Funding Proposal

FP149: Green Climate Financing Facility for Local Financial Institutions in Latin-America

Multiple Countries | Corporación Andina de Fomento (CAF) | Decision B.27/01

9 December 2020

GREEN CLIMATE FUND

Funding Proposal

Project/Programme title:	Green Climate Financing Facility for LFIs in Latin-America
Country(ies):	Latin America: Chile, Ecuador, Panamá and Peru.
Accredited Entity:	Corporación Andina de Fomento (CAF – Development Bank of Latin America)
Date of first submission:	*2018/07/19*
Date of current submission	*2019/11/01*
Version number	*V.2.0*

GREEN CLIMATE FUND

Contents

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]"

A. PROJECT/PROGRAMME SUMMARY

A.1. Project or programme	Programme	**A.2. Public or private sector**	Private
A.3. Request for Proposals (RFP)	*NA*		
A.4. Result area(s)	*Check the applicable GCF result area(s) that the overall proposed project/programme targets. For each checked result area(s), indicate the estimated percentage of GCF budget devoted to it. The total of the percentages when summed should be 100%.*		
	Mitigation: Reduced emissions from:	GCF contribution:	
	☒ Energy access and power generation:	32%	
	☐ Low-emission transport:	0%	
	☒ Buildings, cities, industries and appliances:	38%	
	☒ Forestry and land use:	30%	
	Adaptation: Increased resilience of:		
	☐ Most vulnerable people, communities and regions:	NA%	
	☐ Health and well-being, and food and water security:	NA%	
	☐ Infrastructure and built environment:	NA%	
	☐ Ecosystem and ecosystem services:	NA%	
A.5. Expected mitigation impact	10,704,562 tCO_2eq	**A.6. Expected adaptation impact**	*NA* *NA*
A.7. Total financing (GCF + co-finance)	USD 150.2 million	**A.9. Project size**	Medium (50<X<250)
A.8. Total GCF funding requested	USD 100 million		
A.10. Financial instrument(s) requested for the GCF funding	*Mark all that apply and provide total amounts. The sum of all total amounts should be consistent with A.8.* ☒ Grant USD 5 million ☒ Loan USD 95 million ☐ Guarantee NA	☐ Equity NA ☐ Results-based payment NA	
A.11. Implementation period	*5 years.* *Expected financing close is 5 years from the start date.*	**A.12. Total lifespan**	*10 years. (all funding returned)* *20 years for total calculated impacts to be realized.*
A.13. Expected date of AE internal approval	*This is the date that the Accredited Entity obtained/will obtain its own approval to implement the project/ programme, if available.* *Click or tap to enter a date.*	**A.14. ESS category**	Medium (Category B)
A.15. Has this FP been submitted as a CN before?	Yes ☒ No ☐	**A.16. Has Readiness or PPF support been used to prepare this FP?**	Yes ☐ No ☒
A.17. Is this FP included in the entity work programme?	Yes ☐ No ☐	**A.18. Is this FP included in the country programme?**	Yes ☐ No ☐

A.19. Complementarity and coherence	*Does the project/programme complement other climate finance funding (e.g. GEF, AF, CIF, etc.)? If yes, please elaborate in section B.1.* Yes ☒ No ☐
A.20. Executing Entity information	CAF – Development Bank of Latin America[1] Boulevard Pacífica P.H. Oceanía Business Plaza Torre 2000 piso 27, Punta Pacífica Código postal 0832 Ciudad de Panamá Contact person: Maria Moreno, Principal Executive, Environment and Climate Change mmoreno@caf.com +5072975317

A.21. Executive summary (max. 750 words, approximately 1.5 pages)

Energy and land use are two of the main sources of greenhouse gas (GHG) emissions in many Latin American countries. The objective of the Programme 'Green Climate Financing Facility for Local Financial Institutions (LFIs) in Latin America' is to reduce GHG emissions in this Region through locally financed and developed climate change projects in the renewable energy, energy efficiency and land use sectors.

The Programme will achieve this by helping local market actors from the agriculture, forestry, commerce, industry and services sectors, overcome key barriers to climate change project development, including financial barriers – for example, smaller businesses do not have trusted relationships with mainstream commercial banks – as well as knowledge barriers, considering many LFIs have limited knowledge on how to assess climate change projects. The programme will make available to LFIs a Green Finance Credit Line; it will also implement ten grant-funded activities with a focus on awareness raising and technical support, including: climate change and mitigation awareness raising, matchmaking between LFIs, Technology and/or Solution Providers (TSP), and SMEs (including farmers); performance based payments for TSPs; technical support and capacity building for LFIs, SMEs and TSPs; and dissemination and learning.

For this first Programme roll out, four countries will be targeted: Chile, Ecuador, Panamá and Perú, which have a combined population of 72 million. Each country was selected based on the strength of its existing climate policy; energy and land use project market sizes; uncrowded financial markets for local climate change projects, and the strength of existing CAF relationships with LFIs. Pending the success of this first programme, it could be likely replicated in other Latin American countries and in other regions.

This Programme will achieve 10.70 million tCO_2eq in lifetime GHG emission reductions while training personnel at 11 LFIs in project assessment, 720 SMEs in project development, and increasing climate awareness among 36,420[2] other local market actors (e.g. SME employees, business owners benefitting from sub-loans, green TSPs, banks' credit managers, public officials, among others) at a total cost of USD $14.03 per tCO_2eq avoided.

[1] CAF is the overall executing entity for the programme.
GCF reimbursable proceeds will be channelled by CAF onto Local Financial Institutions (LFIs) for the purposes of funded activities.
Component 1 - Green finance credit line for LFIs
CAF will execute the planned activities in collaboration with Local Financial Institutions (LFIs) and other local and national actors.
Component 2 - Technical Support and Awareness Building
CAF will execute and carry out the planned activities under this component in collaboration with local actors.

[2] Approximately 30 people reached estimated per each project to be carried out over the 5-year project period

B. PROJECT/PROGRAMME INFORMATION

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

Strategic Context

Baselines:

The energy and land use sectors are responsible for majority of greenhouse gas emissions in many Latin American countries. It has been estimated that approximately 40% of GHG emissions are from agriculture, forestry and other land use (AFOLU) sector.[3] Emissions from the energy sector vary substantially from country to country, yet the region´s reliance on fossil fuels and growing energy needs imply that without the adoption of clean energy technologies that the sector will continue to contribute to increasing GHG emissions globally. Investments in low-carbon technologies and land use practices have been identified as effective investments for climate change mitigation, yet the adoption of such practices is limited due to the lack of green-lending for sustainable climate change mitigation projects (refer to Section B2 for a detailed description of the barriers limiting the establishment and adoption of green credit lines).

The following paragraphs provide a brief overview of each target country´s GHG emissions profile, commitments to the United Nations Framework Convention on Climate Change (UNFCCC), as well as key development and sectoral strategies/ policies that are related to the energy and land use sectors. Please refer to *Annex 2 - Feasibility Study* for further details on National priorities of each country.

Panama

In terms of mitigation, Panama´s Nationally Determined Contribution (NDC) to the UNFCCC highlights the importance of the energy and land use, land use change and forestry (LULUCF) sectors. Energy contributes 17.3% of national emissions, whereas LULUCF contributes to 80% of national emissions. The country´s NDC further discusses its intention to contribute to the de-carbonization of the electric matrix, promoting renewable energies and supporting improvements in energy efficiency. It further discusses promoting reforestation, supporting the establishment of plantations, agroforestry systems, silvopastoral systems and agroforestry, as well as incorporating agricultural systems into measures to support the reforestation and restoration of ecosystems. By 2050 Panama aims for renewable energy to comprise 30% of all installed capacity, as compared to 7% in 2010.[4] excluding hydropower In terms of LULUCF, Panama aims to have at least a 10% more CO_2 absorption capacity by 2050, as compared to the baseline scenario without NDC (and up to 80% more if international support is provided).[5]

National strategies and policies further demonstrate Panama´s commitments to the energy and land use sectors. The ´Strategic Government Plan 2015-2019´ includes measures to support low-emission development, as well as capacity development and technology transfer. The *National Energy Strategy 2015-2050*, States that electricity demand is expected to increase by more than six-fold between 2014 and 2050, and prioritizes early action with efficiency measures, and recognizes the role of small and medium renewable energy sources in meeting future demand. In terms of land use, the *Strategic Government Plan* identifies the agricultural sector as the top investment priority sector because it is an employment intensive sector that is characterized by low productivity. The Government further has a law on forest incentives from 2017, supporting agroforestry systems and plantation forestry amongst others as activities that have the potential to halt and reverse deforestation.

Ecuador

The country´s National Climate Change Strategy 2012-2025 (ENCC) establishes the strategic and institutional basis for the generation of national climate change plans in prioritized sectors for mitigation and adaptation. Ecuador is also currently working on the development of a National Adaptation Plan and aims to develop a National Mitigation Plan.

Ecuador's NDC has addressed the five sectors prioritized in the ENCC. The lines of action in the Energy, Agriculture, Industrial Processes and Waste sectors result in an estimated GHG emission reduction potential of 9% compared to the trend scenario for 2025. In addition, a potential reduction of 20.9% over the same period could be achieved with the support of international cooperation. This would give way to an 11.9% increase in mitigation ambition in reference to the trend scenario for 2025. With respect to LULUCF, a reduction potential of 4% has been identified compared to the 2025

[3] Calvin et al. 2016

[4] https://www.carbonbrief.org/paris-2015-tracking-country-climate-pledges

[5] Language provided in the Panama NDC: https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Panama%20First/PANAMA%20NDC.pdf

benchmark. With support of international cooperation, additional mitigation potential of 16% would provide an additional reduction of 20% compared to the benchmark level for 2025.

The present proposal contributes to the following NDC's lines of action and initiatives: boost the use of renewable energy (hydroelectricity, wind, solar, biogas), strengthen energy efficiency, in line with the National Energy Efficiency Plan by supporting equipment replacement and cogeneration in the industrial sector; promote sustainable livestock development; develop and implement sustainable agro-productive systems (agricultural and forestry), strengthen sustainable forest management; and support generation, exchange and dissemination of information to drive mitigation actions in the Industrial Processes sector.

Climate change adaptation and mitigation have been addressed through national policies since 2009 via Executive Decree 1815, and through the Inter-institutional Committee on Climate Change established in 2010, via Executive Decree 495. Furthermore, Ecuador has adopted the 2030 Agenda for Sustainable Development as a national policy through Executive Decree 371 from April 2018. Related to the energy sector, Ecuador's 2008 Constitution explicitly states that the government will promote the use of clean and alternative energy sources, in addition to energy efficiency, while providing access to public services, preserving the environment and maintaining food and water security. In terms of land use, the agricultural sector policy identifies various prioritized value chains: cocoa, coffee, dairy products, flowers and commercial forestry. The government has launched several programs and/or large projects focusing on strengthening these sectors that are further outline in the market study within Annex 2. Ecuador has also developed a REDD+ Action Plan to guide the implementation of the country´s national REDD+ program, where supported measures include commercial reforestation as well as providing incentives to support the transition to sustainable production systems in non-forested areas.

Additionally, the country is implementing the Amazon Integral Program for Forest Conservation and Sustainable Production, PROAmazonía, an initiative of the Ministry of Environment (MAE), the Ministry of Agriculture and Livestock (MAG) and the United Nations Development Program (UNDP), funded by GCF and GEF. This Program focuses on reducing emissions from deforestation, the growth of the agricultural and livestock frontier, strengthening mitigation and adaptation efforts, forest protection and the promotion of bioenterprises. GCF co-financing provides targeted investment to control agricultural expansion into forest areas; optimize existing financial, economic mechanisms to implement agricultural and livestock production practices that reduce deforestation; align land-use zoning plans with national climate change-related targets; strengthen restoration, conservation and sustainable production in vulnerable watersheds; redesign public credit lines to orient them towards sustainable agricultural production practices; promote tax incentives for REDD-supportive activities; and strengthen purchasing policies for deforestation-free commodities, their certification and traceability[6]. This way, the proposed Program strategically aligns and complements Ecuador's actions to tackle climate change,

Peru

Peru´s INDC highlights the importance of promoting renewable energy sources, reducing deforestation and forest degradation, maximizing social and environmental benefits of efficient and inclusive productive sectors and supporting sustainable natural resource management. Agriculture and forestry are priority areas for adaptation. Half of national emissions in Peru are attributed to LULUCF.[7] By 2030, Peru aims to reduce GHG emissions by 30% below BAU levels (20% through domestic resources, 10% subject to the availability of international financing and the existence of favorable conditions). In this regard, 75 mitigation options distributed in the six emission sectors were presented. The Energy sector had the highest number of mitigation options, 25 (33.3%); followed by the LULUCF sectors (13; 17.3%).[8]

The *National Strategy on Climate Change* is the main instrument that guides the management of climate change in Peru. It provides guidance on climate change for national, sectoral and regional development plans and projects, including REDD+. The national policy proposes measures for a more rational management of greenhouse gas (GHG) emissions, better management of forests for increased carbon sequestration, and distribution of knowledge and information about climate change, among other topics. In terms of energy, the country´s *National Energy Policy for the period 2010-2040 (Supreme Decree No 064-2010-EM)* sets the country's energy policy objectives, including: relying on a diversified energy matrix, promoting energy from renewable energy sources and promoting energy efficiency and developing an energy sector with minimum impact on the environment, including a reducing the sector´s contribution to

[6] https://www.greenclimate.fund/sites/default/files/document/funding-proposal-fp019-undp-ecuador.pdf

[7] INDC Peru (2016)

[8] Grupo de Trabajo Multisectorial de naturaleza temporal encargado de generar información técnica para orientar la implementación de las Contribuciones Nacionalmente Determinadas (GTM-NDC) INFORME FINAL, 17 de diciembre de 2018

national GHG emissions. The National Strategy on Forests and Climate Change (ENBCC) (2016) promotes the reduction of deforestation and degradation and the conservation of 54 million hectares of primary forests as national priority. Since 2016, the Government is working on a National Law on Climate Change that aims to set clear emission mitigation and adaptation trajectories across sectors, as a response to the Paris Climate Agreement (2015). The National Forest Law (29763) was approved in 2011 and includes the creation of the National Forest Service (SERFOR). It aims to sustainably develop a competitive forest industry in natural forests and plantations while conserving forests and wildlife resources. Peru is a high priority country for forest conservation and sustainable forest management for international donors, and many programs have been designed to address the high deforestation rates in different regions of the country (e.g. REDD+, FIP).

Peru has been implementing consultation meetings with different sectors to define, update and define an implementation plan for the NDCs in Peru, as mandated by the Paris Agreement. The monitoring of this and the definition of the next cycles will be under the competence of the High-Level Commission on Climate Change, recently created.

Chile

Chile´s NDC notes that energy is the largest contributor to Chile´s GHG emissions (75% of emissions), followed by agriculture (15%).[9] LULUCF is an important sector for GHG mitigation. Identifies energy, agriculture land use land use change and forestry as priority sectors for mitigation in Chile. Chile aims to reduce GHG emissions by 30% (from 2007 levels) by 2030 (35-45% of these reductions are conditional international financial support). Chile was one of the first nations in Latin America to set long-range targets for adding clean generating capacity. This includes a clean energy mandate at 20% of generation by 2025.

Chile´s *National Energy Agenda* (2014) aims to reduce marginal costs of electric energy production by 30% by 2018, integrate 20% of non-conventional renewable energies in the energetic matrix by 2025, and reduce energy consumption 20% by 2025. Chile has proposed to undertake Nationally Appropriate Mitigation Actions (NAMAs) in different areas to reach an emissions level 20% below BAU by 2020 (as projected from 2007). While climate-finance in Chile has had a stronger focus on the energy sector, national policies recognize the importance of climate change mitigation and adaptation measures within the land use sector. The Chilean Forestry Policy 2015-2035 recognizes the importance of sustainable forest management and reforestation within the country. Chile's current goal with the Forestry Sector is to restore 100,000 hectares of degraded land with its own resources. The government has committed to invest an estimated USD $250 million, which would be for reforesting an area of at least 100,000 hectares of managed native forest by 2035. There is further a strong enabling environment in place for commercial forestry investments. In terms of agriculture, the Government Program on Agriculture 2014-2018 and other sectorial policies and initiatives includes measures to support climate change adaptation and mitigation, recognizing the importance of the sector to mitigate GHG emissions. Chile does not have suitable and competitive financing (proper tenor and interest rates) for small and medium size enterprises to implement sustainable energy or land use projects. The financial market provides good option for large corporations. This Programme aims to support LFI to incorporate specialized credit lines and measures to support SMEs to implement RE, EE and land-use projects.

Project / Programme Objective against Baseline

National Baselines

The following table provides an overview of key indicators for each country including their gross domestic product (GDP), total primary energy supply, emissions from fuel combustion, energy intensity and carbon intensity.

Table 1. Key baseline indicators, by target country[10]

Country	Gross Domestic Product (GDP) (billion USD $)	Total Primary Energy Supply (million toe)	Emissions from fuel combustion (million tCO_2eq)	Energy Intensity (TPES/GDP) (toe/ thousand USD $)	Carbon Intensity (CO_2/GDP) ($kgCO_2$/ USD $)
Panama	42.24	4.26	10.68	0.10	0.25
Peru	186.21	24.61	49.15	0.13	0.26

[9] 2010 data from Chile´s INDC (2015): http://portal.mma.gob. cl/wp-content/doc/2014_1IBA_Chile_Espanol.pdf
[10] USD value from 2010

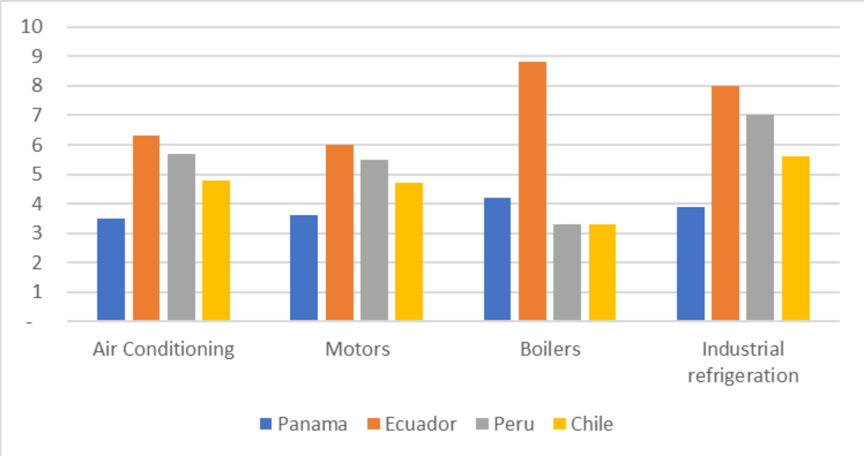
Ecuador	86.64[11]	15.06	37.57	0.17	0.43
Chile	263.13	36.11	81.68	0.14	0.31

Source: International Energy Agency (Data from 2015)

Energy Efficiency Baselines

Small to medium energy efficiency investments in target countries have average simple paybacks ranging from four years for boilers to six years for industrial refrigeration (Figure 2). This is illustrative of the financial unattractiveness of energy efficiency to most SMEs since businesses generally require payback periods of two years or less.

Figure 1. Estimated payback (years) of small to medium energy efficiency measures in target countries

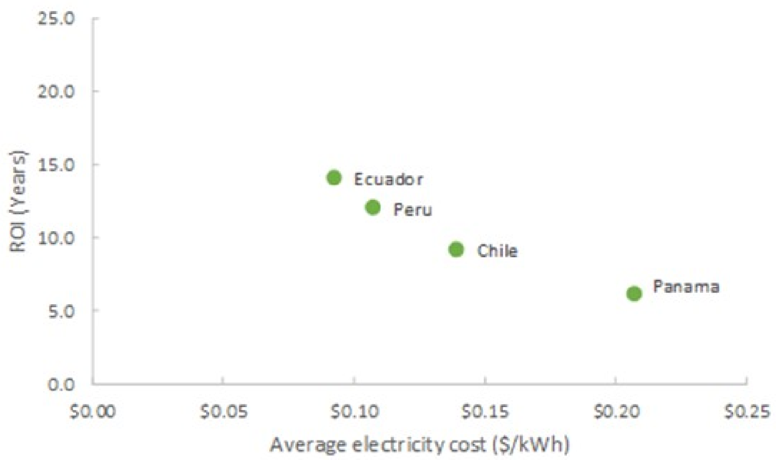


Source: Own analysis – assumptions included in Annex 3

Distributed renewable energy baseline

Distributed generation is often equally unattractive. For example, even in the target countries with the highest retail electricity costs (Panama), the return-on-investment for a 100kW distributed solar array is still 6 years (Figure 3).

Figure 2. Average electricity cost per kWh v. ROI for a 100-kW distributed solar system in target countries



Source: Own analysis – assumptions included in Annex 3

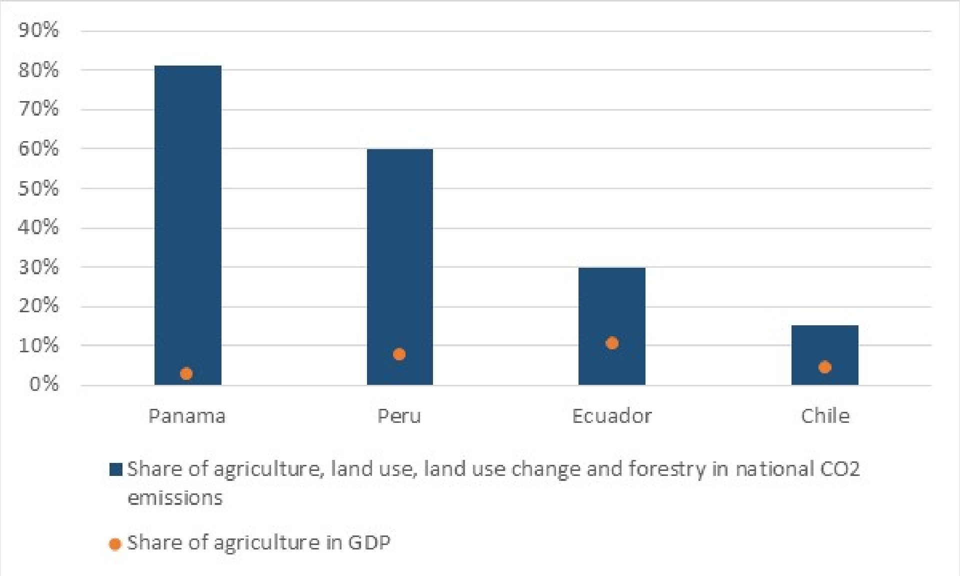
11 PIB 2015 at constant prices of 2007 = 70.3 billion USD (Central Bank of Ecuador; https://www.bce.fin.ec/index.php/boletines-de-prensa-archivo/item/909-la-econom%C3%ADa-ecuatoriana-creció-en-02-en-el-2015)

Land use baseline

Agriculture, together with land use, land use change and forestry, is a major emitter of GHGs in all participating countries (Figure 4). In general, land use emissions represent a large share of total emissions in Latin America. On the one hand energy matrixes include large renewable energy sources, while on the other hand land use change in the form of deforestation further plays a dominant role in the region. While each country experiences unique trends, drivers and underlying causes of deforestation, often the agricultural sector is often attributed to some degree of deforestation and/or forest degradation. For example, in Ecuador, 99% of the forested area lost from 1990-2008 was converted from forest to agricultural land use (incl. livestock).[12]

The share of land use emissions within total country emissions varies however due to many factors. In Chile for example, the forestry sector is a carbon sink. This means that agricultural emissions are compensated by reductions in the forestry sector and the overall land use sector emissions are relatively low. The following figure gives an overview of land use emission shares in participating countries.

Figure 5. Share of agriculture, land use, land use change and forestry in national CO_2 emissions, and share of agriculture in GDP



The following table gives an overview of static land use sector emissions from the year 2015 as compared to annual land use GHG emission savings of the program, expressed in tCO_2eq.

Table 2. Baseline Land Use emissions and emission reductions with the Programme (tCO_2eq)

Country	Agriculture emissions	Land use emissions	Total annual baseline emissions	Annual emissions reduction with project
	(tCO_2eq)			
Panama	3,220,100	8,562,900	11,783,000	-168,900
Peru	23,523,100	72,039,000	95,562,100	-21,113
Ecuador	11,760,700	33,899,100	45,659,800	-142,643
Chile	12,837,700	-105,087,000	-92,249,300	-339,042

Source: FAOSTAT 2015, own calculations, a negative value indicates net emission savings

Programme outcomes against baseline

The overarching objective of the programme is to reduce greenhouse gas emissions in Latin America through locally financed and developed climate change projects. It will contribute to the following GCF results areas:

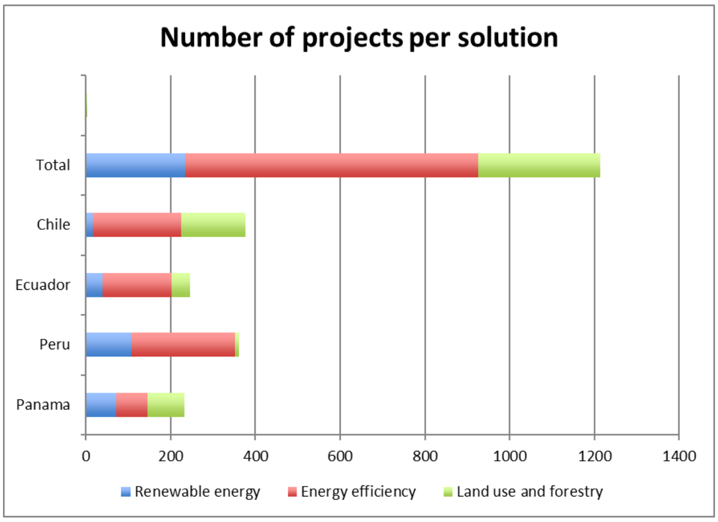
- M1.0: Reduced emissions through increased low-emission energy access and power generation, and

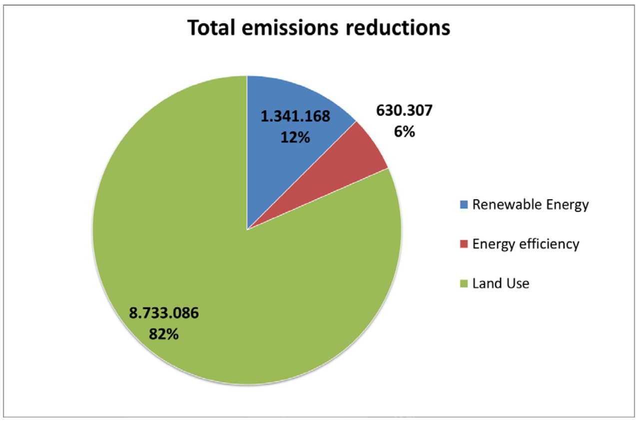
[12] Ministerio del Ambiente de Ecuador 2016

- M3.0: Reduced emissions from buildings, cities, industries and appliances
- M4.0: Reduced emissions from land use, deforestation, forest degradation and through sustainable forest management, and conservation and enhancement of forest carbon stocks.

The Programme will help LFIs and beneficiaries/SMEs overcome financial and market barriers to implementing climate change projects. The Programme is expected to finance nearly 1,214 local climate change projects in the four target countries. The distribution by project type is reflective of different country baselines and opportunities as documented in detail in the Market Assessment (Annex 2). Energy efficiency projects are forecasted to account for 57% of total projects, renewables 19%, and land use 24%. While land use accounts for a small share of anticipated projects, these projects are expected to account for 82% of the total GHG emissions mitigated within the Programme because of the cost-effectiveness of the sector and supported investments. However, it is important to highlight that the objective of the Programme is to engage Banks in financing green climate change solutions, requiring alignment with the demand and appetite from the banks whilst also finding a balanced distribution of funds between energy efficiency, renewable energy and low-carbon land use projects. A good distribution of financing (for renewable energy, energy efficiency, and low-carbon sustainable land use projects) allows banks to reduce their risk perception when committing to build a green financing product and allocate the funding requested to the Programme in a reasonable period of time. The projects financed through the programme are expected to result in the mitigation of up to 10.70 million tCO_2eq over a period of 20 years (*Figure 9*).

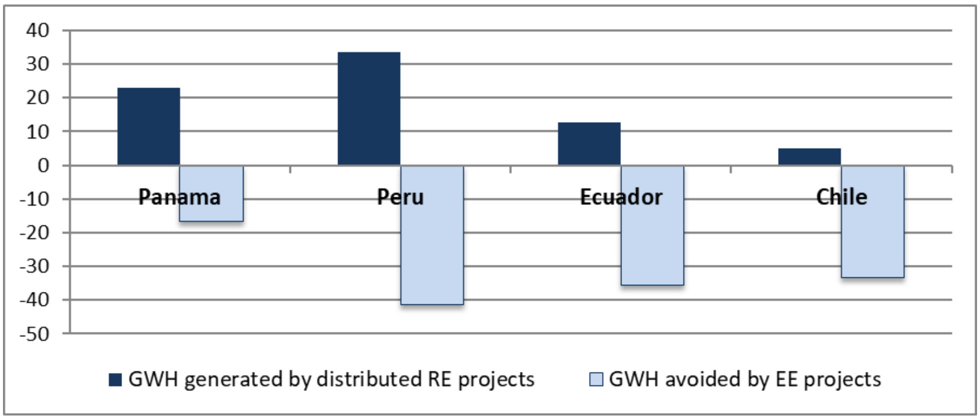
Figure 1. Climate change projects by target country and in total (left) and distribution of lifetime CO_2 mitigated by project type (right)





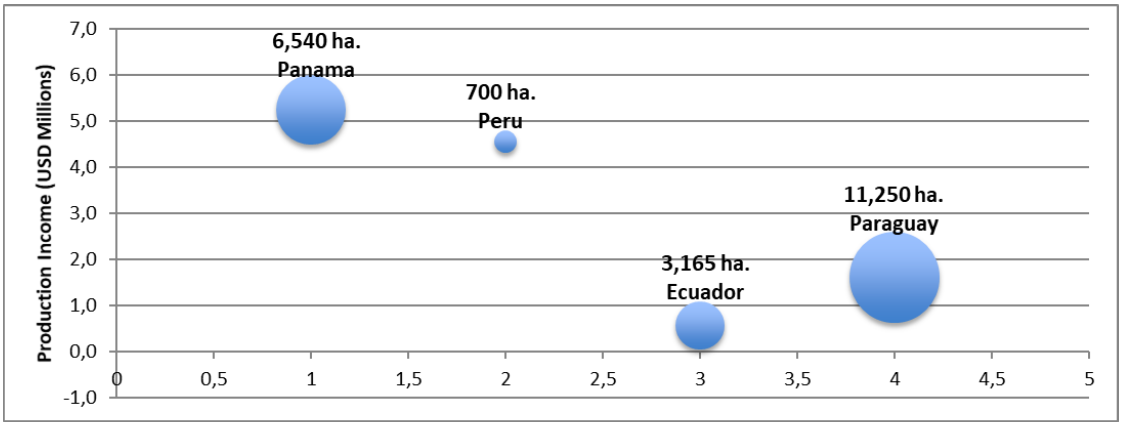
Distributed renewable energy projects are expected to generate 1,168 GWh total over the lifetime of the investments; conversely, energy efficiency projects are expected to save 1,270 GWh. Annually, this corresponds to generation of 74.47 GWh/year and savings from energy efficiency projects of 126.98 GWh/year. Figure 7 shows the annual impacts per country.

Figure 2. Annual energy generated and saved through the programme, by target country (GWh)



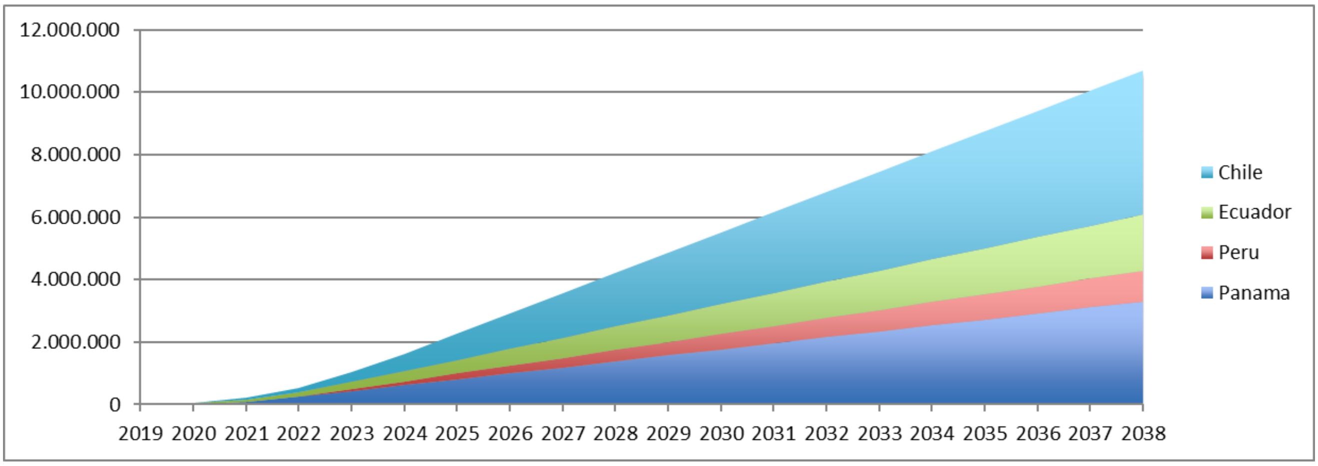
Beyond direct climate change mitigation benefits, the Programme will further generate diverse additional benefits. It will simultaneously increase land use sustainability and boost local economies. A conversion of 21,662 hectares (ha) of land area to sustainable uses is expected, with a value added of USD $17,304 million in production income over the projects' lifetimes (Figure 8). Further project-specific investments can also have biodiversity benefits, reduce workplace hazards (such as the exposure to harmful agrochemicals), and adaptation benefits, among others.

Figure 3. Lifetime production income generated by sustainable land use projects (y-axis) and land area converted to sustainable use (bubble size)



Finally, the projects financed through the programme are expected to result in the mitigation of over 10,70 million tCO_2eq (Figure 9).

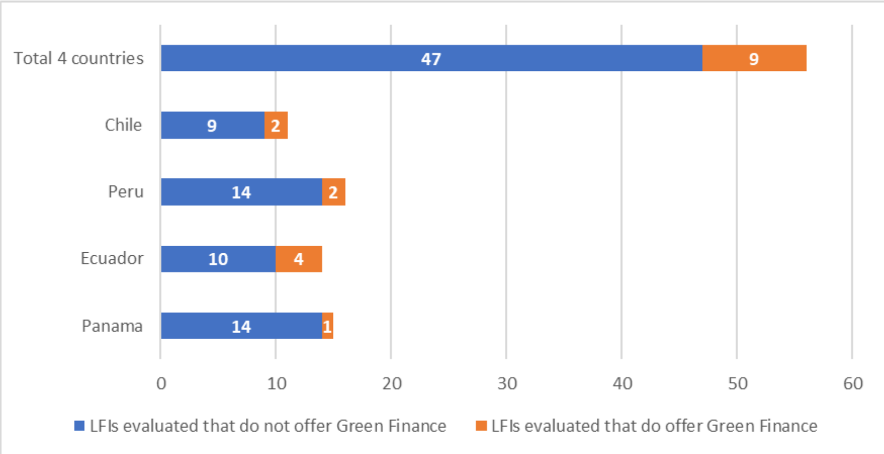
Figure 4. Lifetime emissions (tCO_2eq) mitigated as a result of the programme



Financial markets overview

Commercial banks can offer credit to SMEs for green projects through conventional credit lines, however very few LFIs have dedicated and specialized green financial products that allow them to identify, evaluate and finance these projects in a suitable way (Figure 10). There is a growing interest from LFIs to get involved in financing climate change projects, however there is a general lack of understanding by majority of LFIs on the market potential and characteristics of sustainable projects, resulting in the misalignment of credit evaluations and characteristics of financing provided. Only 16% of 56 LFIs evaluated by CAF in the four participant countries have dedicated green financial products. A detailed market assessment for the target countries and sectors has been prepared to inform Programme design (refer to Section 2.3 of the Market Assessment within Annex 2 for detailed information).

Figure 5. Number of LFI's evaluated by CAF that do and do not offer Green Finance (total=56)



Number of LFIs currently offering financing for climate change projects

The existing market for LFI-financed climate change projects in target countries is very small. Of the 9 LFIs evaluated that have dedicated green financial products, only two are specialized on land use while 7 focus on sustainable energy. Only 4 financial institutions offer green finance for both segments, sustainable energy and land use. For further details on market overview, please refer to Section 2 'Market assessment and baseline report' of the Feasibility Study.

Table 3: Number of LFIs offering green finance in target countries

Country	Number of LFIs	Type of products (energy &/or land use)
Panama	1	Both
Ecuador	4	Both
Peru	2	Both
Chile	2	Both

In this unfavourable context, the COVID-19 crisis has made the situation even more difficult. The participant countries have been impacted by the global outbreak and will need larger support for facing the economic downturn. In response, CAF has approved a USD 50 mm Emergency Loan to each of its country-members directed towards the health sector and a USD 2.500 million Emergency Credit Line which will allow authorities to contribute to the continuity of business operations and the recovery of their economies. The GCF funding will come to provide further support and generate synergies through this programme, at a key time for fostering post-crisis low-carbon development.

B.2. Theory of change (max. 1000 words, approximately 2 pages plus diagram)

Challenges and Barriers for Investing in Climate-Change Mitigation Projects

All participating countries have substantial energy and agricultural emissions. The forest sectors in three out of the four countries, except for Chile, contribute to GHG emissions as well. While there is a strong knowledge based on proven and effective low-carbon technologies and practices for the target sectors, it remains a challenge to scale up and properly incentivize their adoption due to various barriers.

One of the main barriers for investing in climate change mitigation technologies includes high upfront investment costs for low-GHG technologies and practices, often with unattractive payback periods. Practices with the highest mitigation potential in terms of emission savings are production systems that incorporate trees and sequester carbon in their woody biomass. At the same time, such systems take years (coffee and cocoa) or decades (high value timber plantations) to reach full harvest potential and generate little cash flow in the meantime. Conventional credit products are not designed to service such investments. While barely "profitable enough" in the short term, inefficient land use systems such as cattle raising on degraded land, are not profitable in the long run and incentivize area expansion, often at the expense of forests. Sustainable intensification in the form of mitigation investments can reverse the trend if financial risks (high upfront cost, long paybacks) are overcome.

On the finance supply side, LFIs often do not have the technical skills or the financial backing needed to evaluate, finance and monitor climate change projects. Projects are also perceived by LFIs as being too risky, and thus many LFIs may not decide to develop green credit lines.

On the demand side – SMEs and farmers (end users) often do not fully understand how projects benefit them, or how to identify appropriate projects. End users often view new, climate friendly technologies as high risk. The high upfront costs of climate friendly solutions, and high cost of credit are common barriers to investments in climate friendly solutions.

When projects are identified, end users typically face high transaction costs and unattractive terms for project financing through larger commercial banks. Nonetheless, awareness of climate change issues and appropriate responses remains low among most market actors, as well as in the general population. This limits people's willingness and ability to adopt sustainable technologies and practices.

Other barriers include the lack of knowledge about green land use investments at the commercial LFI level, so that decision makers at LFIs are not in a position to create credit lines that service the above described project types. Apart from the perceived inherent risk, potential borrowers of climate loans also tend to have risk profiles that do not match LFIs' lending appetite. A better understanding of land use SME profiles, improving match making between LFIs and project developers, as well as supporting intermediation on a performance-based level, can help overcome this gap. In addition, local sustainable development opportunities are not yet equal for men and women in the region. Financial inclusion remains a challenge for many women globally, where there is a funding gap of $287 billion for financing SMEs owned by women.[13] It has been further estimated that 70% of women-owned SMEs in developing countries have inadequate or no access to financial services.[14]

The following table outlines how each barrier will be addressed by the proposed program, while figure 11 depicts the Programme's theory of change.

Additional challenges (such as financial needs, and needs for strengthening LFIs institutional capacity), are outlined in section D.4 Needs of recipient below. For further details on barriers related to women accessing funds, and how dedicated budget and activities have been assigned, please refer to Annex 8 - Gender Assessment and Action Plan.

Table 4. Key market barriers to local climate project development and how the programme addresses them

Market actor facing barrier	**Barrier type**	**Barrier**	**How barrier will be addressed by programme**
LFIs	Financial	LFIs have insufficient suitable capital (interest and tenor) to finance climate change projects in SMEs.	• **Activity 1.1 - Green finance credit line:** Will increase the volume of financing available for local projects.
TSPs, SMEs	Financial	TSPs/SMEs currently face high interest rates and unattractive loan tenor and grace periods to finance their commercial activities	• **Activity 1.1 - Green finance credit line:** The credit line for LFIs will have more attractive terms than are available through larger commercial banks.
TSPs, SMEs	Financial	TSPs/SMEs do not have trusted relationships with mainstream commercial banks, or their projects are too small to be of interest to commercial banks	• **Activity 1.1.1 - Green finance credit line**: Dispersing climate project financing through LFIs takes advantage of their capillarity, through their local presence and knowledge of local markets.
All	Know-ledge	Lack of knowledge of the Programme and available financing as well as climate change, mitigation projects, targeted sectors and countries.	• **Activity 2.1.1 - Climate change and mitigation awareness raising:** workshops for LFIs, and potential beneficiaries SMEs and TSP.
All	Know-ledge	Local market actors - including TSPs, LFIs and SMEs - do not have sufficient connections to get the help	• **Activity 2.2.1 – Matchmaking between LFIs and TSPs**: The programme will connect market actors to facilitate climate change projects. For example, the programme will connect SMEs with

[13] IFC 2014
[14] Goldman Sachs 2014

		they need to develop climate change projects	specific technology needs with appropriate TSPs.
TSPs, SMEs	Know-ledge	There is a lack of trust from SMEs on how to negotiate and deal with green climate investments. This generate lack of trust. Contractual arrangements between TSP and SME are not very clear to reduce risks for investors.	• **Activity 2.2.2 – Country opportunities for standardized performance-based contracts:** The objective is to help to standardize contractual arrangements and payments to the provider according to the performance.
LFIs	Know-ledge	LFIs do not have the tools or the knowledge to effectively evaluate the viability of climate change projects	• **Activity 2.3.1.1 - Technical support for LFIs:** Classroom and on-the-job training, and ongoing technical support for LFI personnel on project assessment and evaluation.
LFIs	Know-ledge	LFI need to strengthen their internal environmental and social risk management systems and gender policies to reduce risk and drive corporate engagements and green lending	• **Activity 2.3.1.2 –Strengthening Environmental and Social risk management systems and skills:** Strengthens internal environmental and social risk management processes and gender policies and sets the framework at participating LFI level to manage sub-borrower/end-user beneficiary risk
LFIs	Know-ledge	LFIs do not have the tools or the knowledge to effectively assess GHG baselines and MRV	**Activity 2.3.1.3 – Technical support for GHG baseline definition and MRV for LFIs:** Development of MRV framework and training to strengthen skills among LFIs personnel.
TSPs, SMEs	Know-ledge	TSPs and SMEs do not have the tools or the knowledge to effectively identify climate change projects or understand their financial and non-financial benefits.	• **Activity 2.3.2.1 - Technical Support for project development:** trainings on mitigation projects, green business literacy for women-led SMEs, project pre-investment facility for SMEs.
TSPs, SMEs	Know-ledge	LFIs do not have the tools or the knowledge to effectively assess GHG baselines and MRV	• **Activity 2.3.2.2 – Technical support for GHG baseline definition and MRV for SMEs and TSPs**: workshops on GHG baseline and MRV.
All	Know-ledge	Actors need to access and manage information about the Programme in an effective manner.	• **Activity 2.4.1 – Communication and visibility:** communication and dissemination strategy, promotional material, programme website and information management platform, will allow to disseminate information on the Programme and have a platform for its general management.
All	Know-ledge	Actors have insufficient information about the learnings that can be taken from the implementation of mitigation measures through intermediation.	• **Activity 2.4.2 Lessons learned and stakeholders' engagement activities:** case studies, women-led SMEs success stories, learning workshops and targeted presentations for dissemination of lessons learned to key stakeholders will help to build alliances and exchange lessons learned.

Climate Change Context

- While emission levels and sources differ among countries, energy and land use activities (agriculture, forestry and other land use as well as land use, land use change and forestry) are often among the main sources of GHG emissions in many Latin American countries (including within the participating countries Panama, Ecuador, Peru, Chile, Paraguay and Uruguay)
- Investments in energy, including measures to improve energy efficiency as well as measures to support the adoption of renewable energy, can have a major impact to reduce GHG emissions
- Investments in low carbon and climate-resilient land use can lead to reduced emissions from agriculture, and further increase forest cover (through reforestation and integration of trees in production systems, improved production practices, as well as through reducing emissions from deforestation and forest degradation).

Baseline Situation:

- LFIs do not have the technical skills or the financial backing needed to evaluate, finance and monitor climate change projects.
- Climate change projects are often perceived by LFIs as being too risky.
- On the supply side, project promoters – such as SMEs and farms – often do not know how to identify projects, or fully understand how projects benefit them.
- When projects are identified, promoters typically face high transaction costs and unattractive terms for project financing through larger commercial banks.
- Awareness of climate change issues and appropriate responses is low among all market actors, as well as in the general population.
- Local sustainable development opportunities are not equal for men and women in the region.

Barriers...

- Project promoters do not have trusted relationships with mainstream commercial banks, or their projects are too small to be of interest to commercial banks
- Local market actors, including project promoters, LFIs and TSPs, do not have sufficient connections to get the help they need to develop climate change projects
- Project promoters currently face high interest rates and unattractive loan tenor and grace periods to finance their commercial activities
- Project promoters do not have the tools or the knowledge to effectively identify climate change projects or understand their financial and non-financial benefits
- LFIs have insufficient capital to invest in climate change projects
- LFIs do not have the ability to monitor and report on project results
- The perceived level of risk of financing climate change projects is too high for LFIs
- LFIs do not have the tool or the knowledge to effectively evaluate the financial viability of climate change projects
- Project promoters have insufficient financial incentives to develop projects in the LAC region
- Opportunities for sustainable development are not equal for men and women in Latin American countries

Program Objective: *To reduce greenhouse gas emissions through locally financed and developed climate change projects in Latin America.*

Component 1: Green finance credit line for LFIs

- **1.1 Financially viable climate change mitigation projects are identified, and financed**
  - 1.1.1 Green finance credit lines for LFIs

Component 2: Technical support and awareness building

- **2.1 Climate change and mitigation awareness raised**
  - 2.1.1 Climate change and mitigation awareness raising
- **2.2 Enabling environment activities for development of mitigation projects**
  - 2.2.1 Matchmaking between LFIs and TSPs
  - 2.2.2 Country opportunities for standardized performance-based contracts
- **2.3 Technical support and capacities built for LFIs, SMEs and TSPs**
  - 2.3.1 Technical support for LFIs
  - 2.3.2 Technical support for SMEs/TSPs
- **2.4 Dissemination and learning reinforced**
  - 2.4.1 Communication and visibility
  - 2.4.2 Lessons learned and stakeholders' engagement activities

Component 3: Programme management

Paradigm Shift

- Bankable climate change projects are identified, financed and implemented → improved incentives for project promoters and LFIs
- LFIs see climate projects as bankable and necessary projects
- Increased volume of finance, with suitable conditions, for climate change projects in Latin America
- Capacities are built on climate change project financing in LFIs, which are mainstreamed into LFI procedures and funding portfolios
- Project promoters are more aware of climate benefits, and have a strengthened understanding of financial and non-financial benefits
- Climate change project monitoring and reporting skills are mainstreamed by LFIs
- Improved opportunities for women to access finance for climate change projects in participating countries

Key Results (MITIGATION)

GCF Results Area M1.0: Reduced emissions through increased low-emission energy access and power generation
GCF Results Area M3.0: Reduced emissions from buildings, cities, industries and appliances
GCF Results Area M4.0: Reduced emissions from land use, deforestation, forest degradation and through sustainable forest management, and conservation and enhancement of forest carbon stocks

Figure 11: Theory of change

B.3. Project/programme description (max. 2000 words, approximately 4 pages)

Summary

The proposed Programme supports national level GHG savings ambitions in all the target countries based on their NDCs under the Paris Agreement. All target countries have expressed interest in scaling up investment in energy efficiency, renewables and land use projects. All the NDCs expressed the need for additional international financial support to reach their GHG savings targets – as there are limited public resources to do so. This suggests a key role for the private sector in dispersing investments to help these countries meet the ambitions they set forth in their NDCs. This is particularly true of local climate change efforts, since national government spending tends to focus on larger-scale, higher-visibility projects. Globally it is estimated that only 11% of climate change project funding has actually reached local populations within the period from 2003-2015, emphasizing a major financial gap to support local populations to invest in low-carbon and climate-resilient measures.[15] The proposed Programme thus aims to support LFIs to develop green credit lines and overcome existing barriers in order to improve access to finance for climate change projects in key sectors, primarily for SMEs in Latin America. The participant countries are Panama, Ecuador, Peru and Chile.

Programme overview

The Programme is designed to accelerate the development and volume of local climate change projects in Latin America by helping market actors overcome key financial and knowledge barriers (Figure 11). It targets projects in the energy and land use sectors with strong mitigation benefits, supporting countries to reduce emissions from two sectors that comprise a large share of their national GHG emissions.

Using a combination of funding sources, including loans and grants, the Programme will conduct activities across two Programme components – (1) Financial, (2) Technical Support and Awareness Building – to boost local markets for climate change projects.

Programme beneficiaries

The beneficiaries of the refundable resources (Component 1) are SMEs and TSPs of the eligible productive sectors.

The beneficiaries of non-refundable technical assistance resources (Component 2) are SMEs, TSPs and LFIs.

i) **LFIs – Local Financing Institutions:** LFIs are the Local Financial Institutions that have been selected by CAF for the implementation of this Programme. Numerous eligible LFIs have already been identified in each target country (Please refer to Annexes 2 and 3 for further details). In principle, any LFI that meets the following criteria could be eligible for the green finance credit line:
   - Criteria 1: Sustainability and green finance goals
   - Criteria 2: Have in place an environmental and social risk management system
   - Criteria 3: LFI is a client of CAF.[16]

ii) **SMEs – Small and Medium Enterprises:** Categories of SMEs eligible for the Programme are summarized in the table below.

Table 5. Eligibility of SMEs

Criteria	Description	
Sales cap	Up to USD 100 MM	
Types of SME	Small and medium enterprises producing goods and services in the eligible sectors.	
Sectors	Industry	- Agroindustry - Food processing and beverages - Textile, leather and shoe manufacturing - Furniture and wood sector - Cement and aggregates sector - Construction materials and finishing products - Paper and pulp

[15] Soanes and Shakya 2016
[16] The control will be implemented though contractual obligations. In the Credit Lines Agreements, the relevant clauses on this matter must be transferred to both: the LFI and the agreement with Beneficiaries/SMEs. In the Credit Lines Agreements there will be clauses that oblige Beneficiaries/SMEs and third parties to comply with such policies.

		- Metallic and mechanical industry
	Services	- Hospitals and clinics - Hotels - Restaurants - Educational and sport centers - Cultural and entertaining facilities (cinemas, theatres, etc.)
	Commercial	- Big surfaces, supermarkets, department stores, malls - General commerce facilities - Office, residential and public buildings

iii) **TSPs - Technology Services Providers:** Eligible TSPs under the Programme are SMEs (sales cap up to 100 MM USD). TSP and SMEs create a mutual beneficial arrangements or business linkage, such a mutually beneficial supply chain structure to penetrate new markets, increase market share or increase profitability.

TSPs for Energy investments are companies of the services sector whose core business is the development and/or the construction and/or operation of Renewable Energy plants or co-generation projects or energy efficiency projects.

TSPs for Land Use investments can be Anchor firms (that facilitate and strengthen an enabling environment to penetrate new markets, expand market share, increase profitability), cooperatives that can provide sub-loans to their members/constituents, and other TSPs such as Social enterprises or other private and non-governmental organizations with the potential to provide sub-loans and/or technical assistance (advisory services, trainings, etc.).

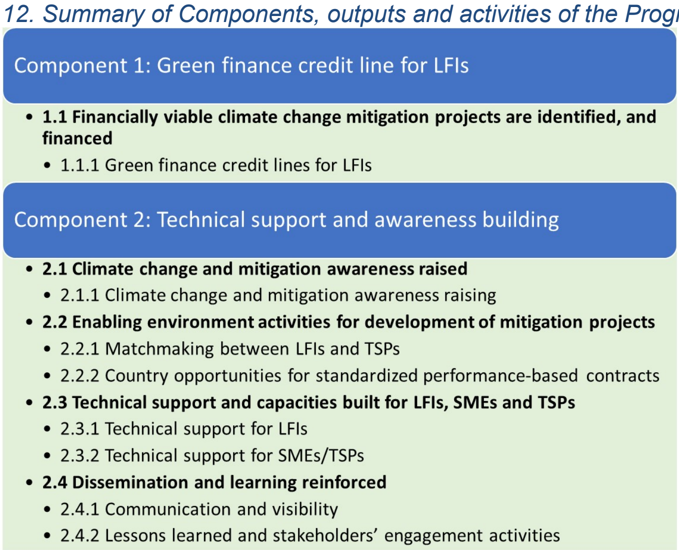
TSPs shall demonstrate legal status/right to operate within the host/beneficiary country to undertake intended activities, demonstrate relevant experience in the sector or implementing project activities, have access to national, regional and international markets. TSPs that act as intermediaries providing sub-loans to SMEs shall commit to transfer the concessional terms and conditions of the loan received from LFI to the final beneficiary.

Please refer to Section 3.3 of the Feasibility Study for further description of beneficiaries.

Description of Programme Components

Components, outputs and activities are structured as shown in the figure below.

Figure 12. Summary of Components, outputs and activities of the Programme



Component 1 – Green finance credit lines for LFIs

Activity 1.1.1: Green finance credit lines for LFIs

Financing: Loans will be provided through Local Finance Institutions (LFIs).

Outputs resulting from this activity include:

- **Output 1.1** Financially viable climate change mitigation projects are identified and financed.

Delivery:

A climate finance credit line with adequate financial terms and conditions will be made available for LFIs from countries participating in the programme to finance local distributed renewable energy, energy efficiency, and land use climate change mitigation projects. Loans will be made available to SMEs and TSPs to improve or grow their businesses.

Access to these credits will be enhanced by ensuring that the GCF concessionality is passed on to LFIs and beneficiaries, and with the support provided by activities in Component 2.

The use of loan proceeds by an eligible LFI will comply with a binding "Policy Statement" included in the loan agreement between CAF and the LFI. This will also contain GCF requirements. LFIs will on-lend funds to Beneficiaries/SMEs for investments in programs/projects defined in the eligibility criteria.

Each project will have CAF's approval before their disbursement. See *Section B.7 Implementation arrangements*. The Draft OM (Operations Manual) submitted with this proposal provides further description on this procedure.

Detailed project eligibility criteria have been established to define the scope of investment of the climate finance credit line and specific climate change and environmental, social, and economic co-benefits indicators.

CAF, in coordination with LFIs, will promote the participation of women-owned SMEs according to the objectives of the Gender Action Plan (GAP).

Eligibility criteria

i) Eligibility of projects

Projects will need to comply with the eligibility criteria listed in Table 6 and Table 7 that provides an overview of the assessment and prioritization criteria that will be followed.

Table 6. Project eligibility criteria

Eligibility Criteria	Energy	Land Use
Exclusion List	Subproject activities are not included in CAF and Programme Exclusion List (Section 3.4.3) and ESMF (Annex 6)	
E&S Category	Category B and C Subprojects category A are excluded.	
Indicative Mitigation Technology	• Renewable Energy • Energy Efficiency	• Silviculture, production and conservation • Agriculture and livestock
Financing thresholds	• Renewable Energy: USD 5k to USD 10 million • Energy Efficiency: USD 5k to USD 2 million	• All Land Use projects: up to USD 1 million
Minimum Objectives	Eligibility of technology based on minimum reductions in Table 8.	10% reduction of water and fuel consumption plus 10% reduction of GHG emission.
Other	• Documentation Check: E&S, stakeholder, farm management plan, etc.	• Documentation Check: E&S, stakeholder, farm management plan, etc.

	• The project should involve the deployment of proven EE and RE technologies. • The EE and RE technologies must be new (not second hand or reassembled systems).	

Table 7. Project assessment and prioritization criteria

GCF Investment Criteria	Subproject Assessment and Prioritization Criteria
Paradigm Shift	Innovation: innovative revenue model, financial structure, and/or blended finance instrument, with diversified products and mitigation potential.
	Catalytic effect: (i) be replicated in diversified markets, (ii) achieve environmental and social co-benefits.
	Long-term sustainability of the results
Impact Potential	Reduction of Tons CO_2 Emissions
	Number of Beneficiaries
	Associativity Potential
Sustainable Development	Number of jobs generated by the subproject
	Women led SMEs/TSPs prioritized
	Additional income or savings generated by the subproject
	Locally developed technology
	Diversification: • Energy: Combination of EE&ER Technologies • Land Use: Livelihood and productive diversification
	Environmental: • Land Use: Restoration of degraded lands and reduction of soil erosion
	Value-Added: • Land Use: Increased value-added potential in the agriculture and forestry chain (certifications, access to equipment, wood/timber of high quality).
	Access to Market
Needs of the beneficiary	Rationale to overcome SME/TSP barriers and necessities
Priority by country	Investments' alignment with National Priorities (NDCs and National Communications), considering investments prioritized in Section 3.5 of the present Feasibility Study.
Efficiency and effectiveness	Financial Viability
	Cost Efficiency: Ton CO_2/ USD invested
	Equity Contribution from subproject proponents

The Feasibility Study and the Draft OM submitted with this proposal include further detail on assessment and prioritization criteria of investments, including country priorities. The Final OM will include further precisions about priority measures and the tools for ensuring that these priorities are addressed by the Programme.

ii) Eligibility of technologies

Eligible criteria for Energy and Land Use investments are shown below in Tables 8 and 9.

Section 3.3.1 of the Feasibility Study provides further detail on the eligible and excluded technologies.

Table 8: Eligible Energy technologies and minimum objectives (non-exhaustive)

Energy	
Energy Efficiency	**Renewable Energy Generation**

High efficiency furnaces High efficiency motors High efficiency lighting Energy cogeneration Fuel replacement Improvements of boilers and steam systems Air conditioners Refrigeration Compressed air systems efficiency Automation and control systems Solar water heaters[17]	Micro hydropower plants (less than 10MW). Small wind turbines Bioenergy projects which include biogas and biomass for heating or electricity generation (waste to energy projects) (up to 5MW) Photovoltaic power generation Solar water heaters[23]

Technology type		Minimum objectives	
		Reduced energy consumption (%)	Reduced GHG emissions (%)
Energy Cogeneration		10	10
Fuel replacement		10	20
High Efficiency Lighting		30	30
Boilers and steam systems		10	10
Air conditioners		20	20
Refrigeration		15	15
Water Heating with Solar Energy		50	50
High efficiency furnaces		10	10
Compressed air		10	10
Photovoltaic solar energy		10	10
Automation and process control		10	10
Micro hydropower		N/A	100
Small wind turbines		N/A	100

Table 9: Eligible Land Use technologies (non-exhaustive)

Land Use	
Silviculture, production and conservation	**Agriculture and livestock systems**
Forest conservation & avoided deforestation: • Management of uneven-aged areas dedicated to value-added timber productions under recognized forest certification schemes. • Conservation schemes.	Agrisilviculture: • Alley cropping & windbreaks • Multipurpose trees on crop lands • Plantation crop combination • Improved fallows and rotation fallows • Intensive farming with land sparing • Maintenance or renovation of old plantations
Reforestation and afforestation:	Silvopastoral systems: • Trees in rangeland or pastures

[17] Solar water heaters can be considered as a Renewable Energy project or Energy Efficiency depending on the application of the technology.

• Sustainable management of even-aged stands for high-value timber production.	• Protein banks • Intensive silvopastural systems • Tree Alleys & pastures • Multipurpose woody hedgerows • Apiculture with trees • Aquaforestry
Forest landscape restoration: • Innovative and multipurpose forest landscape restoration approaches and techniques that respond to the need for mitigating to climate change in highly vulnerable deforested and degraded rural lands.	Agriculture resource use and production efficiency: • Low-energy irrigation systems • Rice integrated crop management practices • Technological improvements in the agriculture value chain processes,

Technical references are presented in Section D.6 and detailed in Appendix 2 of the Feasibility Study. The Programme will use validated technologies in the region. References of validated technologies, guidelines, and reference manuals for the Programme's investment decisions.

Component 2.0 – Technical Support and Awareness building

Financing: Activities will be financed by a GCF grant of USD 4.765 million and a co-financing of USD 200,000 from CAF. This grant managed and monitored directly by CAF through the Programme Management Unit (PMU) (see Section B.7 Implementation arrangements).

Beneficiaries of this component are: LFIs receiving loans under Component 1, SMEs and TASPs.

The **objective** of the component is to facilitate the implementation of the Programme by increasing knowledge on climate change, mitigation projects and the Programme, supporting enabling activities to facilitate the development of Projects, providing support to LFIs, SMEs and TSPs to strengthen their capacities, as well as ensuring dissemination of lessons learned and general learning throughout the Programme.

The **specific objectives** of the component are:

- Raise awareness on climate change, mitigation, and the operational aspects to access resources for the Programme.
- Generate an enabling environment for development of mitigation projects by developing standardized contracts and matchmaking among TSPs and LFIs.
- Strengthen capacities and provide technical support for IFIs, SMEs and TSPs for the identification and development of Projects, improve ESMS systems, ensure baseline development and adequate MRV of Projects.
- Ensure dissemination and learning on the Programme.

Figure 13. Outputs and Activities of Component 2

2.1 Climate change and mitigation awareness raised
- 2.1.1 Climate change and mitigation awareness raising

2.2 Enabling environment for development of mitigation projects
- 2.2.1 Matchmaking between LFIs and TSPs
- 2.2.2 Country opportunities for standardized performance-based contracts

2.3 Technical support and capacities built for LFIs, SMEs and TSPs
- 2.3.1 Technical support for LFIs
  - 2.3.1.1 Technical support in project development and assessment
  - 2.3.1.2 Strengthening environmental and social risk management systems and skills
  - 2.3.1.3 Technical support for GHG baseline definition and MRV
- 2.3.2 Technical support for SMEs/TSPs
  - 2.3.2.1 Technical support for project development
  - 2.3.2.2 Technical support for GHG baseline definition and MRV

2.4 Dissemination and learning reinforced
- 2.4.1 Communication and visibility
- 2.4.2 Lessons learned and stakeholders' engagement activities

Subcomponent 2.1 Climate change and mitigation awareness raised

Activity 2.1.1 Climate change and mitigation awareness raising

The goal of this subcomponent is to increase knowledge of the Programme and available financing as well as climate change, mitigation projects, targeted sectors and countries of the Programme, highlighting the benefits of such projects and operational aspects important for accessing the financing. For the organization of the workshops, the following table provides further details to consider regarding participants to convene and the proposed content.

Table 9: Potential participants and content of Climate Change Mitigation Workshops

Participants	LFIs with a current Credit Line with CAF and interested in disbursing funds for the Programme. SMEs who could be potential beneficiaries for EE, RE, Land Use mitigation projects TSPs and anchor companies, which could be potential allies for implementing the mitigation solutions and potential borrowers of credits.
Contents	✓ Climate Change impacts on the region, adaptation and mitigation technologies, vulnerability and gender differentiated impacts. ✓ Climate change mitigation: potential of different mitigation interventions focused on energy and land use to reduce GHG emissions, benefits of these technologies ✓ Concepts of renewable energy sources and cogeneration. ✓ Concepts of energy efficiency and typical projects for each SMEs sector and technology. ✓ Climate variability and extreme weather, as well as unsustainable agricultural and land management practices can jeopardize productivity of business and enterprises. ✓ Project eligibility and assessment for participating in the Programme (financial and technical guidelines). Description of the eligibility criteria for EE, RE and land use. ✓ Environmental and social considerations of the potential interventions to reduce GHG emissions

	✓ Awareness raising and gender considerations on gender gaps, barriers and additional issues women face in energy efficiency, renewable energy and land use sector. ✓ MRV of mitigation projects ✓ Operation and characteristics of the Programme: including components, access mechanisms, available finance and requirements of the Programme to participate ✓ Once the Programme is operational, information will be shared on actual projects being implemented and benefits experienced by the beneficiaries.

Subcomponent 2.2 Enabling environment for development of mitigation projects

The goal of this output is to contribute to create a trusting relationship between the TSPs, the LFIs and the SMEs. One of the main barriers identified for these technologies is that mostly due to lack of knowledge, LFIs and SMEs perceive it as risky investments. Thus, the Programme will promote matchmaking between LFIs and TSPs, as well as the identification of opportunities in each country for the standardization of contracts, to facilitate the development of bankable projects interesting for LFIs.

Activity 2.2.1 Matchmaking between LFIs and TSPs

The goal of this activity is to achieve connections between market actors to facilitate project development. Potential TSPs often do not have established relationships with LFIs. The same is true of LFIs – they often do not know TSPs. Through this activity's funds will be available to:

1. Identify potential TSPs, which could be engaged in the Programme per LFI and country and develop a database.
2. Work to connect them through direct outreach and the organization of workshops and information sessions.

Activity 2.2.2 Country opportunities for standardized performance-based contracts

This activity will contribute to create standardized contract templates for different identified needs in each country. The goal is to contribute to facilitate contractual agreements between clients and providers[18], which will have a clear and transparent standard to negotiate investments in energy efficiency, renewable energy or low-carbon land use. Contractual agreements will aim to create trust and transparency (not to subsidize payments).

The following products will be developed:

1. Market assessment (one per country) to analyze regulatory and pre-investment requirements for the identification of adequate legal contracts to reduce risks for the different actors involved in the EE, RE, and low-carbon land use mitigation projects. The main goal is to determine for each country, the most suitable contribution of the Programme to support mitigation projects in terms of standardized contractual agreements. Thus, these studies will explore the legal aspects needed for promoting potential eligible investments among key actors, the priorities in each country regarding structured contracts, and the alignment with country strategies in the same sector and projects. The studies must include a gender sensitive approach.
2. Contractual standardized agreements: considering country needs and alignment with the gaps and opportunities identified through the market assessment, standardized agreements will be proposed for each sector. These contracts will contribute to reduce risk and to improve trust in the implementation of these projects, clearly stating obligations and rights of all the parties involved.
   Examples of these contractual agreements are contracts in the form of transparent, payment arrangements that are structured to provide an incentive for TSPs and Anchor Companies, to distribute risk to appropriate actors, and/or to guarantee savings. This mechanism functions as a reward for TSPs that achieve or exceed climate results

[18] Including contractual agreements with Anchor Companies for Agroforestry and Resource Efficiency sector.

pre-established in their loan contract with LFIs. See description of potential financing mechanisms in Section 3.4 of the Feasibility Study.

Examples of performance-based contracts include pay-per-use contracts, leasing contracts, and energy performance contracts; as well as trader credit, off-taker agreements, advance purchase agreements, physical-asset collaterization[19], financial leasing, among others.

The contractual standardized agreements will be a valuable tool for the development of projects and will be presented and explained in the different workshops in activity 2.1 and 2.3.

Subcomponent 2.3 Technical support and capacity building for LFIs, SMEs and TSPs

The main objective of the output is to strengthen LFIs, SMEs and TSPs capacities for the development of mitigation projects, and to comply with the ESMS, MRV requirements.

2.3.1 Technical support for LFIs

The following activities are directed at LFI who have already disbursed funds with the Programme or have committed to disbursing funds with the Programme.

Activity 2.3.1.1 Technical Support in Project Development and Assessment

This activity will support LFIs to strengthen capacities of Officials, Executives and personnel participating in the Programme to identify potential clients, assess the potential beneficiaries and projects against the eligibility criteria, and to identify potential bankable projects and financial mechanisms for the development of a mitigation portfolio in the targeted sectors. To this end the PMU shall organize:

1. <u>Trainings on Project Assessment</u>: The training will consist on two modalities:
    a. Classroom training: The PMU will hire consultants to provide classroom or face to face trainings for the LFIs during the first year of implementation to provide a detailed introduction of all the important aspects of Project Assessment and the different characteristics of the mitigation projects in each sector
    b. On-the-job training: the PMU will contract consultants to assist LFIs executives on the job to further develop capacities on Project assessment with practical cases in each LFI.

The PMU shall ensure the trainings cover at least the content included in table 20.

Table 10: Proposed content for training on Project Assessment

General content	Verification of technical feasibility as well as capabilities to deliver, report and/or monitor expected results, as per defined indicators. To the greatest extent possible, standardized forms for different technology types will be developed to facilitate project assessment (to be developed in the full version of the OM). LFIs will be trained on how to conduct and utilize market assessments, including data collection and analysis, selection of target clients, preliminary eligibility and creditworthiness assessment of projects. This will strengthen the selection of creditworthy TSPs/SMEs and support the identification of eligible projects at an early stage. LFIs will also receive training on gender and how to improve access to finance for women-owned SMEs, and to improve gender mainstreaming and monitoring. In general, women participation will be promoted in all workshops, trainings and conferences.
Energy	Energy sector: The training program will cover at least the following topics:

[19] For example: warehouse receipt credit

	- State of the art in Climate Change science. - Presentation of Local Country level GHG inventory, NDCs and Mitigation Programs - Concepts of renewable energy sources and cogeneration. - Concepts of energy efficiency and typical projects for each SMEs sector and technology. - Training on CAF's specific manuals - Concepts of quantifying GHG emissions. Identification of activity data. - Generalities of Technical procedures for measuring the consumption of electricity and liquid, solid and gaseous fuels. - Analysis of the technical feasibility procedure of the OM Component 2
Low-carbon land use	Land use sector: The training program will cover at least the following topics: - General concept of LULUCF investments, its importance, socio-economic benefits and potential to mitigate GHG - Examples of exit strategies and programs in LULUCF sector (include lesson learned) - Available financial instruments to leverage LULUCF investments - Risk mitigation for carbon offset programs - Available low-carbon technology for land use projects, tendencies, strategic partners, etc. - National GHG inventories and the role of LULUCF sector in this context - Technologies and methodologies to estimate/calculate Carbon sequestration, Carbon stocks or quantification of GHG removals (desktop review and in-situ) - Silviculture and Agroforestry concepts, systems, sustainable management: practices, others. - Climate service tools, concept and strategies - Other technologies and platforms with potential to improve land use sector projects, for example: use of remote sensing, etc.

2. Technical Assistance to develop a pipeline of bankable projects. Support will be provided for LFIs to develop specific financing mechanisms to overcome current market barriers. The financing mechanisms would be tailored to each bank and could include energy savings insurance; and/or pay per use model for the energy sectors.

Activity 2.3.1.2 Strengthening environmental and social risk management systems and skills

The objective of this activity is to develop improved environmental and social risk management systems within LFIs engaged with the Programme; and strengthen their capacities on the field. For interested LFIs, the Programme will provide the following technical support:

- Gap analysis: to identify the current status and needs for improvement of LFIs' current ESMS.
- Provision of technical support (external consultancies, trainings) to LFIs to strengthen their ESMS systems to enhance their ability to invest in sustainable projects and ensure robust environmental and social management systems are in place. This includes managing for gender benefits and reducing gender related risks (e.g. supporting development or strengthening of gender strategies, policies, and procedures), to ensure that both men and women benefit from projects financed by the LFI, promoting gender-responsive monitoring of investments, and ensuring that supported investments do not widen gender gaps or produce adverse impacts.
- Independent audits: to assess the adequate implementation of ESMS.

The PMU will ensure proper coordination and implementation of lessons learned from the Environmental and Social Management Program for Financial Institutions (PGASIFs), a platform implemented by CAF to promote and enhance the management of environmental and social impacts in the financial sector of the Latin-American region, while also transferring knowledge and promoting good practices in environmental and social and Governance (ESG) to strengthen the adoption of ESG principles in LFIs. The PMU will work closely to the Programme to ensure synergies and that appropriate and robust procedures and safeguards are in place for implementing climate change projects in the energy and land use sectors.

Activity 2.3.1.3 Technical support for GHG baseline definition and MRV

To support LFIs in the estimation of GHG baseline and the implementation of the MRV, the PMU will contract a consultant to further develop the monitoring and reporting framework and methodology, to facilitate the monitoring and aggregation of climate results. Then, the PMU will organize trainings to strengthen skills among LFIs personnel on the monitoring and reporting framework. The following content shall be included in the workshops.

Table 11: Proposed content of GHG baseline and MRV

Content	Training on CAF's specific framework. Concepts of quantifying GHG emissions. Identification of activity data. Generalities of Technical procedures for measuring the consumption of electricity and liquid, solid and gaseous fuels. Analysis of the technical feasibility procedure of the OM Component 2. LFIs should identify SMEs who could request this technical assistance and provide information on the facility. MRV Complexity of methods for measurement, reporting and verification, and capacity barriers in implementing these methods. Analysis and training in reporting and MRV procedures specific for the Programme. Energy and land use indicators of the program: description on how LFIs will consolidate the projects reports. Remote sensing, GIS database and platforms to support MRV.

Ongoing support by the PMU and CAF experts will be available throughout the implementation to ensure understanding of the methodology.

2.3.2 Technical support for SMEs /TSPs

The goal of this output is to strengthen capacities and provide technical support to SMEs and TSPs for an effective project development and implementation of mitigation projects.

Activity 2.3.2.1 Technical support for project development

This activity aims at training potential SMEs and TSPs beneficiaries of the Programme with the skills and project pre-investment facilities to better understand and be able to develop mitigation projects in the targeted sectors.
To this end, the PMU is responsible of setting up the following activities:

1. <u>Training on mitigation projects</u> how to structure bankable projects, ESMS, standardize contracts and operational aspects of the Programme. At least 2 training per country in year 1, 2 and 3 shall be organized directed at SMEs, TSPs and Anchor Companies[20]. The following content is presented at each workshop:

Table 12: Proposed content for training on Mitigation Projects

Content of the training	- Beneficiaries/SMEs (including TSPs) on how to structure bankable projects and present them to LFIs for financing. To the extent possible, standardized formats for different technology types will be prepared to facilitate the presentation of the

[20] For land-use investments

	projects (templates to be developed in the full version of the OM). - Local legal framework for energy trading - Barrier analysis of the program activities and contract solutions - Description, benefits and examples of Pay per use or power purchase agreement models - Description, benefits and examples of Energy Savings Insurance model - Description, benefits and examples of other potential types of agreements - Potential Environmental and Social risks of the technologies, mitigation plans - Awareness raising and gender considerations on gender gaps, barriers and additional issues women face in energy efficiency, renewable energy and land use sector. - low-carbon technology (remote sensing, GIS database and platforms). - General: Improve access to information, for example, access to weather information and early warning systems would enable farmers to take better and informed decisions. - Risk reduction: Diversification options in agriculture and forestry productions systems and income access (short, medium- and long-term investments). Through integrated crop management and agroforestry practices, SME have more and better options to obtain revenue and incomes through the harvest of using annual and perennial crops, livestock, and forest plantations. - Improve resource management, efficiency in the use of inputs and natural resources. - TSP: Knowledge: knowledge about green land use investments and available low-carbon technology - Available technological package for improving the design and monitoring of Land Use investments. Good management practices for silviculture and agroforestry sector. - Reducing carbon footprint in agro-process value chain and forest products and by-products.

2. Training on green business literacy for women-led SMEs

The goal of this activity is to foster participation of women-led SMEs in the Programme, in line with the Gender Action Plan. To this end, workshops on green business literacy will be directed at women-led SMEs in the energy and land use sector together with women's organizations and LFIs in participating countries.
To this end, the PMU shall procure the required consultancy services to organize 1 training per country in year 1, 2 and 3 and ensure a widespread communication strategy to ensure participation of the targeted beneficiaries.

3. Project pre-investment facility (only for SMEs):

Only SMEs, potential borrowers of LFIs participating in the Programme can be eligible for this facility. The facility will support the performance of audits and technical feasibility studies at beneficiary sites for the identification of project development opportunities for EE, RE or low-carbon land use mitigation projects. Support for financial evaluation and financial aspects of projects can also be eligible. SMEs will request this support to the PMU through a participant LFI. Procedures are described in the Draft OM.

Financing: up to 5.000 USD per feasibility per SME will be available on a rolling basis until resources are finished.

Destination of resources:
SMEs **w**ill be able to request the use of resources for the following destination:

i. Final design of climate change mitigation projects.
ii. Audits at project site for project development.
iii. Environmental Assessments.
iv. Financial evaluations.
v. Consulting or support for the final design of a business plan to obtain financing.
vi. Other advisory activities or prior studies required by SMEs for the viable and effective implementation of climate change mitigation investments for subsequent financing.

Activity 2.3.2.2 Technical support for GHG baseline definition and MRV

The goal of this activity is to train potential beneficiaries and SMEs and TSPs who have already been allocated credits through the Programme in the adequate GHG baseline definition and the MRV framework of the Programme, to guarantee and effective monitoring and reporting. The proposed contents of the workshops are described below.
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Table 13: Proposed content on GHG baseline and MRV for SMEs and TSPs workshops

Content	Training on CAF's specific framework. Concepts of quantifying GHG emissions. Identification of activity data. Generalities of Technical procedures for measuring the consumption of electricity and liquid, solid and gaseous fuels. Analysis of the technical feasibility procedure of the OM Component 2. Energy and land use indicators of the program. MRV Complexity of methods for measurement, reporting and verification, and capacity barriers in implementing these methods. Analysis and training in reporting and MRV procedures specific for the Programme. Description and how SMEs/TSPs shall report to LFIs. Use of standardized information platform. Remote sensing, GIS database and platforms to support MRV.

Additionally, the PMU shall procure the required services to develop educational material to support the training on GHG baseline and MRV. make available through the website of the Programme on practical "how-to" videos along with webinars to support SMEs and TSPs in the definition of GHG baselines and the adequate MRV of the project.

Subcomponent 2.4 Dissemination and learning reinforced

The goal of this output is to ensure a wide dissemination of the Programme in the targeted countries and among the key stakeholders as well as Programme beneficiaries; and to ensure learning, including sharing of lessons learned and best practices among key stakeholders.

Activity 2.4.1 Communication and visibility

- **Communication and Dissemination Strategy:** The Programme will develop and implement a communication and dissemination strategy that includes measures to engage women, women's organizations and women-owned SMEs

- **Development of promotional material** of the Programme: include webinars, explainer videos, story-telling videos, communication material, and publications, two-pagers, among others.

- **Programme Website:** Develop of a Programme website to share information on the Programme and on mitigation projects in the targeted sectors.

- **Information Management Platform**, which will allow to disseminate information on the Programme, and will work as a platform for the general management of data and information on project eligibility, monitoring and reporting of LFIs and beneficiaries.

Activity 2.4.2 Lessons learned and stakeholders' engagement activities

- **Case studies**: Identifying throughout the project at least 3 case studies with lessons learned in each of the sector: EE, RE, Land Use. Selected successful projects in the different countries will be selected and identified by the PMU to learn what made them succeed, what were the main benefits of the project and lessons learned to be later on shared in the Program website, presentations, among other formats. In the selection of the stories both men-led as well as women-led SMEs projects must be included, and when interviewing project beneficiaries, it must be guaranteed the voice of women and men are equally included.

- **Women-led SMEs success stories**: Develop a case study of inclusive finance in mitigation projects identifying women led-SMEs which were allocated a credit for the first time for mitigation technologies: EE, ER and land use projects.

- **Learning workshops**: 2 workshops will be conducted during the lifetime of the Project: one in the mid-term of the Project implementation and another in year 5. The goal of the workshop will be to present lessons learned with relevant stakeholders, including government, other organizations working in mitigation projects, and beneficiaries.

- **Targeted Presentations for dissemination of lessons learned to key stakeholders**:
  During year 2 and year 4, the PMU will organize targeted presentations in each country. The PMU will consolidate and build alliances with key stakeholders (e.g., government sector, trade or commercial associations). The information sessions will consist of bilateral meetings between the PMU and country executives of the Private Sector Vice-Presidency of CAF with the following stakeholders:

  I. **Government institutions**: NDAs and relevant government institutions in each country related to the targeted sectors.

  II. **Industrial/sectorial association of SMEs**, which could be interested in mitigation credit lines.

  III. **TSPs:** potential TSPs in the countries and TSPs, which have already been allocated credit to the project will be convened for targeted presentations.

:

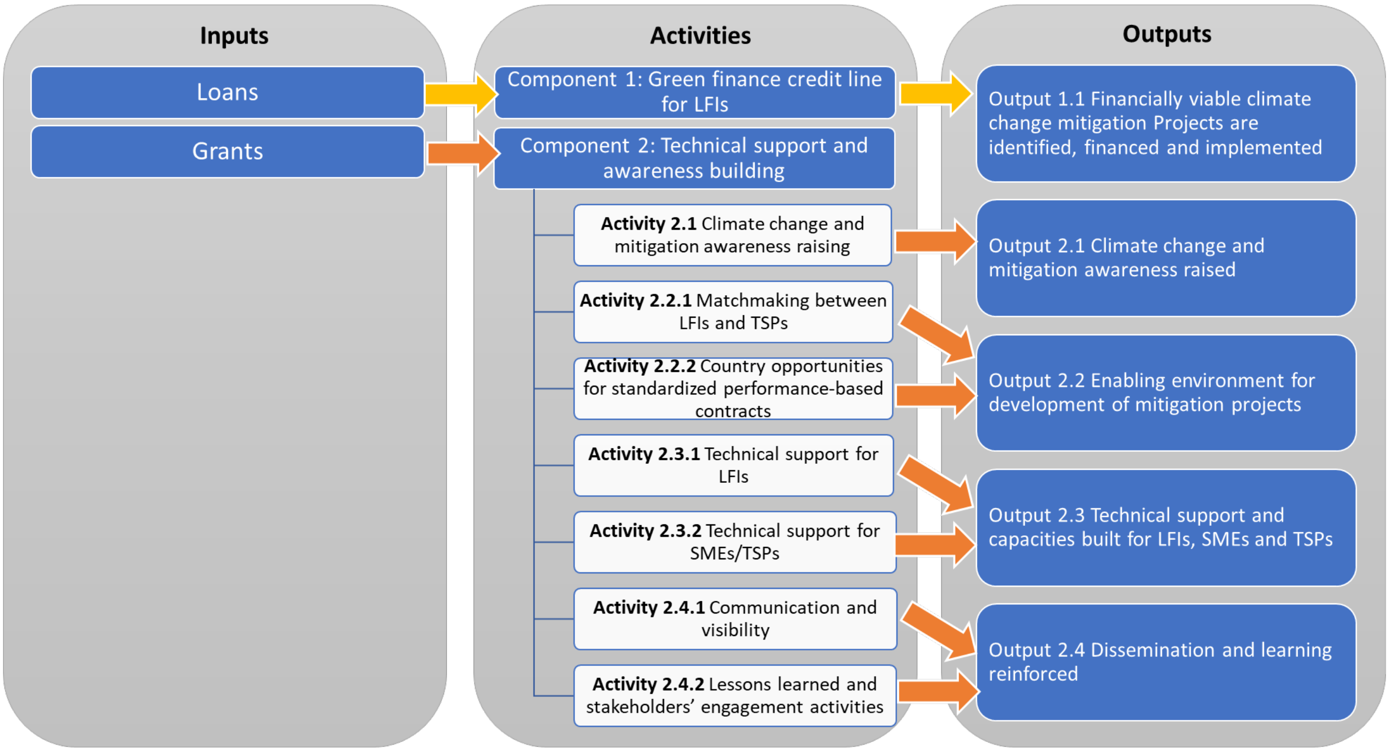
Programme Management

A Programme Management Unit (PMU) will be established and will have a dedicated team to guarantee all components and activities are carried out according to the Programme design, to ensure that all expected results will be achieved on time and within budget. This unit will have at least five full-time positions including a Programme Coordinator, an Energy Specialist, a Land Use Specialist, an Environmental, Social and Gender Specialist, and a Capacity Building Officer. Support for administrative functions will as well be hired. These specialists will work within the existing CAF's structure and will articulate with the monitoring and evaluation specialist (covered by CAF as Accredited Entity). Commercial officers that are already part of CAF for the management of intermediated programmes will be assigned for this Programme. The composition and functions of the PMU are largely described in Section C.7 Implementation Arrangements. Please refer to Section H.2 for a description of the M&E activities to be performed by CAF as Accredited Entity.

The programme activities described above are designed to produce outputs (Figure 13) leading to core GCF outcomes and expected results (Figure 14). These **outputs include**:

- **Output 1.1.** Financially viable local climate change projects are identified and financed.
- **Output 2.1.** Climate change and mitigation awareness raised
- **Output 2.2.** Enabling environment activities for development of mitigation projects
- **Output 2.3.** Technical support and capacities built for LFIs, SMEs and TSPs
- **Output 2.4.** Dissemination and learning reinforced.

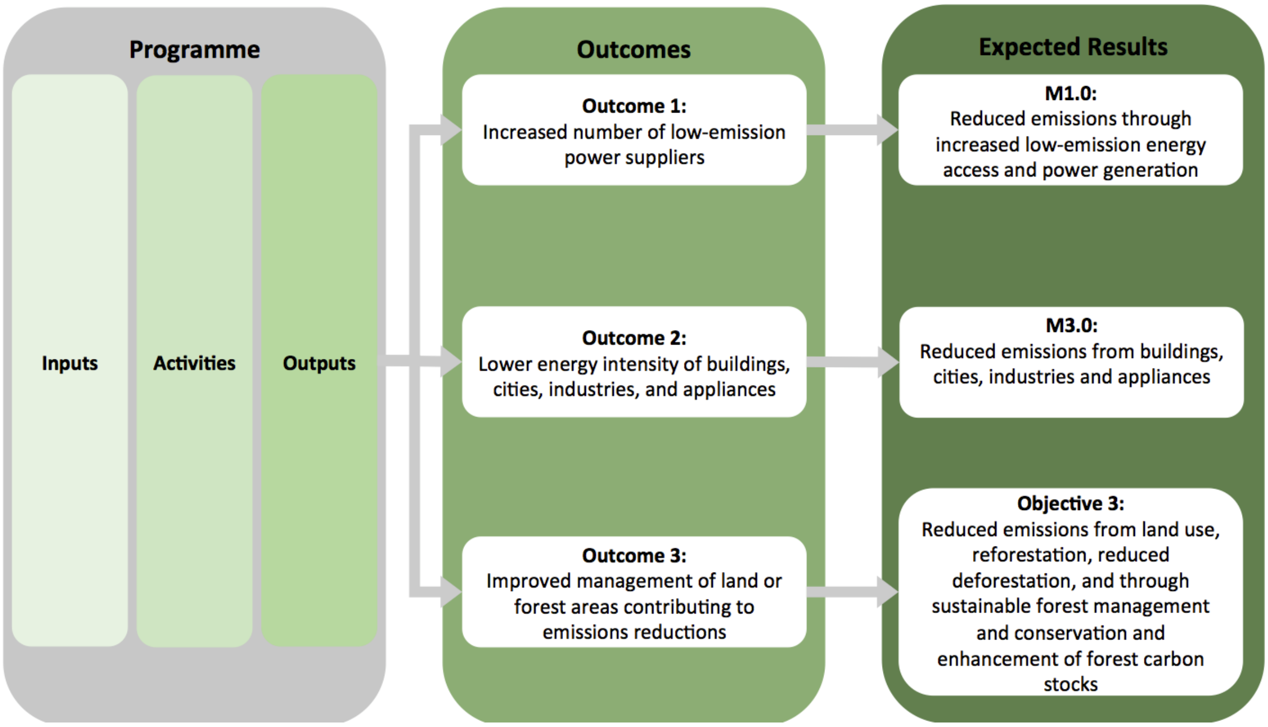
Figure 14 Programme inputs, activities and outputs



Local distributed renewable energy, energy efficiency, and land use climate change projects conducted because of the programme will lead to the following outcomes and GCF level expected results (Figure 15):

- Increased amounts of low-emission power generation **(Outcome 1)** and thereby reduced emissions through increased low-emission energy access and power generation **(Expected Result 1)**,
- Lower energy intensity of enterprises and energy using equipment **(Outcome 2)** and thus reduced emissions from buildings, cities, industries and appliances **(Expected Result 2)**, and;
- Improved management of land or forest areas contributing to emissions reductions **(Outcome 3)**, leading to reduced emissions from land use, reforestation, reduced deforestation, and through sustainable forest management and conservation and enhancement of forest carbon stocks **(Expected Result 3)**.

Figure 15 Programme outcomes and expected results



Description of financial elements of the programme

The programme aims to support local financial institutions (LFIs) in four countries in Latin America to develop green credit lines to invest in renewable energy, energy efficiency and land-use projects, mainly targeting small and medium enterprises (SMEs). The programme will have a total volume of USD $150.2 million. This includes USD $95 million from GCF reimbursable funding, USD $50 million in senior loans from CAF, USD $4.765 million in grants from the GCF for technical assistance, USD $0.235 million in grants for Programme Management and a USD $0.2 million grant from CAF (see Table B1.1).

The programme is designed to support LFIs to develop their green credit lines by providing suitable financing and technical assistance. Technical assistance is required to develop LFIs´ capacities to invest in green projects, in particular in renewable energy, energy efficiency and land use. Such assistance will support them to strengthen their capacities and ability to identify *´green´* business opportunities, mitigate associated risks, and build synergetic commercial relationships between key stakeholders (TSPs, and LFIs, among others).

LFIs that receive reimbursable funding (senior loans) from the programme (USD $95 million from GCF and USD $50 million from CAF) are well positioned to disburse these funds to small and medium enterprises (SMEs) to invest in renewable energy, energy efficiency and sustainable land use practices.

GCF grant funding will be managed and executed by CAF to support the implementation and monitoring of the proposed lending activities. The programme´s grant activity (USD $5 million from GCF and USD $0.2 million from CAF) will be used to provide technical assistance for at least 11 participating LFIs to strengthen their capacities, standardise processes, strengthen environmental and social management systems (ESMS), bridge information asymmetries, generate an initial pipeline of bankable projects, and support the dissemination of successful green financing cases and best practices.

Table 14: Indicative Programme cost by main Activity and type of funding (million USD $)

Main component	Funding type	GCF Funding	Currency of disbursement to recipient	Co-Financing-CAF	Total for entire project
1. Green finance credit line for LFIs	Loan	95	million USD dollars ($)	50	145
2. Technical Support and Awareness Building	Grant	4.774	million USD dollars ($)	0.191	4.965
Programme Management costs	Grant	0.226	million USD dollars ($)	0.009	0.235
Total program cost	**-**	**100**	**million USD dollars ($)**	**50.2**	**150.2**

Barriers

Key barriers that currently inhibit investments in small scale renewable energy, energy efficiency and land use sector-related climate change mitigation projects include: i) high and undifferentiated interest rates, ii) unsuitable loan tenors, iii) lack of access to suitable finance for many SMEs, iv) lack of visibility of LFIs, and v) limited knowledge of the benefits of such climate change projects. The programme has been designed to address these barriers and to strengthen lending for sustainable projects with climate change benefits in Latin America. A more detailed description on how the programme will overcome these barriers is outlined in Section B2, Barriers. Country-specific barriers will be further addressed through the technical assistance activities, which will include targeted support to develop financial mechanisms and/ or tailored business models to overcome such country- and sector-specific barriers.

Use of loan proceeds

Loan proceeds will finance local energy efficiency, distributed renewable energy, and land use climate change projects. The sustainable technologies expected to be deployed are relatively consistent across the four target countries while land use project types considerably vary. Anticipated project types are described further below, along with project eligibility criteria. See section D.6. Technical Evaluation for more details on project types.

Regulation, Taxation, and Insurance

Between CAF and the LFIs, there is not a need to obtain any additional licenses or permits to carry out the proposed activities in this Programme. LFIs and recipients will comply with relevant regulations in each target country including, but not limited to, the banks superintendence and environmental regulations. The interest rate that will be returned to the GCF are free of withholding tax on interest. CAF enjoys preferred creditor status in its shareholder countries.

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

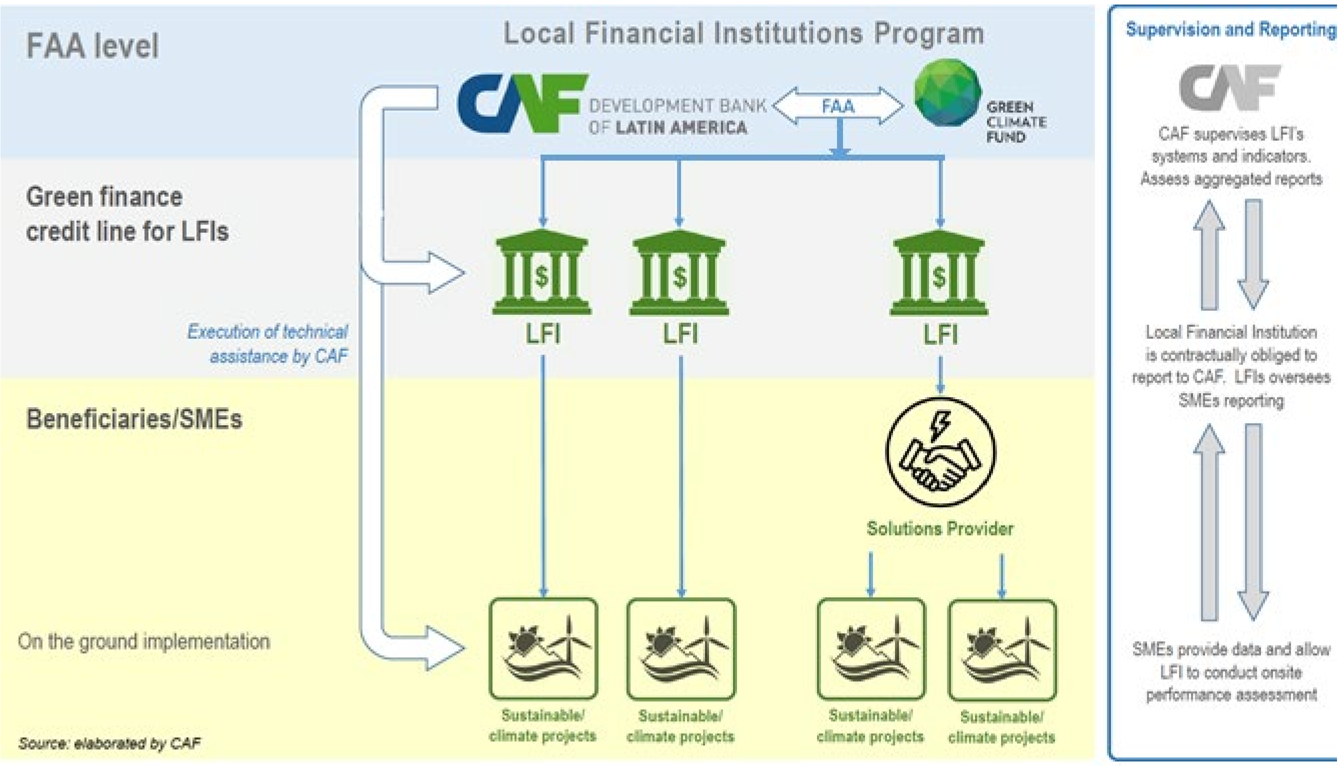
The anticipated legal arrangements between the GCF, CAF, LFIs, and beneficiaries include (Figure 17):

- CAF and GCF will enter into a Funded Activity Agreement (FAA) for the programme in the framework of the Accreditation Master Agreement (AMA) entered between CAF and the GCF in November 2016 and effective since the 19th of March 2018. The FAA will outline the sectorial, technological, and geographical scope (the "Mandate") of the proposed CAF/GCF programme.
- GCF proceeds will be held in a Trust Fund.
- CAF will enter into loan agreements or amend existing loan agreements with each of the individual LFIs participating in the programme. It will be a requirement in the eligibility criteria and credit rules that refinancing is not allowed. These loan agreements will make available CAF financing and GCF co-financing for investments consistent with the Mandate of the programme. During programme implementation, CAF will be responsible for providing governance, oversight, and quality assurance in accordance with its policies, procedures, and with the FAA and AMA. CAF as per the loan agreement will have the ability to reject a sub-loan.
- CAF will follow appropriate commercial practices and procedures for LFIs in all operations financed with GCF resources. In the provision of financing, CAF will perform a due diligence of the LFIs and carefully assess their ability to meet their obligations under the loan agreement. The LFI 's selected for the programme have been through a pre-assessment screening, based on the criteria included in Annex 2, and in most cases have pre-established financial relations with CAF. An updated and robust due diligence will be in place before CAF

approves each LFI under this Programme, where each due diligence will be presented to the CAF investment committee for review.

- LFIs will disburse GCF and CAF loans to beneficiaries (SMEs, TSPs) consistent with the mandate of the Programme. As part of the Programme, CAF teams will provide technical assistance and capacity building to help LFIs conduct marketing activities, develop internal procedures to evaluate eligible technologies and/or projects, check compliance with the mandate and put in place monitoring systems. CAF will report to the GCF based on with the conditions established in the FAA and AMA. PMU will review and assess subprojects eligibility. In addition, contractual obligations will be stablished for both: the LFI and the agreement with Beneficiaries/SMEs.
- CAF will enter into an agreement with each LFI. Conditions between CAF and the LFI's will be set out in the loan contract. Conditions between SMEs and the LFI will also be set out in the loan contracts in line with the GCF's regulations.
- CAF will contractually ensure that the conditions required by GCF are transferred to the Credit Line Agreements (thought amendment to those already executed). CAF may reject a sub-loan that does not comply with programme eligibility criteria.
- No project may be financed with GCF's resources if it does not meet the conditions required by the GCF according to the FAA.
- The programme will focus on SMEs. CAF will include medium companies that sell up to USD 100 MM.

Figure 14: Funds flow chart



CAF will enter into an agreement with each LFI. Conditions between CAF and the LFI's will be set out in the loan contract. Conditions between SMEs and the LFI will also be set out in the loan contracts in line with the GCF's regulations.

LFIs agreements will contain AML/ CFT clauses that will be transferred to the LFI's Beneficiaries/SMEs (through the loan agreements between the LFI and the Beneficiary/SME).

Evaluation and due diligence of participating LFIs:

The Responsible Executive, assisted by the team, is responsible for the evaluation of the LFIs. The team must:

- Identify the main risk factors of the operation and the client and determine their possible mitigators.

- Analyze the technical, institutional, market, financial, economic, environmental and social aspects, anti-money laundering, among others, of the operation and the client, in an exhaustive way to determine its viability.
- In the case of non-sovereign risk operations, in addition to evaluating the client's ability to fulfill his contractual obligations, paying special attention to the economic-financial situation of the client, his payment experience and the macro-sector environment, as well as to other specific factors of the operation.

The Responsible Executive will collect information about the operation and the client, ensuring that it allows to know the real situation of the client and their perspectives. To the extent possible, the Responsible Executive will contrast or complement the information it receives from the client with external sources.

The team will complete the credit evaluation document included in annex 9. The evaluation is performed annually. On a quarterly basis, selected financial indicators are reviewed to identify financial deterioration. CAF's credit evaluation document of operations with financial institutions is included in Annex 9.

Repayment:
Loans will be repaid by the Beneficiaries/SMEs to the LFIs, back to CAF and the GCF. The schedule of repayments is outlined in annex 3.

Information on Project / Programme Sponsor (Accredited Entity)
CAF is a multilateral development bank created in 1970, and owned by 19 countries, 17 of which are in Latin America, and the Caribbean, Spain and Portugal, as well as 13 private banks in the region. CAF promotes a sustainable development model through credit operations, non-reimbursable resources, and support in the technical and financial structuring of projects in the public and private sectors of Latin America.

With headquarters in Caracas, Venezuela, CAF has offices in Buenos Aires, La Paz, Brasilia, Bogota, Quito, Madrid, Mexico D.F, Panama City, Asuncion, Lima, Montevideo and Port of Spain. CAF's mission is to provide sustainable development and regional integration through an efficient mobilization of resources for a timely provision of multiple financial services, with high value added, to clients in the public and private sectors of the shareholder countries. CAF is a competitive financial institution, client-oriented, sensitive to the social needs, and supported by a highly specialized staff.

During 2018, CAF's total assets reached USD $40 billion, an increase of 5.3% compared with USD $38 billion reached in 2017. At the end of 2018, the Institution's net worth reached USD $11.9 billion, 7.2% over the amount registered the previous year, strengthened by the capital contributions made by the shareholder countries and by retained earnings. At the end of 2018, the total loan and investment portfolio reached USD $25.1 billion, more than 150 operations were approved for a total of USD $13.6 billion.

CAF's credit ratings are among the highest of Latin American debt issuers. CAF's long-term credit rating is AA- (Fitch Ratings), AA- Standard & Poor's, AA Japan Credit Rating Agency, and Aa3 Moody's Investor Service. CAF's partnerships with public and private sector organizations have allowed it to play an active role in the promotion of projects and programmes that generate environmental benefits and to address climate change impacts. Over 28% of CAF portfolio includes green finance. Such projects have focused on energy efficiency, renewable energy solutions, sustainable transport and climate change adaptation through disaster risk reduction and ecosystem services. CAF is part of the International Development Finance Club (IDFC) through which, its member has adopted green finance commitments. CAF has an aspirational target to reach 30% of its portfolio for green finance.
CAF is a Regional Direct Access accredited entity to the GCF.

Capacity of accredited entities and executing entities to deliver

A strategic work area of CAF is to support the financial systems of its member countries at three levels (i) regulations, barriers and attracting investments; (ii) coordination at the level of the financial industry; and (iii) financing and advisory at the level of financial institutions. These interventions include a wide range of activities, from regulatory change recommendations to create innovative financial products to providing finance directed to underserved sectors.

In 1997, a vice-presidency for Financial Institutions was created with a portfolio of USD $1.2 billion of financial intermediation, representing 39% of the Bank loan portfolio. Through its successful track record, CAF has developed in-depth knowledge of the financial systems of its member countries, which enabled the establishment of business relationships with key public and private financial institutions in the region.
CAF currently offers its clients from the financial sector financing facilities tailored to its specific needs and to the relevant regulations. In 2019, financing facilities for a total of USD $6.4 billion were approved for financial institutions in CAF member countries.

Moreover, since 2012, CAF has consolidated its Programme for **Environmental and Social Management** for Financial Institutions (PGASIF)[21], as a platform to promote and enhance the management of environmental and social impacts in the financial sector of Latin-America, as well as to transfer knowledge and good practice in environmental and social and Governance (ESG) for the adoption of ESG principles in LFIs. To date, 120 LFIs and more than 3,000 people from 15 countries of the region have received training supported by CAF on environmental and social safeguards, and green finance, including the publication of technical publications and guidebooks. In total, 10 client LFIs have received tailored support for the adoption and enhancement of Environmental and Social Management Systems and the development of green financing products in their portfolio.

With regards to its experience with **Energy projects**, CAF has developed a Programme for Green Business and Energy Efficiency (PNVEE) to stimulate the expansion of green credit lines to its LFIs clients. The programme includes technical tools to support LFIs in understanding opportunities in green business and EE. Through the PNVEE CAF will provide USD $95 million in co-financing for the Green Climate Financing Facility for LFIs in Latin-America.

The CAF-GCF Green Climate Financing Facility for LFIs in Latin-America seeks to build upon and scale up, CAF experience and relationship with client LFIs to accelerate the development and volume of local climate change projects in Latin America by helping market actors overcome key financial and knowledge barriers. This will help trigger a transition in the financial sector towards sustainable financing with positive climate change impacts.

CAF has extensive expertise supporting the formulation and implementing of **Land Use projects and programs**. In terms of internal capacity to assess sustainable land use projects, CAF has a Vice-presidency of Sustainable Development with the purpose of promote and implement a regional agenda for sustainable and inclusive development in the region, by promoting growth that preserves biodiversity and is low in emissions and resilient to climate change, and which in turn facilitates access for the population to basic quality services in the sectors and / or thematic areas of water and sanitation, urban development, education, health, biodiversity.

This department is composed by four divisions, including Sustainability, Inclusion and Climate Change Division composed by 71 employees. Under this division there are three units: Environment and Climate Change, Green Business and Inclusion and Gender Equity Unit. As part of the team there is 1 executive specialized in land use projects formulation and implementation. Further information on these resources is presented in Section 3.6 of the Feasibility Study.

In addition, the programme will have a Programme Management Unit (PMU) that will include a Land Use Specialist who will be in charge to support the programme implementation including the projects' assessment, supervision and monitoring and evaluation activities for this sector. Additionally, as part of the Technical Assistance Component it is included agreements with specialized organizations to conduct the monitoring and reporting activities for projects above 1 million USD to ensure that produce the intended emissions reductions.

CAF's track record in Sustainable Land Use across Latin America is described in Section 3.6 of the Feasibility Study. It includes description on work performed with Forest Management, CDM projects for the generation of tCER of forestry activities, evaluation of the Eco Efficiency of the Forest Industry, Development of REDD+ projects in forests and private protected areas of Latin America, Agro-master plan, and other projects in the agriculture and agroforestry sector. In this same Section of the Feasibility Study, two cases of partnerships with different LFIs are described.

CAF has strategic partnerships in Sustainable Land Use with many organisations, such as:

- Instituto Interamericano de Cooperación para la Agricultura (IICA)
- International Centre for Tropical Agriculture (CIAT by its acronym in Spanish)
- Tropical Agricultural Research and Higher Education Center (CATIE by its acronym in Spanish)
- Food and Agriculture Organization of the United Nations (FAO)
- Korean Forest Service
- Agence Française de Développement (AFD)

CAF will seek the support of a Strategic Alliance for the optimal implementation and monitoring of the Programme.

CAF's functions as Accredited Entity and Executing Entity

CAF will hold the roles of both Accredited and Executing Entity of the Programme, based on its experience of successfully carrying out similar programme activities involving financial intermediation, in the Latin American region.
The existence of a central unit, within CAF's sphere, will allow to guarantee compliance with technical standards and a close monitoring and follow-up by CAF to ensure consistent levels of progress in a unified manner across all four

[21] More information on PGASIF can be found: www.pgasif.org/

countries as well as a regular flow of information where progress of activities can be contrasted against the plan. This allows taking corrective actions if necessary, during Programme's execution, ensuring it is cost-effective.

The external auditing and the incorporation of observations and lessons learned to arise from such studies are guaranteed. All execution will be conducted based on an Operations Manual arising from any such agreement as CAF may enter with the GCF, which will respect all understandings reached.
GCF proceeds will be channelled by CAF onto Local Financial Institutions for the purposes of funded activities.
Component 1.0 Green finance credit line for LFIs

- Local Financial Institution (LFIs) and beneficiaries/SMEs [22], as local and national actors execute projects/programmes

Component 2.0 – Technical Support and Awareness Building
CAF executes, carries out or implements activities under this component

CAF as Accredited Entity

CAF will maintain day-to-day oversight responsibility for Programme supervision and have direct responsibility for fulfilling the duties and obligations of a GCF Accredited Entity. It will be responsible for financial management and accountable for the use of GCF resources under the Programme. It will provide technical and administrative backstopping to the Programme Management Unit or PMU (see below) to ensure results-oriented management and proper administration of funds. It will maintain Programme accounts, monitor resource mobilization of baseline and co-finance. Financial transactions will be subject to annual audits undertaken by internationally certified auditors. The AE functions involve the provision of monitoring and evaluation services as well.
CAF will have permanent coordination with Programme staff and dialogue with Programme stakeholders.

CAF as Executing Entity

The Programme Management Unit (PMU) will be established in Panama at CAF's Headquarters will have a dedicated team to guarantee all components and activities are carried out according to the Programme design. It will articulate with the monitoring and evaluation activities (covered by CAF as Accredited Entity) to ensure that all expected results will be achieved on time and within budget.

This PMU will have a Programme Coordinator, an Energy Specialist, a Land Use Specialist, an Environmental and Social Specialist - with demonstrated knowledge in Gender approach – financed by CAF), and a Capacity Building Officer, that will as well provide administrative support of the PMU. Principal Executives of the Private Sector Vice-Presidency, and that are already part of CAF for the management of intermediated programmes, will be assigned for this Programme (1 in each participant country). The PMU will work closely with them, with the Monitoring and Evaluation Specialist (covered by the AE fee), with the administrative areas within CAF (Legal, Procurement, Human Resources, etc.), and with CAF's Sectorial Specialists (See Figure 15).

Training of CAF's Principal Executives will be prioritized for CAF to be able to provide more direct support to LFIs throughout the Programe.

The PMU will ensure that Programme implementation proceeds smoothly through well-written work plans, Terms of Reference and carefully designed administrative arrangements that meet CAF and GCF requirements. PMU's responsibilities will include the following:

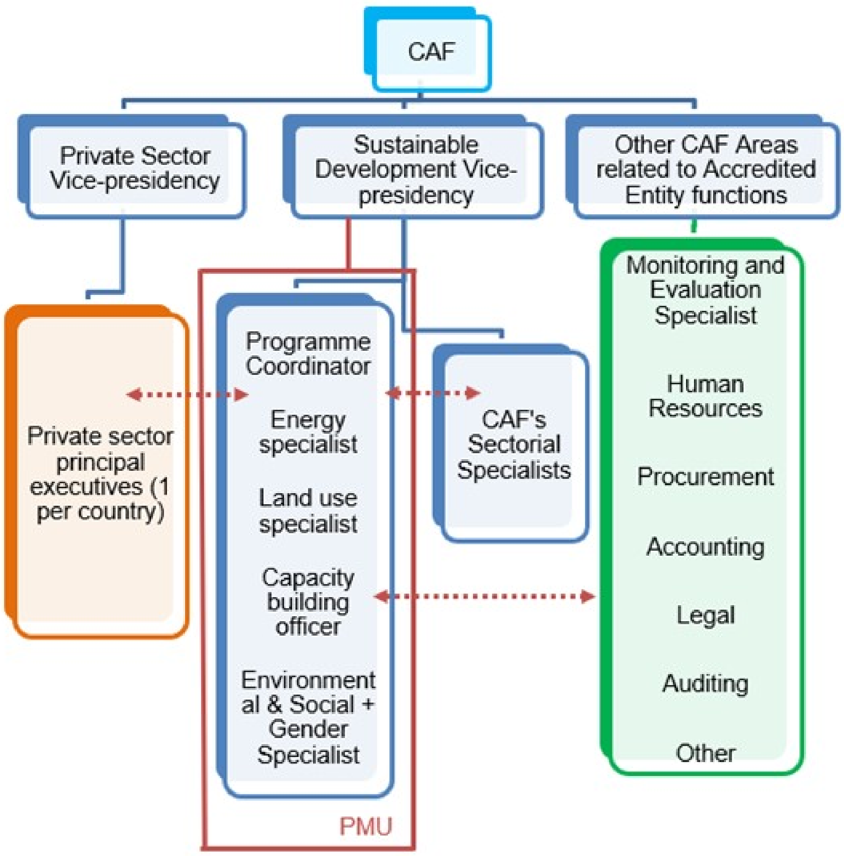
- Follow-up of the achievements of the Programme outcomes, outputs, and objectives.
- To manage day-to-day implementation of the Programme, coordinating activities by the rules and procedures of CAF/GCF.
- To provide overall administration, while acting as an independent and unbiased guarantor of cooperation and information exchange.
- To provide technical input as appropriate to the outcomes.
- To facilitate staff recruitment and procurement processes.
- To ensure, together with CAF, to coordinate with the stakeholders and other relevant regional programmes.
- To approve individual SME/PST projects to be financed by LFIs.
- To ensure, together with CAF, to convene quarterly Programme Implementation Meetings (PIMs) to review progress in implementing work plans.
- To ensure, together with CAF, that specified tasks are outsourced to suitable sub-contracted providers or national and international consultants through competitive bidding processes. PMU responsibilities in this

[22] *Beneficiary: Small and medium enterprises, the industrial and corporate sector, farmers, technology suppliers, producers, vendors and installers

regard include development of bidding documents and terms of reference and monitor the overall progress of these processes.

- To organize Programme-level meetings and workshops, e.g., inception workshop, etc.
- To monitor financial progress reports and the financial balance provided by CAF's operational systems.
- To prepare overall Programme reporting.
- Planning and monitoring the technical aspects of the Programme, including regular field visits and periodic reporting.
- Ensuring advanced funds are used following agreed work plans and Programme budget.
- Preparing and adjusting commitments and expenditures to be authorized by CAF. Guaranteeing timely disbursements, financial recording and reporting against budgets and work plans.
- Managing and maintaining budgets, including tracking commitments, expenditures and planned expenditures against budget and work plan.
- Maintaining productive, regular and professional communication with other Programme stakeholders to ensure the smooth progress of Programme implementation.

Figure 15: The Programme Management Unit (PMU)



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

GCF concessional loans and grants are required to supplement CAF funding for the programme to achieve the desired paradigm shift from an incipient to a sustainable market for local climate change projects across four countries with a total population of 72 million people. The main alternative funding source is private sector green bonds, which may be cost-prohibitive. Loans from national development agencies are more expensive, and often not tailored for climate investments. CAF is proposing to finance 50% of the programme, which ensures the effective use and leverage of GCF dollars. By co-financing the programme, GCF will be able to mobilize CAF's network in Latin America to support the implementation of target countries´ NDCs. CAF is prepared to provide $95 Million in loans to LFIs to get this market off the ground but requires a partner able to provide concessional resources to trigger investments from the LFIs in climate related investments. GCF is the only source of climate finance capable of providing the volume of co-financing required, given the large size and geographic scope of the programme. Such support is particularly relevant due to the programme´s potential for replication and scaling-up – in total, Latin America includes 20 countries, and has a population of 640 million people.

CAF will serve as a bridge between GCF and LFIs – as the programme is designed to provide consistent and stable low interest financing with favourable tenors for local climate change projects in Latin America. To date, this market has been inconsistent and inadequate at best. This is because there is many demand- and supply-side barriers to carrying-out local climate change projects. (see section B2 for a description of barriers).

In addition, grant resources to be provided by the GCF for the Component 2 – Technical Support and Awareness Building are essential to enable the successful implementation of the programme, and ensure the long-term sustainability of the programme in promoting low-carbon investments in target countries and sectors.

Previous experience with SME loan programmes for climate change mitigation activities has shown that loan programmes (including concessional loan programmes) alone are not enough, and that it is critical to mobilise demand and remove barriers to uptake. Component 2 of this programme is designed to do this, by (depending on the country and country needs) designing risk mitigation instruments for end users, developing standardised contracts to improve transparency, supporting banks to put in place efficient green loan disbursement systems and monitoring systems; matchmaking TSPs with Beneficiaries/SMEs (clients), and LFIs; raising awareness and building capacity.

The participant countries have been impacted by the global COVID-19 outbreak. Confinement and social distance measures, as well as the economic downturn will directly affect SMEs' investments. In response, CAF has approved a USD 50 mm Emergency Loan to each of its country-members directed towards the health sector and a USD 2.500 million Emergency Credit Line which will allow authorities to contribute to the continuity of business operations and the recovery of their economies. . This decision is of great importance for helping local MSMEs to deal with the economic downturn. The GCF funding will come to provide support and generate synergies through this programme, at a key time for fostering post-crisis low-carbon development.

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

The programme´s capacity building and technical assistance approach will ensure programme sustainability over the long term. In terms of LFIs, technical assistance elements will support LFIs to develop financial mechanisms and business models that can help overcome current market barriers (e.g. upfront costs, perceived high risks related to climate change projects, etc.). These financial mechanisms, such as pay per use models, among others, are long-term and will continue to operate on the market after the implementation of the GCF programme. Capacity building for LFIs (Activity 2.3.1), will provide support for LFIs to develop internal processes to assess climate change mitigation projects and investments. It will further support LFIs to develop green lists for low carbon investments and draw attention to projects with negative impacts. This will ensure organizational strengthening and long-term capacity improvements, ultimately resulting in strengthened institutional structures to enable LFIs to continue to offer green lending opportunities in the long term.

Related to beneficiaries, awareness raising activities are expected to have a long-term effect in increasing awareness on the value of climate change projects and green investments by the stakeholders of the prioritized sectors. Over the duration of the Programme, it is expected that sustainable investments will demonstrate their benefits and value with a critical mass of projects. A common barrier for investments in low carbon technologies and practices is the lack of confidence in new technologies. The programme will help overcome this barrier through a combination of financial and non-financial risk mitigation instruments (Activity 2.2), and proof of concept through the critical mass of demonstration processes. Ultimately, the programme will encourage Beneficiaries/SMEs to continue investing in climate friendly technologies at market rates, beyond the programme´s lifespan.

The programmes capacity building and technical assistance approach will ensure programme sustainability in the long-term. Technical assistance elements involve supporting LFIs to develop financial mechanisms/business models that can help to overcome current market barriers (upfront costs, high risk perceptions related to projects). These financial mechanisms (for example, pay per use models), will be long term and will continue to operate on the market after the GCF programme is implemented. Capacity building for LFIs (activity 2.3.1), and support for LFIs to develop internal processes to assess climate change mitigation projects (via the technical assistance element and the development of a positive and negative list for climate friendly projects), will ensure long term capacity improvements, as well as institutional strengthening and sustainable change in the LFIs, to enable them to continue offering green lending in the future. SMEs and TSPs will as well be strengthened by the specific capacity building (Activity 2.3.2). The communication and lessons learned activities will further foster the long-term vision of the Programme actions.

C. FINANCING INFORMATION

C.1. Total financing

(a) Requested GCF funding (i + ii + iii + iv + v + vi + vii)		Total amount		Currency	
		$100,000,000		USD	
GCF financial instrument		**Amount**	**Tenor**	**Grace period**	**Pricing**
(i)	Senior loans	$95,000,000 (pari-passu)	10 years	(As defined in the term sheet) years	(As defined in the term sheet) %
(ii)	Subordinated loans	NA	NA years	NA years	NA %
(iii)	Equity	NA			NA % equity return
(iv)	Guarantees	NA	NA years		
(v)	Reimbursable grants	NA			
(vi)	Grants	$5,000,000			
(vii)	Results-based payments	NA			

(b) Co-financing information	Total amount			Currency		
	$50,200,000			USD		
Name of institution	**Financial instrument**	**Amount**	**Currency**	**Tenor & grace**	**Pricing**	**Seniority**
CAF	Loan	$50,000,000	USD	10 years 0 years	Enter%	pari-passu
CAF	Grant	$200,000	USD	Enter years Enter years	Enter%	Options

(c) Total financing (c) = (a)+(b)	Amount	Currency
	$150,200,000	USD

(d) Other financing arrangements and contributions (max. 250 words, approximately 0.5 page)	*Please explain if any of the financing parties including the AE would benefit from any type of guarantee (e.g. sovereign guarantee, MIGA guarantee).* *Please also explain other contributions such as in-kind contributions including tax exemptions and contributions of assets.* *Please also include parallel financing associated with this project or programme.*

C.2. Financing by component

Full programme budget is included in Annex 4.

Component	Output	Indicative cost Options	GCF financing		Co-financing		
			Amount Options	Financial Instrument	Amount Options	Financial Instrument	Name of Institutions
1: Finance	1.1: Green finance credit line for LFIs (note: funding from GCF and CAF is to be disbursed down to LFIs proportionally and at the same time.).	$145'000'000	$95'000'000	Loan	$50'000'000	Loan	CAF
2: Technical support and	2.1: Climate change and mitigation awareness raising	321,503	321,503	Grant	0	Grant	CAF

awareness raising	2.2: Enabling environment activities for development of projects	362,460	357,860	Grant	4,600	Grant	CAF
	2.3: Technical support and capacity building	4,019,654	3,853,304	Grant	166,350	Grant	CAF
	2.4: Dissemination and learning	261,383	241,383	Grant	20,000	Grant	CAF
Programme management	3.1: Programme management costs	235,000	225,950	Grant	9,050	Grant	CAF
Indicative total cost (USD)		$150,200,000	$100,000,000		$50,200,000		

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 ☒ No ☐
C.3.2. Does GCF funding finance technology development/transfer?	Yes ☐ No ☒

Programme activities of Subcomponents 2.1, 2.2, 2.3, and 2.4 of Component 2 Technical Support and Awareness Building are designed to increase knowledge and learning of market actors.
This Component requires an amount of USD 4.965 million (USD 4.765 million funded by the GCF and USD 0.2 million co-financed by CAF). Please refer to Section B.3 for description.

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)

This programme is expected to achieve 10.70 million tCO_2eq of emission reductions through its lifetime, while training personnel at 11 LFIs on project assessment, and increasing climate awareness among 36,420[23] other local market actors. The programme will result in a total cost of USD $14.03 per tCO_2eq avoided.

In addition, the programme is projected to result in:

- 1,270 GWh saved through energy efficiency projects
- 1,168 GWh generated from distributed renewable energy projects
- USD $8,51 Million in income generation from land use projects
- 21,662 ha in land area managed under sustainable use

Other relevant indicators
Direct beneficiaries:

- 1,214 SMEs directly benefiting through loans and projects (target of 39% women owned SMEs).[24]
- 11 LFIs will receive technical assistance, and 110 LFI staff will be trained on the identification, administration, and MRV on climate change loans (target of 50% women attending training seminars and workshops).

Indirect beneficiaries:

- Approximately 36,420 people will be reached through awareness building efforts
- GWh reductions through energy efficiency and renewable energy investments: 201.45 GWh per year
- Income generation from land use projects: USD $8.51 Million per year

Area under sustainable land use: 21,662 ha.

See Annex 3, and Annex 6 for beneficiary indicator calculations.

The above mentioned gender targets (within the beneficiary descriptions) have been established considering existing figures that around 39% of SMEs in Latin American countries are owned by women.[25] In 2011-2012, only 22% of loans in LAC were provided to women-owned SMEs.[26] Thus, we propose to target at least 39% women-owned SMEs within the programme to enhance the engagement of women in accessing financial services and loans. Additional gender targets for activities are described in the gender action plan.

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

Paradigm shift

The proposed programme is highly scalable and replicable, not only within Latin America but throughout the developing world because the market barriers the programme is designed to address (as described in the section B2 on barriers) are not unique to the target countries included in this proposal. Globally, these barriers – combined with the tendency of climate funds to prioritise large-scale results[27] – means that less than 10% of international, national, and regional climate funds reach the local level.[28] The programme seeks to change this tendency by making climate finance resources available at the local level through LFIs.

The programme is scalable within target countries because it takes a comprehensive approach to developing local markets for climate change projects. Increasing the volume of financing for local climate change projects through LFIs is one explicit output of this programme's design, but for the programme's on-lending financing structure to be successful requires a wide range of additional market interventions. Other programme financial activities include the development of standardized contracts that define contractual arrangements between SMEs and the TSP and aim to build trust and provide different performance incentives for TSPs who exceed the climate change goals in their contracts. Training, education and awareness building activities performed by the programme will teach LFIs how to

[23] Approximately 10 times the number of total projects estimated to be carried out over the 5-year project period
[24] A women-owned enterprise is: (A) ≥ 51% owned by woman/women; OR (B) ≥ 20% owned by woman/women; AND (i) has ≥ 1 woman as EO/COO/President/Vice President; AND (ii) has ≥ 30% of the board of directors composed of women, where a board exists. (IFC definition)
[25] IFC 2014
[26] Ernst & Young in IFC 2014
[27] Marek Soanes et at. Delivering Real Change: Getting International Climate Finance to the Local Level. IIED Working Paper. March 2017
[28] Ibid.

accurately assess climate change projects, directly connect local market actors (LFIs, TSPs, and technical service providers), and educate businesses on the benefits of carrying-out climate change projects.

Ongoing programme monitoring and evaluation will enable a process of continuous programme improvement. Lessons learned can be used to develop the next generation LFI programmes in other countries. To facilitate the process of replication throughout the LAC region, CAF will develop a portfolio of success stories that demonstrates the value of the programme to LFIs, TSPs, technical service providers, and local governments. Lessons learned and exemplary cases will be published on the programme web site and be used by CAF to recruit market actors for participation in replicate programmes.

The proposed programme targets four countries in the LAC region and will leverage existing CAF relationships with 11 LFIs across the countries. Should this programme move forward successfully, it could be replicated in additional Latin American countries. It could further integrate green financing for projects with adaptation benefits, some of which have been identified in the ESMS in Annex 6.

Contribution to the creation of an enabling environment

Despite strong progress at the policy level in some countries in Latin America, markets for climate change mitigation solutions - in particular small and medium sized projects - remain underdeveloped. The market environment for small to medium scale project requires support to develop at the pace needed to achieve national and global emission reduction targets.

This programme, along with the ongoing support of CAF, is designed to foster the development of new markets for low carbon solutions by creating an enabling market environment for small and medium sized projects.

Specifically, the following activities will contribute to overcome barriers, and create a long-term enabling environment for investments in low carbon solutions:

- The project will put in place long-term robust structures for green lending in at least 11 LFIs across Latin America. The green credit lines and technical support will involve the development of processes and procedures to evaluate green projects, which will have a long-term and sustainable impact.
- The green lending and technical support will also involve the development of an inventory of best practice energy efficiency, renewable energy and land sector mitigation projects. This will enable impact well beyond the lifetime of the project and will also enable the scaling-up of the programme within other LFIs. The project will enhance the ability of LFIs to understand and evaluate climate change projects and reduce the risk perception of the LFIs in relation to these projects.
- Capacity building for market actors, including financial institutions and TSPs will ensure that the market impacts are sustainable.
- Green finance credit lines and awareness campaigns will support the development of demand for green products, and hence the development of new green markets in sectors that have been traditionally difficult to reach (for example, the SME sector). Beneficiaries/SMEs will benefit from the awareness raising campaign and accessible and affordable finance (available through local and familiar financial institutions), to implement projects that will reduce their operating costs and increase their productivity. The early operation of the programme is expected to demonstrate to end users the value of the solutions, which will stimulate awareness and demand beyond the target financial institutions and target countries, to other market sectors and areas in Latin America.
- The project will also establish long-term alliances between trusted TSPs and financial institutions, putting the connections in place to enable the different market actors to collaborate.

Contribution to regulatory framework and policies

All target countries have the necessary legal frameworks in place to systematically drive investment in climate change projects. The element that is missing, and which this programme is designed to address, is accessible and affordable financing, as well as the establishment of a strong green finance market.

As outlined above, the project is well aligned with national emission reduction targets and priorities. Successful performance of the programme, and the creation of an enabling market environment, will encourage and support national and local authorities to prioritize strong policies in these sectors. To address any remaining barriers in the market, CAF will continue to carry out policy dialogue activities, not as part of the proposed programme but in parallel in its function as a regional development bank.

This programme will also build upon and complement existing agreements focussing on greening the financial sector in Latin America, such as the Protocol Verde (Green Protocol) and Protocolo de Sostenibilidad / Protocolo de Finanzas Sostenibles (Sustainable Finance Protocol) and the National Sustainable Finance Tables. These voluntary protocols provide guidelines to support the financial industry to address growing environmental and social issues.

This programme will support LFIs to understand and make the most of the business opportunity associated with green projects; hence, supporting the banking sector to green, even in the absence or more stringent green banking policies or regulations.

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

Programme co-benefits include the following indicators and targets:

Economic

- **Additional income from land use investments and energy savings:** Mitigation investments in land use generate additional income in the form of sales revenues from timber and other land use products. Energy efficiency and renewable energy projects reduce SMEs expenditure on energy bills and improve productivity.
  - *Target: USD $31million in additional income generated by the end of investment period.*
- **Financing mobilized:** LFIs finance 70-80% of total project costs (debt to capital ratio). The additional amount comes from the beneficiary SMEs themselves. The total financing mobilized by this program is the sum of LFI investments and the SMEs own capital.
  - *Target: At least USD $35 million mobilized from SMEs (project developers' capital).*

Environmental

- **Area under sustainable land use:** The main environmental co-benefit of land use mitigation investments will be new areas brought into sustainable land use, measured in hectares.
  - *Target: At least 21,662 hectares under sustainable land use practices (total)*

Adaptation

- **Area with enhanced resilience and SMEs with less dependency on energy supply:** Many of the eligible investments have potential adaptation co-benefits. For example, establishing production systems with a tree cover can lower the risk of erosion due to heavy rain events related to climate change, if compared to a baseline without tree cover; the adoption of adapted pastures increases resilience of the farming systems; renewable energy generation and energy efficiency measures lowers vulnerability by lowering the dependence on external energy supply.
  - *Target: At least 21,662 hectares under sustainable land use practices; 289 land use sector projects; 234 renewable energy projects and 691 energy efficiency projects.*

Social

- **Number of Beneficiaries/SMEs (direct beneficiaries):** The number of direct loan beneficiaries directly translates from the number of projects financed, as we assume one project per beneficiary SME.
  - *Target: 1,214 direct beneficiaries engaged in the programme, including 289 land use sector projects, 234 renewable energy projects, and 691 energy efficiency projects*
- **Number of LFI staff trained (direct LFI beneficiaries):** LFI staff will be trained in the identification, administration, monitoring and reporting of climate change loans (energy and land use together). We assume on average 10 participants per participating LFI and currently 11 participating LFIs.
  - *Target: 110 participants from LFIs participate in trainings and workshops (50% women).*
- **Number of jobs created from land use sector investments (indirect beneficiaries):** Land use mitigation investments tend to generate additional jobs, because system complexity increases with higher area efficiency. Example: Converting an extensive cattle pasture into a silvo-pastoral system requires additional management of cattle and the added management of the forestry component including labour for the establishment and continued maintenance of the plantation. For the estimation, only additional on-farm jobs are taking into account, not indirect jobs created up- and downstream the value chain, e.g. in tree nurseries and in wood processing. For pure forestry plantations, 0.1 full time equivalent positions created per hectare of investment is assumed, for silvo-pastoral systems 0.15 and for agro-forestry systems 0.3. The mathematical average of these is 0.18. The weighted average, based on the likelihood of investment types materializing per country and LFI, will yield a more precise estimate. A conservative estimate of the number of jobs created based on the area target and the mathematical average number of jobs created per hectare.
  - *Target: 3,899 jobs created from low-carbon land use sector investments*[29]
- **Number of jobs created from energy efficiency and renewable energy investments:** It is estimated that 14.4 jobs are created for every USD $1 million invested in energy efficiency. This is based on an average of

[29] Since the jobs created will be calculated by a coefficient per land use investment type, a gender-disaggregated target cannot be provided.

two sources including the European Energy Efficiency Industrial Forum and Apollo Alliance.[30] This results in a total of approximately 989 jobs generated through the programme from energy efficiency sub projects.

- It is estimated that 6.65 jobs are created per MW installed for renewable energy sub-projects. This is based on an average estimate from four sources including Renewable Energy Policy Project (2006), the European Photovoltaic industry Association and Greenpeace (2006) and others.[31] This results in a total of over 283 jobs generated through the programme from the renewable energy sub projects.
  - *Target: 1,272 jobs created from energy efficiency and renewable energy investments.*

Gender

- **Number of participating LFIs with gender strategies, policies or procedures, or women-targeted financial products:** The programme will include within their evaluation of LFIs the existence and quality of gender strategies, policies or procedures within LFIs, and whether or not they have any women-targeted financial products. Funds will be supported to develop and/or strengthen LFIs strategies as needed.
  - *Target: All participating LFIs have gender strategy, policy or procedures, and/or women-targeted financial products.*
- **Number of women participants in trainings, workshops and conferences:** The number of women and men attending programme supported workshops, trainings and conferences. Gender-disaggregated lists of participants will be collected.
  - *Target: 50% of participants in trainings, workshops and conferences are women.*
  - *Target: 50% female LFI staff are trained within programme activities (50% of LFI staffed trained within the programme)*
- **Number of beneficiary SMEs that are women-owned or -led:** In Latin America and the Caribbean around 39% of SMEs are owned by women,[32] however only 22% of loans were provided to women-owned SMEs.[33] The programme aims to strengthen the provision of green credit lines to women-owned SMEs.
  - *Target: At least 39% of beneficiary SMEs are women owned.*
- **Amount of programme loans that reach women-owned or –led SMEs:** The amount of programme finance in senior loans that are accessed by women-owned or –led SMEs. Currently only ~22% of finance is accessed by women-owned SMEs in Latin America.[34]
  - *Target: 30% of programme loans accessed by women-owned or -led SMEs*
- The programmes Gender Action Plan ensures cross-cutting gender-related measures have been integrated into all activities and the programmes monitoring framework. It further addresses key barriers identified in the gender assessment that limit women´s access and/ or use of green finance through the provision of capacity building, and targeted support for LFIs and beneficiary SMEs and other key stakeholders. A communication plan and dissemination strategy will be developed for the programme within the first year, which will include a strategy for how to engage women and promote gender-sensitive development. LFIs will be supported to develop or strengthen their gender policies, strategies and procedures, in addition to strengthening their Environmental and Social Management Systems (ESMS), which will include monitoring of key environmental and social standards, including gender. In addition, the programme management team will include a gender specialist to monitor the implementation of the GAP, support with gender-related trainings and activities, and provide support to LFIs to implement gender-related measures within the programme (for further information refer to the Gender Assessment and Action Plan in Annex 6).

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

Financial, economic, social and institutional needs

The programme addresses the economic development level, institutional strength and implementation capacity of the target countries by accelerating markets for local climate change projects through concessional financing, training of LFI staff in project assessment and monitoring and verification, standardized contracts for TSPs and SMEs, and matchmaking between LFIs, TSPs and SMEs beneficiaries. The programme fills a large gap in local financing by focusing efforts on LFIs. Currently, most small and medium sized enterprises in target countries are facing high interest rates from commercial banks with no differentiation for climate investments, and/or they have limited relationships with

[30] According to the European Energy Efficiency Industrial forum, (2012) 19 new direct jobs are created for every one million Euros invested in energy efficiency (equivalent to 15.8 jobs per million USD). According to the Apollo Alliance's research, it is projected that about 13 full time equivalent jobs are created per million dollars invested into energy efficiency. An average of the two sources has been used and multiplied by the total expected investments in energy efficiency.

[31] REPP, 2006 estimates 4.5 jobs per MWh installed, EPIA / Greenpeace, 2006 estimate 12.2 jobs per KWh installed; CAPPIRG, 2002 estimate 2.5 jobs per KWh installed, and IDEA, 2005 estimate 7.4 jobs per MWh installed. An average of 6.65 was taken and multiplied by the total MWh to be installed as part of the programme.

[32] IFC 2014

[33] Ernst and Young in IFC 2014

[34] Ibid.

commercial banks. The programme's awareness raising campaign and gender action plan are designed to increase awareness on the benefits of green projects and opportunities for LFIs and project developers, ultimately supporting social and gender-inclusive development.

Economic and social needs for the SME segments in LAC

The SME beneficiaries of the program, SMEs, are key elements of economic and social growth within the four participating countries, in Latin America, and amongst developing and emerging economies worldwide. The contribution of SMEs to total employment (when considering the micro segment as well) averages 67%, across all national income levels from low to high income countries.[35] Against this background, supporting the economic growth of SMEs through concessional loans for efficiency upgrades (which climate change mitigation loans are in effect, whether in energy or land use) can have a strong macro-economic benefit with associated social benefits for job creation in participating countries.

SMEs, (including farmers), often need efficiency investments the most in order to generate cost savings and higher profit margins in the long run. At the same time, this segment relies more frequently on financing than larger businesses in order to be able to afford long term upgrades such as higher performance technologies. For example, investing in residential energy efficiency is a key measure in addressing the rising cost of housing. In land use, investing in improved cattle breeds and feed and incorporating trees into the production is an effective measure to generate additional cash flow and higher return per area.

Financial needs – lack of adequate financial products for climate change investments

The Latin American finance gap for SMEs is USD $1,098 billion.[36] Given that 39% of SMEs are women owned (on average across sectors), the gender specific gap is 86 billion USD, the largest credit gap for women owned SMEs across global regions. This generic financing gap becomes more pronounced for longer term investments as short-term investments are often self-financed in this segment. SMEs often lack access to long term financing with adequate conditions (pricing, tenor, and grace periods) due to small loan sizes and relatively high transaction costs. According to a global OECD study (2018), the average interest rate spread between loans to SMEs and larger enterprises was between 3.52 and 12.70 percentage points in participating Latin American countries; in Chile the difference was 5.29 for example (with a decreasing trend). This difference in lending conditions based on company size is indicative of the difficulties SMEs face in accessing attractive financing that responds to their needs.

In addition, lending for new technologies such as clean energy solutions and climate change mitigation practices in land use, creates another barrier on top. As outlined in previous sections, these technologies tend to offer longer than usual payback periods with lower returns and high upfront costs. While the trend is moving towards longer term SME financing (> 1 year) in general,[37] tenors of more than 5 years are not available in target markets at adequate terms.

Need for strengthening LFIs' institutional and implementation capacity

LFIs are interested in the SME segment, as well as in climate change investments, if a) financial incentives from external sources are made available; and b) capacities could be developed in-house to manage this type of credit product. In summary, LFIs face institutional and implementation capacity barriers throughout the entire loan cycle that hinder them from servicing climate change credits to SMEs:

- **Client acquisition:** LFIs do not have trusted relationships with project developers, or projects are too small to be of interest; LFIs do not have sufficient connections to get the help they need to generate climate change loans to new or existing clients.
- **Credit sourcing:** Credit officers do not have the tools or knowledge to effectively identify climate change projects or understand their financial and non-financial benefits.
- **Credit rating:** LFIs do not have the tools or knowledge to effectively evaluate the financial viability of climate change projects; the perceived level of risk of financing climate change projects is too high for LFIs.
- **Credit pricing and condition setting:** LFIs have insufficient suitable capital to invest in climate change projects
- **Monitoring & evaluation:** LFIs do not have the ability to monitor and report on project results.

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

Existence of a national climate strategy and coherence with existing plans and policies, including NAMAs, NAPAs and NAPs

[35] ILO 2013

[36] IFC, MSME Finance Gap, 2017. < https://www.ifc.org/wps/wcm/connect/03522e90-a13d-4a02-87cd-9ee9a297b311/121264-WP-PUBLIC-MSMEReportFINAL.pdf?MOD=AJPERES&CVID=m5SwAQA>

[37] OECD 2018

All of the target countries have the national policy frameworks and the ambition needed to foster local climate change projects. Commitments such as countries´ NDCs to the UNFCCC, and other relevant policies are outlined in Section B1, strategic context, and the market assessment. This programme has been designed to support selected LFIs that will contribute to the national targets set out countries´ NDCs, ensuring alignment with relevant policy documents and supporting other international commitments (Sustainable Development Goals, Aichi Biodiversity Targets, etc.).

Engagement with NDAs, civil society organizations and other relevant stakeholders

During the preparation of this proposal, CAF has engaged with the four-target country's NDAs with regards to this Programme through face-to-face meetings, presentations and email correspondence. After consultations made during 2018-2019, CAF has continued holding meetings with the NDAs. In 2020, meetings with NDA representatives served to follow up on the advances of the proposal's preparation, to receive improvement requests that were responded satisfactorily and to address queries regarding a diverse set of issues such as beneficiary eligibility, interest rates, programme timeline, synergies with other projects and programmes, and monitoring and evaluation. The Funding Proposal and its annexes were adapted to fulfil the NDAs' suggestions and were submitted to them. CAF is committed to maintaining fluid communication with governments throughout the implementation of the program. In addition to maintaining an open channel, the program includes specific and structured activities to maintain dialogues with these actors and share the progress and lessons learned from the program (see Sub-component 2.4).

CAF has been active in these four countries providing support for policy dialogue activities. For example, in Chile, CAF is supporting the National Development bank (CORFO) for developing a green investment platform (GIP), and CAF has been engaging directly with local authorities in Panama, Ecuador, Peru and Chile, with regards to sustainable energy, energy efficiency and land-use policy formulation, implementation and financing. Additionally, CAF has extensive multi-stakeholder engagement experience in the target countries in topics related with transportation, hydro, biomass, sustainable land use.

CAF collaborates with LFIs that are part of this Programme, and has direct communication with governments, authorities and the civil society, to uphold the principle of country ownership via direct partnerships through their national offices (CAF has offices in the four countries); via country representatives on CAF's Board of Directors (all member countries are represented), and via the provision of country and sector strategies that are developed with the relevant country's involvement and in consultation with key stakeholders.

During the preparation of this proposal, CAF has held roundtables with LFIs, one-on-one meetings with banking associations and TSPs. CAF has also engaged with SMEs, SMEs representatives, SMEs associations and entities with recognized knowledge on SMEs and the sectors targeted by this proposal. All these actors helped to identify the key needs and barriers, and to design the Programme. Interviews have also served to draw a list of potential subprojects that could be considered by the Programme in early stages of the implementation. Consultations with women-led SMEs have been carried out. However, additional consultations are planned during program implementation, in line with the Gender Action Plan. Please refer to Annex 2. Feasibility study and market assessment and Annex 7. Stakeholder consultations and stakeholder engagement plan, for further details on the consultation processes in each of the participant countries. Table 15 summarizes the main actors approached.

Table 15: Consulted LFIs and entities in each country

Panama	Ecuador
LFIs: Banistmo, Multibank SMEs, TSPs, actors with informed opinion: Sindicate of Industries, National Cleaner Production Centre, Induplast, Plásticos Generales S.A., SN Power – Association of mini hydropower plants, Union of Industrialists of Panama.	LFIs: Procredit, Produbanco, Banco Pichincha, Banco Bolivariano, Banco Guayaquil, CFN, Banco Pacífico, Mutualista Pichincha, Asociación de Bancos Privados del Ecuador. SMEs, TSPs, actors with informed opinion: Quito's Chamber of Commerce, Agromache, Agroapoyo.
Peru	**Chile**
LFIs: Scotiabank, BCP, BanBif, Interbank SMEs, TSPs, actors with informed opinion: ENGIE Services Peru, Energy Efficiency Directorate (MINEM), National Society of Industries, Inter-American Finance Bank, Reforesta Peru, Atria Energía.	LFIs: Banco del Estado de Chile, Banco BICE, Banco de Crédito e Inversiones (BCI). SMEs, TSPs, actors with informed opinion: Chilean Development Corporation (CORFO), Sustainability and climate change agency, Wood Certification Corporation, Santa María University, chair of environmental economics, ANESCO, National Association of Energy Efficiency Companies, local experts in climate investments.

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

Estimated cost per t CO_2 eq, defined as total investment cost / expected lifetime emission reductions (mitigation only)

(a) Total project financing	USD $150.2 million
(b) Requested GCF amount	USD $100 million
(c) Expected lifetime emission reductions overtime	10.70 million tCO_2eq
(d) Estimated cost per tCO_2eq (d = a / c)	USD $14.03 / tCO_2eq
(e) Estimated GCF cost per tCO_2eq removed (e = b / c)	USD $9.34/ tCO_2eq

Describe the detailed methodology used for calculating the indicators (d) and (e) above.

A bottom-up assessment of project potential by country by project type was performed. Refer to Annex 3 for further details on the calculation.

- Expected volume of finance to be leveraged by the proposed project/programme and because of the Fund's financing, disaggregated by public and private sources (mitigation only)
- Private
  - US$145 Million, from participating LFIs (through programme)
  - US$35 Million, beneficiary contributions (SMEs)
- Public: US$0

The leveraged ratio of the GCF Funding is 0.852:1.

This is the ratio of CAF contribution and beneficiary contribution, to GCF contribution.

The LFIs are not contributing additional funding. The LFIs receive the Funding to create green credit lines with the aim to allocate these funding and repay the loan commitments to CAF and the GCF. However, the LFIs will be take the credit risk of project and the SME borrower.

A bottom-up assessment of project potential by country by project type was performed. Please see Annex 3 for further details.

Economic and Financial Analysis

A bottom-up economic and financial analysis was performed by technology type, and by country – please refer to Annex 3.

Unsuitable financing options – including high and undifferentiated interest rates for climate investment, and short-term loan tenors are one of the key barriers to investments in energy efficiency, renewable energy and land sector mitigation projects in Latin America. SMEs tend to prioritize other non-green investments that are more "attractive" in terms of risk-return.

Concessional funding from the GCF and CAF will be used to make these investments competitive against other investment opportunities. The provision of concessional financing, with longer loan tenors are key elements to support LFIs to continue to engage in this sector. The concessionality will be determined for each country and LFI, while also considering the corresponding market needs based on the principle of least concessionality.

Concessional loans and grants from the GCF along with CAF's investment will create and foster new markets for climate change projects at the local level in the target countries. Concessional financing provided by the GCF would allow to LFIs to provide suitable conditions for these projects, enabling investments in low-carbon solutions.

In the case of GCF financing for the forestry sector, that is, productive-oriented forestry projects, the additionality is given in the possibility of exploring mechanisms that ensure certain stability on the voluntary market price through an agreed minimum price of carbon credits; depending on the carbon sequestration, which, although they do not represent a significant income to the activity, significantly improve cash flow, becoming a mechanism that underpins the economic sustainability of the activity.

Technical Evaluation

Loan proceeds will finance local energy efficiency, distributed renewable energy, and land use climate change projects as described in Section B3, programme description. The sustainable energy technologies expected to be deployed are relatively consistent across the four target countries while land use project types considerably vary.

Appendix 2 of the Feasibility Study includes a comprehensive list of technical references, guidelines and manuals that will serve as guide for the implementation of the Programme. Some of the most relevant are:

Energy: CAF guidelines for Air conditioners, Compressed air, Automation and process control, High Efficiency Boilers, Water Heating with Solar Energy, Energy Cogeneration, photovoltaic solar energy, high efficiency furnaces, High Efficiency Lighting, High Efficiency Motors, Refrigeration, Fuel replacement.

Additionally, CAF has Sectorial Manuals for financing energy efficiency: Food and Beverage Manual for Ifs, Manual Public Lighting Company, Manual Hotels and Hospitals Company, Manual Agribusiness Companies, Agro industrial Manual for Ifs, Manual Food and Beverage Company, Public Lighting Manual for Ifs, Cement Companies Manual, Cement Manual for Ifs, Manual Large Company Surfaces, Manual Large Surfaces for Ifs, Hotels and Hospitals Manual for Ifs, Manual Pulp and Paper Companies, Pulp and Paper Manual for Ifs, Steel and Metalworking Manual for Ifs, Steel and Metalworking Manual for Companies, Textile Manual for Companies, Textile Manual for Ifs.

Land Use: numerous FAO publications have been taken as references for the Programme, with regards to Agroforestry, landscape restoration in degraded lands, integrated soil and nutrient management, low-carbon livestock, and aquaculture. Other publications by JICA, the Convention of Biological Diversity or IFC provide highly relevant knowledge on Agroforestry, natural forest management, silviculture. GHG tools and standards for the Sector are found relevant, e.g. Multicriteria HGH tool selector (FAO), Ex-act User Manual: Estimating and Targeting GHG mitigation in Agriculture (FAO), AFOLU requirements for the VCS Standard and Gold Standard. IFC guidelines on different Land Use aspects such as Annual Crop Production, Aquaculture, Dairy processing, Forest Harvest Operations, among others, have been as well been identified for guiding the technical quality of the Programme investments.

E. LOGICAL FRAMEWORK

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

E.1. Paradigm shift objectives

Please select the appropriated expected result. For cross-cutting proposals, tick both.

X Shift to low-emission sustainable development pathways

☐ Increased climate resilient sustainable development

E.2. Core indicator targets

Provide specific numerical values for the GCF core indicators to be achieved by the project/programme. Methodologies for the calculations should be provided. This should be consistent with the information provided in section A.

E.2.1. Expected tonnes of carbon dioxide equivalent (t CO_2 eq) to be reduced or avoided (mitigation and cross-cutting only)	Annual	535,228 t CO_2 eq
	Lifetime	10,704,562 t CO_2 eq
E.2.2. Estimated cost per t CO_2 eq, defined as total investment cost / expected lifetime emission reductions (mitigation and cross-cutting only)	(a) Total project financing	$150,200,000
	(b) Requested GCF amount	$100,000,000
	(c) Expected lifetime emission reductions	10,704,562_ t CO_2eq
	(d) Estimated cost per t CO_2eq (d = a / c)	$14.03 Choose an item. **/ t CO_2eq**
	(e) Estimated GCF cost per t CO_2eq removed (e = b / c)	$9,34 Choose an item. **/ t CO_2eq**
E.2.3. Expected volume of finance to be leveraged by the proposed project/programme as a result of the Fund's financing, disaggregated by public and private sources (mitigation and cross-cutting only)	(f) Total finance leveraged	$85,200,000
	(g) Public source co-financed	NA Choose an item.
	(h) Private source finance leveraged	$ 85,200,000 = $50,200,000 (CAF contribution). $35,000,000 (beneficiary contribution)
	(i) Total Leverage ratio (i = f / b)	0,852: 1
	(j) Public source co-financing ratio (j = g / b)	NA
	(k) Private source leverage ratio (k = h / b)	0,852: 1
E.2.4. Expected total number of direct and indirect beneficiaries, (disaggregated by sex)	Direct	• 1,214 direct SME beneficiaries receiving loans and implementing projects as part of the programme. (39% women-led) • 110 individuals from LFI's trained on E&S (50% of female)
	Indirect	• 5,171 jobs created in climate friendly industries • 36,420 people reached with climate change information and mitigation solutions
	For a multi-country proposal, indicate the aggregate amount here and provide the data per country in annex 17.	
	Direct	Click here to enter text. (Expressed as %) of country(ies)

E.2.5. Number of beneficiaries relative to total population (disaggregated by sex)	Indirect	Click here to enter text. (Expressed as %) of country(ies)
	For a multi-country proposal, leave blank and provide the data per country in annex 17.	

E.3. Fund-level impacts

Select the appropriate impact(s) to be reported for the project/programme. Select key result areas and corresponding indicators from GCF RMF and PMFs as appropriate. Note that more than one indicator may be selected per expected impact result. The result areas indicated in this section should match those selected in section A.4 above. Add rows as needed.

Expected Results	Indicator	Means of Verification (MoV)	Baseline	Target		Assumptions
				Mid-term	Final	
M1.0 Reduced emissions through increased low-emission energy access and power generation	*1.1 Tonnes of carbon dioxide equivalent (t CO2eq) reduced or avoided as a result of Fund funded projects/programmes – gender-sensitive energy access power generation (sub-indicator)*	LFIs with CAF oversight	0	57.620 tCO2e	218.775 tCO2e	See Annex 3 (Financial Model). Methodology explained in Annex 11 (Monitoring and Evaluation Plan) Project lifetime: 20 years Justification of project lifetime: useful life of technology. Annual emission reductions: 80,171 tCO2e Lifetime emission reductions: 1,341,168 tCO2e
M3.0 Reduced emissions from buildings, cities, industries and appliances	*3.1 Tonnes of carbon dioxide equivalent (t CO2eq) reduced or avoided as a result of Fund funded projects/programmes – buildings, cities, industries, and appliances subindicator*	LFIs with CAF oversight	0	29.627 tCO2e	112.137 tCO2e	See Annex 3 (Financial Model) Methodology explained in Annex 11 (Monitoring and Evaluation Plan) Project lifetime: 20 years Justification of project lifetime:

						useful life of technology. Annual emission reductions: 37,012 tCO2e Lifetime emission reduction: 630,307 tCO2e
M4.0 Reduced emissions from land use, reforestation, reduced deforestation, and through sustainable forest management and conservation and enhancement of forest carbon stocks	* 4.1 Tonnes of carbon dioxide equivalent (t CO2eq) reduced or avoided (including increased removals) as a result of Fund-funded projects/programmes – forest and land-use sub-indicator*	LFIs with CAF oversight	0	285.279 tCO2e	1.300.983 tCO2e	See Annex 3 (Financial Model) Methodology explained in Annex 11 (Monitoring and Evaluation Plan) Project lifetime: 20 years Justification of project lifetime: default values according to IPCC 2006[38]. Annual emission reductions: 530.864 tCO2e Lifetime emission reductions: 1,300,983 tCO2e
Economic co-benefits	Number of new green jobs from low-carbon investments		0	0	5,171 jobs	See Annex 3 (Financial Model) Assuming no major productivity change for

[38] 2006 IPCC Guidelines for National Greenhouse Gas Inventories, Vol. 4 Chapter 2. The length of time that land remains in a conversion category after a change in land use is by default 20 years.

						the selected technologies

E.4. Fund-level outcomes

Select the appropriate outcome(s) to be reported for the project/programme. Select key expected outcomes and corresponding indicators from GCF RMF and PMFs as appropriate. Note that more than one indicator may be selected per expected outcome. Add rows as needed.

Expected Outcomes	Indicator	Means of Verification (MoV)	Baseline	Target		Assumptions Assumptions
				Mid-term)	Final	
M6.0 Increased number of small, medium and large low-emission power suppliers	☐ 6.3 MWs of low emission energy capacity installed, generated and/or rehabilitated as a result of GCF support.	LFIs M&V with CAF oversight	0	15.94 MW (at generator)	42.5 MW (at generator)	See Annex 3 (Financial Model) Assuming 4 yrs of implementation (credit disbursements start in Year 2)
M7.0 Lower energy intensity of buildings, cities, industries and appliances	☐ 7.1 Energy intensity/improved efficiency of buildings, cities, industries and appliances as a result of Fund support.	LFIs M&V with CAF oversight	0	190,473.19 MWh (avoided energy at meter)	507,928.51 MWh (avoided energy at meter)	See Annex 3 (Financial Model) Assuming 4 years of implementation (credit disbursements start in Year 2). Lifetime of EE: 10 years Justification of project lifetime: useful life of technology. Lifetime MWh: 1,269,821 MWh will be avoided.
M9.0 Improved management of land or forest areas contributing to emissions reductions	☐ 9.1 Hectares of land or forests under improved and effective management that contributes to CO2 emission reductions	LFIs M&V with CAF oversight	0	4,332 ha	21,662 ha	See Annex 3 (Financial Model) Methodology explained in Annex 11 (Monitoring and Evaluation Plan) including expected improvements in land and forest management

E.5. Project/programme performance indicators						
The performance indicators for progress reporting during implementation should seek to measure pre-existing conditions, progress and results at the most relevant level for ease of GCF monitoring and AE reporting. Add rows as needed.						
Expected Results outputs	**Indicator**	**Means of Verification (MoV)**	**Baseline**	**Target**		**Assumptions**
				Mid-term	Final	
1.1 Financially viable climate change mitigation projects are identified, and financed	a. Total project financing volume b. Number of SMEs benefited	LFIs M&V with CAF oversight	0 0 0	US$ 58,5 Million b.364 SMEs (39% women)	a. US$ 145 Million b. 1,214 SMEs, with 39% of women-led SMEs.	See Annex 3 (Financial Model) Assuming interest of LFIs in financing mitigation projects
2.1 Climate change and mitigation awareness raised.	a. number of workshops. b. number of participants at workshops	LFIs M&V with CAF oversight	0	a. 4 workshops b. 144 (39% women)	a. 12 workshops b. 360 participants at workshops (39% women).	
2.2 Enabling environment for the development of mitigation projects	a. number of TSPs databases developed b. number of participants at matchmaking events c. number of standardised contracts created, or specific contracts supported.	CAF reporting	0	a. 11 databases b.40 participants (25% match women) c. 12 contracts	a.11 databases of TSPs b. 40 participants in matchmaking events (25% match women) c. 12 contracts (one per country for each sector - EE; RE, land use)	At least one standardised contract per country. Assuming participation of TSPs and LFIs in the proposed activities
2.3 Technical support and capacities built for LFIs, SMEs and TSPs	2.3.1 Technical support and capacities built for LFIs a. LFIs personnel trained in Project Assessment b. pipeline of bankable projects	LFIs M&V with CAF oversight	0	a.88 individuals at LFIs trained b. 9 pipelines of	a. 110 individuals at LFIs trained in Project Assessment (50% women) b. 11 pipelines of	See Annex 3 (Financial Model) Assuming participation and interest of LFIs in the

E

	c. Total number of LFIs assessed and supported for improving ESMS systems d. LFI personnel trained regarding ESMS systems including gender considerations e. LFIs personnel trained on GHG baseline and MRV f. LFIs with MRV system implemented			bankable projects c.8 LFIs supported for improving EMS system d. 70 LFI personnel trained on ESMS systems (50% women) e. 110 LFIs personnel trained f. 11 LFIs with MRV system	bankable projects c.11 LFIs supported for improving EMS system d. 110 LFI personnel trained on ESMS systems (50% women) e. 110 LFIs personnel trained on GHG baseline and MR (50% women) f. 11 LFIs with MRV system implemented	proposed activities
	2.3.2 Technical support and capacities built for TSPs a. Number of SMEs/TSPs trained in mitigation projects development b. Number of women-led SMEs trained in green literacy c. Number of SMEs supported with pre-investment activity d. Number of SMEs/TSPs trained in GHG baseline and MRV			a. 216 SMEs/TSPs trained (39% women) b.30 women-led SMEs trained c.60 SMEs supported (39% women-led) d. 216 SMEs/TSPs trained in GHG baselines and MRV (39% women)	a.720 SMEs/TSPs trained on mitigation projects b.60 women-led SMEs trained in green literacy c. 200 SMEs with pre-investment support (feasibility study) -39% women-led. d. 720 SMEs/TSPs trained in GHG baseline and MRV (39% women-led)	Assuming participation and interest of SMEs in the proposed activities
2.4 Dissemination and learning reinforced	a. Communication and Dissemination Strategy developed	LFIs M&V with CAF oversight		a. 1	a. 1	(under the respective activities).

	b. Promotional material developed c. Programme website d. Information platform e. Number of case studies f. Number of women-led SME case study g. Number of learning workshops h. Number of key stakeholders reached with targeted presentations	CAF reporting on activities.		N/A c. 1 d. 1 e. 0 f. 0 g. 0 h. 30 stakeholders	b. at least 2 videos c. 1 website d. 1 platform e.3 Case studies (1 per sector) f.1 women-led SME case study g. 2 learning workshops with 100 participants h.240 key stakeholders reached with targeted presentations	

E.6. Activities

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

Activity	Description	Sub-activities	Deliverables
1.1.1 Green finance credit lines for LFIs	A climate finance credit line with adequate financial terms and conditions will be made available for LFIs from countries participating in the programme to finance local distributed renewable energy, energy efficiency, and land use climate change mitigation projects. Loans will be made available to Beneficiaries/SMEs, and TSPs to improve or grow their businesses	Participating LFIs will be finalised and agreements will be entered. Numerous eligible LFIs have already been identified in each target country (See Annex 3). In principle, any LFI that meets the following criteria could be eligible for the green finance credit line: • Criteria 1: Sustainability and green finance goals • Criteria 2: Have in place an environmental and social risk management system	Green credit lines in place in collaboration with at least 11 LFIs.

		• Criteria 3: LFI is a client of CAF.[39] The use of loan proceeds by an eligible LFI will comply with a "Policy Statement" included in the loan agreement between CAF and the LFI. LFIs will on-lend funds to TSPs for investing in pre-approved technologies or project types, or technologies/projects approved by experts procured by CAF. Detailed project eligibility criteria have been established to define the scope of investment of the climate finance credit line and specific climate change and environmental, social, and economic co-benefits indicators. This component will be financed by Loans	
2.1.1 Climate change and mitigation awareness raising	Organization of workshops on climate change, mitigation projects in the targeted sectors and operational aspects of the programme, including eligibility, mitigations technologies, ESMS, MRV and financing, promoting the benefits of such technologies. These workshops will be organized in the different targeted countries during the first 3 years and will be directed at LFIs, SMEs and TSPs.	The goal of this subcomponent is to increase knowledge of the Programme and available financing as well as climate change, mitigation projects, targeted sectors and countries of the Programme, highlighting the benefits of such projects and operational aspects important for accessing the financing. This activity is financed through non reimbursable resources.	12 workshops for awareness raising on climate change impacts, mitigations technologies benefits and operational aspects on the programme.
2.2.1 Matchmaking between LFIs and TSPs:	The programme will identify TSPs and connect them to facilitate project development.	Matchmaking between LFIs, and TSPs Connections between market actors will be strengthened to facilitate project development. Potential TSPs often do not have established relationships with LFIs. The	The programme will connect market actors to facilitate project development. Potential TSPs often do not have established relationships with LFIs. The same is true of LFIs – they often do not know TSPs. The programme will develop a

[39] The control will be implemented though contractual obligations. In the Credit Lines Agreements, the relevant clauses on this matter must be transferred to both: the LFI and the agreement with Beneficiaries/SMEs. In the Credit Lines Agreements there will be clauses that oblige Beneficiaries/SMEs and third parties to comply with such policies.

		same is true of LFIs – they often do not know TSPs. Through this activity, the programme will develop a database of local market actors and work to connect them through direct outreach, the programme Website, and through other mediums. .	database of local market actors and work to connect them through direct outreach, the programme Website, workshops and information sessions.
2.2.2 Country opportunities for standardized performance-based contracts.	Develop standardize contractual arrangement templates that can be used by TSPs and SMEs to negotiate and deal green investment opportunities and increase trust in the proposed technologies.	This activity will help clients and providers to have a clear and transparent contractual arrangement to negotiate investments in energy efficiency, renewable energy or low-carbon land use. Contractual agreements will aim to create trust and transparency (*not* to subsidize payments). Contracts can be in the form of transparent, payment arrangements that are structured to provide an incentive for TSPs, to distribute risk to appropriate actors, and/or to guarantee savings. This mechanism will function as a reward for TSPs that achieve or exceed climate results pre-established in their loan contract with LFIs. Examples of performance-based contracts include pay-per-use contracts, leasing contracts, and energy performance contracts. This component will be financed by Grants	Contribute to TSPs and SMEs to negotiate and transparent the deals. Establish different type of performance-based payment contracts that would be structured to provide an incentive for TSPs, to distribute risk to appropriate actors, to guarantee savings and create trust
2.3.1 Technical support for LFIs	2.3.1.1 Technical Support in Project Development and Assessment: *1. LFIs will be trained on how to conduct and utilize market assessments, including data collection and analysis, selection of target clients, preliminary eligibility and	Training will be provided to LFIs, enabling them to assess projects presented to them. There will be "classroom" and on-the-job training, as well as on-going technical support for LFI personnel. Project assessments are likely to include: verification	Training will be provided to LFIs to develop specific financing mechanisms to overcome current market barriers and build a green credit line. Technology TSPs will be trained to present and build a pipeline of bankable projects.

	creditworthiness assessment of projects. This will strengthen the selection of creditworthy TSPs/SMEs and support the identification of eligible projects at an early stage. * 2.Technical Assistance to develop a pipeline of bankable projects. Support will be provided for LFIs to develop specific financing mechanisms to overcome current market barriers. The financing mechanisms would be tailored to each bank and could include energy savings insurance; and/or pay per use model for the energy sectors. 2.3.1.2 Strengthening environmental and social risk management systems and skills: directed to LFIs to enhance their ability to invest in sustainable projects and ensure robust environmental and social management systems are in place, including managing for gender benefits and reducing gender related risks. 2.3.1.3 Technical support for GHG baseline definition and MRV, aims to strengthen capacities and provide technical support to LFIs for an effective GHG baseline definition and the effective monitoring, reporting and verification.	of technical feasibility and financial viability, findings and conclusions, cash-flow forecasts, financial viability parameters (net present value (NPV), internal rate of return (IRR)), sensitivity analysis and risk analysis. LFIs will be trained on how to conduct and utilize market assessments, including data collection and analysis, selection of target clients, preliminary eligibility and creditworthiness assessment of projects. This will strengthen the selection of creditworthy TSPs and support the identification of eligible projects at an early stage. The technical assistance activity will also involve support for LFIs to develop specific financing mechanisms to overcome current market barriers. The financing mechanisms would be tailored to each bank and could include energy savings insurance; and/or pay per use model. These business models are described in detail below. Technical support will be provided to LFIs to identify gaps in the ESMS, develop improvements and audit the implementation of the ESMS to ensure robust systems for E&S risk analysis and mitigation. Based on gap analysis, identify current status and needs for improvement of LFIs' current ESMS. This includes managing for gender benefits and reducing gender related risks (e.g. supporting development or strengthening of gender strategies, policies, and procedures). Independent audits to assess the adequate implementation of	Strengthen the LFIs ESMS systems to enhance their ability to invest in sustainable projects and ensure robust environmental and social management systems are in place. This includes managing for gender benefits and reducing gender related risks. Independent audits to assess the adequate implementation of ESMS. Reporting by the LFIs to CAF will be consolidated to evaluate programme results, and to provide information to participating country governments to inform them of the programme's contribution to NDCs and other relevant national climate change goals. The efficiency and effectiveness of the programme will be evaluated throughout its lifetime. Final evaluations on the success of the programme will be prepared. Capacities of LFIs strengthen to determine baseline and monitor, report and verify impact of mitigation projects.

		ESMS.The PMU will organize trainings to strengthen skills among LFIs personnel on the monitoring and reporting framework to ensure appropriate reporting of results of the Programme. This component will be financed by Grants	
2.3.2 Technical support for SMEs and TSPs:	2.3.2.1: Technical support for project development includes This activity aims at training potential SMEs and TSPs beneficiaries of the Programme with the skills and project pre-investment facilities to better understand and be able to develop mitigation projects in the targeted sectors. 2.3.2.2 Technical support for GHG definition and MRV for SMEs and TSPs.aims at providing technical support to enhance GHG baseline definition and MRV systems.	Technical support for project development includes: *Training on mitigation projects how to structure bankable projects, ESMS, standardize contracts and operational aspects of the Programme *Training on green business literacy for women-led SMEs. The goal of this activity is to foster participation of women-led SMEs in the Programme. *Pre-investment facility for SMEs, potential borrowers of LFIs participating in the Programme can be eligible for this facility. The facility will support the performance of audits and technical feasibility studies at beneficiary sites for the identification of project development opportunities for EE, RE or low-carbon land use mitigation projects. Support for financial evaluation and financial aspects of projects can also be eligible. Technical support for GHG definition and MRV for SMEs and TSPs. The goal of this activity is to train potential beneficiaries and SMEs and TSPs who have already been allocated credits through the Programme in the adequate GHG baseline definition and the MRV framework of the Programme, to guarantee	Workshops on project development Workshops on green business literacy for women-led SMEs Audits, technical feasibility studies and technical support for project development. Workshops on GHG baseline and MRV Educational material to widely disseminate operational aspects of mitigation projects development, GHG baseline estimation and MRV.

		and effective monitoring and reporting. Production of audio-visual educational material to support wide dissemination among beneficiaries of the above-mentioned topics.	
2.4.1: Communication and visibility:	Communication and visibility activities aim to ensure appropriate information management, dissemination of the information and activities organized by the programme and to ensure gender sensitive communication and reach. :	Subactivities include: Communication and Dissemination Strategy: The Programme will develop and implement a communication and dissemination strategy that includes measures to engage women, women's organizations and women-owned SMEs Development of promotional material of the Programme: include webinars, explainer videos, story-telling videos, communication material, and publications, two-pagers, among others. Programme Website: Information Management Platform, which will allow to disseminate information on the Programme, and will work as a platform for the general management of data and information on project eligibility, monitoring and reporting of LFIs and beneficiaries	Communication strategy and gender sensitive approach. Promotional material. Website Information Management platform.
2.4.2 Lessons learned and stakeholders' engagement activities	With this activity, lessons learned will be promoted throughout the implementation by identifying case studies with best practices and women-led successful interventions. Knowledge management and stakeholders' involvement with the programme will be fostered through workshops and targeted presentations.	-Case studies: Identifying throughout the project at least 3 case studies with lessons learned in each of the sector: EE, RE, Land Use. Selected successful projects in the different countries will be selected and identified by the PMU to learn what made them succeed, what were the main benefits of the project and lessons learned to be later on shared in the Program website, presentations, among other formats. In the selection of the stories both men-led as well as women-led SMEs	Case studies with lessons learned. Targeted presentation to key stakeholders Learning workshops

		projects must be included, and when interviewing project beneficiaries, it must be guaranteed the voice of women and men are equally included. -Women-led SMEs success stories: Develop a case study of inclusive finance in mitigation projects identifying women led-SMEs which were allocated a credit for the first time for mitigation technologies: EE, ER and land use projects. -Learning workshops: 2 workshops will be conducted during the lifetime of the Project: one in the mid-term of the Project implementation and another in year 5. The goal of the workshop will be to present lessons learned with relevant stakeholders, including government, other organizations working in mitigation projects, and beneficiaries. Targeted Presentations for dissemination of lessons learned to key stakeholders: (e.g., government sector, trade or commercial associations).The information sessions will consist of bilateral meetings and targeted presentation on programme progress and alignment in the country.	

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

CAF will set up a monitoring framework at programme level that will apply to all participating LFIs across the four selected countries. For climate benefit monitoring at sub-borrower level, differentiated approaches will be implemented for clean energy and land use respectively at LFI level.

For more details, Refer to Annex 110 for the Green Climate Financing Facility for LFIs in Latin America including a specific MRV plan for land use sector investments.

Reporting from LFIs to CAF

The programme will apply the standard procedures established by CAF for monitoring and evaluation of investment operations. Based on the proposed results and a monitoring and evaluation plan to be agreed between CAF and participating LFIs, the evolution of indicators should be reported periodically during the programme execution. In coordination with CAF, participating LFIs will compile and maintain all information, indicators and parameters necessary for the preparation of programme reports, including annual reports, midterm review and final evaluation.

It will be the responsibility of participating LFIs to ensure that the sub-borrower is eligible for funding from the programme in accordance with the programme's eligibility criteria, as defined for clean energy and sustainable land use. Monitoring of disbursements for eligible expenditures will be reviewed by the CAF ex- post. In coordination with participating LFIs, CAF may schedule supervision visits to monitor and verify the proper use of resources and compliance with contractual conditions of the programme with regards to the use of funds.

Operations approved by participating LFIs and presented to CAF to be part of the programme must be properly identified in the LFI's accounting systems and be in compliance with what is stated in the specific loan agreements. These records should allow for identifying financial conditions of each transaction (e.g. currency, maturity, and interest rates), the value of the contract, loan proceeds and eventual use of proceeds for monitoring purposes, programme funds balances and default rates, if necessary.

The monitoring process intends to follow up the execution of the programme in order to identify the intermediate milestones achieved in each phase and evaluate its outcomes and fulfilment of proposed targets. The indicators to be monitored will be those included the log frame in section E.

Participating LFIs will collect the necessary data for monitoring and present annual reports to CAF. SMEs will also be trained to be able to contribute with the MRV system and to provide accurate data. In some cases, CAF will make calculations required for some indicators, based on the information provided by the LFIs' in the annual reports. The participating L FIs' own information systems will undergo a gap assessment by CAF to analyse whether they are sufficient and appropriate for monitoring the proposed indicators.

Participating LFIs will deliver these annual reports within thirty (30) calendar days after the end of each year of programme´s implementation. The reports will include information regarding the evolution of the indicators, as well as financial information regarding the use of the resources. CAF will be entitled to request additional information, if necessary. In addition to the annual reports and the scheduled activities for monitoring of the operations described above, CAF will contract an independent midterm evaluation within thirty (30) months from the effective date of the loan contract or when 50% of the programme resources have been disbursed – whichever occurs first. Finally, participating LFIs will present a final report to CAF up to six (6) months after the day of the last disbursement and CAF will contract an independent final evaluation. The LFIs final reports shall contain all relevant information to assess if objectives of the programme and targets for each indicator have been met. Based on this report CAF will also prepare a Project Completion Report (PCR), which evaluates the fulfilment of targets, reviews the overall results of the operation and describes lessons learned, among other relevant aspects.

Reporting from CAF to GCF

Monitoring, reporting and evaluation arrangements will comply with CAF´s Accreditation Master Agreement and GCF policies, as well as the Funded Activity Agreement (FAA). CAF will provide annual progress reports on the status of the funded activity throughout the relevant reporting period, based on the above described logical framework, and reporting from LFIs to CAF.

CAF will consolidate above described annual, mid-term and final reports from LFIs and send them to the GCF within additional thirty (30) days of the above-mentioned reporting periods by LFIs to CAF. In addition to these consolidated reports, CAF will report on the indicators defined in Section E. CAF will deliver numbers in a logframe format a) annually within sixty (60) calendar days after the end of each year of program implementation; b) at mid-term within thirty (30) months from the effective date of the loan contract or when 50% of the programme resources have been disbursed – whichever occurs first; and c) at programme end up to six (6) months after the day of the last disbursement of a participating LFI.

An independent mid-term evaluation will be conducted within thirty months of the effective date of the loan contract or when 50% of the program resources have been disbursed – whichever occurs first. The mid-term evaluation will be based on a participatory and inclusive process, and will involve the following:

- Review of the institutional, technical, environmental, social, economic and financial aspects of the program
- Review of the portfolio of sub-projects, including activities, planned outputs, expected impacts, cost and financing
- Review of the achievement of planned impacts and indicators (according to the Logframe)
- Assessment of the need to restructure or reformulate the program.

MRV framework

CAF will set up a monitoring framework at programme level that will apply to all participating LFIs, TSPs and SMEs across the four selected countries. All specific MRV actions and steps described below for clean energy and land use will be undertaken by the LFIs and SMEs/TSPs:

- Energy:
    - Approach: For energy efficiency and renewable energy projects, MRV and due diligence processes should be in proportion to the size of the project in order to avoid disproportionately increased costs. Different approaches are recommended for projects above and below a size threshold defined as project with a total investment of less than UDS 1 million (small), and projects with a total investment value of over USD 1 million (medium/large). Robust MRV procedures are important to ensure projects are delivering the expected impacts, however, overly complex MRV requirements for small projects can cause the LFI to lose interest in such project, or can cause high transaction costs to increase meaning that the projects lose some of their economic benefit for the LFI and/or the client.
    - Methodology: The methodology for estimating baselines, energy savings, and greenhouse gas emissions reductions should be based on the International Financial Institutions (IFI) Framework for a Harmonized Approach to Greenhouse Gas Accounting. The IFI approach for energy efficiency and renewable energy are included in the documents: IFI approach to GHG Accounting for Energy Efficiency Projects and IFI Approach to GHG Accounting for Renewable Energy Projects.
- Land Use:
    - Methodology: Based on IPCC, the MRV system for all of the investments in land use will follow the same generic formula to calculate emission removals.
    - Approach: or the purpose of grouping the estimate of carbon dioxide emissions removals from different activities in the land use sector, each LFI will apply the Ex-Ante Carbon-balance Tool (EX-ACT) (FAO, 2017). EX-ACT is a land-based accounting system, estimating carbon stock changes (i.e. emissions or sinks of CO_2) as well as GHG emissions per unit of land, expressed in equivalent tonnes of CO_2 per hectare and year. The tool helps project designers to estimate and prioritize project activities with the greatest economic benefit and potential for climate change mitigation. This GHG mitigation potential may also be used for economic analyses and for allocating additional project funds.

F. RISK ASSESSMENT AND MANAGEMENT

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

The main programme risks are: low program participation, technology performance, inappropriate use of loan proceeds, and macroeconomic factors. The risks are low to moderate in nature and CAF expects they can be largely mitigated through the implementation of planned programme activities.

Further, CAF has more than 25 years of experience with project financing through local financial institutions, during which CAF created control mechanisms to mitigate key project and client risks. In general, during the due diligence the main aspects that CAF considers in assessing risk of its clients (corporate / banks) are the following factors, which are weighted:

Figure 6. Overview of evaluation factors

Evaluation Factors	Overall Weight	Factor Type
1. Country Risk	15%	Macro
2. Industry Risk	5%	Industry
3. Market	10%	Client
4. Sponsor - Shareholders	5%	Client
5. Management	7%	Client
6. Financing Options	5%	Client
7. Experience and Seniority	3%	Client
8. Financial Structure	8%	Client
9. Solvency	4%	Client
10. Indebtedness	3%	Client
11. Operating Cash Flow - Hedging	20%	Client
12. Financial Reports	5%	Client
13. Operation Type	2%	Client
14. Term	2%	Client
15. Guarantees and Insurance	6%	Client

CAF will also ensure that participating LFIs have an environmental and social policy and, based on it, have implemented an Environmental and Social Risk Analysis and Management System for the categorization of its operations and for the evaluation of the environmental and social risk of their portfolios. Technical assistance will be provided to support the strengthening of the ESMS if necessary, and independent audits will be performed to ensure the adequate implementation of ESMS. See section G.

Below are described the main financial, technical and operational, social and environmental risks that might prevent the programme objectives from being achieved. Furthermore, the table below describes the risk mitigation measures.

CAF will ensure that LFIs comply with national regulations and currently all national regulations in the countries targeted in this program are align with the international standards.

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:	**Low levels of programme participation by enterprises**	
Category	Probability	Impact

Technical and operational	Medium (5.1-20% of project value)	Medium
Description		
Enterprises – including small and medium sized commercial and industrial businesses and farms – may develop fewer projects than expected. These entities have many competing priorities and limited time. Further, many of these entities are simply not aware of what projects could be conducted, what opportunities there are for financing, or the potential benefits of projects for their enterprises.		
Mitigation Measure(s)		
The programme is designed to mitigate this risk, specifically: • Activity 2.1.1: Climate change and mitigation awareness raising • Activiti 2.2.1: Matchmaking between LFIs and TSPs • Activity 2.2.2: Country opportunities for standardized performance-based contracts • Activity 2.3.1: Technical Support for LFIs • Activity 2.3.2: Technical support for SMEs/TSPs • Activity 2.4.1.: Communication and visibility • Activity 2.4.2: Lessons learned and stakeholders' engagement activities The probability of the risk occurring – given information currently available – cannot reasonably be assumed to be lower than medium at this time.		
Selected Risk Factor 2: Climate technologies do not perform as expected		
Category	Probability	Impact
Social and environmental	Medium (5.1-20% of project value)	Medium
Description		
Distributed renewable energy, energy efficiency and land use climate change projects implement may not perform as expected; if this occurs, they will have a lower impact on climate change than estimated.		
Mitigation Measure(s)		
The programme is specifically designed to mitigate this risk, particularly: • Activity 2.3.1: Technical Support for LFIs • Activity 2.3.2: Technical support for SMEs/TSPs • Programme Management. Technical support and capacity building with LFIs will include development of technology-specific project assessment protocols. The majority of projects is expected to involve the type of "prescriptive" technologies with relatively well understood performance. In some cases, TSPs may propose technologies that are site-specific, or "custom". The programme will also develop "custom technology" assessment protocols. As part of ongoing technical support for LFIs, experts retained by CAF will work with LFIs to review all "custom" project applications over a certain size (e.g., anticipated loan size) prior to loan approval. The Energy Savings Insurance (ESI)[40] Scheme being put in place in Peru, and Chile can also be used to mitigate this risk. ESI guarantees the energy savings promise of the TSP to the SME, using a surety insurance mechanism, a standardised contract, and an independent third-party validation mechanism. The ESI and other models such as ESCO, servitisation (pay as you use) models, among others would be proposed to the LFI according to the market characteristics. The TA support will guide and support the LFI in incorporating these innovative business models for structuring and building demand for their green credit lines. Over time and with programme experience the probability of this risk occurring is expected to be low.		

[40] The Energy Savings Insurance model developed by BASE, includes an insurance that guarantees the energy savings to SMEs and reduce the risk perception in energy efficiency investments.

Selected Risk Factor 3:	**Use of loan proceeds outside programme requirements**	
Category	Probability	Impact
Technical and operational	Medium (5.1-20% of project value)	Low
Description		
LFIs may disburse loans for projects that do not meet CAF or GCF requirements.		
Mitigation Measure(s)		
An LFI's receipt of programme loan proceeds will be contingent on the LFI's compliance with their CAF programme agreement, which will include specific guidelines for project financing approval. CAF's will supervise the compliance of the LFIs and review the portfolio of projects. Ongoing programme monitoring by CAF will help ensure compliance.		
Selected Risk Factor 4:	**Macroeconomic risks**	
Category	Probability	Impact
Other	High (>20% of project value)	Low
Description		
Macroeconomic factors including exchange rate fluctuations, political instability and other factors that impact programme performance.		
Mitigation Measure(s)		
Market assessments for participating countries will include assessment of macroeconomic treats and opportunities. CAF is mitigating this risk by selecting a portfolio of target countries that are relatively stable. Further, CAF monitors current events in the LAC region, and will monitor potential impacts on LFIs and program performance. Partnering LFIs will be obligated to provide yearly updates to CAF on financial performance. Currency fluctuations could impact the value of reflows to CAF and partner institutions. As a hedging mechanism, LFIs generally conduct foreign exchange swaps with third party providers, as needed. Further, the target countries were selected in part based on their creditworthiness as rated by global financial rating agencies. Even with reasonable mitigation measures in place, the nature of macroeconomic risks does not warrant the anticipated probability of occurring to low.		
Selected Risk Factor 5:	**Risk related to COVID-19 outbreak**	
Category	Probability	Impact
Other	High (>20% of project value)	High
Description		
COVID-19 outbreak and related measures taken by the participant countries may impact programme performance. Confinement and social distance measures, as well as the economic crisis derived from the economic downturn can prevent TA activities from being carried out, may prevent beneficiaries from coming forward to apply for credit, may prevent beneficiaries from taking the risk of committing themselves to a credit, may impede providers to comply with requests.		
Mitigation Measure(s)		
In response, CAF has approved a USD 50 mm Emergency Loan to each of its country-members directed towards the health sector and a USD 2.500 million Emergency Credit Line which will allow authorities to contribute to the continuity of business operations and the recovery of their economies. This decision is of great importance for helping local MSMEs to deal with the economic downturn. The GCF funding will come to provide further support and generate synergies through this programme, at a key time for fostering post-crisis low-carbon development. With regard to project activities, in the event of a health crisis CAF will make all means available to ensure that activities are carried out under the highest standards of prevention. In times of confinement, ways to continue with the implementation of the project will be evaluated, with the help of virtual tools where possible.		

G. GCF POLICIES AND STANDARDS

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

CAF has a strong working relationship with LFIs across Latin America and works together with such institutions as well as project developers towards overcoming key barriers in financing sustainable investments. As described in B.4, since 2012, CAF has been implementing the its Programme for Environmental and Social Management for Financial Institutions (PGASIFs) - a platform to promote and enhance the management of environmental and social impacts in the financial sector of the Latin-American region, while also transferring knowledge and promoting good practices in environmental and social and Governance (ESG) to strengthen the adoption of ESG principles in LFIs. Such experience has been paramount for the design and elaboration of the proposed program and it's ESMF, ensuring that appropriate and robust procedures and safeguards are in place for implementing climate change projects in the energy and land use sectors.

Environmental and Social Planning at the Programme Level

Together CAF and participating LFIs will ensure that comprehensive and robust environmental and social screening and management systems are in place, and program activities and investments are closely monitored, evaluated and reported in terms of social and environmental impacts. During the due diligence phase of the LFIs, CAF will assess the ESMS of each institution and ensure that it is aligned with the ESMF of the Programme, including CAF´s Environmental and Social Safeguards and those of the GCF.

Participating LFIs must have an environmental and social policy and, based on it, have implemented an Environmental and Social Risk Analysis and Management System for the categorization of its operations and for the evaluation of the environmental and social risk of their portfolios. The measures to be applied by the LFIs include the following:

- Verify that the operations it finances are not prohibited by law;
- Verify that the operations it finances are not included in the Exclusions List of CAF, and the program-specific exclusion list included within ESMF (Annex 6);
- Require compliance with national legislation in terms of obtaining permits and environmental licenses, use of natural resources and activities with dangerous substances;
- Categorize and evaluate the environmental and social risk of the operations it finances;
- Verify that the amounts requested by their clients include the implementation of the measures established to minimize the environmental and social risks of their operations;
- Present reports of the environmental and social management of its operations, according to the frequency established in the credit agreement, which will be fixed depending on the risks of its portfolio and the magnitude of the credit granted by CAF;
- CAF will conduct a screening on all participating LFIs regarding the quality and robustness of their environmental and social standards. Technical support needs will be identified to ensure that LFIs ESMS are adequate to support the screening, approval, monitoring and evaluation of investments in the targeted areas. When ESMS systems are either not in place or are weak, CAF will provide technical to help establish or improve such systems, and where possible support LFIs to improve their ESMS to be able to participate within the program. LFIs with ESMS that do not meet GCF or CAF standards will not be able participate within the program.

A gap assessment will be performed and when not fully aligned the LFIs will receive support to make the required adjustment and capacities for their participation in the Programme (within Activity 2.3.1.2). This is an added value of the Programme which will contribute to strengthen LFIs ESMS, contributing to the long-term sustainability and transformational character of the Programme. In addition, independent audits will be performed to ensure that the ESMS are implemented adequately.

All sub-loans will be screened by LFIs for their environmental and social risks and impacts prior to credit approval. During this screening phase projects will be revised according to the LFIs' Environmental and Social Risk Analysis and Management System to ensure they adhere to local regulations and laws, including ESIA requirements. Category A or high-risk projects will not be supported within the program, along with other investments described in the program exclusion list within Annex 3. The Programme will be limited to Category B projects and will not finance category A projects. As such it is qualified as I-2.

Where necessary environmental and social management plans (ESMPs) will be either in place or developed at the final loan beneficiary level to manage identified risks and adverse impacts.

For this program, within the framework of eligibility requirements established for the sub-projects as described in the previous section, LFIs will manage loans according to the following requirements:

1) An Environmental and Social Assessment (ESA) will be conducted by LFIs for all investments to identify potential risks. The ESA should include:
    a. A description of the area of influence of the operation, including the area of direct and indirect influence;
    b. Characterization of the environment, including information specific to the project site that has a level of detail and geographic scale according to the area of direct and indirect influence, that covers all of the environmental and social components/ factors that could be affected by the project. It should include information on climate change and climate variability, as well as exposure to natural disasters. Such information such provide a clear baseline of environmental and social data.
    c. Identification and evaluation of environmental and social impacts
    d. Elaboration of an Environmental and Social Management Program (ESMP), compatible with the legal and institutional framework of the respective country, that identifies concrete prioritized measures and actions to prevent, mitigate, compensate or enhance environmental and social impacts that could be generated by the operation.
2) All investments will comply with all applicable environmental, social, health and safety, and labor regulatory requirements of the respective country where the project/ investments are implemented.
3) LFIs will monitor and ensure that the participating Beneficiary/SME will comply with all applicable environmental, social, health and safety, and labor regulatory requirements of the participating country.
4) During project screening by LFIs, sub-projects will be categorized into low, medium and high risks based on the preliminary environmental and social assessment. High risks projects will not be deemed eligible for financing.
5) An exclusion list has been developed that identifies investments that will not be supported by the program (Annex I). This list will be integrated into the loan approval process, ensuring all supported projects comply with the exclusion list.
6) Ensure the necessary stakeholder consultation is conducted during project preparation phase, as necessary.
7) LFIs must appoint an Environmental and Social Officer, or equivalent position, for the duration of the Project to monitor the implementation of the environmental and social management plans, and to support the screening, evaluation, monitoring and reporting of environmental and social risks and impacts. This officer must provide regular reporting to the appointed CAF safeguard executive.
8) For Energy Efficiency sub-projects, adopt a Decommissioning and Disposal Protocol for replaced equipment and materials acceptable to the CAF, to be presented by LFIs and approved by CAF as a condition prior to first disbursement. The protocol must ensure that any equipment replaced is not reused and is appropriately disposed. Once approved, said Protocol will be part of this ESMF and as such will apply to the LFIs and each respective sub-borrower as pertinent to their respective responsibilities.
9) For land use investments, LFIs will screen investments using a country-level deforestation risk matrix, to ensure that appropriate conditions are in place to ensure that the supported investments will not result in deforestation. Such an assessment will identify deforestation risk at different administrative levels and provide tools and information to support LFIs and CAF for the screening and M&E of investments. A more detailed description of the assessment can be found in the Annex 6

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

The program will promote gender equality and women´s empowerment both at the fund- and project-level. The program will support the use of gender-disaggregated indicator systems, requiring participating LFIs to collect and report on gender-disaggregated data. While many of the LFIs have such systems, some may need to integrate or strengthen their M&E systems to ensure that such gender-disaggregated data is collected. In terms of financial products, the project will support the design and promotion of green sub-loans that enhance the participation of female-led SMEs. CAF will work with LFIs to target women´s organizations, support awareness raising campaigns, and set clear targets to target women-owned SMEs. Entrepreneurial development services will be further supported through the design and promotion of entrepreneurial development services (e.g. energy efficiency audits, promotion of green investment alternatives in land use, among others), in ways that enhance participation of female-led SMEs. Finally, the program will support financial education through the design and promotion of training programs to enhance participation of female personnel and/or female-led SMEs within the Programme.

A gender responsive M&E framework has been developed for the project, which will work with LFIs to track monitor and evaluate the impact of the program and its project-level investments on gender. Tracked indicators include, among others, the percentage of female-owned SMEs accessing credit, the number of men and women who have accessed trainings, among various other indicators (see Gender Action Plan in Annex 6 for further information). A gender-specialist will oversee the implementation of the gender action plan at the fund level and liaise with LFIs as necessary to ensure that their ESMS adequately meets gender-related requirements, to follow up on the M&E of gender-related targets with LFIs, and to provide ongoing support as required on topics related to gender within the context of the proposed program.

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

As per the Accreditation Master Agreement (AMA), CAF, as the Accredited Entity, shall be responsible for the overall management, implementation oversight and supervision of the programme in line with its own internal rules, policies and procedures, including administering and managing the use of GCF Proceeds, as well as the monitoring, evaluation and reporting responsibilities.

CAF will enter into a Funded Activity Agreement with the GCF, for the Loan and the Grant, which will describe the specific requirements regarding the financial management of GCF´s resources for the programme.

For CAF and GCF loan resources to LFIs, CAF will enter into, or amend existing, loan contracts for credit lines with each participating LFI. Loan resources will be administrated as per CAF´s Manual for the Credit and Equity Investment Process (MN/DCRR -017) which has been reviewed by the GCF during CAF´s accreditation process. The Manual guides the process for all the phases of the credit, including: (i) Origination; (ii) Evaluation; (iii) Approval; (iv) Formalization; and (v) Administration. GCF non-reimbursable resources will be executed by CAF, following its Manual for the Management of Technical Cooperation Operations (MN /VPP – 064).

The procurement processes will follow the last version of CAF´s Manual of Procurement of Goods, Consulting Services and Works (NM/DFLA-038). The Chapter VIII of this Manual includes all the details and thresholds for the procurements. These thresholds for the procurement of goods and services are presented in the table below.

CAF guidelines will be used for acquisition and contracting of goods. These guidelines have been included in Annex 10.

Exact items to be procured are outlined in Annex 4: Budget.

Table 16. Overview of process thresholds for the procurement of goods and services

Threshold (Amount in USD)	Method	General procedures
0 – 5,000 (Only for the purchase of goods)	Direct contracting	1. Receive at least one offer.
5,001 – 10,000 (Only for the purchase of goods)	Market assessment	1. Market assessment; 2. Receive at least two (2) offers 3. Select the best offer based on the completion of an evaluation.
0-10,000 (Only for the purchase of services, consultancy and works)	Direct contracting	1. Receive at least one offer.
10,001 – 50,000 (For the purchase of goods, services, consultancy and works)	Market assessment	1. Market assessment; 2. Receive at least three (3) offers from different providers; and 3. Select the best offer based on the completion of an evaluation.
50,001 – 150,000 (For the purchase of goods, services, consultancy and works)	Market assessment	1. Prepare Terms of Reference; 2. Market assessment of potential providers; 3. Receive at least three (3) offers from different providers; and

		4. Perform an evaluation based on the criteria indicated in the terms of reference.
150,001–Until the next amount indicated below, depending the type of purchase.	Private bidding	Private bidding to select providers – Request for Proposal. An evaluation Committee will review the offers and select the provider.
From 250,000 – For Consultancy services From 500,000 – for the purchase of goods and commercial or professional services From 2,000,000 – for the purchase of works	International Public bidding	International Public bidding process for the selection of providers – Request for Proposal. An evaluation Committee will review the offers and select the provider.

G.4. Disclosure of funding proposal

☐ 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.

H. 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)

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