PART I: PROJECT INFORMATION

| Project Title: | CPIC Conservation Finance Initiative - scaling up and demonstrating the value of blended finance in conservation |
| Country(ies): | TBD |
| GEF Agency(ies): | IUCN |
| Other Executing Partner(s): | The Nature Conservancy and others |
| GEF Focal Area(s): | Multi-Focal Areas |
| Integrated Approach Pilot | IAP-Cities □ IAP-Commodities □ IAP-Food Security □ |
| Name of parent program: | N/A |

A. INDICATIVE FOCAL AREA STRATEGY FRAMEWORK AND OTHER PROGRAM STRATEGIES

<table>
<thead>
<tr>
<th>Objectives/Programs (Focal Areas, Integrated Approach Pilot, Corporate Programs)</th>
<th>Trust Fund (in $)</th>
<th>GEF Project Financing</th>
<th>Co-financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>BD-4 Program 9 (select) (select)</td>
<td>GEFTF 4,125,000</td>
<td>51,405,000</td>
<td></td>
</tr>
<tr>
<td>LD-2 Program 3 (select) (select)</td>
<td>GEFTF 4,125,000</td>
<td>51,405,000</td>
<td></td>
</tr>
<tr>
<td>Total Project Cost</td>
<td>8,250,000</td>
<td>102,810,000</td>
<td></td>
</tr>
</tbody>
</table>

B. INDICATIVE PROJECT DESCRIPTION SUMMARY

<table>
<thead>
<tr>
<th>Project Components</th>
<th>Financing Type</th>
<th>Project Outcomes</th>
<th>Project Outputs</th>
<th>Trust Fund (in $)</th>
<th>GEF Project Financing</th>
<th>Co-financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1: Execution of proof-of-concept CPIC-generated deals using blended finance</td>
<td>Inv</td>
<td>Outcome 1: Area of agricultural, rangeland, and forest production landscapes under sustainable management increased through innovative blended finance investments <strong>Outcome 1.2:</strong> CPIC-generated investments increase the area of landscapes and seascapes under sustainable management for biodiversity and ecosystem services</td>
<td>Output 1.1.1: Development and refinement of conservation investment blueprints and criteria for selecting projects</td>
<td>GEFTF 7,950,000</td>
<td>102,000,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Output 1.1.2: Selection and development of 6-8 investment concepts.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Output 1.1.3:</strong> 4-6 conservation investment deals concluded and projects initiated, likely in the range of $10-30M each</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Project ID number will be assigned by GEFSEC and to be entered by Agency in subsequent document submissions.
2. When completing Table A, refer to the excerpts on GEF 6 Results Frameworks for GETF, LDCF and SCCF and CBIT guidelines.
3. Financing type can be either investment or technical assistance.
<table>
<thead>
<tr>
<th>Component 2: Generation of knowledge for use of grant/non-grant instruments to incentivize private investment in conservation</th>
<th>TA</th>
<th><strong>Outcome 2.1:</strong> Improved knowledge on best practices for catalyzing private-sector investment at scale in conservation utilizing highly-leveraged non-grant public-sector resources.</th>
<th><strong>Outcome 2.1.1:</strong> Improved recognition among private-sector investors of the possible returns from conservation investments that use [standardized CPIC blueprints] blended finance models demonstrated through this project</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td><strong>Outcome 2.2:</strong> Improved tools for assessing biodiversity and ecosystem services impacts from conservation investments.</td>
<td><strong>Outcome 2.1.2:</strong> Knowledge products, including common standards and replicable models for investable projects, targeted at conservation investment community. on effective use of blended finance for conservation and how conservation investments can be profitable/successful across a range of geographies and contexts</td>
</tr>
<tr>
<td><strong>Component 3:</strong> Monitoring and Evaluation</td>
<td>TA</td>
<td><strong>Outcome 3.1:</strong> Improved effectiveness of project investments</td>
<td><strong>Outcome 3.1.1:</strong> Project monitoring system successfully developed and</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>GEFTF</strong> 250,000 760,000</td>
</tr>
</tbody>
</table>

**Target 1.2:**
10,000,000 ha of terrestrial, marine and coastal habitat with improved management integrating conservation and sustainable use of biodiversity.

**Outcome 2.2.1:**
Case studies on the use of metrics and tools to validate global conservation returns and to demonstrate impact on SDGs.
<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>supporting project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>implementation.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>8,250,000</td>
<td>102,810,000</td>
</tr>
<tr>
<td><strong>Project Management Cost (PMC)</strong></td>
<td>(select)</td>
<td></td>
</tr>
<tr>
<td><strong>Total Project Cost</strong></td>
<td>8,250,000</td>
<td>102,810,000</td>
</tr>
</tbody>
</table>

For multi-trust fund projects, provide the total amount of PMC in Table B, and indicate the split of PMC among the different trust funds here: (  )

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4 For GEF Project Financing up to $2 million, PMC could be up to 10% of the subtotal; above $2 million, PMC could be up to 5% of the subtotal. PMC should be charged proportionately to focal areas based on focal area project financing amount in Table D below.
C. INDICATIVE SOURCES OF CO-FINANCING FOR THE PROJECT BY NAME AND BY TYPE, IF AVAILABLE

<table>
<thead>
<tr>
<th>Sources of Co-financing</th>
<th>Name of Co-finance</th>
<th>Type of Co-financing</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>Rockefeller Foundation</td>
<td>Grants</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Private Sector</td>
<td>Credit Suisse</td>
<td>Grants</td>
<td>170,000</td>
</tr>
<tr>
<td>Private Sector</td>
<td>Private-sector investors within CPIC network</td>
<td>Equity/Loans/Other</td>
<td>100,000,000</td>
</tr>
<tr>
<td>Others</td>
<td>Cornell University</td>
<td>Grants</td>
<td>140,000</td>
</tr>
<tr>
<td>Others</td>
<td>CPIC</td>
<td>In-kind</td>
<td>500,000</td>
</tr>
<tr>
<td><strong>Total Co-financing</strong></td>
<td></td>
<td></td>
<td><strong>102,810,000</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>GEF Agency</th>
<th>Trust Fund</th>
<th>Country/Regional/Global</th>
<th>Focal Area</th>
<th>Programming of Funds</th>
<th>GEF Project Financing (a)</th>
<th>Agency Fee (b)</th>
<th>Total (c) = a + b</th>
</tr>
</thead>
<tbody>
<tr>
<td>IUCN</td>
<td>GEFTF</td>
<td>Global</td>
<td>Biodiversity</td>
<td>(select as applicable)</td>
<td>4,125,000</td>
<td>371,250</td>
<td>4,496,250</td>
</tr>
<tr>
<td>IUCN</td>
<td>GEFTF</td>
<td>Global</td>
<td>Land Degradation</td>
<td>(select as applicable)</td>
<td>4,125,000</td>
<td>371,250</td>
<td>4,496,250</td>
</tr>
<tr>
<td><strong>Total GEF Resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>8,250,000</strong></td>
<td><strong>742,500</strong></td>
<td><strong>8,992,500</strong></td>
</tr>
</tbody>
</table>

a) Refer to the Fee Policy for GEF Partner Agencies.

E. PROJECT PREPARATION GRANT (PPG)

Is Project Preparation Grant requested? Yes ☑ No ☐ If no, skip item E.

PPG AMOUNT REQUESTED BY AGENCY(IES), TRUST FUND, COUNTRY(IES) AND THE PROGRAMMING OF FUNDS

<table>
<thead>
<tr>
<th>GEF Agency</th>
<th>Trust Fund</th>
<th>Country/Regional/Global</th>
<th>Focal Area</th>
<th>Programming of Funds</th>
<th>PPG (a)</th>
<th>Agency Fee (b)</th>
<th>Total (c) = a + b</th>
</tr>
</thead>
<tbody>
<tr>
<td>IUCN</td>
<td>GEF TF</td>
<td>Global</td>
<td>Biodiversity</td>
<td>(select as applicable)</td>
<td>100,000</td>
<td>9,000</td>
<td>109,000</td>
</tr>
<tr>
<td>IUCN</td>
<td>GEF TF</td>
<td>Global</td>
<td>Land Degradation</td>
<td>(select as applicable)</td>
<td>100,000</td>
<td>9,000</td>
<td>109,000</td>
</tr>
<tr>
<td><strong>Total PPG Amount</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>200,000</strong></td>
<td><strong>18,000</strong></td>
<td><strong>218,000</strong></td>
</tr>
</tbody>
</table>

PPG requested amount is determined by the size of the GEF Project Financing (PF) as follows: Up to $50k for PF up to $2m (for MSP); up to $100k for PF up to $3m; $150k for PF up to $6m; $200k for PF up to $10m; and $300k for PF above $10m. On an exceptional basis, PPG amount may differ from the standard amount. PPG fee percentage follows the percentage of the Agency fee over the GEF Project Financing amount requested.

PPG fee percentage follows the percentage of the Agency fee over the GEF Project Financing amount requested.
F. PROJECT’S TARGET CONTRIBUTIONS TO GLOBAL ENVIRONMENTAL BENEFITS

Provide the expected project targets as appropriate.

<table>
<thead>
<tr>
<th>Corporate Results</th>
<th>Replenishment Targets</th>
<th>Project Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Maintain globally significant biodiversity and the ecosystem goods and services that it provides to society</td>
<td>Improved management of landscapes and seascapes covering 300 million hectares</td>
<td>10,000,000 Hectares</td>
</tr>
<tr>
<td>2. Sustainable land management in production systems (agriculture, rangelands, and forest landscapes)</td>
<td>120 million hectares under sustainable land management</td>
<td>400,000 Hectares</td>
</tr>
<tr>
<td>3. Promotion of collective management of transboundary water systems and implementation of the full range of policy, legal, and institutional reforms and investments contributing to sustainable use and maintenance of ecosystem services</td>
<td>Water-food-ecosystems security and conjunctive management of surface and groundwater in at least 10 freshwater basins; 20% of globally over-exploited fisheries (by volume) moved to more sustainable levels</td>
<td>Number of freshwater basins; Percent of fisheries, by volume</td>
</tr>
<tr>
<td>4. Support to transformational shifts towards a low-emission and resilient development path</td>
<td>750 million tons of CO$_2$ mitigated (include both direct and indirect)</td>
<td>300,000 metric tons</td>
</tr>
<tr>
<td>5. Increase in phase-out, disposal and reduction of releases of POPs, ODS, mercury and other chemicals of global concern</td>
<td>Disposal of 80,000 tons of POPs (PCB, obsolete pesticides); Reduction of 1000 tons of Mercury; Phase-out of 303.44 tons of ODP (HCFC)</td>
<td>metric tons; metric tons; ODP tons</td>
</tr>
<tr>
<td>6. Enhance capacity of countries to implement MEAs (multilateral environmental agreements) and mainstream into national and sub-national policy, planning financial and legal frameworks</td>
<td>Development and sectoral planning frameworks integrate measurable targets drawn from the MEAs in at least 10 countries; Functional environmental information systems are established to support decision-making in at least 10 countries</td>
<td>Number of Countries:</td>
</tr>
</tbody>
</table>

PART II: PROJECT JUSTIFICATION

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

1.1) **Global Environmental Problems**

The future of humanity depends entirely on the planet remaining habitable. This means that the range of services and benefits that nature provides to humanity, not to speak of the planet’s other inhabitants, have essentially infinite value.

Focusing on renewable resources provided through natural systems, these services include regulation of water flow, pollination, and direct (food, fuel, fibre) and indirect (tourism, religious value) consumption, among many others. However, these life-sustaining environmental resources are being lost or degraded at an unsustainable rate. Global

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7 Provide those indicator values in this table to the extent applicable to your proposed project. Progress in programming against these targets for the projects per the Corporate Results Framework in the GEF-6 Programming Directions, will be aggregated and reported during midterm and at the conclusion of the replenishment period. There is no need to complete this table for climate adaptation projects financed solely through LDCF, SCCF or CBIT.

8 For biodiversity projects, in addition to explaining the project’s consistency with the biodiversity focal area strategy, objectives and programs, please also describe which Aichi Target(s) the project will directly contribute to achieving.
estimates find that one quarter of the world’s land area is either highly degraded or undergoing high rates of degradation\(^9\), with two-thirds of African lands already degraded to some degree\(^10\). Looking forward, climate change is expected to intensify stresses on land (and marine) resources. In order that humanity manage these services to ensure that nature continues to provide them, we have to integrate them into our habitual economic framework.

The importance of investing in nature to support its ability to support humanity is therefore hard to overestimate. However it is clear that the level of investment in nature is woefully inadequate. Experts estimate that between $300 and $400 billion USD per year are needed to invest in preserving and restoring ecosystems to support the services they provide (Credit Suisse 2016). In order to allow nature to continue to deliver benefits to people, we need to invest at least five times the current amount – around $50 billion per year. The amount of public finance available for conservation is unlikely to increase to fill this gap, especially in the political climate prevailing in much of the West. However there is increasing interest in investment in conservation from a risk-adjusted investor return perspective.

1.2) Root Causes

Most direct and indirect (root) drivers of biodiversity and ecosystem loss and degradation are human activities and actions, or processes such as climate change that are driven in large part by human activities, and that negatively impact land resources\(^11\). Direct drivers of biodiversity loss include habitat loss and and fragmentation, introduction of invasive species, overexploitation, climate change and pollution, including fertilizer and chemical runoff from agricultural lands, mining waste and sewage deposition. Drivers of land degradation include land use change, principally clearing and conversion of forest to cropland and pastureland; decreasing productivity from soil health declines, weakened resilience of agricultural production from depleted biodiversity and ecosystem services, the use of unsustainable management practices on forest, cropland and pasture lands, climate change and changes to surface and groundwater quality and availability.

At the global level, indirect, or root causes of environmental loss and degradation include population change (including growth and migration); unsustainable consumption outpacing increases in materials and energy efficiency; economic policy distortions that incentivize land conversion and overharvesting while failing to adequately capture the public goods benefits from healthy ecosystems and investments in conservation; sociopolitical factors (including factors ranging from the presence of conflict and weak rule of law, to limited public participation in decision-making); and cultural factors.

1.3) Barriers to investment in conservation at scale

Conservation investment currently faces a number of hurdles that significantly increase the risk and transaction costs relative to other impact investment opportunities.

The key barriers preventing significant conservation investment are: 1) transactions are too small for institutional capital to flow into them; 2) project developers lack track record; most transactions are first-of-their kind; and 3) risk-return profiles do not meet investor needs (Forest Trends 2016).

The risk profile of direct investment in conservation, especially in the tropics where the need is greatest, is generally poor, as the ownership of natural resources is often disputed and frequently claimed by national governments with little management authority. Local communities often depend deeply on natural resources but are constrained to convert them to cash (for instance by burning or harvesting them) as they have poorly enforced management authority over them. So while there is certainly a demand for delivery of conservation results in the tropics, most flow to these projects comes from public sector donors, and there is a real issue with developing an investor-ready pipeline of projects into which money can flow (Credit Suisse/ Mackinsey 2016).

\(^9\) FAO (2011). *The state of the world’s land and water resources for food and agriculture (SOLAW) – Managing systems at risk*. Food and Agriculture Organization of the United Nations, Rome, Italy.


Conservation projects that generate return for investment are currently at a scale of millions or tens of millions of dollars, which is one or two orders of magnitude below what would attract attention from commercial or institutional investment decision-makers. Moreover, the lack of models for investable conservation project deals limits the degree to which these projects can be replicated and aggregated into investment vehicles that can then be marketed to institutional investors. This means that they are hard for investors to find and harder for them to justify supporting. In order for the scale of finance needed to sustain the world’s natural systems to flow, investment opportunities of much larger scale are needed.

It is therefore unrealistic to imagine that the private finance world will be induced to cover a large proportion of conservation costs directly in the near future, without two key components: (1) substantial risk mitigation measures, focused on establishing good governance and increased capacity, especially for biodiversity-rich contexts in the tropics, and (2) tested models demonstrating how such investments can be profitable/successful across a range of geographies and contexts. Through these means, institutional investors can increasingly develop comfort and familiarity with conservation investments, which are the keys to unlocking investment at scale.

To overcome these barriers requires a set of durable transaction models that can be repeated and aggregated into “vanilla” financial products, and a comprehensive approach to de-risking these projects. A blended finance approach that uses public and philanthropic funding to create conditions where private finance can then flow, modeled in part after successful approaches employed to catalyze investment in the renewable energy sector, is one highly-promising approach. This has not yet been attempted at any scale for conservation investment.

2) Baseline scenario and baseline projects

The movement towards increased investment in nature while also reducing the negative impacts of investment on nature is gaining momentum. Initiatives such as the Natural Capital Finance Alliance exist to enable financial institutions to understand their exposure to biodiversity-related risk. The Natural Capital Coalition, through the Natural Capital Protocol, enables companies to estimate commodity chain dependencies on nature that can be included in corporate environmental profit and loss accounting.

In the world of conservation investment, the Conservation Finance Alliance has focused on the creation of fiduciary funds that bring public investment to priority areas to cover the recurrent costs of conservation, for instance in protected areas. The Conservation Finance Network focuses primarily in the US to build capacity for conservation project developers to attract private finance.

Approximately $50 billion per year is invested in conservation projects (Credit Suisse 2016), representing a slow increase from investment totals earlier in the decade. Between 2009 and 2013, an average of $21.5 billion was committed per year (Ecosystem Marketplace 2016). Recent years have seen the launch of several high-profile conservation investment mechanisms and initiatives. An example of what is happening in this space, The Meloy Fund, a $20 million impact investment fund managed by Rare, was launched in 2017 with support from GEF, Conservation International, The Grantham Foundation, and JPMorgan Chase & Co. The Fund will focus on coastal fisheries in Indonesia and the Philippines, with the larger goal of supporting projects that will demonstrate financial returns on investment, thus de-risking future investments by the private sector.

The Andgreen fund (andgreen.fund), led by IDH, the sustainable trade initiative, was launched in January 2017 to invest up to $400 million in “inclusive, sustainable, and deforestation-free commodity production,” with a focus on tropical forests and peat. Similar to the Meloy Fund, the Andgreen fund is designed to provide proof of concept for investments in agricultural commodities that protect and restore forests and peatlands, with the overall goal of “crowding-in” future private investments. The Aqua-Spark investment fund following a similar model, but with a focus on aquaculture, made its first two project investments in 2015, while The Althelia Climate Fund was launched in 2014 with over EU 100M in investments from banks, foundations, and DFIs to invest in land use projects that deliver reduction in carbon emissions.
The Rockefeller Foundation has recently launched its Zero Gap portfolio, which supports the R&D and piloting of new financing mechanisms to mobilize private-sector capital towards the United Nations Sustainable Development Goals (SDGs) through the creation of new financing vehicles, unlocking new investment opportunities and expanding sources of capital.

NatureVest, the impact investing arm of The Nature Conservancy, has since 2014 closed six conservation investment deals totalling 200 M USD. Box 1 below gives an example of their approach.

### Box 1. Example: Forest Landscape Restoration approach: Smallholder intensification of agroforestry products

**Issue background:**
- Agroforestry products such as cocoa and cattle accelerate deforestation which leads to loss of habitat and increased greenhouse gas emissions
- Climate change lowers crop productivity, increases transmission of diseases, and reduces soil quality
- Lack of inputs, financing opportunities, training and incentives focused on long-term restoration and sustainable management results in poor land use management, unnecessary farm expansion and attendant deforestation, and increased GHG emissions.

**Conservation need/opportunity:**
- Opportunity to increase farmer productivity, resilience to climate change and income and decrease deforestation
- E.g., cocoa sector needs investment in renovation (planting new trees) and rehabilitation (increasing existing tree cover) to avoid habitat conversion of intact forestland
- Global demand for renovation and rehabilitation to exceed 5.3 million hectares or over $50 billion over 25 years
- 85% of deforestation in the Amazon is driven by cattle ranching

**Blueprint description:**
- Investment is in the form of a joint venture / partnership agreement with the operating partner over 7-10 years
- Investors repaid via proceeds from sales of cocoa crop.
- Public capital (DFIs) provide lower-cost capital blended with higher-return private capital.
- Derisking mechanisms could include a grant-funded technical assistance facility, a guarantee, and a crop reserve fund.

The Coalition for Private Investment in Conservation (CPIC) was launched at the IUCN World Conservation Congress in September 2016, with the intent of increasing deal flow into global priority conservation projects. The core of the CPIC model is the development of investment blueprints that create models for investable conservation projects in five sectors:
- sustainable agriculture
- coastal fisheries
- coastal resilience
- green infrastructure for water
- forest landscape restoration and conservation
At the end of 2017, the first small-scale investable project ideas will start to flow from the CPIC blueprinting process. However, these investable project ideas will suffer the same problem that other conservation deals face. That is, conservation deal development is more expensive and lengthy than other asset classes owing to the barriers described above and resources to develop these deals, for de-risking and aggregation are not yet available.

3) The proposed alternative scenario

**Project objective:** To improve the conservation and sustainable use of biodiversity by demonstrating innovative finance blending models to increase return-seeking private investment in conservation.

The proposed project seeks to identify and create the conditions for existing private finance to be invested in conservation. For the first time, blended grant and reimbursable funding will be available to project developers to get conservation project ideas to investability. The project proposes to test a variety of innovative options for blending grant and non-grant resources and will evaluate the varying results achieved and disseminate lessons learned to project developers, investors and the GEF through CPIC, TNC, IUCN and other channels.

CPIC is an innovative partnership, in which GEF has been a partner since its inception in 2016. CPIC was launched at the IUCN World Conservation Congress in 2016 by founding partners Credit Suisse, Cornell University IUCN and TNC and now has 100 coalition partners. It brings together the necessary stakeholders to move out of the initial phases of investable conservation projects. The proposed project will leverage the network of public and private financial agencies, philanthropic bodies, conservation organisations and expert advisors in CPIC to deliver a set of innovative conservation investment deals. The proposed project will use the technical knowledge of CPIC members to construct project ideas that deploy flexible combinations of grant and reimbursable funding to project developers. The grant and reimbursable funds will be used to provide technical support, equity stakes, credit guarantees and other essential pre-development components to cover the transaction costs that have to date, largely prevented project developers from attracting investment at sufficient scale. In addition, project resources will be used to support improved recognition among private-sector investors of the value of standardized CPIC blueprints, through grant support to CPIC working groups.

It is anticipated that the combination of leveraging proven deal structures codified into replicable blueprints and the presence of blended concessional finance from GEF and philanthropic donors will act to attract private capital to deals that would not otherwise be interesting to this market. Other concessional or grant finance providers will also be invited to participate during the project design phase and over the life of the project.

The Rockefeller Foundation, as part of its Zero Gap program, is interested in supporting the current project through the deployment of targeted grant resources for expanding private investment in conservation in support of relevant SDGs. The Rockefeller Foundation is considering providing co-financing through grant support that will help project developers in the pre-investment phase to acquire capacity as well as providing technical advice. The final approval from Rockefeller is expected in late 2017, with funds being available from 2018 onwards.

During the detailed project design phase, the potential investment sectors will be identified, based on criteria to be established, but which may include: impact on biodiversity conservation, sustainability of outcomes, return on investment, financial innovation, complementarity with existing GEF and other finance mechanisms, local stakeholder consultation, gender analysis, alignment with national environmental priorities, and regional representation.

The proposed project envisages a two-step process to deal delivery: First, deal developers present project concepts that conform to one of the CPIC-developed blueprints to the Investment Committee for pre-development grant support from the Rockefeller Foundation. This grant support will enable selected applicants to analyze deal viability via cash flow modeling and business planning, conduct studies to define scale and conservation potential, and engage
legal and other stakeholder support to advance deals to market. Second, after grantees have progressed through pre-
development, they will be eligible to apply for reimbursable funds from the GEF via a second review by the
Investment Committee. GEF non-grant funds may be deployed in a range of structures (e.g. debt, equity, guarantees)
to build a market-ready investment with the the potential to attract private investment.

Through this innovative partnership with CPIC and Rockefeller (and potentially other donors/investors), the GEF
will be able to grow its own experience with a new set of tools to better leverage private investment in support of its
conservation objectives and programs, in anticipation of expanding its non-grant operations in the future. Moreover,
assessment of the efficacy of project-supported conservation blueprints and innovative finance arrangements in
mobilizing private sector capital into conservation to generate both financial and non-financial returns, and
dissemination of lessons learned, will be an integral part of the project. This will be achieved through the collective
action of CPIC members, through their participation in thematic working groups, and through support for the
development of case studies and other knowledge products. These studies will assess a number of key evaluative
questions, and subsequent dissemination of knowledge products to CPIC stakeholders, the wider investment
community, and other stakeholders via online platforms and through workshops and relevant high-level events (see
Component 2 below).

The project is therefore intended to be highly innovative and experimental in nature, with a significant learning
component.

**Component 1: Execution of proof-of-concept CPIC-generated deals using blended finance**

*Outcome and targets*

Area of landscapes and seascapes under sustainable management for biodiversity and ecosystem services
increased through innovative blended finance investments.

Component 1 will blend non-grant resources with other grant resources to support the development of 6-8 CPIC-
generated investment opportunities, with the expectation that this will result in 4-6 conservation investment deals
with non-grant resources actually closing and some portion of those funds being returned to GEF. In addition,
investment opportunities that adhere to blueprint models but are not eligible for grant funding due to legal
considerations will also be considered for non-grant investment. The combination of grant and non-grant resources
are anticipated to leverage upwards of $100M in private capital for conservation. Some existing NatureVest deals are
highlighted below as examples of these outcomes, with illustrative areas of impact and scale (see footnote 12 and
Section 5).

*Investment approach*

CPIC partners are currently organized into five working groups, generating investment “blueprints” which will
stimulate potential investment deals. Investment blueprints describe the structures of cash flows, enabling conditions
on the ground, project beneficiaries, conservation impacts, pathways to scale, and roles of participants for a specific
investment sector in a particular economic and ecological context. Blueprints identify specific investment
opportunities that can then be taken up by project developers to develop context-specific bankable deals.

Each working group will generate 1-2 peer reviewed blueprints per year of project implementation, each with one or
more investment opportunities, generating approximately 15-30 potential conservation investment opportunities over
the next three years. Project developers are likely to be drawn from CPIC members. Project resources will be
available for deals coming out of CPIC blueprint processes. Non-CPIC projects will be considered on a case-by-case
basis for potential grant funding from other donors; funding recipients will be expected to join CPIC and contribute
to the group’s monitoring and learning outcomes in order to be eligible for GEF non-grant support. The reason for
this is to ensure that the CPIC blueprinting process is delivering iterated and improved investment deal models that
are then disseminated through the CPIC network.
The project will establish an Investment Committee, the exact terms of reference, composition, and decision-making procedures for which will be worked out during the full project design phase. The expectation is that the Investment Committee will include representation of donors and CPIC and potentially be limited to no more than that; though it may also benefit from a small advisory group including the asset manager and private sector investment expertise. Project developers of potential deals identified in CPIC blueprints will have the opportunity to present investment proposals to the Investment Committee for grant resources to fund their project development costs. The Investment Committee will evaluate the project developer’s petition, based on criteria to be developed, and decide whether to allocate grant funding (e.g. co-funding grant resources from co-financing partners) to cover pre-development costs of the project. The Investment Committee will make full disbursement of grant funding contingent on selected applicants achieving pre-determined milestones enumerated in a grant agreement.

Selected grantees will utilize the grant funding to execute selected pre-development activities that progress deals toward implementation and market-readiness. Project developers will be able to draw upon expertise within the CPIC network. The project developer will then develop the full investment term sheet and attempt to line up private investors for the deal. When a selected deal has achieved the milestones set out for the grant funding period, the project developer may re-apply to the Investment Committee for non-grant resources necessary to secure private sector investment. In addition, projects submitted by entities that are not eligible for grant funding due to legal considerations (e.g. private benefit issues) will also be considered for non-grant funding. The Investment Committee will convene to decide whether to allocate non-grant resources to the project based on pre-determined investment criteria. In order to facilitate learning and recognizing the variety of business models expected to be brought forward through the CPIC blueprint processes, a variety of non-grant instruments will be considered. The full details of this process will be developed during the project design phase.

The non-grant funds could serve a range of deal development purposes that will be determined during the development phase for each investable deal. These include: pre-development funds to prepare projects, reserve/guarantee capital to lower investment costs, and start-up equity to capitalize new high-impact enterprises. This capital could be replenished through partially or fully recoverable grants, performance-based payments, or convertible equity stakes. Non-grant resources would be disbursed when the appropriate legal, financial, impact and governance structuring is complete. The project developer would then close on the transaction with non-grant and third-party investment capital.

As noted above, we expect 4-6 projects to advance to the non-grant funding round from the pool of 6-8 projects selected for grant funding, which will be defined more precisely in the PPG phase. Some deals may be able to proceed without non-grant resources; others may simply not pan out. This reflects the conservation investment sector’s relatively early stage of development. By providing proven deal models for replication and flexible funding support, CPIC can help reduce this deal development risk. In any case, early stage deal development support will provide important learning opportunities for how to navigate challenges, take advantage of enabling conditions and scale conservation investment.

At some point in the future, if the investment is commercially successful, pre-determined conditions would be met triggering a re-flow of resources (or a sale of equity stake) so that resources flow from the project developer back to the asset manager and ultimately back to the GEF, via IUCN as implementing agency.

More precise details on the expected capital repayment, potential investment returns and transfer schedule will be further specified during the full project design phase.

Around 6-8 deals will receive grant phase support, and between 4-6 of these deals will progress to receive non-grant support. Each project would receive between $200-400k USD in grant funding followed by $1-1.5M USD in non-grant funding until the grant and non-grant resources are expended. Each project is expected to generate on the order...
of 10-30 M USD of private finance support (though some could be substantially larger) representing a leverage ratio of between 10-20:1 for the combined grant and non-grant resources.\textsuperscript{12}

\textbf{Component 2: Knowledge generated for use of grant/non-grant instruments to incentivize private investment in conservation}

\textbf{Outcomes}
Improved knowledge on best practices for attracting private sector capital at scale into conservation investments utilizing highly-leveraged non-grant public sector resources. Improved tools for assessing biodiversity impacts from conservation investments.

\textbf{Approach}
A fundamental issue in increasing deal flow for conservation is the lack of knowledge on approaches and best practices in the use of grant and non-grant instruments to manage risk and mobilize private sector investment. The project is designed to experiment with various combinations of grant and non-grant funding, deployed in different ways, to examine the following issues:

- Effectiveness of different financial instruments in attracting private-sector capital and mitigating project risk;
- Effectiveness of different financial instruments in contributing to generation of both financial and non-financial returns;
- Types of projects and investees that benefit most from blended finance;
- Project/sector-specific barriers/constraints that can and cannot be sufficiently addressed by blended finance.

Assessment of project experiences will occur at key stages in the development and implementation of project-supported conservation investments, including the CPIC blueprinting process, development of full project proposals, mobilization of co-investors and deal closure, and implementation. Findings will be captured in case studies and other knowledge products, published through CPIC, IUCN, TNC and other channels. An example of this kind of documentation is the Global Impact Investment Network’s 2012 report, “Catalytic First-Loss Capital,” which offers models and case studies for the use of first-loss capital to accelerate private investment in social impact.

CPIC currently has about 100 member represented by over 250 participating individuals, as well as five working groups on the conservation sectors mentioned in Section 2. These working groups, and the broader CPIC membership, represent a cutting-edge community of practice for conservation investment. CPIC and its members therefore will be the first and essential practitioner audience for the collective learning that comes out of the project, in order to inform and improve future blueprints and conservation investment opportunities generated by CPIC members. Beyond that, there is a wider, evolving community of practice on conservation investment – manifest in places like the World Forum on Natural Capital, the Conservation Finance Alliance, the Global Impact Investing Network – where lessons and learning will also be disseminated. Additionally, dissemination of learning will occur through IUCN, TNC and other-supported events and workshops, as well as other relevant high-level events.

During the project design phase, the project will define a set of conservation impact measures to be used at the stage of investment decision-making, potentially using the Integrated Biodiversity Assessment Tool (IBAT; ibatforbusiness.com) and the investment decision criteria already used by TNC’s NatureVest for its Conservation Investment Accelerator. The project will also explore the application of two additional tools to measure conservation

\textsuperscript{12} TNC’s NatureVest program has executed a portfolio of 6 conservation investment deals totaling some $200M dollars. That portfolio, and the limited number of other conservation investment deals that have been executed by other CPIC partners such as Althelia and Encourage Capital, indicates that a leverage ratio of at least 10:1 is commonplace for these deals in terms of the amount of private capital that can be attracted to these projects relative to grant and subsidized de-risking support. A scan of the emerging pipeline of deals under development in the CPIC Blueprint process reflects similar deal size and structuring of the capital stack as the NatureVest portfolio, further validating this leverage ratio estimate.
impact ex post: the BRIM Biodiversity ROI metric being developed by IUCN, which measures the potential reduction in species extinction risk from a given investment in a given geography using IUCN Red List data; and the ROOT tool developed by the Natural Capital Project, which assesses the impact on ecosystem services of a specific investment in a specific geography. When investments propose to deliver biodiversity conservation outcomes and impact, criteria that clearly reflect the GEF requirement that the biodiversity in question is globally significant will be included and GEFSEC will approve these criteria. The final choice of indicators and means of verification to assess biodiversity conservation outcomes and impacts will be made during the project design phase.

Projects that are selected for investment will use these existing and prototype tools to develop non-financial ROI measures that will be reported alongside the conventional financial return metrics. Experiences with application of these tools will be further captured in case studies, with findings and recommendations provided on how they may be potentially improved.

4) Incremental cost reasoning and contributions to baseline and co-financing

The demand for conservation projects in which to invest exists, but the project pipeline does not. The stated purpose of CPIC is to increase the pipeline of investable projects, and this initiative is designed to support that purpose. This project will use GEF resources, in combination with Rockefeller and potentially other grant resources, to lower the transaction costs and simplify de-risking of demonstration conservation investment deals, which will then be used as models to reduce the time and effort required to bring further investable deals to market. GEF resources will be used to attract both eager project developers and also interested investors to bring finance to projects that they would otherwise consider too risky.

The GEF contribution to the alternative scenario is the deployment of reimbursable public funding to selected priority deals in an experimental fashion, which will deliver these deals to private investors and build knowledge of how the combination of these components can successfully support projects to investability by private finance. In the pilot phase described here, the Rockefeller Foundation will contribute grant capital that will cover the early stage project development that will enable developers to apply for GEF reimbursable funds to take projects to full investability. The GEF contribution will thereby prove that matching public sector capital as a de-risker effectively leverages private capital for conservation.

Knowledge of de-risking tactics gained in this experimental phase of the project will be used to improve the ability of project developers to move their projects through the development process, thereby generating previously unavailable project supply to private finance. This model can then be extended to future phases of GEF, bilateral and multilateral development banks, and other philanthropic institutions.

5) Global Environmental Benefits

The global environmental benefits derived from this project will be a function of the specific investment deals that are catalyzed as a result of the funding provided and the financial leverage achieved.

The ex ante impact evaluation criteria and the ex post assessment methodologies will be further elaborated in the full project design phase.

While a comprehensive accounting of potential global environmental benefits is not possible ex ante, it is possible to offer a flavor of the types of deals, and the corresponding global environmental benefits, that will be achieved through the project. Two illustrative examples of potential deals are given here from different CPIC blueprints under development.

As a very large scale example, drawn from the coastal resilience blueprint process, the $250M Caribbean Blue Bond could deliver:
• 2,000,000+ ha of new Marine Managed Areas, with half in no-take fish replenishment zones, across The Bahamas, Grenada and Saint Lucia.
• Completed Marine Spatial Plans for each country’s EEZ
• Upwards of $350M for current and future conservation activities through direct expenditure and capitalization of conservation trust funds.

At what will likely be a more typical deal size, drawn from the agricultural intensification blueprint process, a $20M agroforestry deal in Brazil delivering improved silvopastoral cattle ranching could deliver:
  • 10,000 ha of degraded pasture restored;
  • 700 ha of high conservation value riparian forest restored;
  • Up to 40,000 ha of avoided deforestation typically associated with the increased level of beef production under business as usual;
  • Net reduction of an estimated 15,400 tons CO2 per year associated with production and restoration on the portfolio of ranches.

This project will catalyze 4-6 such deals. An indicative 30-60,000 ha of terrestrial habitat will be restored and around 1,000,000 ha of marine habitats will show improvements in management integrating conservation and sustainable use of biodiversity.

6) Innovation, sustainability and scaling up

The purpose of CPIC is to solve the established problem that there is significant private, return-seeking capital potentially available to invest in conservation projects, but there is a severe lack of pipeline of bankable projects. CPIC seeks to remedy this by bringing together a partnership of project developers, conservation organizations, boutique investment companies, public sector funds, impact investors and foundations, and large banks and institutional investors in a pre-competitive partnership to jointly develop and improve conservation investment models and deals, with the expectation that through increasing deal flow, investment size and replicability will be stimulated and ultimately achieve a self-sustaining marketplace for conservation investment at scale. By bringing together the above partners the investments will align with country investment and growth strategies and plans.

The project will make new resources for biodiversity conservation available at a ratio of upwards of 10:1 of GEF investment. This will come primarily from private finance sources. The knowledge generated by the project will contribute both to project sustainability (through increased deal flow) and significant scaling up through deployment of improved conservation investment blueprints. The CPIC working group mechanism, to develop blueprint models for project developers, is already delivering models, and we anticipate that substantial increased interest in this mechanism will be generated through the current project. This will result in supplementary grant and non-grant resources being available to support pipeline development after the end of the current project.

Blueprints are explicitly designed to achieve increases in scale by being used by project developers outside the deals financed by this project, through the CPIC network. The blueprints will contribute significantly to increased deal flow; by also promoting deal standardisation, they will increase the potential for deal aggregation that can then attract more significant funding from institutional investors.

2. Stakeholders. Will project design include the participation of relevant stakeholders from civil society organizations (yes □/no □) and indigenous peoples (yes □/no □)? If yes, identify key stakeholders and briefly describe how they will be engaged in project preparation.

Identification of many of the project stakeholders- project developers, providers of technical support, affected communities- will depend on the particular projects to be supported by the facility. Project beneficiaries, local communities and other stakeholders will be identified and consulted during the design of each investment project in accordance with blueprint requirements. Many of the significant stakeholders for conservation finance are members
of CPIC, including both finance and conservation organizations, the latter including large conservation organisations with extensive field programs and considerable experience in stakeholder engagement. Other potential stakeholders are connected through CPIC members’ involvement in other conservation funds and networks (e.g., Natural Capital Finance Alliance, World Forum on Natural Capital, etc). The blueprint assessment process will identify all relevant stakeholders.

3. Gender Equality and Women’s Empowerment. Are issues on gender equality and women’s empowerment taken into account? (yes ☒/no ☐). If yes, briefly describe how it will be mainstreamed into project preparation (e.g. gender analysis), taking into account the differences, needs, roles and priorities of women and men.

The blueprint process will include a requirement that all projects proposed for funding conduct a gender analysis to assess appropriate roles for and potential impacts on women, including opportunities to support women-owned businesses. Sectors where women are particularly important or vulnerable constituencies, who might be affected by economic changes caused by projects, will be identified and a strategy developed to accommodate these situations.

4 Risks. Indicate risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved, and, if possible, propose measures that address these risks to be further developed during the project design (table format acceptable).

<table>
<thead>
<tr>
<th>Risk</th>
<th>Level</th>
<th>Mitigation Measures</th>
</tr>
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<tbody>
<tr>
<td>Deal origination risk: Lack of quality investment opportunities generated by the CPIC blueprint process</td>
<td>Medium</td>
<td>The CPIC Working Groups are already advanced in producing investable projects, and the wide range of organisations, and the presence of a spectrum of technical capacity across these organisations, means that the likelihood of delivery of viable investment proposals is maximized.</td>
</tr>
<tr>
<td>Lack of interest from private finance agencies meaning that CPIC investment deals are unable to attract investment capital. The demand from private finance agencies has been manifested in many studies. However the demand reflected in informal interviews may not reflect real investor commitment.</td>
<td>Medium</td>
<td>CPIC has engaged with many major institutional investors, and their views on how risk may be mitigated and return assured have been built into the CPIC blueprinting process.</td>
</tr>
<tr>
<td>Normal business risks which prevent investors from realizing all or part of their investment gains, and thus compromising the ability of the executing agency to reimburse GEF with the non-grant facility funding.</td>
<td>High</td>
<td>Some projects will be funded in countries where governance and social stability are poor. The potential returns for biodiversity in these cases may be high, and enhanced risk mitigation measures (insurance, credit guarantees) may be necessary to ensure investors are prepared to commit. During the PPG phase IUCN will ensure that sufficient technical and financial expertise is integrated into project design to identify and select projects according to risk. The CPIC network has access to significant expertise to plan and implement projects to</td>
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minimize this risk. Screening at the Investment Committee stage will ensure that this expertise is brought to project design at the appropriate point.

| Unintended negative impacts on environment/biodiversity or on social status of stakeholders | Medium |
| IUCN and TNC both have substantial experience in evaluating and managing environmental and social risks. The IUCN Environmental and Social Management System provides the project team with a clear mechanism for safeguarding against these impacts. The use of the BRIM (Biodiversity Return on Investment Metric; under development) to baseline and perform ex-post assessments of project impacts will ensure that lessons on delivery of biodiversity results will be learned. |

A full risk assessment will be undertaken prior to submission to the GEF CEO Request for approval.

5. Coordination. Outline the coordination with other relevant GEF-financed and other initiatives.

The overall implementation of the project will be designed and agreed among partners during the PPG while other GEF projects with potential linkages to the current proposal will be identified during full PIF development. Many of the GEF-supported Non-Grant Facility projects are being implemented by CPIC members who have specifically committed to bringing lessons from their experience back to the CPIC knowledge base. Examples of this are the Meloy Fund (Rare and Conservation International).

6. Consistency with National Priorities. Is the project consistent with the National strategies and plans or reports and assessments under relevant conventions? (yes ☑/no ☐). If yes, which ones and how: NAPAs, NAPs, ASGM, NAMAs, NBSAPs, NCs, TNAs, NCSAs, NIPs, PRSPs, NPFE, BURs, INDCs, etc.

All of the investments are intended to support the realization of SDGs 14 and 15. The assessment of consistency with specific national plans cannot be undertaken until specific investment opportunities are identified in specific geographies, at which point consistency with national strategy and plans in those countries will be taken into account. Blueprint criteria under this project will require that all investment projects be aligned with the relevant countries’ national environmental priorities as reflected in their NBSAPs and other strategies and plans.

7. Knowledge Management. Outline the knowledge management approach for the project, including, if any, plans for the project to learn from other relevant projects and initiatives, to assess and document in a user-friendly form, and share these experiences and expertise with relevant stakeholders.

Lessons learned from the experiences of moving conservation deals through the de-risking process will be distributed through the CPIC working group networks (including CPICfinance.com). Currently close to 50 public and private institutions are members of CPIC, including all the major conservation organisations and many project developers and financial intermediaries. Knowledge of how to best build an investable deal will be incorporated into the blueprinting process, currently managed by the working groups. Design and implementation of the knowledge management process will use the recently published GEF knowledge exchange planning guide and link to areas of work such as the PricewaterhouseCoopers (PwC) work to design a blueprint guide. A Monitoring and Evaluation
System will assess a range of important variables. Further details are elaborated in Component 2 of the project description and will be completed during project development.

PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

A. RECORD OF ENDORSEMENT\textsuperscript{13} OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S):

(Please attach the Operational Focal Point endorsement letter(s) with this template. For SGP, use this SGP OFP endorsement letter).

<table>
<thead>
<tr>
<th>NAME</th>
<th>POSITION</th>
<th>MINISTRY</th>
<th>DATE (MM/dd/yyyy)</th>
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B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF policies\textsuperscript{14} and procedures and meets the GEF criteria for project identification and preparation under GEF-6.

<table>
<thead>
<tr>
<th>Agency Coordinator, Agency name</th>
<th>Signature</th>
<th>Date (MM/dd/yyyy)</th>
<th>Project Contact Person</th>
<th>Telephone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jean-Yves Pirot</td>
<td></td>
<td>09/01/2017</td>
<td>Chris Buss</td>
<td></td>
<td><a href="mailto:chris.buss@iucn.org">chris.buss@iucn.org</a></td>
</tr>
</tbody>
</table>

\textsuperscript{13} For regional and/or global projects in which participating countries are identified, OFP endorsement letters from these countries are required even though there may not be a STAR allocation associated with the project.

\textsuperscript{14} GEF policies encompass all managed trust funds, namely: GEFTF, LDCF, SCCF and CBIT
C. ADDITIONAL GEF PROJECT AGENCY CERTIFICATION (APPLICABLE ONLY TO NEWLY ACCREDITED GEF PROJECT AGENCIES)

For newly accredited GEF Project Agencies, please download and fill up the required GEF Project Agency Certification of Ceiling Information Template to be attached as an annex to the PIF.

Date: 25 September 2017

To: The GEF Secretariat
Washington, DC 20433

Subject: GEF Project Agency Certification of Ceiling Information

Per Council requirement for GEF Project Agencies, I am pleased to inform you that:

(a) the value of the largest project implemented (or executed) by IUCN to date is USD 50.1 million; and

(b) the total value of all projects under implementation by IUCN, as of September 2017 is USD 411.0 million.

I certify that the GEF financing currently being requested by IUCN for the project, “CPIC Conservation Finance Initiative – Scaling up and demonstrating the value of blended finance in conservation” in the amount of $8,250,000 USD, is lower than the largest project that IUCN has implemented (or executed) to date.

I further certify that the total amount of GEF financing currently under implementation by IUCN plus the requested GEF financing for the above mentioned project does not exceed 20 percent of the total amount of all projects that IUCN had under implementation as of the end of FY 2016.

Sincerely,

Jean-Yves Pirot
Director
GEF Coordination Unit
IUCN

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15 This amount excludes co-financing.
16 In support of these statements, a copy of (a) the signed loan/grant agreement for the largest project implemented (or executed), and (b) a list of all projects (together with their amounts in US dollars) need to be sent via email, under a separate cover, to the GEF Secretariat at Project_Agency@theGEF.org. These supporting documents will be treated as confidential and will not be shared with any parties external to the Secretariat. The PIF will not be approved in the absence of these supporting documents.