:1
<i>Co-financing ratio – project level</i>	15:1
GCF grant (USD)	9,350,000
GCF grant as percentage of total GCF contribution	4.9%
GCF allocation for forestry and land use (M4)	65%
Direct emissions reductions (tCO ₂ e - lifetime)	339,150,000
Allocated project cost per tCO ₂ e reduced	\$2.89
Allocated project cost per tCO ₂ e reduced	\$1.87
Allocated GCF contribution per tCO ₂ e reduced	\$0.36
GCF allocation for health & well-being, food and water security (A2)	14%
Total direct beneficiaries	1,921,340
Total project cost per beneficiary	\$511
Allocated project cost per beneficiary	\$70.27
Allocated GCF contribution per beneficiary	\$13.80
GCF allocation for ecosystems & ecosystem svcs (A4)	21%
Total direct hectares under low-emission / climate-resilient mgmt	15,705,920
Total project costs per hectare	\$62.50
Allocated project costs per hectare	\$13.13
Allocated GCF contribution per hectare	\$2.53

Application of best practices

312. This Funding Proposal has been prepared based on &Green Fund's existing experience with 5 completed investments since its establishment in 2017, as well as builds on the experiences and guidance of IDH-Sustainable Trade Initiative. IDH is engaged in multiple global coalitions to identify and develop best practices in tropical agricultural commodity production. IDH's support to &Green Fund will enhance producer, supply chain partners and key government stakeholders to be aware of and pursue best practices in deforestation free and climate resilient production.

E. LOGICAL FRAMEWORK

*This section refers to the project/programme's logical framework in accordance with the **GCF's Integrated Results Management Framework** to which the project/programme contributes as a whole, including in respect of any co-financing.*

E.1. Project/Programme Focus

Please indicate whether this proposal is for a mitigation or adaptation project/programme. For cross-cutting proposals, select both.

- ☒ Reduced emissions (mitigation)
- ☒ Increased resilience (adaptation)

E.2. GCF Impact level: Paradigm shift potential (max 600 words, approximately 1-2 pages)

This section of the logical framework is meant to help a project/programme monitor and assess how it contributes to the paradigm shift described in section D.2 above by applying three assessment dimensions - scale, replicability, and sustainability.

Accordingly, for each assessment dimension (see the definition per assessment in the accompanying guidance note), describe the current state (baseline) and the potential scenario (target) and rate the current state (baseline) by using the three-point-scale rating (low, medium, and high) provided in the guidance note. Also describe how the project/programme will contribute to that shift/ transformation under respective assessment dimensions (scale, replicability and sustainability). In doing so, please refer to section B.2(a) (theory of change).

Assessment Dimension	Current state (baseline)		Potential target scenario (Description)	How the project/programme will contribute (Description)
	Description	Rating		
Scale	<p>Currently, investments and financial flows towards the sustainable, long-term transformation of the palm, soy, cattle and forestry sectors are limited. Few investors are willing to divest from these supply chains away from areas associated with high deforestation risk. &Green Fund has been required to act as the lead investor in the transactions it has worked on to date.</p> <p>The lack of co-investors is due to mainstream investors' risk perception of financing the transformational pathways that these sectors and jurisdictions require. They also remain challenging sectors for international investors who are concerned about reputational risk, and who do not have</p>	<u>Low</u>	<p>&Green Fund plans to scale-up investment into the Fund as follows:</p> <ul style="list-style-type: none"> • With USD 180 million confirmed by the GCF in 2023, &Green Fund will then unlock USD 600 million in additional commitments from private sector investors. &Green Fund will only draw GCF capital, as and when private sector capital is committed. • By December 2026, the Fund will meet its original impact targets (5 million hectares of forest conserved, 2,000,000 beneficiaries) and achieve a USD 400 million portfolio, with major climate change investors from the public and private sector. • By December 2031, the Fund will meet its multiplier impact and achieve a USD 960 million portfolio, with major institutional and corporate investors. 	<p>Scale up potential for &Green Fund occurs in two ways:</p> <p>(a) through investment by the Fund</p> <p>(b) through attracting private sector investors in the Fund at scale</p> <p>As part of the transformational change approach outlined above, investments are only eligible for &Green Fund lending if the potential for scale-up is demonstrated in advance. Each investment is thus only approved if it is 'at scale' or has a demonstrated potential to scale. Through this approach, the &Green Fund establishes blueprints for financing inclusive, sustainable and deforestation-free commodity production that is commercially viable and replicable (that is, scalable), strengthening the case for a rural development paradigm that protects valuable forests and peatlands and promotes high productivity agriculture.</p> <p>Furthermore, the Fund can expand to other commercially productive landscapes, and</p>

	<p>the internal knowledge to properly assess credit risk for land-use investments in emerging markets. Furthermore, many investors do not possess the skills or capacity required to assess the climate benefits of investments (emissions reductions, adaptation). This prevents them from prioritizing supply chain development to ensure a comprehensive shift from deforestation risks and towards investments from a climate perspective.</p>			<p>other countries, provided they meet eligibility and investment criteria and these opportunities attract additional investors.</p> <p>Additionally, for each sub project &Green Fund will typically invest only 25% of the required amount. The remaining 75% is financed via other sources and is not included as part of the co-financing that &Green Fund is reporting to the GCF. This means that &Green Fund's USD 1 billion target portfolio size will ultimately leverage <u>3 – 4X this investment</u> into target sectors.</p>
Replicability	<p>&Green Fund has an existing portfolio of investments towards agri-commodity producers and commodity supply chains linked with deforestation in tropical countries. However, replication is hampered by investors' limited awareness of effective models for financing socially inclusive, sustainable and deforestation-free commodity production.</p> <p>While there are a number of equity-based funds that focus on the shift to sustainable agricultural commodity production, it is critical to also increase the levels of debt finance flowing to sustainable agriculture. Replication of equity funds is limited because debt accounts for a higher proportion of the total global financial flows than equity.</p>	<u>Medium</u>	<p>&Green Fund will mainstream models of financing socially inclusive, sustainable and deforestation-free commodity production that are commercially viable and replicable, thus strengthening a rural development paradigm that protects valuable forests and peatlands and supports high-productivity agriculture.</p> <p>By the end of the GCF investment period &Green Fund will have replicable investment blueprints for each commodity (soy, cattle, palm oil, rubber, timber) that has received investment in each of the 11 target countries. Replication may involve:</p> <ul style="list-style-type: none"> ● Follow-on investments in target companies by other investors ● Investments in other companies in target countries using &Green Fund blueprints ● Investments in companies operating in target sectors and based in other countries, using &Green Fund blueprints. 	<p>&Green Fund's investment structure and business model can ensure replicability in the following ways:</p> <p>(a) Transactions made through the Fund stimulate innovation in agricultural business models by (among other things) taking the best growth ideas from more mature industries in target jurisdictions or other countries and adapting those processes to the target company while incorporating environmental sustainability.</p> <p>(b) &Green Fund's high degree of transparency and insistence on collecting and sharing data publicly helps to form a community of practice among agri-producers and investors about what works, and how to replicate success. Successful models form the basis for replicable blueprints that will be shared between target countries to be applied in their own contexts – this is a key element of the Fund's transformational impact.</p> <p>(c) &Green Fund enables knowledge sharing through high transparency. Lending guidelines, annual reports, jurisdictional assessments,</p>

			<p>Since replication by definition occurs outside the GCF programme boundaries (as opposed to scaling-up), it is not possible to specify replication targets.</p> <p>Since the recent commitment to reducing and eliminating deforestation made at COP26 includes 141 countries and this Fund is currently targeting only 11, there is considerable potential for replicating and scaling-up investments in additional markets.</p> <p>Other investors will be targeted to increase the potential of the Fund to deliver private sector-driven impact on forest protection. The scalable fund structure means that future international investors and development agencies can be included, complementing the project's technical, financial and convening capacities over time.</p>	<p>governance structure, and each investment's ESAPs and LPPs as well as policies and approaches that are publicly available on the &Green Fund website. This supports other market participants' awareness and assessment of the created blueprints for sustainable land use and management, in turn enabling their adoption, replication and scale-up.</p> <p>The investees, beneficiaries, investors and other partners, as well as the Fund itself, engage in an ongoing learning process. As deals are executed, the Fund's investment team will capture and share best practices, lessons and models within and across sectors through multiple channels. &Green Fund aims to create blueprint transactions – practices and approaches that can be replicated – therefore knowledge sharing is built into the Fund's operating structure, partnerships and KPIs.</p> <p>In support of this replication strategy, IDH will support the development of capacities, skills, and tools development at transaction level as well as support national and international learnings between countries on examples and lessons to be shared between both public and private sectors to mobilizing action for scaling up investment in deforestation-free supply chains.</p>
Sustainability	<p>The current size of the &Green Fund does not allow sufficient economies of scale to crowd in commercial investors and become self-sustaining.</p>	<u>Low</u>	<p>GCF funding will enable the &Green Fund to increase scale, crowd in private sector investment and accelerate interventions and impact commensurate with the urgency of the climate and deforestation crises.</p> <p>Once established (through Component 1), &Green Fund aims to scale up to USD 1 billion with the potential for expansion to additional sectors and geographies. At USD 1 billion scale there is sufficient volume and stability in the portfolio that actual and perceived risks</p>	<p>&Green Fund is set up as an evergreen structure, and the 15-year commitment from the GCF will catalyse additional investment to provide enough resources throughout the critical period of establishing the commercially viable blueprints for the sectors and jurisdictions targeted, and beyond the period of GCF involvement. &Green Fund issues highly transparent annual reports, and will continue to do so, and will provide investors with regular updates on portfolio performance, including financial statements</p>

			<p>are reduced, a clear track record is established, and commercial investors will confidently invest in the target sectors (barriers to commercial investment are overcome).</p>	<p>and status of current investments.</p> <p>The GCF will invest in Stichting AndGreen.Fund, which will use that capital to get exposure to &Green B.V., which will be created for the purpose of mobilizing private sector capital in tandem with GCF's investment. &Green B.V. is designed to finance and expedite sustainable commodity supply chain projects enabling large-scale sector players to confidently transition well beyond business-as-usual practices.</p> <p>In 15 years' time (GCF investment period), it will be beyond 2040 and global public and private sector strategies will be closing in on their 2050 climate change targets. &Green Fund will have played an important role in ending deforestation in tropical forests from key commodity supply chains. &Green Fund will have also demonstrated that social and environmental impact with global relevance and at scale is possible with proper financial planning and a funding mechanism that mitigates risk and delivers absolute returns in line with private sector investor demands.</p> <p>&Green Fund, at the time of GCF's exit, will continue to accelerate and scale deep market transformation in the same landscapes, jurisdictions, and supply chains without the need to ask for additional catalytic money (i.e., fully funded by commercial investors), acting as a mainstream green lender essentially alongside other international funds and local banks. This long-term goal would be a marker for a significant shift in how commodities are produced and financed. &Green Fund expects that by 2040 the financing and traceability of tropical supply chains will be the norm across the tropics. Other kinds of finance products, syndication, structured finance, distressed finance, and club loan</p>
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				<p>opportunities will remain opportunities for &Green Fund as a purely commercial offering to continue its financing of the sector and drive sector innovation. The no-deforestation additionality will then be about maintaining rather than creating no-deforestation status in these supply chains.</p> <p>&Green Fund, at that point, will be inherently sustainable, given that it is based on a proven concept that applies broadly accepted lending and risk management principles.</p> <p>Component 2 will in the first five years support the development of capacities, skills, and tools, which will be taken forward by the team of &Green Fund and their then existing and future investees.</p>
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E.3. GCF Outcome level: Reduced emissions and increased resilience (IRMF core indicators 1-4, quantitative indicators)

Select appropriate IRMF core and supplementary indicators to monitor project/programme progress. More than one IRMF (core and or supplementary) indicators may be selected as applicable for each GCF results area and project/programme outcome (as defined in the table in section B.2(b)). If IRMF indicators are unable to measure any given project/programme outcomes, project/programme-specific indicators should be developed under section E.5 (project/programme specific indicators).

GCF Result Area	IRMF Indicator	Means of Verification (MoV)	Baseline	Target		Assumptions / Note
				Mid-term	Final ¹²¹	
<u>MRA4 Forestry and land use</u>	<u>Core 1: GHG emissions reduced, avoided or removed/sequestered</u>	<ul style="list-style-type: none"> Annual GHG reporting from Client companies Audit and review of Client reporting and data by independent consultants &Green Fund reporting consolidated figures annually 	<p>The starting point or current value of the indicators before the implementation of the project</p> <p>Baseline established from &Green Fund's Annual Report calendar year prior to GCF engagement</p>	<p>The estimated value of the indicator at the mid-point of the implementation</p> <p>150MtCO₂e</p>	<p>The estimated value of the indicator at the completion of the implementation</p> <p>339 MtCO₂e</p>	<p>Externalities and factors outside project management's control that may impact the outcomes</p> <p>Data sources and methodologies applied for estimating baseline and targets</p> <p>Sequestration reported to GCF will be 'beyond' any sequestration in prior years, thus set at zero for reporting.</p> <p>&Green Fund is an evergreen fund. 'Final' taken as 15</p>

¹²¹ The final target means the target at the end of project/programme implementation period. However, for core indicator 1 (GHG emission reduction), please also provide the target value at the end of the total lifespan period which is defined as the maximum number of years over which the impacts of the investment are expected to be effective.

			(0tCO ₂ e sequestration).			<p>years, mid-term at five-years.</p> <p>Estimates extrapolated from existing portfolio, assuming some ramp-up in initial years. By 2030, some loan tenors end (repaid), funds re-deployed, and the accounted impact plateaus.</p> <p>Lifetime sequestration assumes protected forest returns to near natural condition, noting that changes in climate (notably amazon drying) may limit the ultimate sequestration potential to less than the pre-industrial levels.</p> <p>Emissions sequestration results from regrowth and densification in degraded forests that are conserved, and from biomass growth in forest restoration areas. Any reversals (and hence emissions) are deducted.</p> <p>Sequestration is calculated as for national inventories¹²² under the UNFCCC: area multiplied by appropriate IPCC emissions factors¹²⁴.</p> <p>IPCC factors are selected to the highest degree of geographical and location specificity available (Tier 2 or 3) for biomass growth, R, and Carbon</p>
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¹²² As well as Forest Reference Emissions Levels (FRELs) under the Paris Agreement.

¹²³ Within REDD+ approaches OPI 3.2 reflects 'enhanced sequestration' when a forest is protected.

¹²⁴ UNFCCC: United Nations Framework Convention on Climate Change. IPCC: Intergovernmental Panel on Climate Change.

						<p>Fraction. These factors are further compared with recent relevant published research for regrowth in degraded forests when available.</p> <p>[NB above paras could be simplified or say “refer to Annex X”]</p> <p>Data is obtained from Client reporting and remote sensing (satellite).</p>
	<p><u>Core 2: Direct and indirect beneficiaries reached</u></p>	<ul style="list-style-type: none"> Annual reporting from Client companies Audit and review of Client reporting and data by independent consultants &Green Fund reporting consolidated figures annually 	<p>Calendar year prior to GCF contracting.</p> <p>0 beneficiaries</p>	<p>~1,700,000 beneficiaries</p>	<p>~1,900,000 beneficiaries¹²⁵</p>	<p>Estimates extrapolated from existing portfolio, assuming ramp-up in initial years. By 2030, repaid loan funds re-deployed, accounted impact plateaus.</p> <p>For each transaction, beneficiaries are identified as those with benefits that are ongoing or permanent and that impact the climate resilience of livelihoods. This may include services that enhance agricultural outputs, local micro-climates, water and food supply, financial stability, education and job security.</p>
	<p><u>Core 4: Hectares of natural resources brought under improved low-emission and/or climate-resilient management practice</u></p>	<ul style="list-style-type: none"> Annual reporting from Client companies Audit and review of Client reporting and data by independent consultants &Green Fund reporting consolidated 	<p>Calendar year prior to GCF contracting.</p> <p>0ha.</p>	<p>6,950,000 ha</p>	<p>15,705,920 ha</p>	<p>Area (ha) of land rehabilitated, restored and/or protected, made up of the:</p> <ul style="list-style-type: none"> - areas of forest protected; - areas of non-forest ecosystems

¹²⁵ The number of beneficiaries is considered a minimum, and a much larger number is expected when investments are identified. The % of population is not included as the investment locations are not yet known.

		figures annually				<p>restored or improved;</p> <ul style="list-style-type: none"> - areas of degraded land restored through regenerative agriculture, silvo-pastoral agriculture or agroforestry ; - area of land under cultivation with NDPE. <p>= Supplementary 4.1 + area of land under cultivation adhering to NDPE commitments.</p> <p>Based on extrapolation from estimate of 16,000ha of ecosystems with increased resilience for every USD 1 million invested.</p> <p>16,000 ha x 981.62 = 15,705,920ha</p>
	<p><u>Supplementary 4.1: Hectares of terrestrial forest, terrestrial non-forest, freshwater and coastal marine areas brought under resoration and/or improved ecosystems</u></p>	<ul style="list-style-type: none"> • Annual reporting from &Green's portfolio companies • &Green Fund reporting annually 	FIGURES FROM MOST RECENT ANNUAL REPORT	6,950,000 ha	15,705,920 ha	<p>The total number of hectares of natural resources brought under improved low-emissions and/or climate-resilient management practices is based on an estimation of 16,000 ha of ecosystems with increased resilience for every USD 1 million invested.</p> <p>16,000 ha x 981.62 = 15,705,920</p>

<u>ARA2 Health, well-being, food and water security</u>	<u>Core 2: Direct and indirect beneficiaries reached</u>	<ul style="list-style-type: none"> Annual reporting from &Green Fund's portfolio companies &Green Fund reporting annually 	FIGURES FROM MOST RECENT ANNUAL REPORT	~1,700,000 beneficiaries	~1,900,000 beneficiaries ¹²⁶	Total figure for estimated beneficiaries is based on a projection 2,000 beneficiaries for every USD 1 million invested.
	<u>Supplementary 2.1: Beneficiaries (female/male) adopting improved and/or new climate-resilient livelihood options</u>	<ul style="list-style-type: none"> Annual reporting from &Green's portfolio companies involved in livestock value chains. 	FIGURES FROM MOST RECENT ANNUAL REPORT	TBC	TBC	<p>OPI6.4 – Producers reached – monitors direct and indirect suppliers compliant with NDPE and sustainability commitments. A producer that reaches this compliance meets important sustainability values (including IFC PS) that protect ecosystems, drive greater diversity (human and biological) resulting in higher resilience. OPI6.4 is directly included, and may be considered equivalent to GCF's:</p> <p>Where the adopted livelihood is one of higher agricultural productivity and no-deforestation, connected to global supply chains.</p>
<u>ARA4 Ecosystems and ecosystem services</u>	<u>Core 4: Hectares of natural resources brought under improved low-emission and/or climate-resilient management practice</u>	<ul style="list-style-type: none"> Annual reporting from &Green Fund's portfolio companies will indicate the number of hectares of terrestrial forest brought under restoration. 	FIGURES FROM MOST RECENT ANNUAL REPORT	6,950,000 ha	15,705,920 ha	Based on an estimation of 16,000 ha of ecosystems with increased resilience for every USD 1 million invested (16,000 x 981.62 = 15,705,920)

¹²⁶ The number of beneficiaries is considered a minimum, and a much larger number is expected when investments are identified. The % of population is not included as the investment locations are not yet known.

		<ul style="list-style-type: none"> Figures provided by portfolio companies can be aggregated by &Green Fund to show impacts at country / regional / global levels. 				
	<u>Supplementary 4.2: Number of livestock brought under sustainable management practices</u>	<ul style="list-style-type: none"> Annual reporting from &Green Fund's portfolio companies will indicate the number of hectares of terrestrial forest brought under restoration. Figures for each portfolio company can be aggregated by &Green to show impacts at country / regional / global levels. 	FIGURES FROM MOST RECENT ANNUAL REPORT	TBC	TBC	TBC

E.4. GCF Outcome level: Enabling environment (IRMF core indicators 5-8 as applicable)

Select at least two relevant IRMF core (enabling environment) indicators to monitor and elaborate the baseline context and project/programme's targeted outcome against the respective indicators. Rate the current state (baseline) vis-à-vis the target scenario and select the geographical scope of the outcome to be assessed. Describe how the project/programme will contribute towards the target scenario. Refer to a case example in the accompanying guidance to complete this section.

Core Indicator	Baseline context (description)	Rating for current state (baseline)	Target scenario (description)	How the project will contribute	Coverage
<u>Core Indicator 5: Degree to which GCF investments contribute to strengthening institutional and</u>	Only a minority of local governments in key regions have developed (or have the resources to develop &/or enforce) regulations that	<u>low</u>	&Green Fund's interventions support the development and enforcement of effective	By providing capacity building support to key stakeholders in agricultural commodity markets, &Green Fund's TAF helps to establish	<u>Multi-countries</u>

<p><u>regulatory frameworks for low emission climate-resilient development pathways in a country-driven manner</u></p>	<p>promote protection of forest resources, together with increased production and inclusive management at a landscape level. Sustainable land use is not yet incentivized by the policy and stakeholder environment.</p> <p>In most cases existing regulations do not incentivise or support shifting towards sustainable development of the agricultural sector, nor do they recognize the potential tax benefits and job creation opportunities from such a move. The lack of a robust regulatory environment also creates the potential for land use conflicts in situations where land use practices, land rights and future plans are not transparent or agreed upon.</p>		<p>government policy and regulatory frameworks in each country receiving investment (for example, the Forest Code in Brazil, where &Green Fund transactions drive faster adoptions of all the elements; or the palm oil moratorium of the Indonesian government which hinges on increasing and sustained productivity on existing plantations).</p>	<p>and strengthen the enabling environment conditions required to attract further investment in sustainable agriculture.</p> <p>IDH's landscape approach focuses on the establishment of local coalitions covering key land-users and actors influencing the land-use change in each landscape. Across the landscapes, IDH develops Production, Protection, and Inclusion (PPI) Compacts to improve landscape governance model, transparency systems, and development of a bankable investment pipeline.</p>	
<p><u>Core indicator 7: Degree to which GCF Investments contribute to market development/transformation at the sectoral, local, or national level</u></p>	<p>Very few investors consider investing in the sustainable, long-term transformation of these sectors and &Green Fund has been required to act as the lead investor in the transactions it has worked on. The lack of co-investors is due to mainstream investors' risk perception of financing the transformational pathways that these sectors and jurisdictions require. They also remain challenging sectors for international investors who are concerned about reputational risk, and who do not have the internal knowledge to properly assess credit risk for land-use investments in emerging markets.</p>	<p><u>low</u></p>	<p>GCF funding will help &Green Fund develop and transform the investment market for tropical agri-commodity supply chains. Large-scale investment in NDPE commodity production will have an equivalent or better risk / reward tradeoff than legacy production methods.</p>	<p>&Green Fund's business model serves as a "first-mover" in this space, managing risks of perceived barriers and creating a blueprint for commercially viable and financially attractive no-deforestation investments that commercial investors can replicate and scale to transformative levels.</p> <p>&Green Fund aims to deepen the capital markets of every country that it invests in. This will be achieved by enhancing local banks understanding of and interest in sustainable agricultural models. This will ensure that local financial institutions (who have the requisite local knowledge) are able and willing to provide adequate finance to sustainable agricultural businesses into the future.</p>	<p><u>Multi-countries</u></p>

				GCF investment will enable &Green Fund to secure commercial investors for a USD 1 billion fund that allows private investment at scale. The resulting portfolio will offer sufficient diversification and attractive yields to enable commercial investors to achieve attractive returns without the reputational risk of traditional tropical commodity investments.	
<p><u>Core indicator 8: Degree to which GCF investments contribute to effective knowledge generation and learning processes, and use of good practices, methodologies and standards</u></p>	<p>No-deforestation production methods often require producers to modify their systems and processes, to switch to new crops and varieties, and/or to adopt new production techniques (e.g. agroforestry), often as part of multi-year transformations. Market distortions and capital and lender constraints can render this a financially unattractive proposition not offered by local / national commercial lenders. Producers face an equally daunting challenge obtaining locally appropriate information, knowledge and technology to implement these changes. In many cases, the information and technology has not been employed widely in the country or region, while in others it has not been packaged in a way that is accessible to local agribusiness owners, farm workers and the smaller farms that supply agribusinesses.</p>	<p><u>medium</u></p>	<p>The GCF investment will result in commercially viable “blueprints” for no-deforestation and regenerative agri-commodity production in the rubber, palm, timber, livestock and soy sectors across tropical Africa, Asia and Latin America. &Green Fund knowledge products will allow learning and replication and help to de-risk the shift to NDPE production by commercial growers and the smallholders who supply them.</p>	<p>The investees, beneficiaries, investors and other partners, as well as the Fund itself, engage in an ongoing learning process. As deals are executed, the Fund’s investment team will capture and share best practices, lessons and models within and across sectors through multiple channels.</p> <p>&Green Fund aims to create blueprint transactions – practices and approaches that can be replicated – therefore knowledge sharing is built into the Fund’s operating structure, partnerships and KPIs.</p> <p>Additionally, &Green’s TAF enables the scaling-up of these sustainable agricultural models by working with commodity producers, government and local community stakeholders to build capacity and buy-in for transformational change.</p>	<p><u>Multi-countries</u></p>
<p><u>Choose an item.</u></p>		<p><u>Choose an item.</u></p>			<p><u>Choose an item.</u></p>

E.5. Project/programme specific indicators (project outcomes and outputs)¹²⁷

*This section should list out project/programme-specific performance indicators (outcomes and outputs) that are not covered in sections above (E.1-E.4). List down tailored indicators to monitor /track progress against relevant project/programme results (outcomes/outputs). AEs have the freedom to decide against which outcomes they would like to set project/programme specific indicators. If any co-benefits are identified in sections B.2(a)(b), and D.3, AEs are encouraged to add and monitor co-benefit indicators under the “**Project/programme co-benefit indicators**” section in table below. Add rows as needed.*

Please number each outcome and output as shown below to indicate association of outputs to the contributing outcome. The numbering for outputs under this section should correspond to the output numbering in annex 4 (detailed budget plan).

Project/programme results (outcomes/ outputs)	Project/ programme specific Indicator	Means of Verification (MoV)	Baseline	Target		Assumptions / Note
				Mid-term	Final	
Outcome 1: Scalable, replicable commercial models developed for deforestation and peat free commodity production	Number of blueprint and investment case studies for a specific commodity and country	Sources of information and methods used to collect and report data/information to measure progress against targets Independent evaluation report	The starting point or current value of the indicators before the implementation of the project Existing portfolio of five investments across three jurisdictions but no completed blueprints .	The estimated value of the indicator at the mid-point of the implementation 8	The estimated value of the indicator at the completion of the implementation 15	Externalities and factors outside project management's control that may impact on the Component Data sources and methodologies applied for estimating baseline and targets Macroeconomic and policy environment remain aligned with &Green Fund investment approach.
Output 1.1 Scalable investment vehicle is established	One legal incorporation document package	Presentation of valid certificate of incorporation, bylaws and bank account for investment vehicle	0	1	1	Not applicable
Output 1.2 Fund recruits co-investment to leverage GCF	Amount (in USD millions) of private sector co-	Investment agreements signed	USD 180,000,000	USD 450,000,000	USD 780,670,000	• Macroeconomic environment remains aligned with Fund projections

¹²⁷ &Green Fund will use the IFC Performance Standards, as mentioned throughout this funding proposal. However, Performance Standard indicators are aimed at ensuring clients comply with lender's environmental and social requirements. As the PS are targeted at clients, it is not appropriate, or feasible given the mandatory GCF reporting templates, to include these indicators at the programme level. &Green Fund will report, at the portfolio level, the relative achievement (%) of the IFC PS for each of the projects, aggregated for the portfolio. This is included clearly in the accompanying KPI Framework document. The results of which will be included in the regular reporting to the GCF and will be independently verified at the sub-project level.

and existing &Green Fund resources.	investment leveraged	Annual audits and financial accounts				<ul style="list-style-type: none"> • Attractive pipeline of investment opportunities identified through &Green Fund's due diligence process • No political or external external shocks / force majeure incidents • Regulatory and policy environment in &Green Fund target countries remains attractive to investment
Output 1.3 Fund capital disbursed to large-scale sustainable agriculture projects with robust environmental and social covenants incorporated into lending agreements as events of default	Amount (in millions USD) disbursed to investee companies	Financial accounts/ audits Portfolio valuation updates Annual reporting Mid-term reporting	USD 113,000,000	USD 400,000,000	USD 960,000,000	<ul style="list-style-type: none"> • Macroeconomic environment remains aligned with Fund projections • Attractive pipeline of investment opportunities identified through &Green Fund's due diligence process • No political or external external shocks / force majeure incidents • Regulatory and policy environment in &Green Fund target countries remains attractive to investment
Outcome 2: Technical Assistance Facility supports an enabling environment for forest protection and climate resilient commodity production	Changes to the enabling environment in each of &Green Fund's target countries, for investments in NDPE and climate resilient agricultural production models.	Independent mid-term and final evaluations.	0%	100%	100%	<ul style="list-style-type: none"> • No political or external shocks / force majeure • Regulatory and policy environment in &Green Fund target countries remains attractive to investment

Output 2.1 Policy dialogue, awareness raising and capacity building completed to maximize country ownership, blueprint communication and replication	% of regional engagement plans implemented .	Annual reports (years 1-5)	0	100%	100%	<ul style="list-style-type: none"> Local political / social shifts could delay dialogue and interaction between stakeholders
Output 2.2 Technical cooperation service contracts in eligible jurisdictions for capacity building of companies and business model development, landscape-level impact design and local community/ smallholder inclusion plan; assessment against commercial viability and environmental and social impact criteria	<p>20 projects supported with technical assistance pre-investment;</p> <p>10 projects supported with technical assistance post-investment</p>	<p>&Green Fund investment in projects that have received pre-investment TA</p> <p>10 investment projects deliver maximal ESG impact</p>	Seven (based on current number of investments in &Green Fund's portfolio) – to be adjusted if required.	<p>20 project supported with technical assistance pre-investment;</p> <p>10 projects supported with technical assistance post-investment</p>		<ul style="list-style-type: none"> Investees adhere to investment contracts, including the development and publication of LPPs
Output 2.3 Monitoring, reporting and verification of changes in GHG, resilience and social inclusion indicators; hazard assessments and tracking paradigm shift progress	<p>Knowledge products and tools developed</p> <p>Commodity and country specific climate hazard assessments are performed to drive resilience actions</p> <p>Multi-country MRV systems established</p>	Online publication knowledge projects and climate hazard reports and of MRV system results, with annual updates for each country and project	0	<p>1 MRV System</p> <p>11 Climate Hazard Reports</p>	<p>1 MRV System</p> <p>20 Climate Hazard Reports</p>	<ul style="list-style-type: none"> Investees adhere to investment contracts, including the requirement to report on key performance indicators No major disruptions and increasingly supportive technology available for remote sensing based MRV
Project/programme co-benefit indicators						
Co-benefit 1 (Gender)	Proportion of women engaged in	&Green Fund MRV system	TBC	50%	50%	<ul style="list-style-type: none"> Women are able to access production chains as producers

	commodity supply chain production					<p>with at-par capacity (both financial and technical)</p> <ul style="list-style-type: none"> Commodities chosen by &Green Fund are attractive to women producers
Co-benefit 2 (Social)	Proportion of commodity suppliers complying with no-exploitation requirements (compared to sectoral baselines)	&Green Fund MRV system	TBC	TBC	TBC	<ul style="list-style-type: none"> ESAP and other due diligence systems facilitate compliance
Co-benefit 3 (Environmental)	Improved soil quality / reduced erosion in project areas	Bi-annual reporting by independent experts using standardized methodology	TBC	TBC	TBC	<ul style="list-style-type: none"> Project sites may be vulnerable to environmental impacts from beyond the project boundary that undo / reduce the environmental co-benefits that can be delivered through this project.

E.6. Project/programme activities and deliverables

All project activities should be listed here with a description and sub-activities. Significant deliverables should be reflected in annex 5 implementation timetable. Add rows as needed.

Please number the activities as shown below to indicate association of activities to the related outputs provided above in section E.5. Similarly, please number sub-activities as shown below to associate to the related activity.

Activities	Description	Sub-activities	Deliverables
1.1.1 Establish the scalable investment vehicle	&Green Fund is restructured as a scalable investment vehicle. This investment vehicle will include the existing &Green Fund resources and assets and allow investment by the GCF as well as commercial investors.	<ul style="list-style-type: none"> Incorporation of scalable investment vehicle Transfer assets from Stichting AndGreen.Fund 	Fully executed documents relating to establishment of investment vehicle
1.2.1 Promote &Green Fund to private sector investors	&Green Fund will attract private sector co-investment to	<ul style="list-style-type: none"> Implement outreach and promotional 	Promotional plan (n.b. the strategy is expected to evolve over time in response to

	leverage GCF and existing &Green resources	campaign to attract private sector investors	market conditions and investor feedback)
1.2.2 Negotiate and execute investment agreements	For each private sector investor, &Green Fund will negotiate a term sheet and execute the relevant investment agreement	<ul style="list-style-type: none"> • Comply with private investor due diligence requirements • Negotiate term sheet • Execute investment agreement 	Executed investment documents / contracts
1.3.1 Identify portfolio companies and tailor investment to transformational change business needs	&Green Fund will continue to develop its investment pipeline of transformational agricultural projects	<ul style="list-style-type: none"> • Lead generation • Jurisdictional approval • Due diligence, including E&S risk and potential for positive impact • Investment rationale 	&Green Fund Website Disclosure of Project Descriptions with supporting documentations Published JECA assessments for each jurisdiction in which &Green Fund invests
1.3.2 Disburse capital to large scale sustainable agriculture projects with robust environmental and social covenants	&Green Fund will begin disbursing funds to target companies that pass due diligence and agree to robust environmental and social covenants incorporated into lending agreements.	<ul style="list-style-type: none"> • Deal note • Term sheet with sponsors and co-investors • Investment Committee (including independent members) approval • Execution and disbursement 	Financial disbursement summary Quarterly / Annual Financial Statements and other reporting
1.3.3 Monitor and manage financial performance	<ul style="list-style-type: none"> • &Green Fund will perform its fiduciary duty to monitor companies' performance and enforce the financial and other terms of the investment agreements. 	<ul style="list-style-type: none"> • Annual monitoring and engagement • Exit 	Quarterly / annual financial statements and other reporting
2.1.1 Develop strategies for nationally relevant interventions	IDH will provide services to &Green Fund to work with stakeholders and partners to lay the groundwork for nationally-relevant	<ul style="list-style-type: none"> • Regional and national strategies developed based on technical data (commodity sectors/NDCs and NAPs, the commodity and country specific 	National engagement strategies

	blueprint communication and replication engagements.	<p>climate hazard reports, JECs) as well as political and market dynamics analysis (&Green Fund and IDH business, financial sector and government convening engagement) as well as engagement with key government agencies. Analysis shared between the partners, co-created strategy.</p> <ul style="list-style-type: none"> • Regional lead enables learning across countries. • Engagement level emphasis to be defined for each country: can be thematic or sectoral, national, jurisdictional, landscape level 	
2.1.2 Country engagement and amplification strategy roll-out	&Green Fund, with support of IDH services, will implement the regional and country strategies to support an enabling environment for transformative investments.	<ul style="list-style-type: none"> • Implement actions to deliver the policy dialogue, awareness raising, country ownership and blueprint communication / replication strategy developed for the national and regional context. 	Annual progress report
2.2.1 Provide pre-investment technical assistance	<p>Pre-investment technical assistance will operate at two levels:</p> <ul style="list-style-type: none"> - Co-funding sustainability innovations with investment potential to create / confirm proof of concept within companies before &Green 	<ul style="list-style-type: none"> • Outreach and dialogue with prospective investments • Co-fund capacity building to advance opportunities for scaling up sustainable business models with &Green Fund investment • Technical assistance for stakeholder engagement during 	<p>Progress reports</p> <p>Draft Landscape Protection Plans</p>

	<p>Fund can engage</p> <ul style="list-style-type: none"> - Supporting Landscape Protection Plan development and stakeholder engagement pre-investment 	Landscape Protection Plan development	
2.2.2 Provide post-investment technical assistance	<p>Post-investment technical assistance will support companies to achieve scalability and 'durability' of impact, and enhance connection with stakeholders in the wider production landscape</p>	<ul style="list-style-type: none"> • Capacity building for companies • Technical assistance for implementation of the landscape protection plan and the PPI compact for landscape-level impact. • Technical cooperation services to support/ engage smallholders/ households 	Progress reports
2.3.1 Knowledge product and blueprint development	<p>&Green Fund knowledge products on business and investment models will support widespread adoption and replication of NDPE commodity production at scale.</p>	<ul style="list-style-type: none"> • Development of knowledge products at region, country and sector level, with special attention to gender. 	Published knowledge products
2.3.2 Climate hazard assessments	<p>Commodity and country specific climate hazard assessments will drive the resilience actions promoted by &Green Fund and TAF.</p>	<ul style="list-style-type: none"> • Commission / undertake climate hazard assessments • Share assessment findings with key stakeholders (see activity 2.1) 	Est. 20+ hazard assessments for target countries and commodities
2.3.3 &Green Fund to incorporate GCF specific MRV system improvements	<p>&Green Fund to Incorporate GCF specific MRV system improvements, and to incorporate corporate reporting capacity (SBTi, CDP, GRI) for sustainability on exit</p>	<ul style="list-style-type: none"> • Capacity building and system updates • Integrate impact reporting formats relevant to corporates to increase value and sustainability on exit. Expand remote sensing capability to enable near-real-time 	Report on enhanced MRV system

		detection of reversals and assess forest quality	

E.7. Monitoring, reporting and evaluation arrangements (max. 500 words, approximately 1 page)

At programme level

313. FMO is responsible for regular reporting to GCF. An annual performance report (APR) will be submitted to the GCF following reporting requirements under the AMA and the FAA. The APR will be prepared by &Green Fund according to its contractual requirements under this programme, and will:

- a) summarise the financial performance of the &Green Fund loan facility according to audited and unaudited financial statements. Two logframe indicators - Output 1.2 "Amount (in USD millions) of private sector co-investment leveraged" and Output 1.3 "Amount (in millions USD) disbursed to investee companies" - will include information from audits and financial accounts as a means of verification. &Green is required to provide regular audited financial statements to GCF in any case, and it is appropriate to report the same figures as a means of verification in the logframe because these financial indicators will be reflected in &Green's balance sheet, and the audited financial statements serve as the definitive report to the Board and investors.¹²⁸
- b) report on the TAF support provided by IDH (see Annex 21-4 for TA Facility Operating Guidelines)¹²⁹, and
- c) collect from project owners the disaggregated project / programme specific performance indicators presented in logical framework Section E.5 above.

314. The APR will be submitted to the Secretariat for the period ending on 31 December within 60 days after the end of the relevant annual period. The first APR will be submitted following the end of the calendar year in which the Parties enter into the relevant FAA and the last APR will be submitted within six months of the end of the relevant reporting period. The implementation reporting period of the Programme will start from the date of effectiveness of the FAA until the Programme implementation end date.

315. In addition to the annual performance report, an inception report, mid-term evaluation report and terminal evaluation report will be submitted to the GCF, as described in Annex 11. The methodological approach for reporting the indicators is described in detail in the supplementary MRV documents, including the KPI Framework (Annex 6, Appendix 1), MRV Protocol (Annex 6, Appendix 2), and MRV Guidance Note (Annex 6, Appendix 4). As an overview, data is collected from individual &Green Fund clients which then follows the specific methodology described for each KPI. The KPIs are then additive to create portfolio level statements for reporting progress. The APR will consolidate and aggregate from project owners the project / programme specific data that will allow &Green Fund and FMO to report against the programme specific indicators outlined in Section E.5. The mid-term and terminal evaluations will document the programme's contribution to the GCF outcome level indicators presented in Section E.3 above. &Green Fund's data collection and management system will store raw data in disaggregated form to allow for disaggregated reporting in line with GCF reporting requirements, such as gender-related reporting.

At project level

316. During the disbursement and loan repayment period, &Green Fund will receive implementation reports from project owners to track progress and identify potential issues, as well as improvement opportunities. In

¹²⁸ The other indicators, while important in documenting the performance of the programme, are not captured in the same way by &Green's financial accounts, and therefore will not be covered in the same way by the annual financial audit. Therefore, the logframe does not state that these indicators will be audited.

¹²⁹ &Green will expect a similar level of accountability from IDH as service provider, as is reflected in the TA Facility Operating Guidelines (see document for more details) for the existing IDH &Green TA Facility. They provide for clear reporting and governance guidelines and are audited as part of the IDH audit. &Green will expect a similar setup for any service provider, and in addition procurement of such services will be subject to the &Green and FMO Procurement Policies.

this document, project owners will report at least on an annual basis on performance indicators (e.g., hectares under sustainable management or tCO₂e avoided). &Green Fund and IDH local offices will ensure regular monitoring by overseeing the implementation of projects, meeting with project owners and other stakeholders on a regular basis, and engaging regularly with local and national government. Information will be captured in &Green Fund's MRV system to reduce transaction costs, facilitate quality assurance, and enable transparent reporting of results.

RISK ASSESSMENT AND MANAGEMENT

F.1. Risk factors and mitigations measures (max. 3 pages)

Please describe financial, technical, operational, macroeconomic/political, money laundering/terrorist financing (ML/TF), sanctions, prohibited practices, and other risks that might prevent the project/programme objectives from being achieved. Also describe the proposed risk mitigation measures. Insert additional rows if necessary.

For probability: High has significant probability, Medium has moderate probability, Low has negligible probability

For impact: High has significant impact, Medium has moderate impact, Low has negligible impact

Prohibited practices include abuse, conflict of interest, corruption, retaliation against whistleblowers or witnesses, as well as fraudulent, coercive, collusive, and obstructive practices

Selected Risk Factor 1

Category	Probability	Impact
Governance	Low	High

Description

Host governments are not committed to slowing deforestation and therefore sustainable change cannot be achieved.

Mitigation Measure(s)

Involve relevant governments and their stakeholders from the initial stages to align incentives. Incorporate awareness of relevant government policies, programs and interventions at the national level that can facilitate local government buy-in and support. Further, a condition of Fund investments is the JECA approach (see B.1), which includes evidence of local government commitments to avoided deforestation and ecosystem protection, including explicit targets and monitoring systems. IDH has already established relationships with many of these governments (see Annex 5 for detail on experience so far).

Selected Risk Factor 2

Category	Probability	Impact
Technical and operational	Low	Medium

Description

Funds are not managed and reported adequately.

Mitigation Measure(s)

A monitoring and reporting system has been established during &Green Fund's initial operating period including investees being subject to fiduciary due diligence prior to approval. Annual program and project audits are in place, with regular audits conducted in accordance with the Fund's audit protocol. The Fund's governance structure includes very high transparency, annual public reports, and a Credit Committee that employs international best practice.

Selected Risk Factor 3

Category	Probability	Impact
Prohibited practices	Low	Medium

Description

Increased incomes might motivate the farmers to expand their operation and encroach forest. This might result in additional deforestation.

Mitigation Measure(s)

The Fund has very strong sustainability criteria that investees must meet prior to receiving loans. They include clear eligibility criteria for production areas. Programs are promoting Good Agronomic Practices (prerequisite for investment) as measures to improve productivity of existing plantation. Production Protection Inclusion agreements with communities and farmers embed sustainability at field level and the LPP and ESAP that must be provided are contractual obligations focused on environmental protection. The relevant landscapes are also independently monitored via satellite to detect deforestation events, including fire outbreaks.

Selected Risk Factor 4		
Category	Probability	Impact
Credit	Low	Medium
Description		
The programme fails to 'crowd in' the ambitious level of complementary commercial finance that it expects.		
Mitigation Measure(s)		
GCF funding, combined with the existing concessional capital and the downside protection focused structuring of each transaction will overcome the high (perceived) risk and lower the entry barrier for international private sector investors. The return &Green Fund can offer from its portfolio to all investors, concessional or commercial, is attractive for the amount of risk protection provided. There are no other investment vehicles that allow international private sector investors to get this type of fixed-income exposure to high impact climate and forest protection opportunities from tropical commodity supply chains, and therefore to contribute to an important topic for public and private net-zero ambitions and the Glasgow Leaders' declaration agenda. For GCF this risk is further reduced as &Green Fund will only draw down tranches of funding as they are matched by private sector investor contributions.		
Selected Risk Factor 5		
Category	Probability	Impact
Reputational	Low	Medium
Description		
The Fund's inability to meet perceived expectations of its stakeholders in terms of promoting its development objectives and high standards of integrity and social and environmental sustainability.		
Mitigation Measure(s)		
<p>The Fund implements a comprehensive compliance framework for its service providers and for its borrowers, before and during the investment.</p> <p>The ESMS of &Green Fund explicitly requires its investments to use best practice certification or equivalent (i.e. e.g. for timber FSC would be the baseline for &Green Fund). The reason for this is the recognition of the value of certification for managing sector-specific issues and thereby addressing reputational concerns. Where no suitable international systems exist &Green Fund may also apply more localised standards, e.g. in Colombia &Green Fund's investment HSJ is the very first project to apply the Aval GANSO standard in Colombia, developed by CIAT and Climate Focus. However, the paradigm shift &Green Fund targets requires the fund to go over and above certification in its requirements. &Green Fund applies consistently across all investments a policy of a) IFC Performance Standards compliance; b) contractually agreed impact roadmaps and targets ("Landscape Protection Plan", LPP) that, where missed, will trigger a loan Event of Default; and c) a company-wide NDPE commitment. The LPP in particular requires engagement with stakeholders in the wider landscape of the project, which has a mitigating effect on reputational risks.</p>		
Selected Risk Factor 6		
Category	Probability	Impact
Other	Medium	Medium
Description		
Commodity Price Risk: Volatility and cyclicalities of agricultural commodity prices impact borrowers' ability to meet repayment obligations.		
Mitigation Measure(s)		
The Fund implements a comprehensive compliance framework for its service providers and for its borrowers, before and during the investment.		
Selected Risk Factor 7		
Category	Probability	Impact

Forex	Medium	Medium
Description		
Currency Risk: The value of financial commitments and instruments issued in foreign currencies (other than the Fund's reporting currency, USD) fluctuates due to changes in foreign exchange rates.		
Mitigation Measure(s)		
The Fund will hedge all material currency risk, based on efficiency. Where a broker in a target country can hedge the transaction efficiently, the Fund will include it in the price charged to the client. When international borrowers have experience in hedging, they will do it themselves. The majority of the disbursement will be in USD, expected at an 80/20 ratio of USD to local currency (fully hedged) over the entire portfolio at maturity		
Selected Risk Factor 8		
Category	Probability	Impact
Forex	Medium	Medium
Description		
Market Liquidity Risk: The Fund may invest in local debt instruments which may not be traded on a liquid exchange or market that provides regulatory authority over borrowers and debt instruments. ¹³⁰		
Mitigation Measure(s)		
The Fund's general policy is to hold debt instruments until maturity, it does not trade marketable securities.		
Selected Risk Factor 9		
Category	Probability	Impact
Technical and operational	Medium	Medium
Description		
Operational risk - Due to the relatively early-stage of the Fund, there is a risk the Fund will not achieve its investment objectives, & strict lending criteria could constrain deal flow. The Fund is also exposed to operational and compliance risks stemming from the processes, people & systems of the Fund's service providers.		
Mitigation Measure(s)		
The Fund operates with a three-tier governance structure and has appointed a well-qualified investment team and back office to operate the Fund. The Fund will finance transactions alongside established financial institutions that will bring additional expertise in credit rating and financial structuring. Further, &Green Fund has established a track record and built an initial portfolio and pipeline of deals. All transactions are fulfilling their expected performance and all interest payments continue to be met by the client.		
Selected Risk Factor 10		
Category	Probability	Impact
Other	Medium	High
Description		
Emissions risk - project fails to achieve its GHG target because either: <ul style="list-style-type: none"> • Anthropogenic or natural disturbances reverse sequestered carbon (ie: emissions); and/or • GHG emissions associated with intensification (e.g. greater mechanisation, more intensive use of fertilizers and chemicals, soil disturbance, higher enteric fermentation etc.) at least partially offset the GHG benefits of reduced extensification and carbon sequestration in protected forests. 		
Mitigation Measure(s)		

¹³⁰ The Fund will typically engage in direct lending. However, where local capital markets (which tend to be less liquid) are used to acquire a debt position in a company, the Fund will always buy-to-hold until maturity rather than trade.

A: Investees monitor forest areas for conservation and restoration, and this is checked by satellite monitoring, which includes GLAD alerts¹³¹ and follow-up actions, monitoring and case-by-case reporting on reversal outcomes and remediation by clients. Reversals are accounted for in the KPI framework. The initial portfolio has had some relatively small (<100ha) reversals related to fire. Considering the large areas of protected forest and expected small areas of reversals, the net result is projected to be slightly lower reported emissions benefits.

B: Investments include optimisation of production, which includes intensification as well as best practices related to fertiliser, pesticide and herbicide applications (where relevant), and minimised tillage and soil disturbance to maintain Soil Organic Carbon. Investments will always see a reduction in intensity (ie: tCO₂e/t production) and most will see reduction in absolute emissions. Some investments, notably beef production, may see an increase in absolute emissions within the farm boundary. However, the emissions from deforestation associated with beef is approximately 3x the emissions from intensified production, thus the net emissions in the supply shed (and globally) will be reduced in both intensity and absolute terms.

Addressing both points, the forecast emissions impacts account for reversals (from the current portfolio) and conservative input assumptions. That is, the assumptions related to sequestration calculations are conservatively taken (typically IPCC Tier 2 uncertainty range lower bounds) and the 'actual' sequestration should be higher than that reported. This will tend to counter any reductions in sequestration.

Selected Risk Factor 11

Category	Probability	Impact
Other	Low	Medium
Description		

Limited additionality of grants funding

Mitigation Measure(s)

IDH assesses developmental and financial additionality of Technical Assistance, independently from &Green Fund. This means that

- TA is designed to adequately address the (perceived) risks, enabling the investment or project to occur, beyond what could be self-financed by the (potential) client or should be financed by the Investment fund manager as part of their regular investment process.
- TA will not be provided to commercially unviable projects, projects outside regulatory compliance and projects with inefficient business models.
- TA is developmentally additional, so that an investment's impact goals are achieved, that would not have been met without TA support.

Selected Risk Factor 12

Category	Probability	Impact
ML/FT	Medium	Medium

Description

Risk that the Fund is misused for money laundering ("ML") and terrorism financing ("TF") ML/TF or any other financial misconduct or crime.

Mitigation Measure(s)

The Fund has an AML/CFT Policy and dedicated AML/CFT Compliance Officer aiming to ensure that ML/TF risks in the process of fundraising for, and investments by, the Fund are properly identified, monitored, mitigated and reported in order to prevent the Fund and its Customers, governing bodies and service providers from being misused for ML/TF or any other financial misconduct or crime.

The Fund is only allowed to invest in countries included in the DAC List of ODA Recipients, who also qualify against the Jurisdictional Eligibility Criteria ("JEC") policy of the Fund, and subject to Advisory Board approval. This UNSC requirement can be formally built in to the JEC monitoring process if required. No individual or entity that is listed on any UN Security Council sanctions list, including the UN Consolidated Sanctions list will be involved in any manner with the project or its activities, either as a counterparty, implementer, or beneficiary.

¹³¹GLAD alert is the system devised by the University of Maryland's Global Analysis and Discovery remote sensing analysis.

The use of any materials and technology procured by the Fund is subject to the Fund's Code of Conduct (available on the website) which is applicable to "anyone acting on behalf of the Fund, including people taking a seat on the Fund's formal governance bodies (including the Stichting's Board of Directors, Advisory Board and the Credit Committee), but also the Investment Advisor, Fund Administrator, Board Advisor and any partners and consultants contracted or otherwise acting on behalf of the Fund. Furthermore, the Fund expects its business partners to apply similar standards of conduct when working for and servicing the Fund."

The Fund also has a Complaints Management Policy which can be found in Annex 6 Appendix 3 (which includes provisions on Whistleblowing and is also available on the website).

Selected Risk Factor 12

Category	Probability	Impact
Changed credit environment	High	Low

Description

Risk that the terms offered to investors no longer remain attractive and reasonable given a changed credit environment.

Mitigation Measure(s)

Very limited funding has been mobilized overall from private sector investors to date into the necessary paradigm shift of commodity supply chains sourcing sustainably from tropical forest regions. A primary objective of the &Green Fund is exactly to change that; the proposed programme has been designed and operates in a way that specifically intends to remove these barriers, by providing solid returns in the form of coupons that are competitive.

Project investments are structured with considerable downside protection, and substantial first loss protection that the Tranche A investors (including GCF) provide, which changes the risk adjusted return perception of the targeted private sector investors. This is a necessary step for building the blueprints that establish investor confidence in the space through a blended finance approach.

The coupons offered to investors (including Tranche A investors via the catch up) will depend on the exact timing of the offering and interest rate levels at that time. The coupons offered are commensurate to the risk profile of a private sector investor in this debt fund, and should not be compared to double-digit returns expected from private equity (impact) funds. We have not had any feedback in our private sector investor discussions on a concern over the interest rates offered, key issues are the right "fit" in terms of structure and the extent of downside protection.

On the asset side, &Green does not provide loans to its investees (borrowers) that are concessional in pricing. The concessional nature comes from structuring the loans in a way that is currently not available on the market, including longer tenors and principal grace periods, but interest rates are at levels that are in line what a purely commercial investor would require in order to support the blueprinting nature of the &Green programme.

The pricing of both the funding from senior loans and the interest which &Green can charge to its borrowers is referenced to the long term risk free rate (e.g. 10 year SOFR).

As interest rates rise, long-term fixed rate capital such as that provided by &Green, is increasingly sought after. We expect increased interest in the &Green offering for this reason, as well as because of increasing regulatory pressure to implement no-deforestation strategies.

We have not seen a deterioration of the credit quality of the borrowers in the &Green portfolio due to the changing market environment. &Green performs quarterly valuations of its portfolio that have to be approved by the &Green board, and no material change was noted in the last assessment. A high-level summary of this assessment is provided as a supportive document. &Green uses an Expected Credit Loss (ECL) model for this purpose that has been approved by the &Green Board, and the &Green auditor (PWC), based on the &Green Impairment Policy.

GCF POLICIES AND STANDARDS

G.1. Environmental and social risk assessment (max. 750 words, approximately 1.5 pages)

317. **Environmental and social risk classification:** The proposed programme is expected to have positive environmental and social impacts as it delinks deforestation from commodity supply chains and builds climate resilience through the implementation of sustainable agricultural practices. The programme requires large agri-commodity producers to commit to “No Deforestation, No Peatlands, No Exploitation” (NDPE) practices. Despite the expected positive impacts, the overall environmental and social risk rating for this project is “high”, according to the GCF Environmental and Social Safeguards requirements (Category I-1).
318. **Environmental and Social Management System:** The &Green Fund is committed to integrating environmental and social considerations and will operate an Environmental and Social Management System (ESMS) throughout the programme. This is operationalised at the investment level through environmental and social due diligence; risk assessment; and establishment of a management framework tailored to the nature and scale of the activities and the magnitude of environmental and social risks and impacts associated with each investment. The ESMS has been designed in accordance with IFC Performance Standard 1 as well as best practices of ESG management for funds, such as those provided by CDC Group, FMO, the GCF and IUCN. For efficiency, the ESMS is digital, and incorporates a system of continuous improvement.
319. **Framework approach for risk mitigation:** The framework of the ESMS includes the following set of tools used to establish appropriate Environmental and Social Action Plans (ESAPs) for each investment:
- Policies - describing the requirements and objectives relating to No Deforestation, No development of Peatlands, No Exploitation (NDPE) and Landscape Protection Plans (LPP)
 - Frameworks – including Forest and Biodiversity Framework and the Key Performance Indicator (KPI) Framework
 - Templates
320. &Green Fund’s approach is determined by applying best practice criteria and requirements based on identified risks to investments during due diligence. The following categories are subject to screening and due diligence, with IFC PS, UNGP, applicable legislation and frameworks serving as references: Health, safety and labour related issues of investees, gender- and labour-related issues of investees, communities and social conflicts, displacements and settlements, Indigenous People, Human rights and its diverse aspects (Indigenous People, Communities, Labour issues, Child/slave work, gender issues including SEAH). In case of any material findings, the mitigation/remediation measures become part of ESAP. If a material risk is identified, either a second stage of focused due diligence is undertaken, or an action plan to address the risks elaborated and implemented. Further details of the ESMS framework can be found in Annex 6, with details on analysed issues in item 3.2. of the Annex.
321. **Stakeholder engagement:** &Green Fund has undertaken a thorough stakeholder engagement process at programme level and requires stakeholder engagement for each sub-project investment. &Green Fund maintains a Complaint Management policy that provides easy and clear access to all stakeholders, both local and international. One member of the &Green Board, rather than SAIL Ventures, is dedicated to receiving and managing complaints. SAIL Ventures, as the investment manager contracted to operate the Fund will be the global focal point for &Green. Sail Ventures has resources in Southeast Asia and in Latin America and additional in-country resources will be added via GCF support for Component 2. For more information, see the accompanying &Green Complaints Management Policy (Annex 6, Appendix 3). An effective grievance mechanism is required of investees as prescribed by the Stakeholder Engagement process (Annex 7). Grievance redress for stakeholders is subject to due diligence as per IFC PS requirements. The stakeholder engagement process is fully integrated in the investment process of &Green Fund.
322. In order to enable Transformational Change, maximize positive impacts and mitigate E&S risks, &Green Fund employs forms of local stakeholder engagement throughout the investment management process. When assessing the transformational potential of transaction, &Green Fund engages with its local partners (e.g. IDH) in order to map potentially relevant stakeholders. These stakeholders may enable the transformational change in the landscape, thus their engagement may be considered as an element of LPP later on. They may include local farmer’s associations, non-profits, governmental bodies, research institutes etc.
323. **Impact assessment:** The &Green Fund assesses and manages social and environmental impacts of its (future) investments. The ESMS system operates on two levels - jurisdictional and transactional - and is fully

integrated in the investment process of the Fund, from the development of the investment rationale until the exit evaluation. The following sections describe each step in the investment process in more detail:

- the **Transformational Change Assessment** Phase, described in an Investment Rationale;
- the **Screening Phase**, which is documented in a Deal Note and includes macro processes of Defining the Scope, E&S Risk Screening (including Reputation Screening, Forest & Biodiversity Screening and Gender Screening including SEAH) and Risk Categorization, detailed in Annex 6, item 3.2.;
- the **LPP Design**, which is documented in the Credit Application and comprises due diligence (ESDD), ESAP that contains TC and risk-related milestones, impact targets, IFC PS matrix, detailed in Annex 6, item 3.3.

324. The E&S screening phase aims to identify main material risks. In addition to the identified stakeholders, &Green Fund screens those actors that should be considered both in due diligence and LPP design phases from the risk understanding/mitigation perspective (e.g. NGOs, local associations and similar).

325. The due diligence scope is defined by the screening results, but depending on the severity of findings, &Green Fund may consult some local actors (e.g. research institutions, civil rights organizations, certification bodies and similar) in order to better scope the third-party due diligence process. During the due diligence, third party decides on necessary stakeholder engagement to investigate, provide dimension and mitigation options for the E&S risks. For the biodiversity-related risks, third party follows the requirements of Terms of Reference as per &Green Fund's Forest and Biodiversity Framework, including for the level of stakeholders consultations and engagement – these stakeholders may become part of stakeholder engagement by client in future LPP, if relevant. Due diligence related gender issues, including SEAH, the third party follows the guidelines of Gender Framework and use respective ToR.

326. **Information disclosure requirement:** The Environmental and Social Management Framework (ESMF) was translated and disclosed in Bahasa Indonesia, English, French, Lao, Malay, Portuguese, Spanish, and Vietnamese on the &Green Fund and FMO websites as of 17 June 2022. Physical copies will be made available in each country as investments are made in the jurisdictions, as well as where registered offices of the executing entities exist.

G.2. Gender assessment and action plan (max. 500 words, approximately 1 page)

327. Annex 8 – Gender Assessment and Action Plan informs the programme's design as presented in this Funding Proposal. The overall objective of the gender assessment is to provide a baseline understanding of the opportunities to engage in gender-transformative investment through the &Green Fund structure. It also aims to screen, analyze and mitigate SEAH risks, in adherence to the IFC Performance Standards that are embedded within the investment process. The following two standards are of relevance:

328. Performance Standard 2, paragraph 15: on Non-discrimination and Equal opportunity, therefore committing to take measures to prevent and address harassment, intimidation, and/or exploitation, especially in regard to women

329. Performance Standard 4, paragraph 1: committing to avoid or minimise the risks and impacts to community health, safety, and security that may arise from project related-activities, with particular attention to vulnerable groups.

330. The assessment integrates in-depth analysis of gender-based inequalities and SEAH-related risks that exist in the countries (via country-specific gender profiles), the context and sociocultural factors underlying gender inequality that are exacerbated by climate change and optimize the potential contributions of women and men of all ages to build both individual and collective resilience to climate change. This assessment will be used to inform project-level formulation, implementation, and monitoring and evaluation.

331. The Gender Action Plan (GAP) has been designed to ensure, through designated actions, that the challenges faced by women and vulnerable groups in accessing and benefiting from the proposed programme, if financed by the GCF, are meaningfully addressed. The GAP describes gender-related activities, baselines, sex-disaggregated indicators and targets, roles and responsibilities, and financial and human resources.

332. Due to pandemic-related restrictions, this gender assessment has been prepared using a combination of primary information and data available to &Green Fund on the target countries, especially through the extensive Jurisdictional Eligibility Criteria Approach (JECA) process, and secondary information and literature collected via an in-depth desk review. The literature review focused on gender mainstreaming, deforestation, climate change and value chains as a broader topic

333. The &Green Fund recognizes that gender mainstreaming¹³² is both necessary and relevant for the programme to maximise its outcomes for no deforestation. This assessment, therefore, focuses on &Green Fund's internal

¹³² It is important to note that gender is socially constructed, and gender relations are contextually specific and often change in response to altering circumstances. MOSER, C. O.N. (1993): Gender Planning and Development: Theory, Practice and Training. New York: Routledge.

Gender Approach and the operationalization of gender mainstreaming within its institutional investment management structure (see Section 3 – Annex 8). Embedding gender into deforestation commitments offers considerable opportunities for leveraging synergies between restoration goals, climate change adaptation as well as mitigation action and global commitments to sustainable development goals - SDGs (particularly SDG 5 – Gender Equality; SDG 8 – Decent Work; SDG 12 – Sustainable Production and Consumption; SDG 13 – Climate Action; and SDG 15 – Life on Land).

334. The key issues identified in the Annex 8 are:

- Participation of women in forestry management is inextricably tied to the social, cultural, historical, and political contexts of communities where forest management efforts take place. Gender plays a key role in shaping environmental rights of control, access, and responsibility that interact with class, race, caste, culture, or ethnicity to shape ecological change and sustainable livelihoods. (Peach Brown, 2011)¹³³
- Strategies for increased participation of women in commercialized and well-developed supply chains (particularly export-facing ones) require upgrading based on the typology of the women in question. While women in female headed households may require limited efforts such as tailoring financial products to their needs or providing interlinked services coupled with prompt payment for their produce to allow them to produce quality fruits and access lucrative markets, women in male-headed households need institutionalization of gender-sensitive policies in the governance of producer groups to enable them to upgrade as value chain integrators and value chain owners. (CGIAR, 2017)¹³⁴
- Informal economies and markets are the dominant source of livelihoods in rural areas – and the engagement in forestry value chains is often crucial for rural women's livelihoods and the well-being of their household. (IIED, 2015)¹³⁵
- Women's time poverty and physical safety concerns limit their access to and use of forest resources and related activities. (CIF, 2017)¹³⁶
- See Annex 8, Section 2.3 for more information.

335. The Fund will take the following approach to address these issues:

- The &Green Fund's Gender Approach will provide a framework to accelerate gender-transformative and gender-sensitive (as appropriate for each Deal) investments through the &Green Fund structure.
- The Gender Approach will be mobilized through the Environment and Social Action Plans (ESAPs) – which are strict environmental and social safeguarding covenants that are conditions of the loan contracts of the &Green Fund. The Gender Analysis has influenced the overall logical framework (in Section E of this Funding Proposal) and has identified entry points for the chosen paradigm shift pathway to deliver gender and social co-benefits, which will be detailed project-level investment stage, as reflected in the Gender Action Plan.

Gender mainstreaming through the TAF:

336. The &Green TAF was formally launched in 2019 through a Cooperation Agreement with IDH, and aims to reduce risk and maximise the impact of the &Green Fund (potential) investment projects, by supporting investment-readiness, monitoring, post-investment client support and sharing of lessons and knowledge from &Green Fund and its investment projects with third party stakeholders. IDH is the service provider of the &Green TAF.

337. IDH has identified that equitable and meaningful participation of women as key to driving sustainable intensification and growth in trade, although gender barriers remain rife in commodity supply chains. To address this concern, IDH has developed a Gender Toolkit, consisting of practical case examples from IDH and similar projects in congruent sectors, and a Gender Guide, where opportunities to integrate gender aspects in different programming steps of projects and inventions are explored. The &Green Fund's Gender Approach will employ these existing and field-tested tools.

338. The role of the TA Facility in gender mainstreaming is both to enhance understanding of gender dynamics in the early project cycle, and to maximize opportunities for enhanced gender equality and empowerment. By considering how women and men participate in interventions, the TA Facility enables the &Green Fund's investments to promote and contribute to gender equality. This can include technical assistance to ensure substantial and impactful participation by women in stakeholder consultation processes, in the project

¹³³ <https://bioone.org/journals/International-Forestry-Review/volume-13/issue-2/146554811797406651/Gender-Climate-Change-and-REDD-in-the-Congo-Basin/10.1505/146554811797406651.short>

¹³⁴ <https://gender.cgiar.org/publications-data/womens-participation-high-value-agricultural-commodity-chains-kenya>

¹³⁵ <https://pubs.iied.org/sites/default/files/pdfs/migrate/16590IIED.pdf?>

¹³⁶ https://www.climateinvestmentfunds.org/sites/cif_enc/files/knowledge-documents/gender_and_sustainable_forest_management.pdf

implementation phase, reporting based on gender disaggregated data, and establishing a grievance mechanism to address complaints, including concerns related to gender and sexual harassment. Whether this is required will depend on an investee's baseline situation, as assessed in due diligence, where a gender assessment is included as part of the Environmental & Social Impact Assessment (for Gender Sensitive investments), or a separate gender assessment is conducted (for Gender Transformative Investments), see section 4.4 in Annex 8 Gender Assessment and Gender Action Plan. Depending on the needs identified during due diligence, TA may be allocated towards the strengthening of an investee's GRM, with a focus on gender inclusivity, addressing SEAH-related risks, and rooted in a survivor-centred strategy. IDH has experience setting a speak-up policy for internal and external grievances IDH has experience setting a speak-up policy for internal and external grievances (<https://www.idhsustainabletrade.com/speakup/>), and has experience in supporting partner organisations in setting up their policy framework (<https://www.idhsustainabletrade.com/publication/setting-up-a-grievance-mechanism-irbc-agreement-floriculture-advisory-report/>). The TA facility can draw from this experience to ensure that GRMs are established as survivor-centred, gender responsive frameworks that adequately address SEAH-specific complaints.

G.3. Financial management and procurement (max. 500 words, approximately 1 page)

Financial management

339. The detailed provisions regarding financial management of GCF resources by the AE will be described in the FAA. Periodic reporting will be provided by FMO to the GCF specifying among others:

- The amounts already committed and disbursed by &Green Fund by country and by project;
- The amounts already committed and disbursed by IDH by country;
- The remaining amount on different GCF accounts;
- A provisional disbursement schedule on a one-year rolling horizon;
- For the loan component, a list of the incidents recorded during the repayment period of the loan provided to project clients.

340. FMO is already an investor in &Green Fund and has completed AML/CFT and KYC checks on Stichting AndGreen.Fund. Subsidiary agreements regarding management of GCF resources will be signed between FMO and &Green Fund. The EE is required under the FAA and Term Sheet to carry out AML, CFT and KYC checks on recipients of GCF resources in line with FMO standards. Credit risk monitoring of project borrowers will be carried out by &Green Fund through the assessment of the financial statement of the borrowers, monitoring of financial covenants, etc. Audits will be requested and performed as per FMO's internal guidelines.

Disbursement

341. At FMO level, disbursement will concern investment into &Green Fund on behalf of GCF whose disbursement will be reported to FMO. Disbursement by the &Green Fund to loan recipients will follow the procedures and requirements described in the Term Sheet.

Procurement

342. FMO's procurement rules are in line with international standards and have been reviewed by GCF as a condition of accreditation, the policies and obligations of which will be passed down to the EE. The procurement plan at programme level is provided in Annex 10.

G.4. Disclosure of funding proposal

Note: The Information Disclosure Policy (IDP) provides that the GCF will apply a presumption in favour of disclosure for all information and documents relating to the GCF and its funding activities. Under the IDP, project and programme funding proposals will be disclosed on the GCF website, simultaneous with the submission to the Board, subject to the redaction of any information that may not be disclosed pursuant to the IDP. Information provided in confidence is one of the exceptions, but this exception should not be applied broadly to an entire document if the document contains specific, segregable portions that can be disclosed without prejudice or harm.

Indicate below whether or not the funding proposal includes confidential information.

☐ No confidential information: The accredited entity confirms that the funding proposal, including its annexes, may be disclosed in full by the GCF, as no information is being provided in confidence.

☒ With confidential information: The accredited entity declares that the funding proposal, including its annexes, may not be disclosed in full by the GCF, as certain information is being provided in confidence. Accordingly, the accredited entity is providing to the Secretariat the following two copies of the funding proposal, including all annexes:

- full copy for internal use of the GCF in which the confidential portions are marked accordingly, together with an explanatory note regarding the said portions and the corresponding reason for confidentiality under the accredited entity's disclosure policy, and
- redacted copy for disclosure on the GCF website.

The funding proposal can only be processed upon receipt of the two copies above, if containing confidential information.

ANNEXES

H.1. Mandatory annexes

- ☒ Annex 1 NDA no-objection letter(s) ([template provided](#))
- ☒ Annex 2 Feasibility study - and a market study, if applicable
- ☒ Annex 3 Economic and/or financial analyses in spreadsheet format
- ☒ Annex 4 Detailed budget plan ([template provided](#))
- ☒ Annex 5 Implementation timetable including key project/programme milestones ([template provided](#))
- ☒ Annex 6 E&S document corresponding to the E&S category (A, B or C; or I1, I2 or I3):
[\(ESS disclosure form provided\)](#)
 - ☐ Environmental and Social Impact Assessment (ESIA) or
 - ☐ Environmental and Social Management Plan (ESMP) or
 - ☐ Environmental and Social Management System (ESMS)
 - ☐ Others (please specify – e.g. Resettlement Action Plan, Resettlement Policy Framework, Indigenous People's Plan, Land Acquisition Plan, etc.)
- ☒ Annex 7 Summary of consultations and stakeholder engagement plan
- ☒ Annex 8 Gender assessment and project/programme-level action plan ([template provided](#))
- ☒ Annex 9 Legal due diligence (regulation, taxation and insurance)
- ☒ Annex 10 Procurement plan ([template provided](#))
- ☒ Annex 11 Monitoring and evaluation plan ([template provided](#))
- ☒ Annex 12 AE fee request ([template provided](#))
- ☒ Annex 13 Co-financing commitment letter, if applicable ([template provided](#))
- ☒ Annex 14 Term sheet including a detailed disbursement schedule and, if applicable, repayment schedule

H.2. Other annexes as applicable

- ☒ Annex 15 Evidence of internal approval ([template provided](#))
- ☒ Annex 16 Map(s) indicating the location of proposed interventions
- ☒ Annex 17 Multi-country project/programme information ([template provided](#))
- ☐ Annex 18 Appraisal, due diligence or evaluation report for proposals based on up-scaling or replicating a pilot project
- ☐ Annex 19 Procedures for controlling procurement by third parties or executing entities undertaking projects financed by the entity
- ☐ Annex 20 First level AML/CFT (KYC) assessment
- ☒ Annex 21 Operations manual (Operations and maintenance)
- ☒ Annex 22 Assessment of GHG emission reductions and their monitoring and reporting (for mitigation and cross cutting-projects)¹³⁷
- ☐ Annex X Other references

* Please note that a funding proposal will be considered complete only upon receipt of all the applicable supporting documents.