



General Template of the Annual Performance Report (APR)

**Reference Number (FP128): Arbaro Fund – Sustainable Forestry Fund
MUFG Bank**

**Annual Reporting Period Covered in this Report: Latest available reports
(End 2020)**

Sections in this report:

- Section 1: General Information
- Section 2: Implementation Progress
- Section 3: Financial Information¹ (Excel worksheet attached).
- Section 4: Report on Environmental and Social Safeguards & Gender
- Section 5: Annexes
- Section 6: Attachments

Please submit the APR to opm@gcfund.org

SUBMITTED BY	
<i>Atsuko Nuibe, MUFG Bank Ltd.</i>	<i>Feb. 26, 2021</i>
<i>Name and title</i>	<i>Date</i>
<i>Please indicate if this report has been shared with the relevant NDA(s) for this Funded Activity (Yes/No) NO</i>	<i>Date of submission to NDA</i>

¹ Please refer to excel worksheet attached "APR Section 3 (Financial Information)". Provide as attachments to this report any detailed additional financial information if required in the Funded Activity Agreement.

SECTION 1: GENERAL INFORMATION	
This section provides general information on the funded activity.	
1. Funded Activity Title:	Arbaro Fund – Sustainable Forestry Fund
2. Funding Proposal Number:	FP128
3. Date of Board approval - Board Meeting Number:	Click or tap to enter a date.3/12/2020 B.25
4. Accredited Entity:	MUFG Bank Ltd
5. Focal Point of the Accredited Entity for this Project:	Atsuko Nuibe atsuko_nuibe@mufg.jp +81-50-3480-2208
6. Executing Entity(ies):	The Fund Manager FiM Asset Management S.à r.l. – AIFM, registered in Luxembourg (“AIFM” or the “Manager”) and Arbaro Fund SLP, registered in Luxembourg as a special limited partnership (“Arbaro Fund” or “Arbaro”) and Arbaro I GP S.à r.l (“General Partner”)
7. Implementation Period:	<i>From:</i> 7/13/2018 <i>To:</i> 7/13/2033
8. Current year of Implementation:	3
9. Date of Submission of the Report:	Click or tap to enter a date.Click or tap to enter a date.
10. Annual Reporting period covered in this report:	<i>From:</i> 1/1/2020 <i>To:</i> 12/31/2020
11. Total Project Budget²:	<i>Equity of up to 200 million USD</i>
12. Total amount of GCF Proceeds Approved:	Equity up to 25 million USD
13. Total amount of GCF Proceeds disbursed (cumulative) to the Accredited Entity:	USD 10,182,110.77

² Total project budget including co-financing as reflected in the relevant Funded Activity Agreement.

SECTION 2: IMPLEMENTATION PROGRESS

2.1 OVERALL (SUMMARY) PROJECT PROGRESS (*less than one (1) page*³).

Most of the Arbaro Fund's ("Arbaro") funded activities take place over the lifetime of Arbaro. Below a summary is provided broken down to each activity:

1) Pipeline development.

The Arbaro Fund ("Arbaro") has been developing a pipeline of potential investment opportunities since its conception. As of today, the more advanced pipeline includes eight potential transactions in various jurisdictions.

2) Assessment of Project opportunities following Arbaro's investment strategy and ESMS.

Three transactions have passed the assessment process, and another three transactions are in due diligence or pre-due diligence stage. Several transactions are in various stages of screening.

3) Investments in project level operations.

As of end of the reporting period, Arbaro has made two investments – one in Ghana and Sierra Leone and another one in Paraguay. In addition, a new investment is being progressed in Paraguay.

4) Monitoring of the investments.

Investment monitoring is an on-going process and is evidenced by the reporting.

5) Reporting.

Arbaro provides its investors an annual Sustainability Report, which was issued for the first time in June 2020. In addition, Arbaro provides regular Quarterly Reports on all Arbaro investments as well as on Arbaro level matters and an Annual Environmental and Social Monitoring Report. These were issued in February, May, August and November in the case of Quarterly Reports and May in the case of Annual Environmental and Social Monitoring Report.

6) Exits from Investments.

No exits have taken place and are not expected to in the coming years.

³ Please remove text below to fit report to one page. Additional reports can be provided as other attachment to the APR.

Provide a narrative report describing the overall progress on the implementation of the funded activity, focusing on implementation achievements, delays and challenges according to the planned activities. As relevant, include references to other sections of this report (including Annexes or Attachments).

Include a description of key milestones of the funded activity achieved during this reporting period including any deviations from original expectations. Also, describe challenges encountered and actions undertaken to resolve these challenges, and lessons learned during the implementation, including issues related to non-compliance with GCF standards or conditions, if any. In parallel, include positive achievements and better-than-expected results.

If any issues have arisen in the last twelve (12) months of implementation that may result in a change to the scope and/or timing of the project, please provide a description of those items and how they have impacted the implementation period and final targets.

As of the date of this report implementation of the Funded Activity is on track, and given the early stage of the implementation, the milestones are described in the summary section above.

However, Arbaro has suffered, and may continue to suffer from the implications of COVID-19 in several ways:

- 1) Many international investors, including some that had already given a preliminary approval to invest, have had to focus on their existing portfolio or their main business rather than assessing new opportunities, such as investing in to the Arbaro Fund. As a result, the overall size of the Arbaro Fund did not reach its initial target. However, at the same time fundraising efforts on the portfolio company level have yielded positive results providing additional mobilised funding. This is foreseen to continue.
- 2) Significant restrictions to travel have delayed some on site due diligence processes and are foreseen to continue to do so in the coming months. However, this has not so far resulted in significant delays in implementation process.
- 3) Portfolio companies have not significantly suffered from these impacts, but there have been minor delays in implementing the operations on the ground. These delays have been however fully recovered and as of end of the reporting period both investee projects are on track.

2.2 Performance against the GCF Investment Criteria (summary) (max two (2) pages).

Provide a narrative report describing the progress on the funded activity's performance against [the GCF investment criteria framework](#). The performance should be compared against the initial assessment provided in the Board-approved Funding Proposal (section E). The list of the investment criteria as per the current framework is provided below.

For each investment criteria outlined below, please include an assessment of current status, changes, progress and impact of the project as well as any impact of project context on the project during this reporting period against the initial baseline scenario and planned activities as per the assessment presented in the approved Funding Proposal.

Please note that values reported are based on preliminary monitoring results, as the inventory and audit process is still ongoing. Final confirmed values are available end of May.

2.2.1 Impact Potential (max one (1) page).

As per the initial assessment against the investment criteria provided in the Funding Proposal approved by the GCF Board, please provide an assessment of the performance of the funded activity during the relevant reporting period against the investment criteria "Impact Potential".

CO2 sequestration: When trees are planted on non-forested land, they capture and store additional carbon dioxide from the atmosphere. The estimated CO2 sequestration from Arbaro projects until the end of the reporting period is 680,000 tCO2e.

In addition, Arbaro projects will conserve (through direct conservation effort) natural forest or otherwise vulnerable landscape, e.g. wetlands or habitats of endangers species. This will provide further mitigation impact during the lifetime of the programme, depending on the degradation level and rehabilitation needs of the conserved areas. By the end of the reporting period, Arbaro's project companies had a total conservation area of 8,534 hectares.

2.2.2 Paradigm shift potential (max one (1) page).

As per the initial assessment against the investment criteria provided in the Funding Proposal approved by the GCF Board, please provide an assessment of the performance of the funded activity during the relevant reporting period against the investment criteria "Paradigm shift potential".

Potential for paradigm shift from the Arbaro Fund's projects come from various channels:

- Climate action through forestry is underdeveloped and the potential untapped
- From depleting natural forests to establishing profitable carbon sinks that reduce the vulnerability of communities
- Market innovation through forest plantations
- Removing of barriers, scalability
- Replicability

Arbaro has only recently commenced its funded activities and the paradigm shift impact is only starting to be identified, therefore, performance against these criteria can only be reported when the activities have been applied for a longer period of time.

2.2.3 Sustainable development potential (max one (1) page).

As per the initial assessment against the investment criteria provided in the Funding Proposal approved by the GCF Board, please provide an assessment of the performance of the funded activity during the relevant reporting period against the investment criteria "Sustainable development potential".

Arbaro is foreseen to make a significant contribution to sustainable development. As the funded activity is at a very early implementation stage, we have below provided updates on the so far achieved benefits / impacts. The social co-benefits of Arbaro are:

- Providing alternative livelihoods
- Passing best practises, incl. employment formalization
- Contributing to developing local communities (incl. infrastructure, health and education)

- Reducing the vulnerability of local communities through improved agricultural practices
- Mitigating the causes of urbanization
- Gender-sensitive development impact

Arbaro portfolio companies are FSC certified, assuring following of best practises in the forestry operations.

During the reporting period Arbaro's portfolio companies employed in total 2,158 FTEs (=full time equivalent) directly, 18% being women.

In addition USD 115,000 was allocated to community projects, including for example building a kindergarten block, rehabilitation of boreholes, improvements in the road network, as well as beekeeping and agricultural projects with local communities.

The environmental co-benefits of Arbaro are:

- Conserving natural forests and other natural ecosystems
- Enhancing degraded landscapes and improving resilience
- Reducing pressure on natural forests
- Raising environmental awareness among local communities

As at the end of reporting period 8,534 hectares were placed under conservation. Biodiversity baseline studies are conducted and revised periodically. Portfolio company information collected since its inception show an increase of flora and fauna species. It is suspected this is due to the reduce in annual unsustainable agricultural practices, but also due to the increased quality and size of remaining indigenous flora, protected through conservation areas. There is also an enrichment planting regime whereby indigenous species are planted on an annual basis and managed so that they can regenerate without the threat of fire, illegal agriculture and illegal activity. The indigenous forest health has improved greatly due to these activities, this information is measured as part of the changing land cover.

The economic co-benefits of Arbaro are:

- Generating employment
- Widening the local tax base
- Substituting costly imports and thereby improving the current account balance
- Increasing economic diversification and reducing vulnerability to external shocks
- Transferring knowledge and building capacities
- Contributing to R&D potential in developing countries
- Supporting local SMEs along the value chain

The portfolio companies generate formal employment. In addition, they undertake programmes that benefit the communities. The companies contribute to widening the local knowledge base of forestry. The companies conduct inventories on plantations, which provide valuable data on species requirements and for improving site-species matching.

2.2.4 Needs of the recipient (max one (1) page).

As per the initial assessment against the investment criteria provided in the Funding Proposal approved by the GCF Board, please provide an assessment of the performance of the funded activity during the relevant reporting period against the investment criteria "Needs of the recipient".

Countries in Arbaro's target regions are to a large extent recipients of development assistance and classified as such in the OECD DAC listing. In these countries rural population is dependent on subsistence agriculture and natural resources for their livelihoods; formal employment being scarce. Large proportion of households are below the poverty line, with rural poverty being much higher than urban poverty. Since large proportion of natural resources are effectively subject to open access, these resources act as safety nets to households that have little or no other means of income, and as a means of reducing risks and smoothing income by providing the option for deriving food and income from multiple sources. With population growth, increase in population density in rural areas, as well as the general overutilization of the resources, in many areas the resources around villages have been depleted so that households are finding it more difficult to access these benefits further increasing the vulnerability of these communities.

Arbaro will make a significant contribution to improving the position of the rural communities located within its project areas primarily by providing formal employment opportunities. It is estimated that livelihoods of up to 200,000 people will be improved through the Arbaro's activities. During the reporting period, total direct employment provided by Arbaro's project companies was 2,158 FTEs. Given the short period of time that the funded activity has been ongoing and the changed reporting requirements, updates of further benefits will be reported in the upcoming periods.

In addition to providing employment and source of income, the formal employment also shifts these people to the reach of healthcare and vocation education services as well as pension and social security system.

2.2.5 Country Ownership (max one (1) page).

As per the initial assessment against the investment criteria provided in the Funding Proposal approved by the GCF Board, please provide an assessment of the performance of the funded activity during the relevant reporting period against the investment criteria "Country Ownership".

The funded activity implementation is at a very early stage, therefore the performance against the criteria will be provided in more detail and substance in the upcoming reports. However below is a short summary of the progress so far:

The Arbaro Fund has invested in three countries: Ghana, Sierra Leone and Paraguay. The Arbaro Fund's mission is aligned with the sectoral strategies in each country and all three countries have signed NOLs for the Arbaro Fund.

Ghana: Ghana's "Coordinated Programme of Economic and Social Development Policies (2017-2024)" serves as a national development agenda and identifies forestry as a priority sector to achieve the national environmental goals. Similarly, the INDC lists forestry as a priority sector and sets a forestation target of 10,000-20,000 ha/year. Ghana's strong commitment to sustainable plantation forestry is evidenced by the "Ghana Forest Plantation Strategy: 2016-2040" (GFPS), Its key targets are (i) the establishment of 625,000 ha of forest plantations by 2040, (ii) the refurbishment of 100,000 ha of degraded forest reserves and (iii) widening the use of synergetic agroforestry systems. The GFPS estimates the required funding at USD 4 billion and envisions 30% to come from public and 70% from private sources.

Sierra Leone: "Sierra Leone's Medium-Term National Development Plan 2019-2023" lists forestry as a key pillar of the objective "addressing vulnerabilities and building resilience". Sierra Leone did not yet formulate a consolidated climate strategy, but the "Third National communication of Sierra Leone to the UNFCCC" identifies "reforestation, afforestation and agroforestry" as an important mitigation opportunity. The NAPA lists reforestation and afforestation as a strategic option. The "Forestry Policy" identifies the promotion of sustainable private forests and forestry enterprises as a key objective.

Paraguay: The national development plan "Plan Nacional de Desarrollo Paraguay 2030" intends to promote the forestry sector and sustainable forest plantations to reduce the dependency of the domestic economy on agriculture with its high exposure to climatic disturbances and external price shocks. Forest plantations and forest

management are among the focal areas of the national mitigation strategy “Plan Nacional de Mitigación ante el Cambio Climático y los Programas de Acción”. The national adaptation strategy “Plan Nacional de Adaptación al Cambio Climático” refers to forest plantations as an adaptation option. The INDC aims to promote sustainable forestry and reforestation for mitigation and income generation. The national forestation plan “Plan Nacional de Forestación y Reforestación” aims to promote forest plantations, aiming at the establishment of 450 000 ha of forest plantations from 2013-2028. The national forest strategy “Estrategia Nacional de Bosques para el Crecimiento Sostenible”, also serving as national REDD+ strategy, targets to promote plantations to alleviate the pressure on natural forests.

2.2.6 Efficiency and Effectiveness (max one (1) page).

As per the initial assessment against the investment criteria provided in the Funding Proposal approved by the GCF Board, please provide an assessment of the performance of the funded activity during the relevant reporting period against the investment criteria “Efficiency and Effectiveness”.

Capital mobilisation

The total capital mobilised (direct and in-direct) at the Arbaro level amount to ca 145 million US dollars.

CO2 sequestration

Arbaro’s portfolio companies are expected to sequester significant CO2 over Arbaro’s lifetime. Every 10 USD invested will contribute to the sequestration of approximately 1 ton of CO2. This estimate is deemed conservative because it does not account for (i) emission reductions from indirectly preventing natural forest degradation and deforestation and (ii) long-term carbon storage in harvested products. Until the end of the reporting period the carbon sequestration of Arbaro’s project companies is estimated to be 680,000 tCO2. Due to the nature of forest investment, the investments are normally frontloaded, while the carbon sequestration takes place over a long period of time as the trees continue to grow. The growth also accelerates as the trees enter the peak growth years.

2.3 PROJECT OUTPUTS IMPLEMENTATION STATUS ⁴			
Project Output	Project Activity	Status ⁵	Implementation progress ⁶ (%)
Output 1 Funding is deployed Project level operations commence	Project Activity 1) Pipeline development, 2) Assessment of project opportunities following Arbaro's investment strategy and ESMS	Activity Started - progress on track	on going
	Provide an updated progress on this project activity for the relevant reporting period, including delays and issues encountered, key milestones reached, and lessons learned, including issues related to non-compliance with GCF standards or conditions, vis-à-vis expectations, if any. In parallel, include positive achievements and better-than-expected results. Arbaro has a developed pipeline of eight projects and four projects are in due diligence or pre-due diligence stage. COVID-19 may continue to cause issues as travel is restricted and may delay on site due diligence processes.	Please include a list of key milestones and deliverables expected to be executed in the next reporting period. Assessment of 8 potential projects is expected.	
Output 2 Carbon sequestration increases through the project activities Employment is created	Project Activity 3) Investments is project level operations	Activity Started - progress on track	15%
	Provide an updated progress on this project activity for the relevant reporting period, including delays and issues encountered, key milestones reached, and lessons learned, including issues related to non-compliance with GCF standards or conditions, vis-à-vis expectations, if any. In parallel, include positive achievements and better-than-expected results. Arbaro has invested in two projects: one in Ghana and Sierra Leone and another one in Paraguay. The projects have so far sequestered 680,000 tCO2 and provided employment to 2,158 people.	Please include a list of key milestones and deliverables expected to be executed in the next reporting period. 1-2 new investments leading to deployment of 20-30 million USD.	
Output 3 Annual reports	Project Activity 4) Arbaro Fund investment monitoring and Project activity 5) Reporting through the Arbaro Fund lifetime	Activity Started - progress delayed	n/a ongoing throughout the Arbaro lifetime

⁴ Outputs and Activities reported here should be aligned with the Activities in the Logic Framework and Implementation Timetable of the project.

⁵ Activity Not Yet Due; Activity Started -ahead of schedule; Activity started – progress on track; Activity started but progress delayed; Activity start is delayed.

⁶ Implementation progress on a cumulative basis as of the date of the report.



<p>Annual sustainability report</p>	<p><i>Provide an updated progress on this project activity for the relevant reporting period, including delays and issues encountered, key milestones reached, and lessons learned, including issues related to non-compliance with GCF standards or conditions, vis-à-vis expectations, if any. In parallel, include positive achievements and better-than-expected results.</i></p> <p>Annual and quarterly reports have been provided in a timely manner. The sustainability report was provided to the investors in June 2020.</p>	<p><i>Please include a list of key milestones and deliverables expected to be executed in the next reporting period.</i></p> <p>Continue to monitor the portfolio companies and start monitoring the new portfolio companies.</p> <p>Report on the monitoring following the reporting deadlines (quarterly and annual reports)</p>		
<p>Output 4 Final fund lifecycle target achievement</p>	<p>Project Activity 6) Exit from investments</p>		<p>Activity Not Yet Due</p>	<p>0</p>
	<p><i>Provide an updated progress on this project activity for the relevant reporting period, including delays and issues encountered, key milestones reached, and lessons learned, including issues related to non-compliance with GCF standards or conditions, vis-à-vis expectations, if any. In parallel, include positive achievements and better-than-expected results.</i></p> <p>No exits have taken place and are not expected to in the coming years.</p>	<p><i>Please include a list of key milestones and deliverables expected to be executed in the next reporting period.</i></p> <p>Nothing due in the next reporting period</p>		

2.4 PROGRESS UPDATE ON THE LOGIC FRAMEWORK INDICATORS⁷

2.4.1 PROGRESS UPDATE ON FUND-LEVEL IMPACT INDICATORS OF THE LOGIC FRAMEWORK

<i>Fund-level impact Core indicators⁸ (Mitigation)</i>	<i>Baseline</i>	<i>Current value⁹</i>	<i>Target (mid-term)</i>	<i>Target (final)</i>	<i>Remarks (including changes¹⁰, if any)</i>
Mitigation Core Indicator 1 <i>Tonnes of carbon dioxide equivalent (tCO2eq) reduced as a result of Fund-funded projects/programmes</i>	<i>Annual</i> 0	<i>Annual</i> 270,000	<i>Annual</i> 1,333,333 tCO2e	<i>Annual</i> 1,333,333 tCO2e	
	<i>Lifetime</i> 0	<i>Lifetime</i> 680,000	<i>Lifetime</i> 7,000,000 tCO2e	<i>Lifetime</i> 20,000,000 tCO2e	<i>Funded activities have only just begun</i>
<i>Fund-level impact indicators¹¹ (Adaptation)</i>	<i>Baseline</i>	<i>Current value¹²</i>	<i>Target (mid-term)</i>	<i>Target (final)</i>	<i>Remarks (including changes¹³, if any)</i>
Adaptation Core Indicator <i>Direct Beneficiaries</i>	<i>Total direct beneficiaries (% of female)</i>		<i>Total direct beneficiaries (% of female)</i>	<i>Total direct beneficiaries (% of female)</i>	
Adaptation Core Indicator <i>Indirect Beneficiaries</i>	<i>Total indirect beneficiaries (% of female)</i>	<i>Total indirect beneficiaries (% of female)</i>	<i>Total indirect beneficiaries (% of female)</i>	<i>Total indirect beneficiaries (% of female)</i>	
Number of total beneficiaries relative to total population	<i>Total beneficiaries</i> <i>Number of Total Population</i> <i>Year: YYYY</i>	<i>Total beneficiaries</i> <i>Number of Total Population</i> <i>Year: YYYY</i>	<i>Total beneficiaries</i> <i>Number of Total Population</i> <i>Year: YYYY</i>	<i>Total beneficiaries</i> <i>Number of Total Population</i> <i>Year: YYYY</i>	

⁷ Per the approved methodology in and the Logic Framework in the Funding Proposal, please provide an update on the relevant indicators.

⁸ As per the relevant indicators established in the Funding Proposal and the Performance Measurement Framework, including all indicators approved by the Board and relevant updates agreed with GCF, if applicable.

⁹ As of 31 December of the relevant year.

¹⁰ Related to the approved indicators and targets in the Logic Framework.

¹¹ As per the relevant indicators established in the Funding Proposal and the Performance Measurement Framework, including relevant updates agreed with GCF, if applicable.

¹² As of 31 December of the relevant year.

¹³ Related to the approved indicators and targets in the Logic Framework.

2.4.2 PROGRESS UPDATE ON PROJECT/PROGRAMME LEVEL INDICATORS OF THE LOGIC FRAMEWORK¹⁴					
Project/Programme indicators (Mitigation)	Baseline	Current value¹⁵	Target (mid-term)	Target (final)	Remarks (including changes¹⁶, if any)
Indicator 1 <i>Number of technologies and innovative solutions transferred or licenced to promote low-emission development as a result of Arbaro Fund support</i>	0	0	1	1	Funded Activity has only started
Indicator 2 <i>Strengthened institutional and regulatory systems</i> Indicator 2.1 <i>Institutional and regulatory systems that improve incentives for low-emission planning and development and their effective implementation</i>	Regulation Exists but is outdated Enforcement is lacking Sectoral: No associations exist or they have weak capacity	Regulation Exists but is outdated Enforcement is lacking Sectoral: No associations exist or they have weak capacity			Funded activity has only started
Indicator 3 <i>Improved management of land or forest areas contributing to emissions reductions</i> Indicator 3.1 <i>Hectares of land or forests under improved and effective managements that contributes to CO2 emission reductions</i>	0 ha	Plantation: <i>Total: 18,435 hectares</i> <i>Since Arbaro investment: 8,354 hectares</i> Conservation <i>Total: 8,534 hectares</i> <i>Since Arbaro investment: 3,972 hectares</i>	25,000 ha of new forest area 5,000 ha of conservation area	75,000 ha of new forest area 15,000 ha of conservation area	
Indicator 4 (Outcome level) <i>Sustainable supply of wood products increases in target markets</i>					
Indicator 4.1 (Output level) <i>Volume in m3 of sustainably produced wood products entering the market or in forest stock</i>	0 m³	0.5 million m³	5 million m³	20 million m³	
Indicator 5 (Outcome level)					

¹⁴ As per the relevant indicators established in the Funding Proposal and the Performance Measurement Framework, including relevant updates agreed with GCF, if applicable.

¹⁵ As of 31 December of the relevant calendar year.

¹⁶ Related to the approved indicators and targets in the Logic Framework or relevant FAA.

<i>New forested areas are created and managed under sustainable management practices</i>					
Indicator 5.1 (Output level) <i>Number of hectares planted and sustainably managed</i>	0 hectares	Total: 18,435 hectares Since Arbaro investment: 8,345 hectares	25,000 hectares	75,000 hectares	
Indicator 6 (Outcome level) <i>New areas are placed under conservation</i>					
Indicator 6.1 (Output level) <i>Number of hectares conserved</i>	0 hectares	Total: 8,534 hectares Since Arbaro investment: 3,972 hectares	5,000 hectares	15,000 hectares	
Indicator 7 (Outcome level) <i>Formal jobs are created in rural areas providing alternative livelihoods to subsistence agriculture and unsustainable practices such as charcoal production</i>					
Indicator 7.1 (Output level) <i>Number of formal jobs</i>	0 FTE	Total: 2,158 FTE Since Arbaro investment: 758 FTE	2,500 FTE	5,000 FTE	
Indicator 7.2 (Output level) <i>Number of people with improved livelihoods</i>	0	38,400	100,000	200,000	<i>It is assumed that 1 direct job supports 2 indirect jobs. Arbaro is defining the methodology for this indicator.</i>
Indicator 8 (Outcome level) <i>New SMEs are created in the sustainable plantation forestry value chain or in supporting service industries</i>					
Indicator 8.1 (Output level) <i>Number of new entities</i>	0	0	20	100	<i>Funded activity has only started</i>
Indicator 9 (Outcome level) (Mitigation/Adaptation) <i>Local communities' capacities are enhanced through community programmes such as outgrower schemes</i>					
Indicator 9.1 (Output level) <i>Number of community programmes (e.g. outgrower schemes)</i>	0	8 programmes	15	30	<i>Reported values correspond to programmes ongoing during 2020.</i>
Indicator 9.2. (Output level) <i>Number of people reached by these programmes</i>	0	1,257	1,500	5,000	<i>Reported values correspond to beneficiaries of programmes ongoing during 2020.</i>

2.5 REPORT ON CHANGES DURING IMPLEMENTATION (include actual and expected changes)

Describe changes to the project during the reporting period. In particular, the report should cover elements such as change of beneficial ownership structure, management changes of the Accredited Entity, policies and other elements relevant for the project, and any other material change that could influence the overall outcome of the project.

Overall size of the Arbaro fund is expected to remain smaller than anticipated due to difficulties that investors are facing under the COVID-19 circumstances. However fundraising continues on the portfolio company level to ensure adequate scale of the projects thus compensating the fund level issues.

2.6 IMPLEMENTATION CHALLENGES AND LESSONS LEARNED

Describe implementation challenges faced during the last reporting period, including measures adopted and lessons learned. If any issues have arisen in the last twelve (12) months of implementation that may result in a change to the scope and/or timing of the project, please provide a description of those items and how they have impacted the implementation period and final targets.

Challenge encountered	Type ¹⁷	Measures adopted	Impact on the project implementation ¹⁸	Lessons learned and Other Remarks
COVID-19 virus when related to fundraising	Other	COVID-19 resulted to significant issues with fund level fundraising. Several investors, including investor who already had an approval, could not proceed with Arbaro investment as they had to either redirect their efforts to the COVID-19 related problems in their portfolio or their main business. However fund-raising efforts were also applied on portfolio company level and these have been successful bringing the overall mobilisation level up.	Moderate	
COVID-19 virus when related to project assessment and portfolio companies	Other	Utilizing external, locally available, expertise to assist in the assessment of pipeline projects.	Moderate	Travel restrictions are impacting project assessment and due diligence on site primarily causing some delays. Portfolio companies are also impacted but so far those impacts have been limited.

¹⁷ Implementation; Legal; Financial; Environmental/Social; Political; Procurement; Other; AML/CFT; Sanctions; Prohibited Practices.

¹⁸ Minor/Solved; Moderate; High.

SECTION 4: REPORT PROJECT SPECIFIC ON ENVIRONMENTAL AND SOCIAL SAFEGUARDS & GENDER

4.1 IMPLEMENTATION OF ENVIRONMENTAL AND SOCIAL SAFEGUARDS AND GENDER ELEMENTS

(max 1 page)

Please provide information on the project or programme on the following: (1) key risks and impacts as identified; (ii) compliance with applicable laws and regulations including FAA conditions and covenants; and (3) progress in the implementation of environmental and social management plans and programs including monitoring activities undertaken during the implementation of the funded activity.

(1) The information includes description on any changes in the key environmental and social risks and impacts as identified and arising from the implementation including any unanticipated risks and impacts (ex. from changes in laws and regulations) and, based on these if any change in the project's environmental and social risk category. In case of a change in the E&S risk category for the project, please provide an explanation.

n/a

(2) The information should include status of compliance with applicable laws and regulations of the country as well as the relevant conditions or covenants under the FAA. This can be captured in the table below:

Status of compliance with applicable laws and regulations and the conditions and covenants under FAA

Applicable laws and regulations/conditions and covenants	Status of compliance
Laws and regulations in relevant Arbaro countries	In compliance
Arbaro ESMS	In compliance

(3) Provide a report on the progress made in implementing environmental and social management plans (ESMPs) and frameworks (ESMFs) describing achievements, and specifying details outlined in the tables below.

Country	Environmental and Social Impact Assessment (ESIA)	Environmental and Social Management System (ESMS)	Stakeholder engagement plan (SEP)	Grievance mechanism
Ghana and Sierra Leone	Compliant. Several ESIA have been conducted for the operations.	Compliant. A comprehensive ESMS is in place. During 2020 improvements were done on health and safety.	Compliant. A SEP is in place, including regular meetings and social development projects on areas such as education, access to water and agriculture.	Compliant. A grievance mechanism is in place.
Paraguay	Compliant. An ESIA has been conducted.	Compliant. The ESMS initially elaborated in the first year of operations was further developed during 2020 with a number of plans and procedures.	Compliant. A SEP is in place. Based on the information collected the previous year, the first social development project (agricultural project) was initiated during 2020.	Compliant. A grievance mechanism is in place.

4.2 GENDER ACTION PLAN

Provide a progress report on the gender action plan developed during project preparation stage for the reporting period. This will primarily be a report on activities undertaken and results achieved as a result of completion of an activity. Further it should also indicate if the project is on track to achieving the intended outcome(s).

The reporting should be done for activities, targets and indicators already set in the action plan including on vulnerable groups (youth, poor, female heads of households, etc.) as would have been identified in the gender analysis and action plan. If activities or targets are not achieved as per plan, reasons should be provided, and recourse action should be proposed. Please include a reporting on any changes or deviations.

Include a Report on implementation challenges and lessons learnt and how these will inform on-going actions and what action will be taken by when to address the challenges faced.

Incorporate both quantitative data and qualitative report of the performance of such actions, and on progress on actions identified.

4.2.1 PROGRESS ON IMPLEMENTING THE PROJECT-LEVEL GENDER ACTION PLAN SUBMITTED WITH THE FUNDING PROPOSAL.

Activities/actions	Indicators	Baseline	Targets, including sex-disaggregated targets	Budget	Report on annual progress
Output: gender assessment and action plans	Indicator: number of gender assessments Indicator: number of gender action plans	0	Target: 8-12 gender assessment and action plans Target timeline: 3 years after investment of the Arbaro Fund	Budget is included in the investee company level	Gender action plan is being updated in Portfolio company 1.
Output statement: suitable and fair livelihood options for local communities, including women	Indicator 1: Number of people employed Indicator 2: Average salary of women and men by position in investee companies Indicator 3: Number of community programmes (e.g. outgrower schemes) / Number of people reached by these programmes		Target 1: 15 % of staff of investee companies is female Target 2: no difference in average salary per position based on gender Target 3: 30 % of outgrowers are women Target timeline: 3 years after investment of the Arbaro Fund	Budget is included in the investee company level, not Fund level	Target 1: Portfolio company 1: 18% of staff female Portfolio company 2: 5% of staff female Target 2: no data yet Target 3: no progress yet
Output statement: improved access of all stakeholders, incl. women, to benefits derived from leased community land	Indicator: Number of community members participating in consultations Qualitative indicator: Benefit sharing mechanisms effectively include measures to involve women		Target: at least 30% of community members present at consultations are women Target timeline: During the first half of the implementation period	On Fund level this is part of the due diligence budget which varies across projects; otherwise included in the investee company budget	Not due yet, no data yet
Output statement: knowledge and skills of direct stakeholders, incl. women, fostered	Indicator 1: Number of community development programmes Indicator 2: Number of attendees at on-the-job		Target 1: at least one community development programme of each investee company is implemented in gender-responsive manner	Depending on project and investee companies	Not due yet

	trainings in investee companies		<p>Target 2: at least 15 % of the overall share of attendees at on-the-job trainings in investee companies are female</p> <p>Target timeline: 3 years after investment of the Arbaro Fund</p>		
Output statement: increased awareness of gender issues among direct stakeholders of the Arbaro Fund and the investee companies	Indicator: All relevant Arbaro fund reporting and investee company reporting includes gender disaggregated data		<p>Target: All relevant Arbaro fund reporting and investee company reporting includes gender disaggregated data</p> <p>Target timeline: 1 year after GCF investment in to the Arbaro Fund</p>	This is part of the Executing Agency's reporting budget and investee companies' budgets	Not due yet

4.3 PLANNED ACTIVITIES ON ENVIRONMENTAL AND SOCIAL SAFEGUARDS

Provide a list of activities in the ESMP to be implemented in the next reporting period. Include relevant deliverables such as reports or action plans, and other project specific products. Please include the monitoring schedule concerning ESS (including other potential vulnerable groups and indigenous people) for the next annual reporting period.

One or two more investments and two to four assessments are expected to be conducted during the next reporting period. On each new investment a full ESIA as well as Environmental and Social due diligence report will be done. On each new investment it is expected that an environmental and social action plan will need to be put in place.

E&S monitoring of portfolio companies is an ongoing task, and the results of the monitoring are reported to the investors as part of the quarterly reports of the Arbaro Fund as well as in the annual reports.

4.4 PLANNED ACTIVITIES ON GENDER ELEMENTS

Provide a list of activities in the gender action plan to be implemented in the next reporting period. Include relevant deliverables such as reports or action plans, and other project specific products including processes that will be involved to implement the activities effectively. Please include the monitoring schedule concerning gender activities for the next annual reporting period.

Report on actions taken on any of the recommendations made by the secretariat (if applicable) to improve the level of integration of gender issues in the project.

One-two gender assessment are to be conducted as part of the assessment of new investments. These will then lead to further gender action plans.

Gender disaggregated data collection to be implemented throughout the portfolio.

Additional Section : COVID-19 Impact

Please choose the severity of overall impact

Between :

1. On-track with no or minor impact: No or minor impact on project implementation and corresponding annual activities and
2. Facing delays: Implementation progress faced delays in the timeline but did not require any substantial changes in the implementation plan.

Please describe an overall impact on your project/programme by the COVID-19 pandemic (100-word limit).

The team has been working remotely already since March and has not experienced any operational issues during these months.

Fundraising was seriously impacted by the COVID, however fund size is complemented by the funding mobilized at project level.

Pipeline development has been impacted. We expect that international travel restrictions will remain in place for an extended period of time.

As a result, the further pipeline development and execution of investments will likely suffer some delays. Nevertheless, the team did manage to conduct three field trips during Q4 2020, one in Peru to kick off the due diligence on a potential pipeline project; the second one in Ecuador to establish contacts and visit potential projects and other relevant parties; and the third one in Paraguay.

Please describe details of challenges encountered and corrective/mitigation measures taken.

Fundraising impacted - mitigation measure taken is fundraising activities at the project level.

Select a type of the challenges encountered – Field Activities

Travel for pipeline development and due diligence has been impacted – mitigation measure is to intensify the desk top level due diligence, utilization of on the ground networks and local consultants.

Describe details of the challenge encountered.

See above.

Please describe if any support is required from the GCF to address the COVID-19 impact on your project/programme.

n/a