



**GREEN
CLIMATE
FUND**

Meeting of the Board
27 February – 1 March 2018
Songdo, Incheon, Republic of Korea
Provisional agenda item 15

GCF/B.19/22/Add.20

6 February 2018

Consideration of funding proposals – Addendum XX

Funding proposal package for FP078

Summary

This addendum contains the following three parts:

- a) A funding proposal summary titled “Acumen Resilient Agriculture Fund (ARAF)” submitted by Acumen Fund Inc.;
- b) No-objection letters issued by the national designated authority(ies) or focal point(s); and
- c) Environmental and social report(s) disclosure;

These documents are presented as submitted by the accredited entity and the national designated authority(ies) or focal point(s), respectively. Pursuant to the Comprehensive Information Disclosure Policy of the Fund, the funding proposal titled “Acumen Resilient Agriculture Fund (ARAF)” submitted by Acumen Fund Inc. is being circulated on a limited distribution basis only to Board Members and Alternate Board Members to ensure confidentiality of certain proprietary, legally privileged or commercially sensitive information of the entity.



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Funding Proposal

Version 1.1

The Green Climate Fund (GCF) is seeking high-quality funding proposals.

Accredited entities are expected to develop their funding proposals, in close consultation with the relevant national designated authority, with due consideration of the GCF's Investment Framework and Results Management Framework. The funding proposals should demonstrate how the proposed projects or programmes will perform against the investment criteria and achieve part or all of the strategic impact results.

Project/Programme Title: **Acumen Resilient Agriculture Fund (ARAF)**

Country/Region: East Africa & West Africa

Accredited Entity: Acumen Fund, Inc.

Date of Submission: Feb 3rd, 2018

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Note to accredited entities on the use of the funding proposal template

- Sections **A, B, D, E** and **H** of the funding proposal require detailed inputs from the accredited entity. For all other sections, including the Appraisal Summary in section F, accredited entities have discretion in how they wish to present the information. Accredited entities can either directly incorporate information into this proposal, or provide summary information in the proposal with cross-reference to other project documents such as project appraisal document.
- The total number of pages for the funding proposal (excluding annexes) is expected not to exceed 50.

Please submit the completed form to:

fundingproposal@gcfund.org

Please use the following name convention for the file name:

“[FP]-[Agency Short Name]-[Date]-[Serial Number]”

A.1. Brief Project / Programme Information	
A.1.1. Project / programme title	Acumen Resilient Agriculture Fund (ARAF)
A.1.2. Project or programme	programme
A.1.3. Country (ies) / region	East Africa and West Africa
A.1.4. National designated authority (ies)	Uganda, Ghana, Nigeria
A.1.5. Accredited entity	Acumen Fund, Inc.
A.1.5.a. Access modality	<input checked="" type="checkbox"/> Direct <input type="checkbox"/> International
A.1.6. Executing entity / beneficiary	<p>Executing Entity - Equity: Acumen Resilient Agriculture Fund LP, an Ontario limited partnership (to be formed), will be the direct investing entity, which will be managed by Acumen Capital Partners LLC, a Delaware limited liability company.</p> <p>Please note that the Funding Activity Agreement (FAA) will be between AE and GCF. The AE will enter into a subsidiary agreement with the GP to ensure compliance with the FAA requirements. The GP and LPs will enter an LPA with the terms of the fund operations. The GP or the Fund will then enter into a management agreement with the manager to delegate certain GP obligations to the manager as per the LPA.</p> <p>Executing Entity – TA/Grant: The Programme will be implemented by Acumen Capital Partners, LLC, a limited liability company formed under the laws of the State of Delaware, and wholly owned subsidiary of the Accredited Entity, as the Executing Entity.</p> <p>Beneficiary:</p> <ol style="list-style-type: none"> 1. Approximately 18 - 20 early stage African agribusinesses are intended to benefit through financial investment and technical assistance to strengthen their business models to provide climate adaptation products, services and training to smallholder farmers. 2. 10M smallholder farmers are intended to benefit from climate adaptation products, services and training provided by the agribusinesses mentioned above. 3. Smallholder farmers will benefit more widely across Africa and elsewhere as the new business models tested and scaled through this fund can be replicated much more widely (paradigm shift).
A.1.7. Project size category (Total investment, million USD)	<input checked="" type="checkbox"/> Micro (≤ 10) <input type="checkbox"/> Small ($10 < x \leq 50$) <input type="checkbox"/> Medium ($50 < x \leq 250$) <input type="checkbox"/> Large (> 250)
A.1.8. Mitigation / adaptation focus	<input type="checkbox"/> Mitigation <input checked="" type="checkbox"/> Adaptation <input type="checkbox"/> Cross-cutting
A.1.9. Date of submission	Feb 3rd, 2018

A.1.10. Project contact details	Contact person, position	Noor Ullah, Head of Agriculture
	Organization	Acumen Fund
	Email address	snoorullah@acumen.org
	Telephone number	+92 322 4003202
	Mailing address	7 Commercial zone 4th floor Saeed Alam tower Liberty, Lahore – Pakistan

A.1.11. Results areas *(mark all that apply)*

Reduced emissions from:

- Energy access and power generation
(E.g. on-grid, micro-grid or off-grid solar, wind, geothermal, etc.)
- Low emission transport
(E.g. high-speed rail, rapid bus system, etc.)
- Buildings, cities and industries and appliances
(E.g. new and retrofitted energy-efficient buildings, energy-efficient equipment for companies and supply chain management, etc.)
- Forestry and land use
(E.g. forest conservation and management, agroforestry, agricultural irrigation, water treatment and management, etc.)

Increased resilience of:

- Most vulnerable people and communities
(E.g. mitigation of operational risk associated with climate change – diversification of supply sources and supply chain management, relocation of manufacturing facilities and warehouses, etc.)
- Health and well-being, and food and water security
(E.g. climate-resilient crops, efficient irrigation systems, etc.)
- Infrastructure and built environment
(E.g. sea walls, resilient road networks, etc.)
- Ecosystem and ecosystem services
(E.g. ecosystem conservation and management, ecotourism, etc.)

A.2. Project / Programme Executive Summary (max 300 words)

Please provide a brief description of the proposed project/programme, including the objectives and primary measurable benefits (see [investment criteria in section E](#)). The detailed description can be elaborated in [section C](#).

Acumen has a decade of experience working toward increasing agricultural productivity and incomes in Sub-Saharan Africa, South Asia and Latin America through investments in early stage agribusinesses that work closely with smallholder farmers as customers or suppliers. Our current agricultural investee companies are reaching some of the poorest farmers in the world and our companies are helping them improve their productivity, incomes and lives (see Section C1). Yet the world’s 2.4 billion smallholders still make up over half of the world’s poor and their weather-dependent livelihoods and lack of safety nets also make them highly vulnerable to climate change, particularly in Sub-Saharan Africa, which is forecast to bear nearly 50% of estimated global adaptation costs in health, water supply, agriculture and forestry. In addition, based on our own experience investing in the sector, we have learnt that Climate Resilience is key to ensuring long term sustainable increase in agriculture productivity and incomes for smallholder farmers. This understanding has been further strengthened as a result of our engagements with GCF.

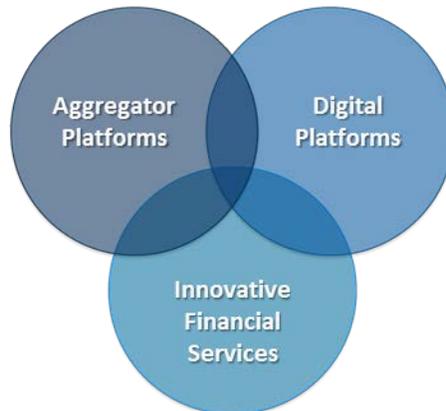
With the Acumen Resilient Agriculture Fund (ARAF), Acumen aims to support pioneering and early-growth stage innovative agribusinesses that enhance the climate resilience of smallholder farmers (SHFs). ARAF will focus only on

East and West Africa. These two regions have large populations engaged in primitive agriculture and are very vulnerable to the impact of climate change. African agriculture also presents a huge opportunity given its underdeveloped nature, as development in the sector can be aligned with climate resilience objectives without the costs of unwinding existing developments and relearning.

Based on our experience in the sector, Acumen believes that to accelerate the achievement of climate resilience, in addition to direct investments in climate resilience initiatives, the broader enabling systems and services also needs to be supported. For example, to enable fast adoption of climate resilient inputs like seeds, a farmer friendly system of affordable credit also needs to be enabled since smallholders buy most inputs on credit. Hence ARAF with its focus on climate resilience enabling investments, will also make select investments in the enabling eco-system businesses with indirect yet clear and important benefits for climate resilience.

In order to build climate resilience, it is pertinent to alter the traditional economic relationships between the farmer and the rest of the agricultural eco-system. From our experience, we believe this could be achieved through investing in platform businesses that act as a channel through which multiple services can be delivered to the farmer. Not only are these businesses more impactful due to multiple service delivery but are also financially more resilient compared to single product/service businesses. The three sub categories of such businesses that we intend to invest in are:

- **Aggregator Platforms:** Agribusinesses that provide bundled solutions to two or more key needs of the farmer i.e., inputs, knowledge, finance, buyers. Essentially, these platforms aim to improve smallholder farmers' access to and integration with the market.
- **Digital platforms:** Information & Communication Technology (ICT) Agribusinesses, providing bundled digital solutions to two or more key farmer access needs: access to knowledge, inputs, finance and/or markets. These platforms enhance supply chain visibility and efficiency for farmers.
- **Innovative Financial Services:** Innovative payment, credit and insurance solution providers to farmers at scale



We believe Aggregator, Digital Platform and Innovative Financial Services business models are key to effectively addressing the structural socio-economic challenges that are known to inhibit smallholder farmers' adaptive responses to climate change.

In order to ensure that ARAF investments are focused on climate resilience for smallholder farmers, a number of significant steps have been taken.

- In order to effectively screen investments for their climate resilience potential, Acumen has developed a first of its kind, specialized resilience screening tool (Agriculture Resilience Investment Screen – ARIS) in partnership with Winrock International. The tool will be used to assess the climate resilience potential of investments before approval.
- ARAF will have an in-house climate expert to ensure both appropriate screening of projects as well as regular monitoring and evaluation.

- As part of the decision making process, ARAF will have an independent Panel of Climate Experts to review ARIS results and make recommendations to the IC before approval of any transactions.

ARAF aims to impact 10 million lives over 12 years by supporting approximately 18 to 20 companies that align with climate adaptation objectives of participating countries and their SHFs. The success of ARAF is expected to catalyze large scale private sector investments in climate resilient agriculture in Africa. ARAF substantially enhances our approach by sharply increased focus on climate resilience and income (and asset) security. We expect to develop new insights and work with a range of partners on climate adaptation, including the Green Climate Fund (GCF), national Governments, Stanford University and the University of Minnesota.

We are requesting \$23M of investment capital from GCF toward a target \$50M fund-size. Acumen expects GCF's anchoring investment to catalyze private capital into ARAF by de-risking the investment through a first loss facility. Based on the success of ARAF, we expect much larger leverage for GCF's capital in follow-on funds and lower first loss requirements once the commercial viability of investing in climate resilient agriculture is established with ARAF. We are also requesting \$3M in grant funding from GCF towards a \$6M Technical Assistance Facility (TAF), which will provide assistance to investees to build climate resilience through raising awareness, driving crop choices in line with climate forecasts, spreading adaptation tools and techniques and promoting income stream diversification. We will develop new climate adaptation impact measurement tools, which we plan to also serve other investors and drive them to include climate adaptation considerations within their investment criteria.

We strongly believe the success of ARAF will significantly contribute to increased SHFs climate resilience and as a result enhance income stability, besides raising income levels and asset holdings. In addition, it will demonstrate a new pathway for the private sector to contribute toward climate resilience in agricultural activity globally. The investments from ARAF are also expected to have a disproportionate beneficial impact on women given women's significant engagement in small holder agriculture in Africa. In addition, specific gender interventions through TA funding will enable for more empowered women participation in the target population.

A.3. Project/Programme Milestone

Expected approval from accredited entity's Board (if applicable)	05/03/2018
Expected financial close (if applicable)	31/03/2020 (first close 30/09/2018)
Estimated implementation start and end date	Start: <u>01/10/2018</u> End: <u>30/09/2030</u> <u>TAF timeline</u> Start: <u>01/01/2019</u> End: <u>31/12/2029</u>
Project/programme lifespan	12 years 0 months (subject to two 1-year extensions)

B.1. Description of Financial Elements of the Project / Programme

Please provide:

- *an integrated financial model in [Section I \(Annexes\)](#) that includes a projection covering the period from financial closing through final maturity of the proposed GCF financing with detailed assumptions and rationale; and a sensitivity analysis of critical elements of the project/programme*

We have categorized the types of investment returns for equity and quasi equity transactions into three buckets: Success, Steady and Loss. For **Lives Impacted**, we have similarly assigned projections for the number of lives impacted by each type of investment return category, on the theory that the investments that scale and achieve successful financial returns will also have the most scaled impact. In each of the three cases, we have changed the financial return expectations for each individual investment but the proportion of investments in each of the three categories have been kept the same.

- *a description of how the choice of financial instrument(s) will overcome barriers and achieve project objectives, and leverage public and/or private finance*

This Fund is being setup with an innovative blended capital structure. There are two tiers of capital planned: 1) Senior Equity (SE) – targeted at \$25M, 2) Catalytic First Loss Capital (CFLC) – targeted at \$25M. We believe that the CFLC is critical to bringing in more risk averse private capital at the Senior Equity level. The CFLC provides capital protection to SE but does not subsidize returns. If ARAF makes a positive return (as projected), both tiers of capital are treated equally and share profits on a pro rata basis. In the instance that ARAF makes a loss the CFLC will cover the loss up to \$25M before SE is affected. We believe this structure is essential to crowding-in more risk averse private capital given the risk associated with investing in early stage, climate adaptive agribusinesses.

At the investee level, the early stage enterprises that ARAF will invest in will require long term patient capital to finance growth until positive cash flow is achieved, at which point they are more likely to attract commercial capital. ARAF will provide both equity, self-liquidating and debt capital to companies based on their individual capital requirements. The long-term life of ARAF - 12 years including two 1 year extensions - should provide enough time for these innovative, early stage companies to develop, iterate, refine, and build financially viable business models that provide social impact at scale. ARAF plans to invest in companies that address the needs of low-income smallholder farmers, who are often extremely difficult to reach. There is a critical need for the type of long-term investment capital that ARAF is planning to invest in these enterprises, as traditional investors are often put off by the risks and the relatively long time horizons required to build such companies and achieve a positive financial return.

- *a breakdown of cost estimates for total project costs and GCF financing by sub-component in local and foreign currency and a currency hedging mechanism:*

For example, under the component of drilling activity for a geothermal exploration project, sub-components would include civil engineering works, drilling services, drilling equipment and inspection test.

ARAF will invest in about 18-20 enterprises. Acumen will conduct detailed diligence on all relevant aspects of each investment, including the cost structure of each enterprise and the financial viability of each enterprise. As such, the underlying cost components of each investee company will be detailed in specific investment memoranda for those investments.

Given the economies in which Acumen’s investments will be operating, and the cost to hedge currencies of those economies, Acumen may not be able to secure a hedge for investments. In order to protect against fluctuations in the value of local currencies, the Fund Manager will make reasonable efforts to deploy capital in hard currency. In addition, ARAF will focus investments in agribusinesses operating in global value chains (e.g., cotton, coffee, rice etc.) as these businesses also provide a natural hedge against local currency fluctuations.

Technical Assistance Facility (“TAF”)

To maximize the positive impact of ARAF on agricultural resilience among Africa’s smallholder farmers, Acumen is seeking to raise a \$6M Technical Assistance Facility (“TAF”) that will be funded by grant capital. Acumen anticipates that the funders of the TAF will be a mix of private and public institutions. The purpose of the TAF is to support ARAF’s investment strategy of building profitable, scaling, and socially responsible climate adaptive businesses that serve base of the pyramid (BoP) markets, support greater gender integration through targeted TA interventions and provide a financial return to ARAF and its investors. Acumen has more than a decade of experience investing in agribusinesses that serve BoP markets and understands the increased level of social and financial resources required by such companies to scale, reach profitability, and track and monitor social impact metrics. The TAF will identify and address the core needs of portfolio companies that will enable their scale, impact and financial viability.

It is contemplated that the TAF will be governed by a Technical Assistance Committee (“TAC”). The structure and governing policies of the TAC are currently under development. The TAC will seek to engage with relevant stakeholders when making decisions related to uses of capital in the TA facility. During the due diligence process, the needs of the business will be identified and this analysis will inform the exact TA amount allocated to the company (if required) as well as the nature of intervention.

The table below summarizes the potential uses of TAF funds and more details around potential uses are included below the table. TAF resources will not be used for capital expenditures.

	Facility Allocation	USD	Grant Provider	Beneficiaries
Climate adaptation interventions including gender specific initiatives	42%	\$2,500,000	GCF	Smallholder farmers especially women will be the prime target beneficiaries. The support will be delivered through the investee company and it’s on the field networks.
Business Development Services (BDS) and Management / Employee Training	17%	\$1,000,000	Other*	Direct beneficiary will be the investee company. Smallholder farmers will also benefit through the sustained and scaled provision of climate resilience support through the investee company.
Lean Data (LD) Support to understand and augment the impact of	33%	\$2,000,000	GCF + Others*	Both the investee company and smallholder farmers will be direct beneficiaries. LD will allow farmers to share feedback on products and services being offered and in turn allow the investee company to

portfolio companies				tailor its services more closely to the needs for the farmers and make their interventions more impactful.
Other (TA Audit Fees / Legal Fees / ESG reporting, etc.)	8%	\$500,000	Other*	Direct beneficiary will be ARAF and the investee company.
Total	100%	\$6,000,000		

*these include corporates, corporate foundations, family foundations, development finance institutions, high net worth individuals

More detail below on the potential activities linked to the different uses of TAF funding:

Climate adaptation interventions including gender specific initiatives

Funding for climate adaptation will be used to support the business, its suppliers and/or customers in applying techniques to respond to climate change. This generally falls into four broad categories:

- **Training and extension services:** To support training and extension services to enable small holder farmers to adopt climate resilient inputs and practices and be able to access critical weather information to make more informed decision about their crops/livestock.
- **Diversification:** To support diversification of income streams for a business and its smallholder suppliers/customers in order to reduce the income shocks associated with a changing climate environment
- **Shifting business practices:** Capital to shift a business and its smallholder suppliers/customers to value chains that are better aligned with a changing climate environment within the desired locations, or to new locations that are more viable for the desired value chains.
- **Gender Initiatives**
 - **Products & Resources:** Work with women-focused MFIs and savings groups to tailor products and resources for women agriculture producers enabling financing of climate resilient inputs
 - **Training:** Provide training to women to become effective agricultural extension agents and increase their participation in the extension system with a focus on climate resilience extension.
 - **Digital Services:** Introduce programs that enhance women uptake of digital services that will enhance their effectiveness in adapting to climate resilient agriculture methods and access to digital information services that enable climate resilience

Climate adaptation interventions including gender specific initiatives delivered each year will depend on the number of investments made. Consequently, the yearly costs are determined by the deals under management as follows:

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Deals Under Management	1	4	9	14	17	18	18	18	15	8	5	1	
Climate adaptation interventions	\$ -	\$ 78,740	\$ 177,165	\$ 275,591	\$ 334,646	\$ 354,331	\$ 354,331	\$ 354,331	\$ 295,276	\$ 157,480	\$ 98,425	\$ 19,685	\$ 2,500,000

Business Development Services (BDS) and Management / Employee Training

- **Technical assistance:** Deliver interventions to address the most common technical barriers to scale—Sales and Marketing, Human Capital and overall Organizational Capacity. Acumen will work with technical experts and corporate partners such as Bain & Co., EY, SAP, Dow Chemical, Net Suite, Shell Foundation, 17 Triggers, IDEO.org and local service providers to deliver this high-quality support. The support could include one or more of the initiatives listed below depending on due diligence findings:
 - Support strengthening of climate resilience strategy of the target company
 - Improve financial controls (i.e. upgrade accounting systems)
 - MIS review and upgrades
 - Market studies to better understand supplier behavior in terms of adopting climate resilient inputs
 - Market Feedback Survey to assist with product development
 - Develop plans to transfer proven business models across different markets
 - Conduct feasibility studies to increase market access to expand scale and enable resilience
 - Implement operational review to improve production process or reduce costs
 - Improve distribution platforms
 - Build capacity to provide high-quality after sales-support to ensure products function properly and customers have a positive experiences
 - Enable access to industry experts across different markets to advise company management
 - Hiring senior executives
 - Expand current management skills for company expansion and growth
 - Improve transparency and corporate governance structures
 - Appoint experienced practitioners/advisers at the board or management level

- **Leadership Development:** Support companies to bolster leadership effectiveness and management capacity. Delivered via Acumen board placements, manager development programs, and mentorship.
 - **Board:** Evaluate Acumen alumni and donor network and place 5 highly experienced individuals on the board of select investees
 - **Manager Development Programs:** Host a series of leadership development programs for Acumen investee company’s senior and middle managers.
 - **Mentorship:** Through Acumen’s advisory network and partners with firms like RippleWorks we are able to deliver mentorship on case-specific challenges.

- **Community Engagement:** Acumen’s experience hosting CEO summits for our portfolio companies has taught us that our entrepreneurs face similar operational challenges, need access to experts, and feel isolated as they work to overcome the challenges facing their companies. Given especially that climate resilience is such

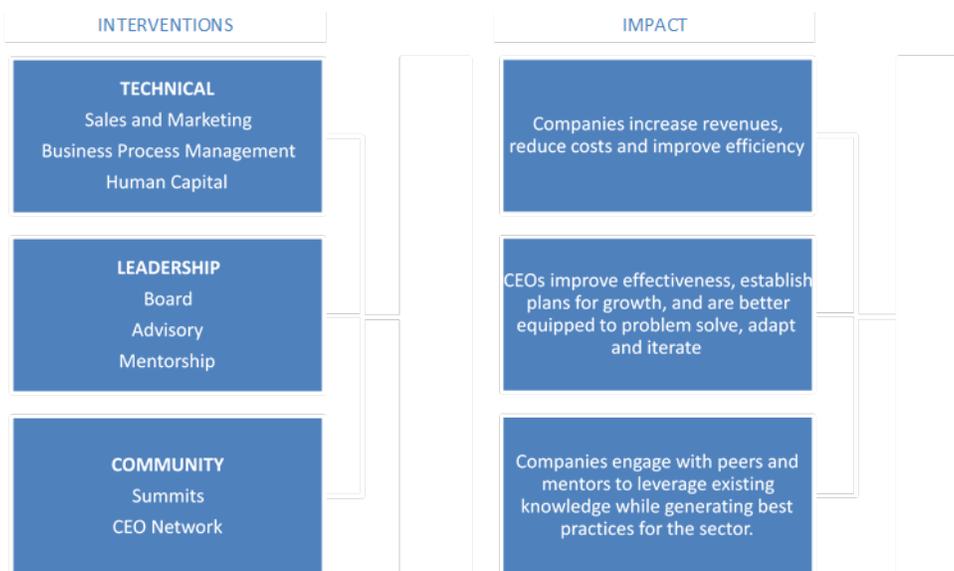
a new area of focus for agribusinesses, there is a clear opportunity to build and engage the community of ARAF portfolio company leaders to facilitate knowledge sharing. This will be achieved primarily through summit events and the Acumen CEO network.

- **CEO Summit Events**
 - Bring together technical experts, corporate partners and entrepreneurs to focus on key challenges and develop solutions to mitigate those challenges. Grant funding will be available to support select opportunities that further learning around common barriers to scale.

- **Capacity Building Summits**
 - Focus on building skills of functional leads on sales & marketing, talent, and finance by bringing these functional leads together each year. The functional focus of the event will shift year over year.

- **CEO Network**
 - Introductions to funders, advisors and technical experts to facilitate on-going knowledge share across key barriers to scale.
 - Tools that facilitate connections between entrepreneurs and increase access to available resources and information. This includes toolkits developed across the 3 key barriers to scale: Sales/Marketing, Business Process Management and Human Capital.
 - Regional networking events for CEOs, advisors, investors and corporate partners.

These three intervention areas and their associated expected impact are summarized in the chart below.



Business development services and management / employee training delivered each year will depend on the number of investments made. Consequently, the yearly costs are determined by the deals under management as follows.

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Deals Under Management	1	4	9	14	17	18	18	18	15	8	5	1	
Leadership programs		\$ 8,189	\$ 18,425	\$ 28,661	\$ 34,803	\$ 36,850	\$ 36,850	\$ 36,850	\$ 30,709	\$ 16,378	\$ 10,236	\$ 2,047	\$ 260,000
Sales and Marketing		\$ 3,937	\$ 8,858	\$ 13,780	\$ 16,732	\$ 17,717	\$ 17,717	\$ 17,717	\$ 14,764	\$ 7,874	\$ 4,921	\$ 984	\$ 125,000
Human Capital & Org capacity building		\$ 3,780	\$ 8,504	\$ 13,228	\$ 16,063	\$ 17,008	\$ 17,008	\$ 17,008	\$ 14,173	\$ 7,559	\$ 4,724	\$ 945	\$ 120,000
Community engagement		\$ 4,409	\$ 9,921	\$ 15,433	\$ 18,740	\$ 19,843	\$ 19,843	\$ 19,843	\$ 16,535	\$ 8,819	\$ 5,512	\$ 1,102	\$ 140,000
Delivery and overhead costs		\$ 11,181	\$ 25,157	\$ 39,134	\$ 47,520	\$ 50,315	\$ 50,315	\$ 50,315	\$ 41,929	\$ 22,362	\$ 13,976	\$ 2,795	\$ 355,000
Total Business Development	--	\$ 31,496	\$ 70,866	\$ 110,236	\$ 133,858	\$ 141,732	\$ 141,732	\$ 141,732	\$ 118,110	\$ 62,992	\$ 39,370	\$ 7,874	\$ 1,000,000

Lean Data to understand and augment impact of portfolio companies:

Lean Data is Acumen's in-house service for understanding the impact of its investee companies. Through a 10-people strong global team, we deliver valuable insights to our companies that not only helps them understand their impact, but also grow their business with valuable customer and market insights. More details about Lean Data can be found in Section E1.2.

Acumen's Lean Data team has developed the impact investing sectors leading capability to undertake social performance data collection and analysis. In the past 3 years the team has completed over 150 Lean Data projects with over 80 Acumen investees and external clients¹. Lean Data has been featured prominently in multiple leading publications including the [Harvard Business Review](#), [Stanford Social Innovation Review](#), [ImpactAlpha](#), [Fortune Magazine](#), and many smaller industry or organizational publications. Lean Data was selected to lead the development of the impact measurement conventions for the [Impact Management Project](#) a case study of which can be found at http://www.impactmanagementproject.com/wp-content/uploads/2017/10/Acumen-Case-study-for-IMP_final-4.pdf.

We will use Lean Data to continually collect data and insights from farmers being served by ARAF's investee companies. We will use this data to track each company's business and social performance, as well as providing recommendations for improvement. We will collect data on a combination of standard social metrics such as the [Poverty Probability Index](#) (PPI) as well as ask customized questions to understand the individual and household level outcomes that an investment is generating. Lean Data will be disclosed in the fund prospectus, so that all investors are aware of the relationship before committing their capital. Investees within ARAF will be provided with Lean Data for free, with the funds identified here used to cover Lean Data staff and direct execution costs.

In addition, working with both GCF and ARAF investees provides a unique opportunity for Lean Data to develop a climate adaptation measurement toolkit for the impact investment sector and beyond (akin to the toolkit we have built for off-grid energy, featured in our forthcoming Energy Impact Report). Acumen's Lean Data Team will work with GCF to develop an approach and corresponding survey tools to understand climate adaptability from the farmers' perspective. The toolkit will help us track and compare the performance of different business models focusing on adaptability on a set of parameters determined by the *lived experience* of farmers themselves. Section E1.2 describes the toolkit in more detail.

¹ External clients include: DFID, CDC, Omidyar Network, SEDF, The Bill and Melinda Gates Foundation', GSMA and others

Please note that the TA funding from GCF would be used to pay the service provider (Acumen) for the provision of the service (data collection and evaluation) to investees. The investees therefore will not be paying for this service.

Audit Fees / Legal Fees / ESG reporting

Audit Fees / Legal Fees / ESG reporting delivered each year will depend on the number of investments made. Consequently, the yearly costs are determined by the deals under management as follows.

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Deals Under Management	1	4	9	14	17	18	18	18	15	8	5	1	
Audit Fees/Legal Fees/ESG \$	-	\$15,748	\$35,433	\$55,118	\$66,929	\$70,866	\$70,866	\$70,866	\$59,055	\$31,496	\$19,685	\$3,937	\$ 500,000

B.2. Project Financing Information

	Financial Instrument	Amount	Currency	Tenor	Pricing
(a) Total project financing	(a) = (b) + (c)	\$56	million USD (\$)		

(b) GCF financing to recipient	(i) Senior Loans	.....	<u>Options</u>	12 years	(Note: An AE fee of 4.5% of total GCF funding will be charged)		
	(ii) Subordinated Loans	.....	<u>Options</u>				
	(iii) Equity	\$23	<u>million USD</u> (\$)				
	(iv) Guarantees	.....	<u>Options</u>				
	(v) Reimbursable grants *	.....	<u>Options</u>				
	(vi) Grants *	\$3	<u>million USD</u> (\$)	12 years			
* Please provide economic and financial justification in section F.1 for the concessionality that GCF is expected to provide, particularly in the case of grants. Please specify difference in tenor and price between GCF financing and that of accredited entities. Please note that the level of concessionality should correspond to the level of the project/programme's expected performance against the investment criteria indicated in section E .							
Total requested (i+ii+iii+iv+v+vi)		\$26 (+ 4.5% in AE fee)	<u>million USD</u> (\$)				
(c) Co-financing to recipient	Financial Instrument	Amount	Currency	Name of Institution	Tenor	Pricing	Seniority
	<u>Equity</u>	\$2	<u>million USD (\$)</u>	Acumen	12 years		<u>pari passu</u> <u>senior</u>
	<u>Equity</u>	\$25	<u>million USD (\$)</u>	Other Investors			
	<u>Grant</u>	\$3	<u>million USD (\$)</u>	Capital providers to TA Facility			
Lead financing institution: Acumen							
* Please provide a confirmation letter or a letter of commitment in section I issued by the co-financing institution. **This is excluding carry.							
(d) Financial terms between GCF and AE (if applicable)	In cases where the accredited entity (AE) deploys the GCF financing directly to the recipient, (i.e. the GCF financing passes directly from the GCF to the recipient through the AE) or if the AE is the recipient itself, in the proposed financial instrument and terms as described in part (b), this subsection can be skipped.						
	As per the termsheet, GCF will contribute 4.5% of its total commitment of USD 26 million as an accredited entity fee. If there is a financial arrangement between the GCF and the AE, which entails a financial instrument and/or financial terms separate from the ones described in part (b), please fill out the table below to specify the proposed instrument and terms between the GCF and the AE.						
	Financial instrument	Amount	Currency	Tenor	Pricing		
	.....	<u>Options</u>	() years	() %			

	<p><i>Please provide a justification for the difference in the financial instrument and/or terms between what is provided by the AE to the recipient and what is requested from the GCF to the AE.</i></p> <p>Not Applicable</p>
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B.3. Financial Markets Overview (if applicable)

How market price or expected commercial rate return was (non-concessional) determined?

Social impact is built into both the operations and the incentive structure of ARAF. The ARAF Fund Manager will only achieve a share of ARAF's profits if both a Financial Hurdle Rate and an Impact Hurdle Rate have been achieved. The Financial Hurdle Rate for ARAF is 3% and Impact Hurdle Rate is 5 million lives impacted. The ARAF Fund Manager will receive 25% of ARAF's profits to the extent that the Financial and the Impact Hurdle Rate have been achieved. If ARAF achieves the Financial Hurdle Rate and only a portion of the Impact Target, then 25% share in profits will be adjusted downward in proportion to the percentage of the Impact Target achieved.

Given the relatively early state of the impact investing sector, and more specifically venture capital and impact investments in agribusinesses in Africa, there are limited relevant and comparable data points from other funds that could provide support for this target rate. However, based on Acumen's 10 years of investing experience in the sector, Acumen believes that this target rate is an achievable goal, and potentially could also be exceeded but the key focus here is to have a transformative, scaled impact. ARAF will focus on investing in innovative, high-growth companies that have the potential to achieve financial returns at this level. This expected return is developed from Acumen's 10 year history of investing in these markets, and its focus on the agribusiness sector in Africa, and its understanding of the business and macroeconomic (i.e. currency) risks of the investments it intends to make from this Fund. ARAF will primarily utilize self-liquidating investment structures with equity kickers, while also making some equity and equity-like investments. The primary focus on self-liquidating instruments is due to the challenges of equity exits in agribusinesses. The SME agriculture sector is generally illiquid from an investments standpoint and hence equity exits are often quite challenging. ARAF will selectively make equity investments where the business model and market dynamics appear promising for equity exits. ARAF will seek to exit its investments within a 5-7 year timeframe.

Please provide an overview of the size of total banking assets, debt capital markets and equity capital markets which could be tapped to finance the proposed project/programme.

ARAF will focus on investments in Uganda in East Africa and Ghana and Nigeria in West Africa. Each country has different total banking assets, debt capital markets and equity capital markets sizes. Please let us know if you need more specific information from us.

Please provide an overview of market rates (i.e. 1-year T-Bill, 5-year government bond, 5-year corporate bond (specify credit rating) and 5-year syndicate loan.

Country	1-year T-Bill	5-year rate	10-year rate
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Uganda ²	13.723	15.442	16.025
Ghana ³	16.469 ⁴	25.480	26.000
Nigeria ⁵	23.4111	15.989	16.243

Provide examples or information on comparable transactions.

Due to the nature of private investing vehicles, it is difficult to ascertain the expected and realized returns of other funds that are comparable to ARAF. Further, ARAF would be one of the first, if not the first, of its kind in the sense that it is a climate change adaptation focused fund that is targeting investments in SMEs that serve smallholder farmers. The expected return on this proposed fund is higher than that of Acumen's pioneer investments in agriculture (which targets 1x returns) given we believe this Fund will have a more diversified portfolio with a mix of pioneer and early growth stage investments and will invest in-line with Acumen's new Climate Resilient Agriculture Strategy which is based on 10 years of learning from investing in the agriculture sector across 3 continents (Africa, Asia & Latin America) in addition to specific learning on climate and resilience sourced from Acumen's network partners and stakeholders.

² Bank of Uganda

³ Central Bank of Ghana

⁴ Bank of Ghana, data cited for 182 day T-bill

⁵ Central Bank of Nigeria

Please fill out applicable sub-sections and provide additional information if necessary, as these requirements may vary depending on the nature of the project / programme.

C.1. Strategic Context

Please describe relevant national, sub-national, regional, global, political, and/or economic factors that help to contextualize the proposal, including existing national and sector policies and strategies.

Background

Climate adaptation will have a significant impact on the GDP output of Sub-Saharan African states, which are highly vulnerable and affected by adverse climate events. With one seventh of the world's population, Africa is set to bear nearly 50% of estimated global adaptation costs in health, water supply, and agriculture and forestry⁶. The poorest are likely to be the most impacted by climate change, particularly those who rely on climate-sensitive livelihoods. 70% of global food supply comes from the world's 500 million smallholder farms⁷, but smallholder farming households also make up more than half of the world's poor and hungry⁸. Smallholder farmers in Africa have the lowest yields in the world due to limited access to affordable credit, quality inputs, reliable extension (knowledge) and decent market prices⁹. To prevent food insecurity, to protect and grow smallholder incomes and the GDPs of African states, and to sustainably feed a growing world population into the future, we must increase the climate resilience of African smallholders.

Our Pivot to Agribusinesses that enhance Climate Resilience

Acumen has a decade of experience working toward the increasing agricultural productivity and incomes in Sub-Saharan Africa, South Asia and Latin America through investments in early stage agribusinesses that work closely with smallholder farmers as customers or suppliers. Our investment strategy focused on innovative business models that provide sustainable market-based poverty alleviation solutions to low-income smallholder farmers. To date our agribusiness investments have taken the form of input supply companies, rural finance providers, information/extension service providers, off-takers (processors, etc.), or 'aggregators', which are typically agro-processing companies that provide two or more essential services like access to improved inputs, extension support, guaranteed off-take to their supplier farmers.

Acumen is an impact-driven organisation and believes strongly in developing businesses that cater to the true needs of smallholder farmers. This means listening and responding to real farmers' voices on the ground. One of Acumen's unique selling points is our proprietary Lean Data methodology (see Section E), a data collection tool that allow us to reach out to farmers - the customers and/or suppliers of our agribusiness investments - to find out more about them and their families and ask them about the impact of our investee company on their lives, including their levels of poverty and wellbeing. This direct feedback has shown us that our agricultural investee companies are reaching some of the poorest farmers in the world: 65% of farmers that we surveyed live below the World Bank's poverty line of \$2.5 per person per day. In addition, the majority of farmers served by the investee companies we surveyed strongly agreed that

⁶ Green Climate Fund (GCF) 2015, "GCF Elements 02: Investment Opportunities for the Green Climate Fund" [online], accessed from <http://www.greencclimate.fund/-/elements-02> on April 28 2017

⁷ FAO 2013, "Coping with the food and agriculture challenge: smallholders' agenda" [online], accessed from http://www.fao.org/fileadmin/templates/nr/sustainability_pathways/docs/Coping_with_food_and_agriculture_challenge_Smallholder_s_agenda_Final.pdf on April 28 2017

⁸ International Assessment of Agricultural Science Technology for Development (IAASTD) 2008, "Global Report 'Agriculture at a Crossroads'", Island Press, Washington

⁹ The World Bank 2013, "The State of the Poor: Where Are The Poor, Where Is Extreme Poverty Harder to End, and What Is the Current Profile of the World's Poor?", accessed from <http://siteresources.worldbank.org/EXTPREMNET/Resources/EP125.pdf> on April 28 2017

the company had led to improvements in their homes and lives. When asked to describe these changes, farmers most frequently mentioned improved monetary well-being resulting from better and more stable incomes, particularly a greater ability to manage daily household expenses. However, Lean Data responses from farmers have also highlighted how closely the fate of farmers' harvests and incomes are tied to climatic factors. Weather related uncertainties are the largest challenge that farmers talk about in the context of their crop or livestock. When asked to state and rank the challenges that they are facing with their agricultural livelihoods, farmers have placed climate-related challenges top of the list.

In response to this feedback, and in no small part due to increasing awareness of the importance of climate change through engagements with the Green Climate Fund (see Section D1), we want to redouble our efforts to support businesses that help smallholder farmers cope with climate change. **This means to support businesses that help farmers adapt and build resilience against climate change. Resilience can be defined as the ability to absorb change and to anticipate future perturbations through adaptive capacity.**¹⁰

Acumen believes that a certain level of climate resilience can be achieved through investment in businesses that supply climate resilient inputs direct to farmers, such as improved seeds, weather information services, efficient irrigation, index insurance, etc. However, in order to secure and accelerate climate resilience to a level that is meaningful to smallholder farmers, we will also require innovative investments in 'ecosystem' businesses that address the systemic barriers preventing them from accessing and adopting such inputs, including access to finance, knowledge and markets.

Our learning has shown that when farmers are able to predict and smooth their finances over the year, they are able to manage their household expenses better and over time are able to plan better for the future, including building their savings and asset base and investing in improved inputs and behaviours that in combination protect them from shocks (both climate and non-climate related). However, we recognise that farmers also need encouragement and support to build their awareness and understanding around how best to sustainably improve their income levels and reduce volatility risks in the face of climate change. We hope to achieve this through a combination of our investment strategy (see next heading) and our grant-funded TA Facility.

We recognise that measuring improvements in climate resilience is a relatively new field, particularly within the impact investing space. To ensure that ARAF is able to achieve our climate adaptation objectives, we are keen to develop a suite of Lean Data tools that can measure improvements in resilience among farmers working with our investees, including improved income levels, income stability and other adaptation metrics (we would like to work closely with GCF and other adaptation thought-leaders to develop these further and test them out with farmers to ensure their validity and effectiveness). Given that women are often disproportionately affected by climate change, we also plan to develop specific gender-sensitive strategies and disaggregate our Lean Data learning by gender. In addition, in order to ensure that our investments do not further contribute toward the advance of climate change we will strive to reduce and/or remove greenhouse gas emissions, where possible. We will do this by ensuring that all our investments are mindful not to undermine the natural resource base through one or more of the following: efficient & sustainable use of natural resources; forest conservation and commitment to reduce deforestation; sustainable productivity improvements through awareness of environmentally friendly best practices; environment friendly waste disposal; promotion of organic alternatives to hazardous agrochemicals (including pesticides & fertilizers). We hope that the development of this suite of tools will also encourage other investors to invest in climate adaptation solutions, both inside and outside of ARAF. Section E1 analyses in detail the impact potential for an ARAF investee to bring about such changes.

ARAF Strategy across Africa

¹⁰ INRA 2015, Stability, robustness, vulnerability and resilience of agricultural systems. A review [online] accessed April 28 2017 at https://www.researchgate.net/profile/Nicolas_Urruty/publication/295616727_Stability_robustness_vulnerability_and_resilience_of_agricultural_systems_A_review/links/56cc0dbc08ae96cdd07061d9.pdf

ARAF is the first, climate adaptation focused investment fund for smallholder farmers in Africa. Acumen has always been a first-mover within the impact investing sector and over the years we have developed a strong global brand with significant influence and convening power due to our ability to deliver results without compromising on our values. We anticipate that ARAF will serve as a role model to the sector on climate adaptation investments, and that the launch and success of ARAF will encourage other private sector investors to make climate adaptation investments in Africa and across the world. As outlined above, to further our impact on the sector, we plan to create and share new impact measurement tools that track the impact of climate adaptation investments over time.

Within ARAF we aim to prioritise investment in tools and services that focus on climate resilience at its core while also investing in enabling livelihoods improvement where there are indirect but important benefits for accelerating climate resilience. Importantly, these investments need to be delivered through sustainable (profitable) market-based solutions to be viable and attract private capital.

Over our ten years of investment in smallholder agriculture, Acumen has learned a great deal about how to instil behaviour change in smallholder farmers, including the sustainable adoption of improved inputs, farming techniques and commercial relationships.

- We have learned that input provision alone cannot always solve problems of agricultural poverty and vulnerability, as farmers are highly risk averse and often need parallel access to knowledge, finance and off-take agreements to support and incentivize them to invest in improved inputs and behaviour change¹¹.
- In addition, product adoption of innovative inputs by smallholder farmers is often too slow to enable early stage input supply business models financially viable.
- We have also learned that access to improved knowledge (extension services) is crucial for both poverty reduction and climate change adaptation. However, direct feedback from farmers has shown that smallholders are not willing to pay to acquire knowledge as a stand-alone service, and that knowledge alone does not always convert to behaviour change and improved livelihoods. Behaviour change and input adoption often need to be incentivized through platforms that also provide access to what farmers prioritize in the short-term: financing solutions and non-exploitative off-take agreements.
- Access to appropriate finance is an important poverty alleviation and climate change adaptation tool in its own right, as farmers' cash is invested in their land for much of the year, leaving them with severe cash flow constraints and vulnerable to shocks.
- Finally, access to markets through equitable and sustainable off-take agreements is key to both income improvement and resilience, providing farmers with better and less volatile incomes and increased access to inputs, knowledge, and finance.

In light of our decade of learning, we will aim to deliver solutions through '**bundled**' platform models that respond to more than one access need (inputs, knowledge, finance and/or markets), where relevant, to maximise adoption and long-term impact for farmers.

In response to the National Adaptation Plans (NAPs) and/or National Adaptation Plans of Action (NAPAs) of the countries we plan to work in, we aim to provide farmers with physical and digital access to the following (non-exhaustive) climate adaptation tools and services, recognizing that some will have direct climate resilience benefits while others act as important enablers for resilience in general:

- Improved market access
- Awareness raising and capacity building on climate-adaptive behaviours, including income diversification
- Improved access to affordable credit and savings facilities
- Crop/weather/drought/medical insurance
- Drip irrigation and other irrigation and water management tools
- Improved seed varieties (early-maturing, drought-tolerant, pest-resistant, etc.)
- Organic fertilizers
- Improved soil management practices
- Strengthened disease and pest control mechanisms

¹¹ Acumen and Bain & Company 2014, "Growing Prosperity: Developing Repeatable Models to Scale the Adoption of Agricultural Innovations" [online], <http://acumen.org/content/uploads/2014/11/GrowingProsperity-Agriculture-Report.pdf>

- Improved livestock and small stock breeds
- Improved animal management, breeding and health services
- Development of climate resilient animal feeds
- Extreme weather early warning systems
- Meteorological information for short-term weather and long-term climate forecasting
- Promotion and dissemination of indigenous knowledge
- Post-harvest management techniques and technologies to minimise losses
- Development of alternative energy sources to firewood
- Flood protection and drainage

Through our investments we will prioritise the tools and services that can be delivered through sustainable (profitable) market-based solutions. As outlined above, in order to maximise adoption and long-term impact for farmers, we will deliver solutions through platform models where relevant. To further maximize the Climate Adaptation impact of our investments, we will provide a grant-funded Technical Assistance Facility to our investees that will in part help them and the farmers they work with adapt to climate change and reduce income volatility. This funding will be used to support the business and its smallholder supplier/customer base in promoting and applying appropriate inputs and techniques/behaviours to respond to climate change. Potential uses may include:

- Shifting a business and its smallholder suppliers/customers to value chains that are better aligned with a changing climate environment within the desired locations;
- Diversifying income streams for a business and its smallholder suppliers/customers in order to reduce the income shocks associated with a changing climate environment; or,
- Supporting extension services to enable farmers to adopt climate resilient inputs and practices and be able to access weather information to make more informed decision about their crops/livestock

Acumen will work closely with the National Adaptation Plans and appropriate national and international organizations and frameworks to ensure our investments meet the adaptation goals of individual nations as well as global adaptation goals and best practice standards. We will also work closely with Stanford University and the University of Minnesota through their Global Landscapes Initiative (GLI), Natural Resources Project (NRP) and NorthStar Initiative for Sustainable Enterprise (NISE), which will provide us access to global datasets on weather patterns and forecasting models for the likely impact of changing weather on key value chains (e.g. coffee, tea, beef) in potential investment locations within ARAF countries. We plan to use these datasets and related climate change models to inform our agricultural investment decisions, ensuring that we invest in the right value chains in the right locations, bearing in mind the forecasted impact of climate change. The value chain models developed by these academic partners are still evolving, but we anticipate that the insights they provide will significantly support the adaptation capabilities of our private sector investee companies and the smallholder farmers integrated into their business models.

ARAF Strategy per Country

Country Vulnerability Matrix

Analysis of the National Adaptation Plans and National Adaptation Action Plans of the three countries that ARAF intends to work in, has identified the following key national climate-related vulnerabilities.

ARAF's strategy focus based on country NAPs									
Key Vulnerabilities	Access to inputs		Access to Financial Services			Access to Extension & Market			Resource Mgmt
	1	2	3	4	5	6	7	8	9
	Poor quality inputs	High livestock mortality	Lack of access to affordable credit for inputs	Lack of access to financing income diversification	No downside protection in case of crop failure and livestock mortalities	Lack of awareness regarding climate smart crop selection	Lack of crop diversification	Lack of extension and training support for climate adaptation	Poor land and water usage
Uganda	X							X	X
Ghana		X		X		X	X	X	
Nigeria	X	X	X		X				X

ARAF aims to respond to the above country vulnerabilities through the following potential investing activities.

		Climate Vulnerabilities	ARAF Investing Activities
Access to Inputs	1	Poor quality inputs providing limited resilience against climate changes	<ul style="list-style-type: none"> Invest in climate resilient inputs that offer improved yields in the face of climate changes e.g., hybrid drought resistant seeds
	2	High livestock mortality due to unexpected drought and disease	<ul style="list-style-type: none"> Invest in provision of improved livestock breeds that are both more productive, sturdy against climate variations and disease resistant e.g., Poultry breeder producing highly productive, sturdy and disease resistant Day Old Chicks for smallholders
Access to Financial Services	3	Lack of access to affordable credit limiting farmers' adoption of climate resilient inputs. Farmers purchase most inputs on credit and access to affordable credit is key to unlocking accelerated adoption of climate resilient inputs.	<ul style="list-style-type: none"> Invest in the provision of innovative financial services leveraging digital platforms including payment and credit solutions that allows farmers to purchase improved/climate resilient inputs e.g., a digital platform offering access to credit based on farmers e-transaction history
	4	Lack of access to financing to expand and diversify productive base e.g., diversify into livestock to enhance resilience to climate change	<ul style="list-style-type: none"> Invest in provision of asset finance to enable farmers to purchase additional productive assets
	5	No downside protection in case of crop failure and livestock mortalities due to climate change	<ul style="list-style-type: none"> Investing in insurance provision for smallholder farmers to improve resilience
Access to Extension & Market	6	Inappropriate crop selection due to lack of knowledge about climate appropriate crops or lack of markets for climate appropriate crops	<ul style="list-style-type: none"> Investing in agro-processing companies in value chains appropriate for specific regions given changing climate conditions. e.g., investing in pulses processing under dry conditions instead of crops like rice or sugarcane which consume a lot of water
	7	Lack of crop diversification exposing farmers excessively to risks of single crop (failure)	<ul style="list-style-type: none"> Investing in companies offering alternative livelihoods opportunities allowing for diversified incomes e.g., a poultry company promoting poultry farming in an area dominated by cash crop cultivation.
	8	Lack of extension and training support to farmers for making their farming practices climate resilient to mitigate against climate risks e.g., laser land levelling to optimize water usages in the context of reduced and highly variable rainfall patterns	<ul style="list-style-type: none"> Invest in companies offering extension support to farmers enabling them to improve their farming practices and make informed decisions about crop selection, land preparation, sowing and harvesting in light of changing weather patterns. These companies would typically be agro-processing enterprises or digital platforms offering bundled solutions
Resource Mgmt.	9	Ineffective land and water usage due to lack of knowledge about climate resilient practices or access to climate resilience tools	<ul style="list-style-type: none"> Invest in the provision of efficient irrigation solutions like drip and sprinkler solutions, water tanks for storing water in rain fed regions etc.

C.2. Project / Programme Objective against Baseline

Describe the baseline scenario (i.e. emissions baseline, climate vulnerability baseline, key barriers, challenges and/or policies) and the outcomes and the impact that the project/programme will aim to achieve in improving the baseline scenario.

The Challenge

The Effect of Climate Change on Global Agricultural Systems

As a result of climate change, regions the world over are expected to experience higher average temperatures, changing precipitation patterns, and more intense weather events¹². While these changes will produce far-reaching economic and social consequences in the years to come, individuals who rely upon agriculture for their livelihoods will grapple sooner and more directly with the effects of climate change. Furthermore, while a portion of climate change's effects upon agricultural systems will manifest gradually, certain phenomena are already occurring. Specifically, while shifting regional climatic profiles in many cases will slowly reduce the suitability of crops that have in some instances been cultivated in areas for generations, increasingly intense and erratic weather events such as seasonal droughts and periods of excessive precipitation have already caused drastic and immediate agricultural shocks¹³.

Of all stakeholders within the global agricultural sector, smallholder farmers are most acutely vulnerable to the adverse effects of climate change¹⁴. The approximately 500 million smallholder (<1 hectare) farms across the globe provide livelihoods to 2.5 billion people¹⁵ and account for as much as 80% of the world's food supply by value¹⁶. In addition to predominantly inhabiting climatically at-risk areas of Sub-Saharan Africa, South Asia, and Latin America, a majority of smallholder farmers' vulnerability is exacerbated by their inability to adopt appropriate climate change adaptation measures.

Adaptive Responses in Sub-Saharan Africa

In Sub-Saharan Africa, where up to 80% of farmland is managed by smallholders, a primary impediment to resilience is not just inadequate access to information regarding adaptation methods, but also farmers' inability to implement farm-scale adaptive responses due to the lack of availability of adaptation solutions or to real or perceived inability to afford such solutions¹⁷. Smallholder farmers' limited financial capacity to adopt appropriate agronomic adaptation measures is

¹² United States Environmental Protection Agency, "Climate Change," <http://www.epa.gov/climatechange/basics/>.

¹³ H. Charles J. Godfray et al., "Food Security: The Challenge of Feeding 9 Billion People," *Science* 327, no. 5967 (February 12, 2010): 818; and Alvaro Calzadilla et al., "Climate Change Impacts on Global Agriculture," *Climatic Change* 120, no. 1–2 (September 2013): 374.

¹⁴ J. Morton, "The Impact of Climate Change on Smallholder and Subsistence Agriculture," *Proceedings of the National Academy of Sciences* 104, no. 50 (December 11, 2007).

¹⁵ FAO 2012, "Smallholders and Family Farmers",

http://www.fao.org/fileadmin/templates/nr/sustainability_pathways/docs/Factsheet_SMALLHOLDERS.pdf

¹⁶ United Nations Food and Agriculture Organization, "The State of Food and Agriculture, 2014"

<http://www.fao.org/3/a-i4040e.pdf>

¹⁷ United Nations Food and Agriculture Organization, "Smallholders and Family Farmers"

often further eroded by structural socio-economic factors such as income instability and limited access to markets, to inputs, and to credit¹⁸. This reality, according to the authors of a study of Kenyan smallholder farmer households' climate change adaptation efforts, "emphasizes the need for greater investments in rural and agricultural development to support the ability of households to make strategic, long-term decisions that affect their future well-being"¹⁹.

Accordingly, climate change adaptation solutions are direly needed that not only directly facilitate smallholder farmers' access to and adoption of climate-resilient cultivation practices, but also provide effective and sustainable solutions to the ancillary socio-economic challenges that serve to further reduce their resilience.

Listening to Farmers

These macro trends are borne out by what we are hearing from farmers via our Lean Data work. See **Section E** below for details on Acumen's Lean Data methodology for understanding the social performance of our investee companies. Using Lean Data to listen to farmers has allowed us to understand first-hand how closely the fate of farmers' harvests and incomes are tied to climatic factors.

- 1) When the weather is favorable, the crop does well and farmers' production and income improve. In a recent Lean Data project, we asked cacao farmers how their production this year compared to last and what were the main reasons for any changes they observed. Not surprisingly, weather related factors were the main driver for improved production and consequently profit. One of the suppliers told us, "*This year the rain has been low, which helps to reduce diseases and increase production.*"
- 2) Weather related uncertainties are also the largest challenge that farmers talk about in the context of their crop. In our Agriculture LD surveys, we have recently started asking farmers to state and rank the challenges that they are facing with their crops. From the few LD projects we have done since the inclusion of this question, climate-related challenges have topped the list. Here are some key messages that we are hearing:
 - a. Climate is the biggest challenge.
"*It rained a lot and flooded my farm.*" Colombian farmer
"*Climate change is a problem: we have not had rain and our cabbages are drying up.*" Kenyan farmer.
"*We experienced a drought that destroyed our farm and so we were unable to sell.*" Ghanaian farmer
"*Our low production was due to climate and our inability to handle the diseases caused by the rain.*" Colombian farmer
 - b. Coping is hard and expensive.
"*Climate has affected production, I have had to invest more to maintain my farm.*" Colombian farmer
"*Lack of water: we have to go 400meters to get the water for irrigation*" Kenyan farmer
 - c. Resourceful farmers are adapting. At the same time, they are actively asking for support, monetary and otherwise, to cope.
"*I shifted from the cultivation of maize to rice during the last season because the weather was favorable for rice cultivation.*" Ghanaian farmer.

http://www.fao.org/fileadmin/templates/nr/sustainability_pathways/docs/Factsheet_SMALLHOLDERS.pdf

and Elizabeth Bryan, Claudia Ringler, Barrack Okoba, Carla Roncoli, Silvia Silvestri, Mario Herrero, Adapting agriculture to climate change in Kenya: Household strategies and determinants, Journal of Environmental Management, Volume 114, 15 January 2013, Pages 26-35, ISSN 0301-4797,

<http://doi.org/10.1016/j.jenvman.2012.10.036>

¹⁸ Douxchamps, S., Van Wijk, M.T., Silvestri, S. et al. Reg Environ Change (2016) 16: 1305.

doi:10.1007/s10113-015-0838-6; Morey Burnham & Zhao Ma (2015): Linking smallholder farmer climate change adaptation decisions to development, Climate and Development, DOI:

10.1080/17565529.2015.1067180 ; and J. Morton, "The Impact of Climate Change on Smallholder and Subsistence Agriculture," Proceedings of the National Academy of Sciences 104, no. 50 (December 11, 2007).

¹⁹ Elizabeth Bryan, Claudia Ringler, Barrack Okoba, Carla Roncoli, Silvia Silvestri, Mario Herrero, Adapting agriculture to climate change in Kenya: Household strategies and determinants, Journal of Environmental Management, Volume 114, 15 January 2013, Pages 26-35, ISSN 0301-4797,

<http://doi.org/10.1016/j.jenvman.2012.10.036>.

"It rained a lot and flooded my farm... the association is helping us implement drainage systems which will improve production and profit." Colombian Farmer

Please describe the main goal and anticipated outcomes of the project/programme, with reference to the baseline scenario.

The Solution

Acumen Context

Our 10 years of working with agricultural businesses in Africa has provided us with a unique learning opportunity to understand the challenges that farmers face and the impact that these businesses have on their behaviors and decision-making. As mentioned in the previous section, we have observed through our investments the structural and behavioral barriers that put farmers at a much higher risk in the face of an adverse climate situation. However, the ARAF and GCF's catalytic capital is allowing us to bring climate adaptation center-stage in our investing strategy. Our investments from ARAF will address these barriers head-on so that farmers are less vulnerable to poor market dynamics and do not make poor decisions due to the adverse impact of unpredictable weather patterns and rising temperatures. We understand that it is imperative to make it *simple* for farmers to make the choice to adapt. It is important to underscore though that we plan to take a holistic approach to solving the challenges in African smallholder agriculture rather than investing in piecemeal solutions. What this means is that while ARAF's core focus will be investing in climate resilience initiatives and enterprises where the direct beneficiaries are smallholder farmers, we also anticipate a smaller portion of the fund to be invested in enablers (e.g., access to affordable credit platforms) that will help to scale up climate resilience impact for smallholder farmers.

The Role of Patient Capital

To address structural socio-economic barriers to climate change adaptation, private sector approaches can yield solutions that are more sustainable over the long term. This is in contrast to agronomic interventions, which are often better implemented on a large scale by governments or large private foundations. However, the private sector is generally risk averse and requires an enabling environment to invest. Agriculture is seen as a high risk sector in large part due to climate related variability that can affect the success of early stage business models. Acumen believes, engaging the private sector is key to solving the challenges faced by smallholder farmers. It requires building up innovative business models that can prove their own viability and also support de-risking of the sector. Hence building up businesses that enable climate resilience for smallholder farmers is a key objective of ARAF.

Furthermore, it is widely understood that smallholder farmers are conservative and risk averse, and as a result adoption of innovative solutions in these markets is slow. We have covered this subject at length in Growing Prosperity²⁰, the report co-authored by Acumen and Bain & Co., wherein based on our sector experience we explain the underlying reasons for slow adoption in these markets and the steps private enterprises can take to accelerate adoption.

There are two principal challenges for smallholder farmer when faced with a choice of adopting an innovative solution or practice:

1. Poor incomes and extremely thin asset base means limited appetite to experiment. A failed experiment could well mean complete wipe-out of any savings/assets or even perpetual indebtedness
2. Uncertainty associated with incomes mean conservative expenditure planning which results in limited appetite for new and untested solutions

²⁰ Acumen and Bain & Company 2014, Growing Prosperity: Developing Repeatable Models to Scale the Adoption of Agricultural Innovations [online], accessed April 28 2017 from <http://acumen.org/content/uploads/2014/11/GrowingProsperity-Agriculture-Report.pdf>

To address these challenges, the traditional economic relationships between the farmer and the rest of the agricultural eco-system needs to be altered. There are 4 Key Farmer Needs that need to be addressed in a way that improves farmer incomes in a sustainable way while reducing income uncertainty. These key farmer needs are:

1. Access to quality inputs (to improve productivity)
2. Access to affordable credit (to reduce costs – farmers make most input purchases on credit)
3. Access to extension and trainings (to improve yield, reduce waste, improve climate resilience)
4. Access to off-take markets (to improve profitability)

In the traditional system, the middlemen offer all these solutions on expensive terms because farmers lack direct access to other market stakeholders (e.g., input providers, formal credit providers etc.). Hence it is critical to enable farmers' direct access to markets (credit, input, off-take) to improve their livelihoods in a sustainable way and reduce income uncertainty. This will enhance farmers' appetite to adopt innovative solutions that enhance climate resilience.

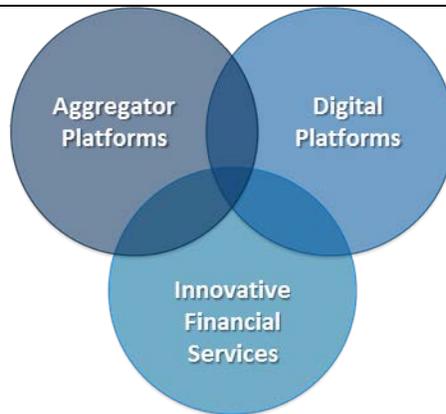
While in the previous phase of our agriculture investment work, we have invested in business models that would address the above one of more of farmer challenges, with ARAF, the focus will be to sharply find specific climate resilience interventions across these 4 need areas and support the development and growth of these solutions and services and their delivery to smallholder farmers.

The Promise of Platform Businesses

Acumen, from its decade long investing experience of experimenting with a range of business models, has concluded in its new strategy that Platform businesses are one of the most powerful channels for impacting smallholder farmers. Platform businesses (or Platforms) are business models that act as a channel through which multiple services can be delivered to the farmer. In addition, these businesses are also financially more resilient compared to single product/service businesses. An example of a Platform Business would be GADC, a cotton ginnery in Northern Uganda that sources organic cotton from 70,000 smallholder farmers and in the process provides access to improved cotton seeds, off-take assurance and extension services to farmers. In contrast, an example of a non-platform business would be a seed company only selling seeds or a fertilizer company only selling fertilizer to farmers. Non-platform businesses pushing single innovative solutions face the challenge of slow adoption and significant distribution channel issues that affect their economic viability. For example, a seed company will find it difficult to push a new seed, without farmers having access to active extension support (on how to use that seed) and affordable credit. Further, building up its own distribution channel might be too expensive and yet existing channels might be too noisy to push an innovative new solution. On the other hand, with multiple offerings that complement each other, some of the adoption and distribution risks can be significantly mitigated. Hence multiple interventions bundled together and delivered through a platform business can prove to be the most powerful private sector integrated models delivering sustainable impact in agriculture.

Within Platform Businesses, there are three sub-categories that differ in their nature of service delivery. These are:

- **Aggregator Platforms:** agribusinesses that provide bundled solutions to two or more key farmer access needs i.e., access to knowledge, inputs, finance and/or markets. These platforms aim to improve smallholder farmers' access to input and/or output markets.
- **Digital platforms:** Information & Communication Technology (ICT) Agribusinesses, providing bundled digital solutions to two or more key farmer access needs: access to knowledge, inputs, finance and/or markets. These platforms enhance supply chain visibility and efficiency for farmers.
- **Innovative Financial Services:** Innovative payment, credit and insurance solution providers to farmers at scale



We believe Aggregator, Digital Platform and Innovative Financial Services business models are key to effectively addressing the structural socio-economic challenges that are known to inhibit smallholder farmers' adaptive responses to climate change:

1. *“One-Stop” Visibility and Access*

Smallholder farmers are often faced with a splintered network of middlemen who together provide access to agronomic information, extension services, credit, inputs, and markets, often at a high cost or in an inefficient manner. Innovative Financial Services, Aggregator and Digital Platform businesses provide a “one-stop” destination for all or many of these services in a bundled package, improving both the quality and stability of farmer incomes and therefore strengthening their ability to adapt to climate change.

2. *Income Stability Is Essential to Building Lasting Resilience*

Stable and predictable cash flows helps farmers to manage daily expenses better, a finding that has resonated across countries and agriculture value chains in our Lean Data work to date. Over time, having predictable income helps farmers plan and start building a base of savings and assets that they can use to reduce the impact of any kind of shock. Today, many smallholder farmers' inability to access credit and markets results in uncertain income cycles, which serve to prevent farmers from confidently planning for their futures. More consistent and often higher incomes as a result of linkage to aggregators and ICT enterprises allow smallholder farmers to invest in new equipment or other climate change adaptation solutions that would otherwise have been either unaffordable or too risky to pursue.

3. *Bundling Information and Extension Services*

So much value remains untapped by smallholder farmers because they do not have access to the right information, skills, tools and equipment, and inputs. Many organizations have tried providing these services as piecemeal offerings, but our experience has shown us that farmers are cautious and slow to adopt new innovations and hesitant to pay for isolated interventions. Often rightly so, because we have also learnt that these offerings are often inadequate unless provided in combination with one or more of the other component offerings of aggregators and digital platform enterprises.

In conclusion, Acumen invests in companies that offer smallholder farmers the dual and inextricably linked value propositions of becoming both financially and environmentally sustainable. These solutions not only account for the concrete agronomic challenges facing smallholder farmers, but also the equally significant structural socio-economic barriers to climate change adaptation. Therefore ARAF will support climate resilience for African smallholders by investing in businesses that deliver climate resilience solutions to smallholders and also by supporting other ecosystem businesses that enable improved livelihoods. See previous section for additional detail.

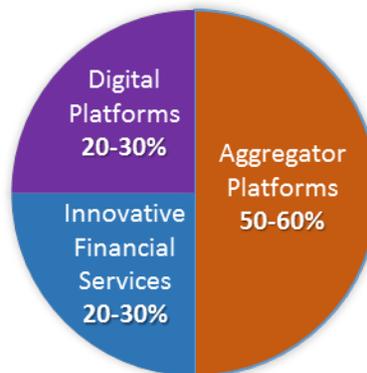
Describe the main activities and the planned measures of the project/programme according to each of its components.

Out of a total fund size of \$50M, ARAF will invest approximately \$36M in around 18-20 portfolio companies, with an investment range of approximately \$0.3M - \$3M per portfolio company. **These companies must clearly demonstrate how they will help low-income smallholder farmers to improve resilience to climate change.** ARAF intends to identify and support market-based solutions that provide smallholders access to one or more of the following:

1. Climate resilient inputs for resilient productivity;
2. Affordable credit and insurance to lower cost of production and provide downside protection against climate related shocks;
3. Climate extension (training and capacity building) to enhance yields and improve resilience in the face of weather shocks;
4. Formal off-take markets for better prices;

In terms of business models to address these 4 key needs, the following is an indicative split of capital to-be deployed:

Business Models



Some business models will be overlapping

For an overview of our investment strategy, please see Sections C1 and C2. In accordance with Acumen's accreditation, ARAF will not invest greater than \$7.5 million in one portfolio company and will ensure that investments fall within ESS Category C of companies that have minimal or no adverse environmental and/or social risk and/or impacts. ARAF is expected to invest in businesses that have existing solutions to bringing access to smallholder farmers as well as invest to build-out parts of the eco-system that are weak or missing and will help to significantly scale-up impact on the climate resilience of smallholder farmers.

To maximize the Climate Adaptation impact of our investments, we will provide a grant-funded Technical Assistance Facility (TAF) that will help our investees to build sustainable and scalable businesses, as well as help them and the farmers they work with to adapt to climate change and to reduce income volatility. Uses of TAF funding for climate change adaptation may include capital to shift a business and its smallholder suppliers/customers to value chains that are better aligned with a changing climate environment within the desired locations; capital to diversify income streams for a business and its smallholder suppliers/customers in order to reduce the income shocks associated with a changing climate; or, capital to support extension services to enable farmers to adopt climate resilient inputs and practices and be able to access weather information to make more informed decision about their crops/livestock

Provide information on how the activities are linked to objectives, outputs and outcomes that the project/programme intends to achieve. The objectives, outputs and outcomes should be consistent with the information reported in the logic framework in section H.

ARAF will be Africa's first climate adaptation fund focused on early-stage smallholder-facing agribusinesses. With the catalytic capital from the GCF, this Fund as well as its investments will have the potential to uplift agricultural growth and resilience in East and West Africa. In particular, the above-mentioned activities will seek to support the following GCF objectives at both the fund and project/programme levels:

Fund Level

1. Increased resilience and enhanced livelihoods of the most vulnerable people, communities and regions
2. Increased resilience of health and well-being, and food and water security
3. Increased generation and use of climate information in decision-making

Project/programme Level

1. Strengthened adaptive capacity and reduced exposure to climate risks
2. Strengthened awareness of climate threats and risk-reduction processes

To ensure that ARAF is able to achieve these climate adaptation objectives, we will work with each investee company and our Lean Data team to develop and track a number of proprietary indicators to measure progress at ARAF and Project/Programme levels. We will initiate various Lean Data projects over the course of fund life to evaluate improvements in climate resilience among farmers, including improved income levels, income stability, access to climate information systems and other metrics. We will consolidate data for analyses and form insights at ARAF-level on a regular basis, and would like to work closely with GCF and other climate adaptation thought-leaders to develop and share insights with the wider impact investment community.

As mentioned above, we may also use a portion of our TAF grant budget to help investees to improve their adaptive capacity by transitioning their businesses along the value chain, as opportunities and sector risks evolve. We hope to leverage our experience and partnerships we have built in the space to support our investees along the entrepreneurial curve to build sustainable and scalable businesses.

C.4. Background Information on Project / Programme Sponsor (Executing Entity)

Describe the quality of the management team, overall strategy and financial profile of the Sponsor (Executing Entity)

Since 2001, Acumen has been investing in companies that provide goods and services to low-income customers and that help these consumers to transform their lives. Acumen's first focus was on healthcare start-ups that could provide widespread benefits to populations living at the base of the wealth pyramid (BoP), such as (a) a low-cost hearing aids; (b) an inexpensive electromagnetic immunosensors for early detection of diseases; and (c) a handheld device for gathering and disseminating health information quickly and affordably. As Acumen grew, it searched for a wide range of global innovations that could offer a voice to low-income communities and encouraged the market to develop businesses offering a broader array of critical goods and services to low-income communities.

From 2002-2003, Acumen enhanced several core investment processes, including: (a) formalizing a due diligence process to vet financial viability and projected social impact; (b) organizing investments into thematic portfolios (e.g., healthcare, energy and agriculture); (c) implementing a metrics reporting system to help portfolio companies focus on financial and social goals while allowing Acumen to learn from their performance; and (d) shifting away from providing grants toward debt and equity investments. Underlying this final change was a recognition that debt and equity investments, combined with hands-on management assistance from Acumen, represented a more effective and sustainable use of resources than grant making. By 2004, Acumen had identified suitable business opportunities in India, Pakistan, Tanzania, Kenya, South Africa and Egypt and had completed investments in an organic products

company, a telemedicine venture with a renowned eye hospital, a microfinance institution, an anti-malarial bed net manufacturer, a network of personal digital assistants (PDAs) for disease monitoring, a low-income housing development, an HIV/AIDS treatment service and a health care franchise network.

In 2006, Acumen began preparing for the next five years of growth by deepening and solidifying investment processes while expanding local bases of support. Recognizing that it needed local knowledge and local experience to build deal flow and to best support portfolio companies, Acumen committed to an on-the-ground presence in each of its target investment geographies, leading to more decentralized operations and the opening of offices in Karachi, Pakistan and Hyderabad, India (subsequently moved to Mumbai). These new offices introduced increasingly viable investment opportunities for Acumen in existing business enterprises serving low-income customers. In 2007, Acumen followed suit in East Africa, launching another regional office in Nairobi, Kenya. Acumen continued to expand its sector and geographic focus in subsequent years, launching an energy portfolio in 2007, an agriculture portfolio in 2008, an education portfolio in 2011, and a West Africa office in 2011.

In 2009, Acumen raised its first for-profit private equity fund, Acumen Capital Markets I LLC ("ACM I"), to invest in small- and medium-sized enterprises that have social impact missions consistent with those of Acumen, but whose business models had lower risk of product design and customer adoption (than Acumen's pioneer investing portfolio) - and thus had a greater probability of commercial viability. ACM I's investment strategy was consistent with Acumen's charitable mission, and Acumen served as its Portfolio Manager. Acumen, as the Portfolio Manager of ACM1, leveraged its existing investment process and global team in India, Pakistan and East & West Africa to identify potential investment targets for ACM I, to work with the management of prospective portfolio companies to refine business strategies, to understand the associated risks and to provide guidance on financing, marketing, and operational issues, amongst other items. To pursue its social impact and financial return goals, ACM I adopted the following investment criteria:

- o Market-based delivery of a critical good or service (such as healthcare, energy, agriculture, housing, or water and sanitation) to a BoP market
- o Location in Acumen's target geographical areas
- o Enterprise with an established business model and revenue stream
- o Innovative product or service with high scale and/or replication potential
- o Top-quality leadership and management with a proven track record and demonstrated commitment to targeting BoP markets
- o Potential for Acumen to add significant value through its expertise and networks
- o Willingness to work collaboratively and to meet pre-determined milestones
- o Typical investment size of approximately \$250,000 to \$2.0 million

As of December 31, 2014, ACM I had disbursed \$11.0 million of capital to 12 companies. The investment period of ACM I ended in 2014, and no more capital investments will be made into new companies.

Overall, since 2001, Acumen has invested a total of \$108 million of capital into 99 companies. Acumen currently has \$63 million in investments under management in 71 enterprises.

In Q3/2016 the Green Climate Fund (GCF) became an anchor investor in Kawisafi Ventures, Acumen's for-profit investment fund focused on creating energy access in East Africa. The partnership has been a great success to date, with Kawisafi deploying \$10M into two of the leading off-grid solar energy companies in East Africa; d.light design and Bboxx. Acumen was the first entity to receive disbursed funds from the GCF for an approved funding proposal and the Kawisafi fund has been heralded as an innovative and exciting partnership for GCF.

Social and Financial Impact to Date

Since 2001, through its investment portfolio, Acumen has impacted 200 million lives, creating access to critical goods and services such as clean energy, clean water, improved agricultural inputs and quality healthcare. Thirteen of Acumen's portfolio companies have impacted at least 1 million people. Acumen has received approximately \$25M dollars in investment returns from its portfolio from 28 exits. The majority of these investment returns have come from repayment of debt principal and interest payments.

Agriculture

Over the past 10 years, Acumen has invested over \$33 million in 23 agriculture companies in Latin America, Africa and South Asia that have collectively impacted approximately 13.9 million lives to date. In Africa specifically, Acumen has invested over \$20 million in 10 companies, which have impacted the lives of approximately 10 million smallholder farmers.

Each investment was made after assessment of the opportunity's potential both for financial sustainability and for social impact. Acumen (in Agriculture) invests in businesses that do not encourage the use of hazardous agrochemicals (which include pesticides & fertilizers). As an alternative, we promote the adoption of organic best practices coupled with vertical integration.

Our investments in agribusinesses such as Wasi Organics (producer and marketer of organic snack foods with ingredients sourced directly from Peruvian smallholders), Under the Mango Tree Naturals and Organics (striving to preserve indigenous beekeeping using a commercially sustainable model for Indian farmers), Farmers Hope (producer and distributor of organic fertilizers in Ghana) and Esoko (digital platform delivery critical information services like weather forecast to smallholder farmers in Ghana and Kenya) demonstrate Acumen's commitment towards driving adoption of agricultural best practices that improve resilience of communities.

By leveraging our strengths in impact measurement, our investees iterate their business models based on continuous user feedback. By aggregating smallholder farmer insights, Acumen is able to understand farmer behavior in unique ways that in turn enable greater impact.

In 2016, Acumen successfully exited from one of its single largest investment in an agriculture company in Africa. Over the last 6 years, Acumen invested approx. \$6.9M in Gulu Agricultural Development Company (GADC) based in northern Uganda. The finance was provided as a revolving facility which, at its peak, was drawn to the extent of \$ 1.8 M. GADC worked with farmers returning to their lands after 20 years of armed conflict in the area. GADC provided active assistance to farmers to redevelop their lands for growing organic cotton for export markets. Acumen together with Root Capital provided a working capital loan facility to the company. This helped the company grow its sourcing from smallholder farmers and impact 420,000 lives as a result.

In 2017, Acumen is in the process of exiting from another of its successful investment in Africa, EthioChicken. This was Acumen's first investment in Ethiopia under a public private partnership program. EthioChicken produces highly productive disease resistant Day Old Chicks for smallholder farmers allowing them to diversify incomes away from crops. Acumen had structured this investment as debt with an EBIT share which allowed Acumen to capture some of the financial upside as the company expanded. Acumen is now exiting the investment as the company has now scaled to a point where commercial investors are keen to invest for further scale-up.

Acumen sees these investment structures as good examples of the kind of investments Acumen anticipates making from ARAF. The debt like structures allowed for smooth exit while in the case of EthioChicken an EBIT share allowed Acumen to also capture an upside.

Management Team

Acumen's team is dedicated to changing the way the world tackles poverty. Profiles of key management team members relevant to ARAF are presented below:

Our CEO, **Jacqueline Novogratz**, is one of the early pioneers of impact investing and our work over the past 15 years has pushed the boundaries of the impact investing sector. Under her leadership, Acumen has invested \$106 million in 96 companies providing critical goods and services to the poor across Africa, Latin America, South Asia and the United States. In 2016, Jacqueline received the Forbes 400 Lifetime Achievement Award for her work in social entrepreneurship. Prior to Acumen, Jacqueline founded The Philanthropy Workshop and The Next Generation Leadership programs at the Rockefeller Foundation. She also co-founded Rwanda's first microfinance institution,

Duterimbere. Jacqueline sits on the boards of the Aspen Institute and IDEO.org. Jacqueline has spearheaded another successful engagement with the Green Climate Fund in Energy in Africa Kawisafi Venutres which successfully focussing on the provision of clean energy solutions to low income customers in Rwanda and Kenya.

Sachindra Rudra has been Acumen's CIO for the past 3 years and has led an expansion as well as sharper focus of our investing activity. As Country Director of India prior to being CIO, Sachindra oversaw a major investment in a dairy aggregator in India, in addition to overseeing one of our largest geographic portfolios. Prior to Acmen, Sachin spent 15 years in Private Equity, Consulting and Operations with organizations such as McKinsey & Co, Navis Capital Partners and Unilever.

Noor Ullah is Acumen's Global Head of Agriculture and has been with Acumen for the last 10 years. Noor was part of the team that spearheaded Acumen's work in agriculture almost a decade ago. Through the years, Noor has worked with teams across our target regions in South Asia, Africa and Latin America to build out Acumen's agriculture portfolio which today is the biggest sector exposure for the fund (23 investments, \$33M invested, 13 million lives impacted). Noor also co-authored Growing Prosperity, a published report that captures key learnings from Acumen's investments in the sector. As Pakistan Portfolio Manager, Noor supported the build out of Acumen's Pakistan Portfolio across energy, agriculture and water sectors. Prior to joining Acumen, Noor spent 4 years in Operations Management, Business Development and Consulting roles with organizations like the World Bank, Microtech Industries and others.

Describe how it (Executing Entity) will support the project/programme in terms of equity investment, management, operations, production and marketing.

Acumen is developing a new impact fund that intends to be comprised of portfolio companies in the agriculture sector in East and West Africa that provide overlapping impact with the objectives of the GCF. We are requesting \$23M of investment capital from GCF that will be invested in the CFLC pool of ARAF while Acumen will be contributing \$2M towards the same. We are targeting a \$50M total fund size for the ARAF, of which approximately \$36M will be invested in around 18 - 20 companies.

We are also requesting an additional \$3M grant capital from the GCF towards a \$6M TA Facility. As highlighted in section B1, the TA facility will be used to support ARAF in achieving its goals by funding climate adaptation capacity building efforts, business development and employee training services, gender-specific interventions and Lean Data impact measurement initiatives (for more details on Lean Data, refer to section E1) for portfolio companies.

Acumen will be supporting ARAF by leading the fundraise effort. In addition, once the fund is set up, Acumen will be able to offer a range of inhouse services at below market prices to ARAF including Acumen's exclusive Lean Data Services, legal and administrative support. In addition, Acumen's existing operations in Africa will support the setting up of ARAF operations and provide running support on pipeline development in the region and access to local networks.

C.5. Market Overview (if applicable)

Describe the market for the product(s) or services including the historical data and forecasts.

Describe the competitive environment including the list of competitors with market shares and customer base and key differentiating factors (if applicable).

Provide pricing structures, price controls, subsidies available and government involvement (if any).

ARAF's market is the millions of low-income smallholder farmers in Africa, who have the lowest yields in the world. In Africa and across the world, these farmers make up most of the world's poor and half of the world's hungry. Acumen has been investing to strengthen smallholder communities since 2008. In the face of climate change and unpredictable weather shocks, strengthening these communities means protecting assets, improving incomes and building adaptive capacity. In addition to predominantly inhabiting at-risk areas, smallholder farmers' vulnerability to climate change is exacerbated by their inability to adopt appropriate climate change adaptation measures. Smallholder farmers are faced with 4 key challenges:

- When farmers are ready to sell their harvest, the middleman is usually the off-taker and would offer **prices** lower by 20-40% compared to market prices. These price margins are skimmed by the middleman in the name of service charges and brokerage fees etc. This significantly dents farmers' incomes and reduces their ability to save and invest in new and improved climate resilient inputs and practices.
- **Inputs** provided by these middlemen are often adulterated leading to poor yields for farmers. That said, climate resilient inputs are few and there is limited awareness amongst customers about the utility of such inputs or access to them.
- Farmers buy most of their inputs on **credit**. It's typically the local influential middleman that provides inputs on credit to farmers and is also the off-taker for the farmer since farmers do not have direct access to buyers. Credit provided by these middleman can be priced anywhere from 60%-100% annualized mark-up rates. Such high rates leave very little upside for the farmer, if any and risks putting them in a debt trap in case market price at the time of harvest is low or weather shocks impacts productivity. In addition, these credit providers do not offer much support to farmers in mitigating the risk of climate shocks through better practices. Climate smart lending is an emerging concept and critical for farmers to be linked to climate smart lending which in addition to providing affordable credit also enables farmers to mitigate against the risk of climate shocks and prevent them from falling into a debt trap due to a failed harvest.
- There is virtually **no extension or training support** available to farmers in large part of Africa. There are limited government and NGO run programs where quality is questionable and reach is extremely limited. This exposes farmers to magnified risks specifically given the changing weather patterns. Farmers are unable to plan properly for land preparation, sowing, watering and harvesting. For example, according to [FAO](#), in a pilot study of 22 sub-Saharan African countries, crop yields increased by 40 percent in the first year that agricultural extension was offered. Given the lack of quality extension, climate smart extension is virtually non-existent. To fix extension, both knowledge base of extension providers needs to be upgraded to incorporate climate resilience lens while cost effective delivery channels need to be enabled.

To continue supporting smallholder farmers and help them adapt to climate change, ARAF will address:

1. Access to climate adaptation training and best practices by investing in extension systems
2. Climate adaptive inputs which protect yields from disease outbreak and have greater resistance against climate variability.
3. Affordable credit and indexed insurance
4. Better market prices to improve farmer profitability

To address these 4 key needs, ARAF will invest in platforms that improve access in an increasingly connected world and visibility in an increasingly digital world to enhance climate resilience, productivity, and livelihoods. Innovative Financial Services, Aggregator and Digital (Ag-ICT) Platform business models are effective in addressing socio-economic challenges that are known to inhibit smallholder farmers' ability to develop adaptive responses to climate change.

Smallholder farmers today are often faced with a splintered network trying to provide access to agronomic information, extension services, credit, inputs, and markets, often at a high cost or in an inefficient manner. These are informal

markets where credit is expensive, extension is broken or almost non-existent, off-take prices are lower for farmers compared with market prices, and inputs are adulterated or not available at the time when farmers need them the most.

Innovative Financial Services, Aggregator and Digital Platform businesses provide a one-stop destination for all or many of these services in a bundled package, improving both the quality and stability of farmer incomes and therefore strengthening their ability to adapt to climate change. See C.2 for additional details.

In addition, Acumen will work with governments (both national and local) to scale the impact of successful investments. In many countries where ARAF will be active, governments control prices for certain crops, regulate import and export or are directly involved in value chains. We have had great success in working with governments and scaling the adoption of innovative solutions that enhance climate resilience e.g., in Ethiopia, we invested in EthioChicken, a company that managed government owned poultry breeders under a Public Private Partnership model. The company with active support from the Ethiopian government has now scaled to become the largest Day Old Chicks producer in Ethiopia that is producing chicks for farmers that are 4 times more productive compared to regular chicks available in the market while also being more disease resistant. This is enabling farmers to increase their incomes manifold while also increasing income protection from outbreak of disease.

Through ARAF we would look to work with active governments as well as progressive corporates to scale such livelihoods improvement and climate resilience initiatives.

C.6. Regulation, Taxation and Insurance (if applicable)

Provide details of government licenses or permits required for implementing and operating the project/programme, the issuing authority, and the date of issue or expected date of issue.

The fund will be formed as a limited partnership under the laws of Ontario. It will be a closed end fund and will be transparent for tax and legal purposes.

Acumen is not aware of any government licenses or permits required in connection with the formation or operation of the ARAF. Certain registrations may be required in jurisdictions where the ARAF is formed or where the Manager solicits additional investment, and will be reviewed and addressed during the ARAF development and fundraising. The ARAF will carry out the relevant due diligence on its portfolio companies to understand if they comply with the appropriate regulatory environment and under the applicable licenses.

Acumen assesses regulatory, tax and insurance concerns in the diligence process of each investment opportunity. Acumen expects that the social enterprises it invests in operate within the appropriate regulatory environment and obtain all the appropriate licenses within each country. Through this project, Acumen will monitor its portfolio companies and ask for relevant documentation and information proving continued to compliance with relevant laws and regulations.

Describe applicable taxes and foreign exchange regulations.

The ARAF has selected Ontario, Canada as its jurisdiction of formation in part based on the tax efficiencies for investors and the ARAF with respect to the target geographies for investment.

Acumen assesses regulatory, tax and insurance concerns in the diligence process of each investment opportunity. Acumen expects that the social enterprises it invests in operate within the appropriate regulatory environment and obtain all the appropriate licenses within each country. Regulatory compliance will be part of the diligence on investments, and ongoing monitoring, and the fund will obtain representations and covenants for investees regarding

the status of the same. Through this project, Acumen will monitor its portfolio companies and ask for relevant documentation and information proving continued to compliance with relevant laws and regulations.

Provide details on insurance policies related to project/programme.

Acumen maintains insurance policies that provide coverage in the amounts and of the types it deems advisable given its activities and the activities of its affiliates. It is expected that the ARAF will benefit from inclusion in coverage under these policies.

Acumen assesses regulatory, tax and insurance concerns in the diligence process of each investment opportunity. Acumen expects that the social enterprises it invests in operate within the appropriate regulatory environment and obtain all the appropriate licenses within each country. Through this project, Acumen will monitor its portfolio companies and ask for relevant documentation and information proving continued to compliance with relevant laws and regulations.

C.7. Institutional / Implementation Arrangements

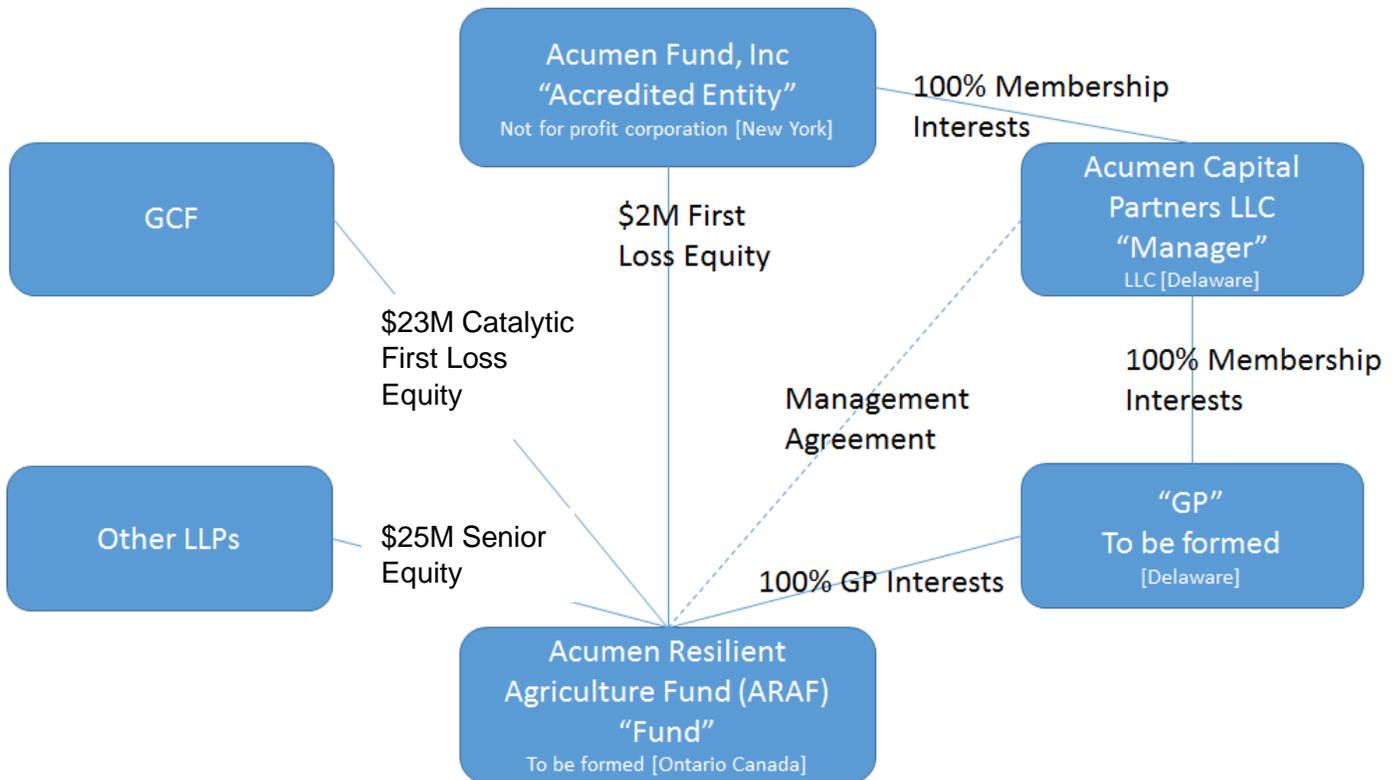
Please describe in detail the governance structure of the project/programme, including but not limited to the organization structure, roles and responsibilities of the project/programme management unit, steering committee, executing entities and so on, as well as the flow of funds structure. Also describe which of these structures are already in place and which are still pending. For the pending ones, please specify the requirements to establish them.

The executing entity for ARAF and TAF will be the Fund i.e. the Acumen Resilient Agriculture Fund LP, an Ontario limited partnership (to be formed), which will be the direct investing entity, and will be managed by Acumen Capital Partners LLC, a Delaware limited liability company.

Please note that the Funding Activity Agreement (FAA) will be between the AE and GCF. The AE will enter into a subsidiary agreement with the GP to ensure compliance with the FAA requirements. The GP and LPs will enter into an LPA with the terms of the fund operations. The GP or the Fund will then enter into a management agreement with the manager to delegate certain GP obligations to the manager as per the LPA.

ACP and the ARAF will adhere to all the relevant policies of Acumen that the GCF reviewed in the accreditation of Acumen. It is possible that there will be some policies that differ between ACP and Acumen because ACP, unlike Acumen, is not a tax exempt entity. These policies will be relevant for tax purposes and not related to the fiduciary, social and environmental, anti-corruption, and investment diligence processes upon which Acumen was accredited. During the implementation, Acumen will provide oversight and quality assurance in accordance with its policies and procedures and any specific requirements in the Accreditation Master Agreement (AMA) and funded activity agreement (FAA) to be agreed with GCF. A diagram of the anticipated legal organizational structure for Acumen, ACP, the ARAF, and Investors is below.

Proposed Legal Org Chart



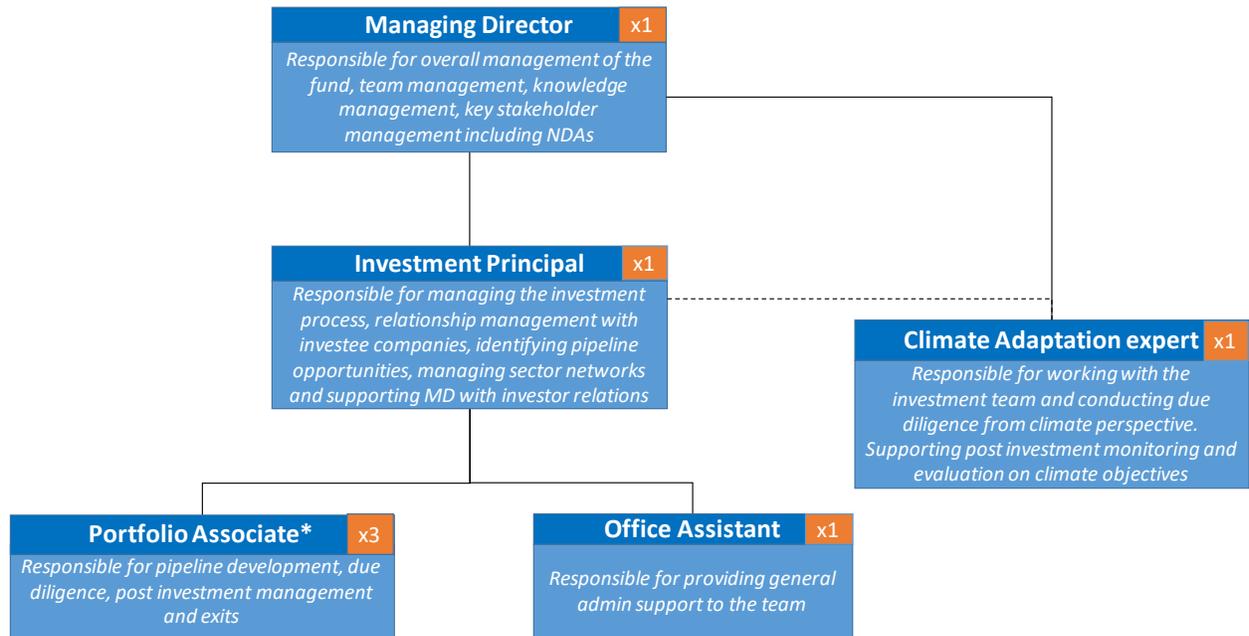
The Fund does not intend to hire a trustee or agent for GCF's investment. However, the Fund does intend to hire a related party manager who will be responsible for managing the fund's investments and overall operation of the fund (including investor relations and risk management). This manager will be ACP, a wholly owned subsidiary of Acumen, which is a typical structure for a sponsored fund. The manager will be subject to an external financial audit on an annual basis. The Fund also intends to hire a third party administrator; the administrator will perform asset and valuation calculations, maintain books and records, support financial statement preparation and reporting, liaise with auditors, pay fund expenses from its bank account, calculate distributions and returns, prepare and submit regulatory filings, monitor and report on compliance an anti-money laundering and supervise dissolution of the fund. Acumen will select the administrator for the ARAF based on a competitive process that takes into account at least three bids, and will be assessed based on pricing, capability, credible reputation and our experience with the administrator or its affiliates. The administrator will be a separate and unaffiliated entity, and as such, will not be rolled up into Acumen's financial audit.

All members of the ARAF Investment Team will have multiple years of experience in banking, private equity, emerging market investing and/or impact investing. The team will be newly created, dedicated to ARAF, approved by Acumen. The proposed structure of the team includes the following six team members:

- 1 Managing Director
- 1 Climate Adaptation Expert (CAE)
- 1 Investment Principal
- 3 Investment Associates

- 1 Office Assistant

ARAF Team Structure



*Team will be based in East Africa with one Associate based in West Africa

Investment Committee (IC)

The IC is the final decision-making body in the deal review process. IC will assess the business model for its financial viability, social impact and climate resilience contribution and make a final decision to approve or disapprove the deal. The primary responsibilities of the IC will be to:

1. Review/approve/reject deals, at key decision gates in the investment process and at exit
2. Review current pipeline, post-investment management activities and deal outcomes
3. Review investment and portfolio performance against annual goals and recommend potential corrective action, if necessary
4. Review and provide guidance on investment and portfolio management strategy

The figure below illustrates the IC structure:

ARAF IC Structure

ARAF Investment Committee				
Sachin Rudra	Peter Cain	Fund Manager	External Member 1	External Member 2
Acumen's CIO, Sachin has over 15 years of experience in Private Equity, Consulting and Operations	<i>A senior public finance executive, Peter has global experience financing municipalities, not-for-profits and public-private partnership projects</i>	Managing Director	<i>An experienced impact investor in agribusinesses in Africa (climate change experience will be a huge plus)</i>	<i>Experienced in managing and scaling agribusinesses in Africa (climate change experience will be a huge plus)</i>

Following are the profiles of two IC members that have been finalized:

Sachindra Rudra has been Acumen's CIO for the past 3 years and has led an expansion as well as sharper focus of our investing activity. As Country Director of India prior to being CIO, Sachindra oversaw a major investment in a dairy aggregator in India, in addition to overseeing one of our largest geographic portfolios. Prior to Acumen, Sachin spent 15 years in Private Equity, Consulting and Operations with organizations such as McKinsey & Co, Navis Capital Partners and Unilever.

Peter Cain is a senior public finance executive and consultant. He has global experience financing municipalities, not-for-profits, and infrastructure and public-private partnership projects. He has been a strong leader, both in working with fiscally stressed municipalities and on closing innovative, pioneering financings.

Peter has been an Acumen Partner since 2001. He has served on Acumen's Investment Committee, Advisory Counsel and Portfolio Leadership Team for many years. He has also represented Acumen on the boards of two portfolio companies.

Peter had a 30 year career in the credit markets. He worked with Ambac from 1994 to 2015. Roles there included co-leading the opening of the London office, focusing on global project finance and public-private partnerships, co-leading post origination portfolio management on credit portfolios totaling hundreds of billions, and serving as the head of credit risk management. He also led Ambac's workout team on several municipal bankruptcies, including Detroit.

Panel of Climate Experts (PCE)

The role of PCE will be to provide an independent, third party view on the pipeline opportunities in terms of its contribution to climate resilience and provide its recommendation to IC. The PCE will either consist of 2-3 climate experts in individual capacity or an organization with relevant expertise (for example Winrock) The selection of the PCE will be based on the following:

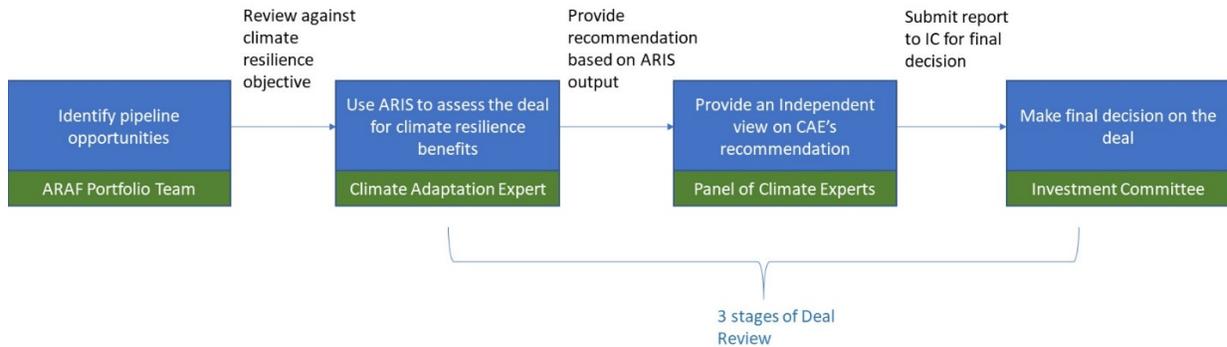
- Demonstrated expertise in climate resilience
- Experience in the agriculture sector in Africa
- Interest and commitment in building out the climate resilience sector

We are in the process of identifying individuals/organizations with the right profile for the PCE.

Impact Review Process

The impact review will be a three-step process. The focus of first two steps is entirely to ensure that every investment under consideration is thoroughly assessed from a climate lens before it is passed on to the Investment Committee (IC) in the third step for the final decision. The figure below illustrates this process.

Impact review process



1. Use of Agriculture Resilience Investment Screening (ARIS) by ARAF Team

ARIS is a cutting-edge tool in the climate sector that has been built in partnership with Winrock International. This tool has been designed to help us screen pipeline opportunities for ARAF in light of their contribution to climate resilience. The Climate Adaptation Expert (CAE) in the ARAF team will be responsible for deploying ARIS to analyse every investment under consideration and assess its climate potential against the climate resilience objective of ARAF. CAE will also engage the portfolio team and obtain their support where required. To populate the tool, the CAE will use the following methods:

- Field surveys
- Customer interviews
- Business management interviews
- Online research

Once the ARIS has been fully populated, based on its output the CAE will either recommend that the project has 'Insufficient Resilience Benefit' or that it has 'Low/Medium/High Resilience Benefit'.

2. Panel of Climate Experts (PCE)

The recommendation of CAE based on the output from ARIS will be presented to PCE. The PCE will provide an independent third-party view on CAE's recommendation that either validates it or provides an alternative opinion that will be moved to the Investment Committee (IC) for final decision.

3. Investment Committee (IC)

In light of the input provided by PCE, the Investment Committee (IC) will further assess the business model for its financial viability, social impact and climate resilience and make a final decision on the deal.

Deal review process

Deal review is a three step process:

1. Identification of pipeline opportunities

The Managing Director of the Investment Team will review Acumen's entire pipeline of potential investments to ensure that all available investment opportunities consistent with the ARAF's investment criteria are appropriately considered for investment from ARAF.

2. Due diligence of deals using the Investment Memo (IM)

All investments that meet the ARAF's investment criteria will be directed to the Investment Principal on the ARAF Team who will lead the diligence process.

The IM is the principal document for formal due diligence on the potential investee company. The IM for ARAF has been designed to ascertain and ensure that the potential investee company aligns with the climate adaptation goals of the fund. The Investment Team will need to present a compelling rationale in the IM based on their due diligence findings captured through ARIS that the proposed investment falls in line with climate adaptation objectives of ARAF. Further, the IM asks for clear plan for tracking impact targets for each investment at the core of which will be metrics identified to measure climate resilience in target rural communities.

Following are the key sections added to the IM template to incorporate the core focus on climate resilience for ARAF investments:

- What is the climate adaptation challenge this company will be addressing? (*section 1.2 of IM*)
- Why enterprise's approach will build resilience to climate change? (*section 1.3, 5.4 of IM*)
- Summary Results from ARIS (*Section 5.4 of IM*)
 - Score, recommendation and rationale from CAE
 - Score, recommendation and rationale from PCE

3. Final decision by IC

The IM produced by the ARAF portfolio team will presented to the IC. IC will use the information provided in the IM to further assess the business model for its financial viability, social impact and contribution to climate resilience and make a final decision to approve or disapprove the deal.

ARAF will have an Advisory Committee (AC) of up to six members selected by the Fund Manager, whose primary purpose will be to opine on conflict of interest situations related the ARAF. In addition, the AC may hold certain standard powers under the limited partnership agreement of the ARAF. Generally, the roles of the AC do not rise to fiduciary duties. The AC will meet as needed, and no less than annually. Acumen as the GP for ARAF will be responsible for the governance of, and be the fiduciary for, the ARAF.

In addition, the ARAF anticipates forming an Agriculture Expert Committee (AEC) comprised of experts in the agriculture sector, to provide sector guidance and consultation on investment strategy in the interest of optimizing impact. The role of the AEC does not rise to the fiduciary duties.

Overview of the legal/contractual structure and funds flow

- The funds with respect to the equity investment will flow from the GCF to the Accredited Entity, for the Accredited Entity to transfer them to the Executing Entity.
- GCF and Accredited Entity will sign a funded activity agreement. GCF will complete and sign a subscription agreement for its interests in the fund. GP, on behalf of GCF as proxy, will sign the limited partnership agreement that will govern the operations of the fund. Accredited Entity and Executing Entity will enter into a subsidiary agreement. The GP will have an operating agreement entered into by the Executing Entity. The TAF will have a manual for its grant making operations, to be circulated to GCF as a member of the TAF. The FAA for the TAF award from GCF will essentially be a grant agreement. The GP will also engage an auditor and an administrator for the fund.
- Subscription agreement and limited partnership agreement will be the main governing documents of the fund. The AMA will lay out the obligations of the Accredited Entity vis a vis GCF. The FAA will provide for modifications to the AMA and subscription documents with GCF, much like a side letter in typical fund documents. The TAF award will be governed by a FAA/grant agreement, and there will be a manual laying out processes and decision making for the TA.

- The limited partnership agreement will be the document that governs the distribution priority. Junior Interest Investors will have all the same rights as Senior Interest Investors except for with respect to the distribution waterfall, where they will follow the Senior Interest Investors.
- Generally, an investor will not have liability in excess of commitment, nor be asked to return more than contributions plus earnings distributed. The fund will be tax transparent and there will be no tax liability in Canada solely by virtue of investing in the fund. Representations of GCF will be contained in the subscription agreement; the agreement entered into for KawiSafi Ventures should be a good guide for the provisions that will be requested.
- The GP is the fiduciary for the fund and the investors. It engages the manager (Executing Entity) to operate the day to day management of the fund. The GP is wholly owned by the manager, which in turn is wholly owned by the Accredited Entity. The key persons generally will sit at the Manager if they are the executing team. If Jacqueline and Sachin are key persons, they sit at the Accredited Entity.
- As the fiduciary, the GP has the control over fund management, and delegates the day to day of that role to the manager. The GP and manager are indirectly or directly wholly owned by the Accredited Entity/the sponsor. As such, we do not expect the need to enumerate any special rights of the sponsor. Generally, the rights of the GP under the limited partnership agreement are as follows:
 - Admit LPs
 - Retain a consultant to review the annual impact report if dispute
 - Manage, control, operate fund and delegate rights and duties to Manager
 - Make investment and disposition decisions, and appoint IC
 - Cause fund to incur debt, pledge/transfer assets, and determine what LP financial info is needed in support thereof
 - Create feeder, parallel and alternative investment vehicles and permit withdraw and admittance into such vehicles by LPs
 - Determine which pools of capital to pay fund expenses
 - Achieve investment strategy
 - Make drawdowns on commitments
 - Return unused funds
 - Excuse LPs from drawdowns where adverse effects, reduce unfunded commitment obligations, and obtain funding for shortfalls
 - Make distributions to LPs
 - Restore clawback funds (with manager guarantee)
 - Liquidate in kind distributions for LPs
 - Keep books, select auditor, reporting to LPs
 - Call meetings
 - Excuse tax indemnities of LPs
 - Extend term
 - Early termination of investment period
 - Dissolve fund
 - Permit LP withdrawal
 - Amend LPA (with LPs)
 - Amend LPA (without LPs) to:
 - o Add duties or forego rights to LPs
 - o Make changes non-adverse to LPs in subsequent closings
 - o Correct provisions
 - o Satisfy legal directives (SEC, tax, other)
 - POA for LPs regarding fund matters

Describe construction and supervision methodology with key contractual agreements.

Not Applicable

Describe operational arrangements with key contractual agreements following the completion of construction. If applicable, provide the credit analysis of key counterparties of key contractual agreements and/or structural mitigants to cover the counterparty risks.

Not Applicable

C.8. Timetable of Project/Programme Implementation

Please provide a project/programme implementation timetable in [section I \(Annexes\)](#). The table below is for illustrative purposes. If the table format below is used, please refer to the activities as numbered in Section H. In the case of outputs, please mark when all the required activities will be completed.

Actual capital disbursements and returns will vary depending on market factors such as availability of investment opportunities and performance of those investments once capital is disbursed. However, ARAF will adhere to specific investment criteria and terms relating to such things as the Investment Period, the Management Fee, Life of ARAF and other relevant terms that bind the overall amounts of expenses and investment capital that can be incurred/deployed by ARAF. For example, all primary investments will be made within the first 5-6 years of ARAF (with follow-on investments occurring with a lag of 1-2 years from the primary investment), and ARAF will seek to exit all investments and return capital to investors before the life of ARAF expires. ARAF expects to start deploying TAF starting 1st January, 2019 and fully exhaust TAF by 31st December 2029.

Below is the implementation plan for ARAF illustrating the split for Equity and TAF activities:

Activities	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Output	
Equity Activities																
Pipeline development and Investing		█														Increase in climate resilience and enhanced livelihoods of smallholder farmers in ARAF countries
Post Investment Management							█									
Exit								█								
TAF Activities																
Increase in access to financial services for women		█														25% more women reached with formal financial services in the target population than the assessed national/regional average
Increase in mobile adoption and use of digital services by women		█														25% more women adopt mobile phones and use digital services in the target population than the assessed national/regional average
Increase in participation by women in agricultural extension programs		█														20% more women participating in agricultural extension programs in the target population than the

D.1. Value Added for GCF Involvement

Please specify why the GCF involvement is critical for the project/programme, in consideration of other alternatives.

Funding from the GCF will enable Acumen to create ARAF, a new climate-resilient agriculture fund focused on smallholder farmers in Africa that seeks to generate a triple bottom line of social, environmental and financial returns. An anchor investment of \$23M from GCF into ARAF's first loss pool will be catalytic, as it will de-risk the investment for more risk-averse private sector investors and provide a strong incentive for such investors to partner with Acumen and GCF in this new investment fund. The market research that we have undertaken to date has shown that with first loss funding in place from GCF, a number of investors have expressed potential interest in investing into the ARAF senior equity pool. However, given the high risks associated with investing in the early-stage agribusiness that serve low-income smallholders, the same investors have made it clear that they would not be able to participate without the downside protection offered by the first loss pool. It is therefore unlikely that ARAF would be able to attract other investors to the desired level of \$25M without GCF's involvement, which would mean creating a much smaller fund and working with far fewer smallholders. Without GCF's strong influence around the importance of climate adaptation, we might also be forced by other investors to dilute or eliminate ARAF's climate adaptation focus. We believe, the success of ARAF will create a whole investment sector focused on climate resilient agriculture with much greater leverage of GCF's capital and lower requirements for any first loss support. At this stage however, given the unproven nature of the sector, a significant contribution of GCF's capital in the first loss pool is critical to the viability of ARAF.

The ARAF will be one of the first climate-resilient agriculture investment funds in the world, and to our knowledge the very first with a focus on early stage SMEs that aim to make smallholders more resilient to climate change through access to better inputs, appropriate finance, secure off-take agreements and better information and training. Involvement from the GCF will be crucial to enable us to fully leverage ARAF as a tool to not only drive increased climate resilience within and around our direct investments, but also to help influence the wider impact investment sector, advocating for increased prioritization of climate adaptation concerns within agribusiness investments in Africa and other geographies vulnerable to climate change. Acumen has a strong and well-respected global brand with impressive convening power. Although we are most widely known and respected for our work in poverty-alleviation rather than in climate change mitigation or adaptation, this is slowly changing through our existing partnership with GCF on the KawiSafi fund and our increasing investments in early-stage energy companies through our Pioneer Energy Investment Initiative (PEII). ARAF support by the GCF would greatly strengthen our brand as an organization that is willing and able to simultaneously embrace both developmental and sustainability concerns, and we could much better serve the impact investment sector as a true role model for sustainable development.

Inside Acumen we have also already been greatly influenced and inspired by our relationship with the GCF to date and the amplified attention it has brought to the dangers of climate change, particularly on our target BoP populations. Prior to our GCF investment into KawiSafi, we largely saw our clean energy investments through a poverty-alleviation lens: off-grid solutions were cheaper for our BoP customers. Since partnering with GCF, we now equally value and measure the climate change mitigation impacts of our energy investments and are making investment decisions based on a blend of climate and poverty concerns – a truly sustainable development approach. This change has transformed the way we consider our energy investment work internally and is having a ripple effect across the organization. Although our strategy pivot towards climate resilient agriculture was driven by feedback from farmers on the ground, awareness of the climate adaptation implications of this feedback was largely recognized by our team due to our heightened climate awareness through existing involvement with GCF. Partnering further with GCF to move our agriculture portfolio from a poverty-alleviation focus to a climate adaptation focus would be the catalyst for Acumen staff to consider themselves joint poverty and climate ambassadors, with significant implications for the strategies of our other investment sectors and for our ability to influence others in the sector.

We are keen to go on this important climate adaptation learning journey together with GCF and hope that we can build on our existing relationship to build an even deeper partnership. We have a lot to learn and we are excited to get started and help to magnify the impact of our partnership by bringing as many people as possible along the journey with us.

D.2. Exit Strategy

Please explain how the project/programme sustainability will be ensured in the long run, after the project/programme is implemented with support from the GCF and other sources, taking into consideration the long-term financial viability demonstrated in [E.6.3](#). This should include a description of strategies for longer term maintenance of physical assets (if applicable).

Preparing for successful exits is a core element of Acumen's investment strategy. Acumen's investment professionals expend significant effort understanding the strategies and operational components of each portfolio company that can create a financially sustainable enterprise and help attract a later-stage purchaser.

Overall, Acumen seeks to create investment structures that will allow for a clear path to exit, create liquidity in the medium term, and compensate for the risk of the investment. The ARAF we will focus primarily on self-liquidating investments, with only a small number of equity investments. As a result, ARAF is expected to invest primarily in convertible debt, debt with warrants, and debt with a share of revenue or EBITDA. Potential exit opportunities for equity investments are expected to include sales to a later-stage growth investors, a strategic buyer or a management buyout. Initial public offerings are not seen as practical exit opportunities, and, in lieu of identifiable exit opportunities at the time of investment, Acumen may structure ARAF's investments using self-liquidating, quasi-equity instruments.

The Investment Team of ARAF will have ongoing relationships with potential strategic acquirers of portfolio companies, growth stage investment firms and commercial lenders to help improve exit opportunities for the Fund's investments. We have seen larger investment firms start to make small investments in companies that are developing sustainable food supply chains to learn about the economic viability of these markets. Examples of these investment firms include J.P.Morgan, IFAD, CDC, Proparco etc. Even Food corporates like Unilever, Nestle, Nespresso, Sainsbury's and others present compelling exit opportunities for Acumen's investments given these corporates are looking to acquire businesses that make their supply chains sustainable.

ARAF's catalytic investment in early stage SMEs in inclusive agribusinesses will enable them to reach economies of scales, which will reduce the cost and improve reliability of sourcing from smallholder farmers. Successful companies will serve as proof points for later stage investors and corporations that inclusive businesses can be economically viable and can be built into profitable business models.

The Investment Principal will prepare an exit memorandum (the "Exit Memo") at the completion of each investment, which occurs when ARAF is no longer a stakeholder in the portfolio company. The purpose of the Exit Memo is to summarize the key takeaways from the entire investment process in order to improve Acumen's understanding of effective strategies for marketing critical goods and services to the poor, and assessing performance against intended impact and financial return goals.

In this section, the accredited entity is expected to provide a brief description of the expected performance of the proposed project/programme against each of the Fund's six investment criteria. Activity-specific sub-criteria and indicative assessment factors, which can be found in the Fund's [Investment Framework](#), should be addressed where relevant and applicable. This section should tie into any request for concessionality made in [section B.2](#).

E.1. Impact Potential

Potential of the project/programme to contribute to the achievement of the Fund's objectives and result areas

E.1.1. Mitigation / adaptation impact potential

Specify the mitigation and/or adaptation impact, taking into account the relevant and applicable sub-criteria and assessment factors in the Fund's [investment framework](#).

When applicable, specify the degree to which the project/programme avoids lock-in of long-lived, high emission or climate-vulnerable infrastructure.

Catalysing improvements in agricultural productivity and incomes

Acumen has a decade of experience investing into early-stage business across Sub-Saharan Africa, South Asia and Latin America that help smallholder farmers to improve their productivity and incomes. Through our in-house, proprietary approach to social performance measurement, [Lean DataSM](#) (see section E.1.2) we have directly communicated with and measured the impact on thousands of smallholders. We have gained significant insight into the challenges facing, and needs of these farmers. Unsurprisingly the significance of earning a decent living from farming is a repeated concern of smallholders. Farmers repeatedly describe to us the challenges of rising input costs, falling off-take prices and increased challenges with climate. To address this our investing has focused on agribusinesses able to provide access to high quality inputs to improve quantity and quality of production alongside higher and more reliable prices, compared to status-quo alternatives (e.g. market middle-men).

Based on our past experience of investing in companies that offer fairer prices, and support greater and higher-value farm outputs, we anticipate that approximately 10 million farmers will:

- + Improve their farm productivity
- + Increase their net farm incomes
- + Improve their overall wellbeing and quality of life.

Adapt and build resilience to climate change

In addition to the issue of increased productivity and incomes, we have learnt firsthand of the significance of limiting agricultural risk through crop/livestock diversification as well as reducing the variability of incomes through more certain off-take. This, need for addressing risk, speaks directly to the importance of Climate Resilience to ensure farmers are able to build their resilience, and avoid the worst effects associated with ever increasing climate variability. Over time, having predictable income helps farmers plan and start building a base of savings and assets that they can use to reduce the impact of sudden shocks like climate related hazards. We are repeatedly told by farmers who have successfully diversified and have less dependency on mono-crops, that they feel more security since if one crop fails they can fall back on the earnings from another. We have also heard farmers actively choosing to reinvest funds in other livelihoods to diversify their incomes, especially once they can ensure that they have enough resources to put food on the table. To that end we have focused much of our investing on agribusinesses that are able to offer farmers greater access to new agricultural markets.

Significant value remains trapped in smallholders' farms because they don't have access to the right skills, tools and equipment, seeds and fertilizers etc. We will work with companies that can provide inputs and advice to farmers that help them to directly manage the impacts of changing weather. The agribusinesses to which we invest have clearly aligned incentives to do so: their own sustainability is inextricably linked to the productivity of their suppliers. We have seen a range of approaches adopted by

our investees, from direct provision of inputs (such as drought resistant seeds, and irrigation kits) to leveraging expertise and support of NGOs (such as Technoserve, Farm Africa etc). And whilst we have also seen that farmers are often hesitant – with good reason – to adopt new approaches and inputs we expect that the agribusinesses into which we invest will continue to play a critical role in enabling smallholders to gain access to training and inputs that allow them to better adapt to climate changes. For a detailed investigation into the drivers of adoption of agricultural innovation please see [Growing Prosperity](#) co-published by Acumen and Bain & Co.

Lastly our work, especially with agricultural finance companies, has shown us the importance of both being able to provide liquidity in times of need as well as capital to acquire assets. The incremental accumulation of assets is a key pathway out of poverty as well as providing insurance in times of need. Access to additional liquidity can also help farmers cope with times of stress.

By investing in companies able to diversify risk, open up new markets and provide access to technical assistance we expect to:

- + Reduce the year-on-year (climate change induced) variability of net-farm incomes
- + Reduce the use of coping strategies and farmer financial stress.

Reduce and/or remove greenhouse gas emissions, where possible

With regard specifically to agricultural investments this area is newer to us. We have naturally focused much of our work on mitigation through our energy investing portfolio. However ARAF opens up an opportunity to explore this area in more detail. Through our investing we have already been involved in investments that have made contributions through mitigation via various channels. For example promotion of smallstock over livestock, creating value in naturally growing fruits thereby reducing deforestation, and consumption of biomass for fuel rather than burning or natural decomposition. We have also, and will continue to explore opportunities in sustainable logging to promote greater climate sequestration and innovations such as solar-powered drip irrigation.

Whilst to date we have focused greater attention on the impact of our investing on sustainable and more reliable incomes, our investing through ARAF will more explicitly look at the mitigation effects and opportunities.

E.1.2. Key impact potential indicator

Provide specific numerical values for the indicators below.

<i>GCF core indicators</i>	<i>Expected tonnes of carbon dioxide equivalent (t CO₂ eq) to be reduced or avoided (Mitigation only)</i>	<i>Annual</i>	N/A
		<i>Lifetime</i>	N/A
	<ul style="list-style-type: none"> • <i>Expected total number of direct and indirect beneficiaries, disaggregated by gender (reduced vulnerability or increased resilience);</i> • <i>Number of beneficiaries relative to total population, disaggregated by gender (adaptation only)</i> 	<i>Total</i>	2.1M Direct Beneficiaries (farmers directly engaged with target companies) 7.9M ²¹ Indirect Beneficiaries 50% of the total beneficiaries will be women
		<i>Percentage (%)</i>	3.9%

²¹ Based on weighted average family size of 4.8 people in ARAF countries

<i>Other relevant indicators</i>	<ul style="list-style-type: none"> • 25-50% of farmers being served by ARAF’s investments who are living below the World Bank’s \$3.1 per person per day poverty line. • An appropriate measure of increase in adaptive capacity developed with GCF and collected using Lean Data. This could be a composite Climate Adaptability Index or tracking independent aspects of wellbeing that constitute adaptability like 1) increased access to markets inputs training and credit; 2) changes in agricultural income stability, including changes to adoption of coping mechanisms; 3) reported improvements in production or diversification of livelihoods, among others. <p>Outcome indicators disaggregated by gender:</p> <ul style="list-style-type: none"> a) 50% of women or FHH reporting a positive change in quality of life due to ARAF company b) 50% of women or FHH reporting improved incomes due to ARAF company c) 50% of women or FHH reporting increased resilience to climate changes due to ARAF company d) 50% of women or FHH reporting Net Promoter Score of Y or higher e) In 50% of the HHs, women did most of the work related to crops/products/services f) In 50% of the HHs, women make most of the decisions related to crops/products/services g) In 50% of the HHs, women make most of the money-related decisions about crops/products/services <p>Key targets for TA gender support are as follows:</p> <ul style="list-style-type: none"> • 25% more women reached with formal financial services in the target population than the assessed national/regional average • 25% more women adopt mobile phones and use digital services in the target population than the assessed national/regional average • 20% more women participating in agricultural extension programs in the target population than the assessed
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Describe the detailed methodology used for calculating the indicators above.

Pre-Investment Impact Data

We have built an Agriculture Resilience Investment Screen (ARIS) in partnership with Winrock. It is a cutting-edge tool in the climate sector that will make an important contribution to the wider sector with regards to assessing investments focused on climate resilience. We will use this tool to conduct an in-depth assessment of potential investees and capture the following pre-investment impact data:

1. Climate change and weather risks to the business model in its target location and how the business activity addresses these risks
2. Climate vulnerability of the target population and how the business model addresses those vulnerabilities by building the climate resilience of the community
3. Any potential negative impacts of the business under consideration that would exacerbate climate risks and therefore may outweigh any benefits identified in the previous two sections

Post Investment Impact Data

Acumen uses our internally developed Lean DataSM to understand and augment the impact of our portfolio companies. Lean Data is an approach to impact measurement that has been developed for the specific needs and constraints of social businesses. Lean Data gathers information on customer feedback and behavior, as well as social performance in a cost-

effective manner, largely using remote survey tools (Phone calls, SMS, IVR and online surveys). See https://ssir.org/articles/entry/the_power_of_lean_data for details..

Lean DataSM is a shift away from data collection as a task for reporting and instead focuses on giving entrepreneurs the data they need to measure and manage their impact. And as investors, Acumen is able to make significantly more informed investment decisions, by receiving data directly from farmers at scale. In the past three years of executing Lean Data we have worked with over 90 leading funds, firms, development agencies and foundations, surveying over 35,000 low income consumers or suppliers. We have built a range of technology partnerships to complement our own in house, local research teams.

To date Lean Data has been at the cutting edge of measuring climate mitigation changes in our energy portfolio. We have estimated CO2 savings resulting from our investments with data direct from users of energy products, recording customer energy type and usage behavior. Our approach has either met or exceeded the requirements for Certificates of Climate Reduction (NB: to date we have not actually sought to record and earn CERs using our data). Additionally our approach to measurement of the impact of off-grid energy was adopted wholesale by the Global Off-Grid Lighting Association (GOGLA). Kat Harrison, Associate Director of Lean Data, established and chaired the GOGLA metrics working group. We therefore have a track record of establishing and implementing measurement approaches to capture our mitigation affects. We will apply this same rigour to ARAF.

Lean DataSM in agriculture

In addition to use of mobile for data collection and provision a blend of social and business performance insights, one of Lean Data's key unique selling points (USPs) is the developed a suite of ready-to-go, tried and tested survey tools ("products"). These products can be deployed quickly to collect standardized data opening up opportunities for aggregation of data and benchmarking. We also complement provision of standard tools with bespoke data collection projects.

Established Lean DataSM products: We have designed and deployed a range of products for use in our agriculture investments. These include:

1. Farmer profiles: Acumen is committed to reaching the most vulnerable communities. We seek to understand who we are serving by gender, poverty profile and degree of food security. We adapt and deploy established, best in class tools such as the Grameen Foundation's Progress out of Poverty Index (PPI), The World Food Program's reduced Coping Strategies Index and FANTA's Household Hunger Scale.
2. Agriculture Deep Dive surveys that help us understand income stability, income improvements, reliability of market access, demand for and access to inputs like training inputs and credit, and farmers' view on how important the crop is likely to be in the future.
3. Core Lean Data metrics on social performance and farmer feedback: self-perceived changes in quality of life, Net Promoter Score, competitor and market landscape analysis, among others.
4. Gender deep dive that help us compare the burden and benefits of an intervention by gender.

Future Lean Data development as part of ARAF: We have an established track record of developing new surveys and measurement standards (for example the [metric sets](#) used by the Global Off Grid Lighting Association, GOGLA). With respect to measuring changes in climate adaptability and climate resilience we do not yet have an established approach. However, based on our proven track record as a leader in social performance measurement and in collaboration with both the GCF and the ARAF investees we commit to developing a new toolkit to measure and manage our impact on climate adaptability. Acumen's Lean Data Team will work with GCF to develop an approach and corresponding tools to understand climate adaptability from the farmers' perspective. This will be made available as an important public good. The toolkit will place the farmers' voice at the heart of the conversation about the effectiveness of climate adaptability interventions. It will allow us to listen to farmers and their

views on how climate change is affecting them and what will help them adapt better to it. Preliminary ideas for focus include, but not be limited to:

1. The extent to which company facilitated **access** to markets, inputs, training and credit.
2. Significance of **climate as a challenge** for farmers and their crop compared to others faced by farmers, and how this changes over time.
3. Farmers' perception on **changes in ability to cope** with climate related challenges augmented by measuring means and behaviors that help with coping
 - a. Income stability and the company's impact on improving this over time
 - b. Knowledge: access to and adoption of training and skills needed to cope and how this has changed over time
 - c. Performance of crop: production, productivity and changes in that over time
 - d. Extent of diversification of livelihoods as a way of understanding diversification of risks
 - e. Changes in asset ownership or savings as these are the buffers against shocks.
4. Coping mechanisms adopted by farmers in the face of climate hazards and how these differ by business models

Our ambition is that this toolkit will not only help us understand and compare the performance of the companies in this fund and in GCF's adaptability portfolio more broadly, but also help to develop sector-level insights about challenges faced and adaptive approaches adopted by farmers in different geographies. This will help future capital in the space to be deployed in order to directly address farmers' concerns and challenges with respect to climate.

We will start by taking inspiration from the existing adaptation promotion and assessment frameworks in the space such as the FAO's Climate-Smart Agriculture (CSA) approach, CCAFS/CIAT's CSA Prioritization Framework and those put forward by the United Nations Framework Convention on Climate Change. To build the actual tool, we will partner with organizations that are experts in climate change resilience like Stanford University and the University of Minnesota (Global Landscapes Initiative, Natural Capital Project, and NorthStar Initiative for Sustainable Enterprise), adept at listening to farmers like WeFarm and Esoko, and/or understand agriculture value chains like Global Landscaping Initiative (Stanford University and University of Minnesota). We will work closely with GCF to identify the most suited partners for this project.

Describe how the project/programme's indicator values compare to the appropriate benchmarks (i.e. the indicator values for a similar project/programme in a comparable context).

Based on the average impact of each sub-sector relevant to ARAF (aggregators, digital platforms and innovative financial services) derived from the impact data of existing portfolio as specified below and applying proposed ARAF focus: 50-60% of total transactions being aggregators, 20-30% financial services and 20-30% digital platforms, ARAF is expected to reach over 10 million lives with improved climate resilience and livelihoods. The impact projection also factors in additional risks associated with ARAF's climate-smart investing strategy.

Estimated breakdown of ARAF Beneficiaries by subsector

The following table illustrates the average estimated number of direct and indirect beneficiaries by sub sectors in ARAF:

ARAF	Average no. of lives impacted per company*	Maximum no. of lives impacted by a company	% of companies per subsector	Companies per subsector	Estimated no. of total beneficiaries
Financial services	500,000	2,676,102	20-30%	4 -6	2 - 3 m
Digitisation	700,000	1,500,000	20-30%	4 -6	3 -4 m
Aggregator	300,000	6,317,563	50-60%	10 - 12	3 - 4m

*these estimates are based on Acumen's own portfolio and experience in these sub sectors

*Exited portfolio companies

** The World Bank recently updated its poverty lines to from \$1.25 to \$1.9 per person per day for the extreme poverty line and \$2 to \$3.1 for median poverty line. Lean Data is fully transition to using the new lines in all future data collection. Unfortunately, there is no simple way of accurately adjusting results from the old lines to new ones. This table contains poverty head count ratios i.e. percentage of people living below a particular poverty line based on the line that we had used for that particular Lean Data survey.

E.2. Paradigm Shift Potential

Degree to which the proposed activity can catalyze impact beyond a one-off project/programme investment

E.2.1. Potential for scaling up and replication (Provide a numerical multiple and supporting rationale)

Describe how the proposed project/programme's expected contributions to global low-carbon and/or climate-resilient development pathways could be scaled-up and replicated including a description of the steps necessary to accomplish it.

ARAF will be the world's first climate change fund that is focused on agribusiness SMEs that serve BoP populations in developing countries. With partnership from the GCF, this Fund will demonstrate that agricultural value chains can be made climate resilient by investing in smallholder farming, catalyzing millions of dollars in private capital in climate resilient agriculture. This influx of private capital has the potential to support businesses that build climate resilience for smallholders while also supporting overall growth of the agriculture sector with positive livelihoods implications for smallholder farmers. This will allow Acumen to develop a strong track record in climate resilient agriculture and will enable Acumen to raise future, larger funds to invest in more companies that are aligned with the GCF's impact goals.

By investing in for-profit companies, Acumen, GCF and other investors in ARAF will be creating financially sustainable enterprises that continue to operate through internal profits and follow-on investment capital even after ARAF has made its investments. By investing in these companies and creating a track record of success, Acumen plans to raise a second fund in year 5 or 6 of ARAF to invest in more companies that are aligned with the impact objectives of the GCF. Given the high perceived risk in the agriculture sector, the leverage ratio on GCF capital for ARAF stands at 1.2 times. However, it is anticipated that the success of ARAF will catalyze investor confidence in this sector and thereby ensure that this leverage ratio is significantly higher for the second fund. This will also enable Acumen to build further expertise and a deep track-record in the climate resilient agriculture investment space, which will enable Acumen to raise more money in the future and make more investments.

ARAF's investments will develop, prove and scale innovative inclusive agribusinesses, reduce the impact of climate shocks on the incomes and livelihoods of smallholder farmers while also mitigating to an extent the volatility in global food and commodity supplies resulting from changing weather patterns. Success stories from such investments should attract further private sector capital into those same companies and similar companies that arise to compete, which ultimately will serve to increase the scale and impact of climate resilient agribusinesses operating locally within countries.

All of ARAF's investments will have significant, if not all, operations within the specific countries of focus. Such investments serve to create employment opportunities, local institutional knowledge that can be shared within public and private sectors, strengthen local supply and distribution channels required for scaling sustainable businesses.

In order to contribute to the long-term sustainability of the impact on smallholder farmers, ARAF will dedicate a portion of its Technical Assistance Facility to specific initiatives that contribute to long-term impact. Examples of these initiatives include a reserve fund to help provide train company extension workers on climate resilient agriculture and leverage the direct relationship between the company and the smallholder farmers to transmit this knowledge to influence smallholder farmers' decision like which crops to grow when, how to diversify into new crops/livestock to improve climate resilience.

E.2.2. Potential for knowledge and learning

Describe how the project/programme contributes to the creation or strengthening of knowledge, collective learning processes, or institutions.

We believe that no organization can achieve the scale of change that we seek alone, and we invest in the spread of ideas and what we have learned through our work. In *From Blueprint to Scale: The Case for Philanthropy in Impact Investing*, Acumen and Monitor Inclusive Markets demonstrated how grants are needed to bridge the gap when developing new business models that serve low-income customers. More recently, in *Growing Prosperity: Developing Repeatable Business Models to Scale the Adoption of Agricultural Innovation*, Acumen, in collaboration with Bain & Company, drew upon multiple examples from northern Uganda to southwest India to provide practitioners with key insights on how to spur greater adoption of agricultural innovations by smallholder farmers, including two new frameworks: the Four A's of adoption and Repeatable Models.

As a pioneer in impact investing, we played a key role in shaping the impact investing sector's approach to measurement. We co-developed the Impact Reporting & Investing Standards (IRIS) and helped to found both the Aspen Network for Development Entrepreneurs (ANDE) and the Global Impact Investment Network (GIIN).

Our voice on social performance measurement have remained in high demand. We were recruited to lead the development of measurement "Conventions" in the Impact Management Programme. Led by Acumen alumna Clara Barby, the Impact Management Programme is showing promise in developing a unified approach to discussing impact goals and results, a framework that could be equally well-applied to Blackrock, PPGM, and Acumen. We have also been asked to provide input to G8 Global Social Impact Investing Steering Group specifically on measurement and to take part in the WEF 2017 Action Agenda for Accelerating Impact Measurement and Management. We have also just completed a new Harvard Business School case on Lean Data, the first new case about Acumen by HBS since the 2009 case, "Acumen Fund: Measurement in Impact Investing."

We plan to contribute to strengthening the agriculture ecosystem for smallholder farmers. In addition to sharing information on what we learn from our customers, business models, and proactively engaging with others, we could also leverage +Acumen, our online platform to help move ideas into action that has seen 500,000 sign-ups across 25 free and low- cost online courses and 190 countries.

E.2.3. Contribution to the creation of an enabling environment

Describe how proposed measures will create conditions that are conducive to effective and sustained participation of private and public sector actors in low-carbon and/or resilient development that go beyond the program.

Acumen is requesting that the GCF invest equity capital into a 12-year fund. This vehicle, and GCF's anchoring investment, will enable Acumen to draw-in risk averse capital from like-minded investors that want to achieve the same goals of the GCF and Acumen but have a low risk appetite. GCF and Acumen's investment in the CFLC will de-risk investments from the private sector and crowd-in private capital for this climate resilience fund. We believe the tiered capital structure of this Fund which in itself in an innovative capital structure is key to unlocking private capital into investing climate resilient agribusinesses focused on smallholder farmers. Agriculture is generally considered very high risk by private investors compared to other sectors like energy, hence capital available for high risks innovative agribusinesses is even scarcer. The Catalytic First Loss Capital funded by GCF and Acumen will be key in catalyzing private capital into this Fund since it will provide downside protection to private capital. We believe, if successful in generating desired impact and financial return targets, ARAF will catalyze large amounts of capital into this high potential sector without requiring as much downside protection as being offered to private capital in this fund.

Given the high perceived risk of the sector, we believe we can leverage GCF's capital by 1.2 times. Furthermore, based on Acumen's experience investing in the sector to date, the organization is confident we can achieve a follow-on leverage ratio between 2.0x – 3.0x for ARAF investments. Acumen will use ARAF's capital to make convertible debt, equity and equity-like investments in SMEs that are serving smallholder farmers and achieving the desired environmental impacts. The 12-year time horizon of ARAF will enable the companies Acumen invests in several years to scale their businesses and impact. Further, ARAF will enable Acumen to invest both long term equity and debt like quasi-equity capital, both of which are needed by the targeted investment. By organizing ARAF as a for-profit fund, Acumen and GCF can crowd-in private sector capital that is looking for a financial return on its investment.

Additionally, not only will Acumen be attracting capital from outside investors, but Acumen's investment in companies will help bring in other capital into those companies, or will help fill out a round if other investors are there first, thus enabling the company's intended impact to be achieved.

Further, many of the companies that ARAF will target often utilize grant capital from foundations or public subsidies from governments to test-out innovation and jump-start markets. Thus, SMEs play a critical role in demonstrating how partnerships with civil organizations and government can be effective, especially when targeting low-income populations. Over time, insights from these partnerships and from operating experience in the market can prove out successful business models and attract larger sums of investment capital and enterprises that are striving for social and environmental impact.

Describe how the proposal contributes to innovation, market development and transformation. Examples include:

- *Introducing and demonstrating a new market or a new technology in a country or a region*
- *Using innovative funding scheme such as initial public offerings and/or bond markets for projects/programme*

ARAF intends to target investments in SMEs whose business models employ innovation at the product, service and/or operating level that enables the SME to affordably and profitably serve its intended population. Such innovations require highly risk-tolerant capital to allow the models to iterate and learn from market and customer feedback. The investment capital from GCF through this Fund will enable these companies to achieve their intended impact. Further, once new technologies and business models are proven, these innovations can be replicated by other actors in the economy.

For example, ARAF could be investing in business models such as follows:

- An online market place that connects farmers with input providers. The digital platform could also be offering extension support like training videos, weather forecast information, market prices information etc. to improve farmer productivity and mitigate weather impact.
- An agriculture processing company processing premium produce for export markets sourcing raw materials directly from smallholder farmer under long term procurement contracts. The processing company given its need for premium produce would be offering extension support and access to quality inputs to supplier farmers. Also, the long term procurement contract will provide much needed income stability to farmers enabling them to plan expenditures and invest in productive capacities of their farms.
- An innovative financial services company offering affordable credit with indexed insurance to smallholder farmers. Access to affordable credit will not only reduce the cost of production for the farmer but also allow them to purchase inputs of their own choice rather than being limited by the adulterated inputs being offered by middlemen.
- These are only examples of the kind of investments ARAF will be making to improve resilience of smallholder farmers.

E.2.4. Contribution to regulatory framework and policies

Describe how the project/programme strengthens the national / local regulatory or legal frameworks to systematically drive investment in low-emission technologies or activities, promote development of additional low-emission policies, and/or improve climate-responsive planning and development.

ARAF will be one of only a handful of investment funds globally that focuses specifically upon agricultural SMEs that build smallholder farmers' resilience to climate change via enhanced access to markets, credit, information, and extension services. As such, ARAF will serve as a much-needed vehicle for the deployment of climate-focused impact capital into ARAF's target countries. ARAF will operate with the approval of local NDAs, and, as Section C.1 addressed in much greater depth, will integrate with each respective target country's NAP.

E.3. Sustainable Development Potential

Wider benefits and priorities

E.3.1. Environmental, social and economic co-benefits, including gender-sensitive development impact

Acumen invests in companies that offer smallholder farmers the linked value propositions of economic, social and environmental benefits and sustainability. Hence, any company that passes through Acumen's selection criteria touches upon one of more of these impact area. Here are some examples of benefits we hope Acumen's investments under ARAF will have.

- *Economic co-benefits*
 - *Improvement in income and the household's monetary wellbeing.*

Acumen's strong focus on low income populations in developing countries steers us towards investments that provide means to improving livelihoods, incomes and general monetary wellbeing. This lens will apply to all the agri-businesses supported by the ARAF. Income improvements resulting from adoption of a new livelihood or improved returns from an existing one could manifest in a number of ways to improve the wellbeing of farmer households: 1) in the short term, the regular and timely cash infusion could help stabilize incomes and provide farmer households with some much needed disposable cash at hand to manage daily household expenses better. 2) in the medium term, this additional income often accumulates and help farmers reinvest in their farms, build an asset-base and monetary savings, and 3) in the long term, we hope that the overall contribution or importance of the new/augmented livelihood would solidify and lead to improvements in household income.

- *Social co-benefits*
 - *Time savings*

Families report a variety of monetary and non-monetary improvements in their quality of life from selling to an aggregators or receiving information from an agri. platform. One of the biggest non-monetary ones is time savings in processing, transport or just accessing information. This relatively under-recognized aspect of impact, which could be bucketed as *increased convenience*, has come up frequently in our Lean Data surveys with farmers associated with our Agricultural portfolio. From farmers selling milk to one of our dairy investees in India, we heard through our Lean Data work that one of the big value propositions of selling to this company was the reduced time spent in transporting milk. They could walk a few meters instead of riding to the closest city. In another LD conducted half-way across the world, we spoke to a cacao farmer in Colombia who expressed a similar sentiment. One farmer told us that being able to sell to our investee meant he was saving time and effort in drying and transporting cacao, and was able to *spend more time in the field (consequently hire less labour) and get more time together as a family.*

- *Knowledge and skill development*

Learning a new skill or crop management technique has also often come up as a benefit that farmer's report from being involved with agri businesses. Since Lean Data is fairly young, we don't yet have panel data that helps us see the benefits of these knowledge gains pan out over time, but we have heard farmers appreciate the knowledge they are receiving and realizing benefits from putting it to immediate use. One farmer told us: *"This was the first time I pruned, these trees in 30 years! My cocoa trees were planted by my father."* And we heard multiple farmers rave about the benefits of adopting pruning and crops management practices on their production. *'We have received technical assistance visits, we are more **united as community**', Colombian farmer.*

- *Environmental co-benefits*

- *Reduced Farm-Scale Emissions and Runoff*

By encouraging climate-smart agricultural practices such as drip irrigation and the efficient and responsible use of fertilizers, ARAF will in turn reduce the amount of nitrogen runoff from smallholder farms. Excess nitrogen in riparian and aquatic ecosystems due to agriculture leads to eutrophication, or the over-enrichment of water with plant nutrients. Increased algal growth and subsequent decomposition leads to oxygen-depleted "dead zones," in which native fauna cannot survive. For this reason, nitrogen runoff from farms has the potential to reduce biodiversity well outside of the immediate farming vicinity.

- *Reduced Depletion of Scarce Water Resources*

By encouraging climate-smart agricultural practices such as drip irrigation and other water-management approaches, ARAF will in turn reduce the amount stress put upon local hydrological systems due to agricultural processes.

- *Gender-sensitive development impact*

- *Burden and benefits by gender. Even though agriculture-related activities require participation and impact every single member of the household, we know there are nuances among how these dynamics play out at the intra-household level. We can use Lean Data to do a gender deep dive to understand how the burden and benefits of the intervention in question vary by gender. For the burden, we will look at which members of the household do most of the work related to the intervention and for the benefit and compare that with who makes most of the decisions about the crop and/or about the income coming from the crop. We would also like to get and compare the male and female perspectives on whether and how the intervention affected the quality of life of the women in the house.*

Acumen has also undertaken some sector level work from a gender perspective. From 2014 - 2015, Acumen teamed up with the International Center for Research on Women to look at our portfolio and how our companies engage women as customers and employees. *We published Women and Social Enterprises: How Gender Integration Can Boost Entrepreneurial Solutions to Poverty* and launched the report during the Women's World Forum in Deauville in October 2015 and at an event with Acumen's community in New York. The qualitative research and report provide a glimpse into how Acumen's portfolio companies are currently thinking about gender and a framework with which to deepen how we integrate gender considerations into the work that we do.

We learned that women are a significant proportion of our investee's customer base and about how our companies are already benefitting women. We also discovered a need to better understand the role that women play throughout our business models – as low-income customers, employees, managers, etc. In addition to the LD component mentioned above, we know that two of the biggest challenges facing our companies today are in talent development and sales and marketing, both areas that we identified in

Women and Social Enterprises as having significant potential for gender integration to boost social and business performance.

In the report, we provide a diagnostic tool to help social enterprises assess where they are effectively integrating gender into their business models, and where there are opportunities to further integrate gender to achieve increased business and social impact. We understand, however, that rapidly growing early stage companies with limited resources are likely to consider investing in gender integration risky because they are unsure how it will benefit company performance and productivity, if at all.

To try to overcome this challenge, we are identifying companies in our portfolio with an interest in gender integration, companies that have identified a gender-related business challenge, and companies where our gender Lean Data projects identify a gender-related gap in performance. We currently have funding from a donor that would enable us to provide grants to support technical assistance projects to respond to this need, and we are now working with a select number of companies to co-develop these projects. These grants will support companies in identifying experts to design and help implement the gender-lens interventions.

We plan to measure the effectiveness of these interventions. If they are successful, Acumen will be able to use what we have learned to improve how we invest in and support our companies, which will be directly applicable to the project proposed herein. This also has a strong potential for scaling with other likeminded impact investors and intermediaries interested in gender and also supporting social enterprises grow and scale.

Acumen has also finalized a formal Gender Policy, which we have shared with GCF. With respect to Acumen's investment program, our gender reporting has focused on KawiSafi Ventures Limited and the clean energy sector, as well as our work in Latin America.

E.4. Needs of the Recipient

Vulnerability and financing needs of the beneficiary country and population

E.4.1. Vulnerability of country and beneficiary groups (Adaptation only)

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

The El Nino and La Nina weather phenomenon that causes climate fluctuations ranging from drought to severe flooding has had a devastating effect on East and West Africa. The UN's early warning system has classified Kenya and Uganda as being a "crisis" level, the point at which families begin skipping meals, seeking off-farm labor opportunities, and selling household assets for food consumption²². More severely, South Sudan and Ethiopia are considered to be at "emergency" level where critical food assistance is needed in order to prevent widespread mortality and suffering²³. According to the UN, the region's three consecutive years of diminished food production has exhausted people's capacity to cope with another shock, while access constraints, rising refugee numbers and outbreaks of communicable diseases in the greater region add to the pressures²⁴. Conflict has been another key

²² East Africa Drought Situation Report No. 1 | February 21, 2017, Lutheran World Relief (online) Accessed April 29, 2017 at <http://reliefweb.int/report/kenya/east-africa-drought-situation-report-no-1-february-21-2017>

²³ Famine Early Warning System Network: East Africa - Message Update <http://www.fews.net/east-africa/south-sudan>.

²⁴ Anyadike, Obi. IRIS Report: Feature: Drought in Africa 2017. <https://www.irinnews.org/feature/2017/03/17/drought-africa-2017>

factor as both a driver and result of the climate change. Conflict has led to millions of displacements, made it harder to cultivate land and has hampered humanitarian. Flooding and droughts are no stranger to West Africa, but the intensity and erratic weather patterns are more concentrated and or dire consequences in East Africa.

Uganda

Of Uganda's 39M people, more than 10 million Ugandans are estimated to be struggling with hunger caused by prolonged droughts and out of this number 1.6 million people are in serious urgent need of food to escape death²⁵. Over 86% of Uganda's population has been depending on subsistence agriculture for their livelihoods in the previous years. In the past, Uganda's natural resource base has been considered one of the richest and most diverse in Africa because of its ample rainfall and fertile soils. Today, farmers are struggling to feed themselves and their livestock and biodiversity degradation has been so severe that the country is no longer expected to have forests or wetlands in the next forty years²⁶. Even more urgently, drought and conflict in neighboring South Sudan has resulted in 1,495,000 South Sudanese refugees residing in Uganda, with over 25,000 who arrived in the first half of March 2017. Newly arrived refugees are currently receiving a full ration through World Food Program²⁷. Although due to funding shortfalls, it is estimated that this migrant population increase will exacerbate Uganda's existing food security concerns.

Acumen's previous investment in the Gulu Agricultural Development Company (GADC), is a testament to the organization's commitment to helping adapt to climatic changes, particular in post-conflict and conflict-sensitive areas. GADC empowers small holder cotton farmers in Northern Uganda, most of whom are ex-combatants, by providing training, agricultural inputs, and market access. GADC has also taught over 55,000 smallholder farmers how to diversify their crops (moving from cotton to sesame seeds) in order to manage soil degradation and mitigate the risk of being too heavily invested in cash crops. These are thy types of investments that ARAF will continue to make throughout Uganda and East Africa.

Ghana

As with most African countries, Ghana's largest sector is agriculture. The country is most susceptible to drought, flood, and sea erosion. Agriculture is predominantly rain-fed, so any changes to rainfall patterns seriously impact productivity. Current projections on climate indicate that that rising temperatures will increase the incidence of bushfires and environmental degradation. Changes will have in the past deepened rural vulnerability to poverty. For these reasons, investments in agriculture in Ghana are increasingly risky and expensive. To date, the impact of changes in climate have been less severe than in East Africa, but the data shows the next 10 -20 years will show a rapid increase in the impact of increased temperatures, erratic rainfall, and flooding²⁸.

²⁸ National Climate Change Adaption Strategy: Ghana (online) Accessed April 26, 2017 from https://s3.amazonaws.com/ndpc-static/CACHES/PUBLICATIONS/2016/04/16/Ghana_national_climate_change_adaptation_strategy_nccas.pdf

²⁸ National Climate Change Adaption Strategy: Ghana (online) Accessed April 26, 2017 from https://s3.amazonaws.com/ndpc-static/CACHES/PUBLICATIONS/2016/04/16/Ghana_national_climate_change_adaptation_strategy_nccas.pdf

²⁸ National Climate Change Adaption Strategy: Ghana (online) Accessed April 26, 2017 from https://s3.amazonaws.com/ndpc-static/CACHES/PUBLICATIONS/2016/04/16/Ghana_national_climate_change_adaptation_strategy_nccas.pdf

²⁸ National Climate Change Adaption Strategy: Ghana (online) Accessed April 26, 2017 from https://s3.amazonaws.com/ndpc-static/CACHES/PUBLICATIONS/2016/04/16/Ghana_national_climate_change_adaptation_strategy_nccas.pdf

Acumen has boldly invested in climate adaptive innovations for smallholder farmers in Ghana. Acumen's investment in Farmers Hope in Ghana uses local materials to manufacture organic fertilizer, which we expect will increase incomes and crop performance. Additionally, Acumen's investment in GADCO is transforming smallholder lives through leveraging the hub-farm model to provide Ghanaian smallholder farmers with technical assistance, high yield seeds and other inputs, with access to the end consumer market. Insights generated from both Acumen investees will help ARAF position smallholder farmers to adapt to the changing climates in which they have inevitably found themselves.

Nigeria

Nigeria is the second largest country in Africa and 78% of its land is arable land²⁹. According to Nigerian Meteorological Agency, a combination of late onset and early cessation has shortened the length of the rainy season for the last sixty years. Annual rainfall has also decreased by 2-4 mm in most parts of the country³⁰. The northeast region of Nigeria has been repeatedly noticed because of its increasingly high temperatures. The country is no stranger to droughts, flooding, rapid deforestation, and water and air pollution. The negative impacts of climate change such as temperature rise, erratic rainfall, sand storms, desertification, low agricultural yield, drying up of water bodies and flooding are real in the desert prone 11 front states of Nigeria. This is now leading to increasing population pressure, intensive agricultural land use, overgrazing, bush burning, and extraction of fuel wood³¹.

ARAF will leverage its farmer insights and funding mandate to support smallholder farmers in Nigeria. The lessons we have learned around climate adaptive inputs, effective crop management, drip irrigation, intercropping, financing and insurance will help to slow down the speed at which climate change is affecting vulnerable populations and will introduce effective climate adaptive strategies for long term mitigation.

E.4.2. Financial, economic, social and institutional needs

Describe how the project/programme addresses the following needs:

- *Economic and social development level of the country and the affected population*
- *Absence of alternative sources of financing (e.g. fiscal or balance of payment gap that prevents from addressing the needs of the country; and lack of depth and history in the local capital market)*
- *Need for strengthening institutions and implementation capacity.*

Acumen was founded to invest in early stage impact businesses, often before traditional investors were willing to provide such early stage capital. Acumen's position in the market is to provide such early stage capital to innovative social enterprises. As noted earlier, we have invested across numerous sectors, but have developed the most in-depth insights in the agriculture sectors in East and West Africa. Below, we focus on the target countries for ARAF and how ARAF will address the social development and economic needs of each country, the lack of alternative financing, and need for strengthening institutions and implementation capacity.

²⁹ CIA Factbook Nigeria 2017. <https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html>

³⁰ National Adaptation Strategy: Nigeria (online) Accessed April 27, 2017 from <http://csdevnet.org/wp-content/uploads/NATIONAL-ADAPTATION-STRATEGY-AND-PLAN-OF-ACTION.pdf>

³¹ National Adaptation Strategy: Nigeria (online) Accessed April 27, 2017 from <http://csdevnet.org/wp-content/uploads/NATIONAL-ADAPTATION-STRATEGY-AND-PLAN-OF-ACTION.pdf>

Uganda ([CIA Factbook Uganda](#))

Approximately 38M people live in Uganda, and 86% live in rural areas (estimate 2015). Under the leadership of the country's current president, Yoweri Museveni, the country has steadily improved literacy levels, has improved water and sanitation services to rural population, and has created an environment of a relatively low unemployment rate of 9.4% (2013 estimate). The country's poverty level stands just below 20%. Unfortunately, Uganda has one of the highest infant mortality and lowest life expectancy rates in the world, ranked 21st and 212nd, respectively. Approximately 14% of GDP is generated from tax revenue, but that pales in comparison to the fact that public debt makes up 34% of GDP, its current account balance is USD \$ -2.2B, and the country's budget deficit is -6.5% of GDP. Given the country's high debt levels, all funding for climate adaptation initiatives will need to come from external sources. ARAF will be well-positioned to invest in Uganda given its ambitious climate change activities and priorities for improved crop management, water resource management, and microfinance.

Since 1986, the government, with support from foreign countries and international agencies, has worked to rehabilitate and stabilize the economy through currency reform, raising prices on export crops, improving civil servant wages, and increasing the prices of its petroleum products. But the global economic downturn of 2008 has left Uganda with a number of challenges, including a depreciated shilling against the dollar, an inflation rise from 3% to 9% , and a subsequent interest rate hike from 11% to 17%. Most of Uganda's budget is dominated by energy and infrastructure spending while it relies on donor funding for agriculture, health and education. Most infrastructure projects are externally financed through low-interest loans. As a result, debt servicing costs are expected to rise by 22% in 2016-17, and consume 15% of the domestic budget.

Given the ambitious nature of its National Adaption Plan, the Government of Uganda identified several barriers to implementation including, inadequate understanding of climate change and its impacts, inadequate technical capacity; inadequate financial resources; and weak institutional and coordinating mechanisms. ARAF will certainly support the funding gap by encouraging co-investment and follow-on funding, and will also, through its technical assistance resource allocation, support technical capacity building for investees and government officials and will share learnings and impact with the relevant coordinating bodies within the government.

Ghana ([CIA Factbook Ghana](#))

Ghana's 26M people have seen improvements in drinking water, education, health care, but sanitation services are currently available to less than 10% of the rural population. Approximately 24.2% of the population lives below the poverty line, while unemployment is at 5.2%. The disparity in the poverty rate and employment rate indicate a wide income equality gap. Internally poverty and other developmental disparities continue to drive Ghanaians from the north to the south, particularly to its urban areas. Acumen's ARAF investment in Ghana will continue to support smallholder farmers and the value chains in which they engage, helping to reduce the number living below the poverty line while reducing income disparities and increasing employment opportunities.

Ghana's economy was strengthened by a quarter of a century of sound management, a competitive business environment, and sustained reductions in poverty levels. But, in recent years the economy has suffered due to loose fiscal policy, high budget and current account deficits, and depreciating currency. As of 2015, Ghana's biggest economic issue was the lack of consistent electricity. The government is currently partnering with the IMF and various private sector stakeholders in order to increase the supply of electricity to the country. This aggressive

investment in energy has resulted in a public debt of 73.7% of GDP, leaving little government revenue for agriculture investment or climate change mitigation and adaptation. Inflation stands at 17.8%, and its commercial lending rate is 31.8%, the sixth highest in the world. Ghana carries a negative current account balance of USD \$-2.693B, and has USD \$21.7B in external debt.

In Ghana, the Ministry of the Environment, Science and Technology is responsible for the coordinating of stakeholders, ensuring strategy/activity alignment and strategy monitoring. The country's National Climate Change Committee provides project evaluation and support for local institutional and capacity building. ARAF will work with each coordinating body to ensure that its investments are well-aligned with the strategy and will invest technical assistance funding for local capacity building.

Nigeria ([CIA Factbook Nigeria](#))

Nigeria, Africa's largest country, is home to more than 186M people and is expected to see a population increase of up to 392 million by 2050. As of 2015, approximately 50% of the population lived in rural areas. Like Uganda, Nigeria has one of the highest infant mortality and lowest life expectancy rates in the world, ranking 10th and 214th respectively. Water and sanitation facilities remain poor in rural areas and are only marginally better in urban areas. The country's unemployment rate stands at 23.9% and 70% of the population falls below the poverty line.

Despite strong fundamentals, oil-rich Nigeria has been hampered by inadequate power supply, lack of infrastructure, delays in the passage of legislative reform, insecurity and pervasive corruption. Because of lower oil prices, GDP growth fell to 3% in 2015 and government revenues declined sharply, especially given OPEC's unwillingness of reduce the supply of oil (and in turn increase prices) available on the global market. The government is working to develop stronger public-private partnerships and has announced plans for increased transparency, diversification away from oil, and improved fiscal management. Acumen's investment in climate resistant crops and breeds, technical assistance, and commitment to connect farmers to high value value chains, will help to diversify Nigeria's agriculture base and economic base while smoothing incomes and providing a sustainable livelihood opportunities.

Only 2.7% of the country's GDP comes from taxes, while its public debt is equivalent to 13.2% of GDP. In 2015, the inflation rate skyrocketed from 9% to 15.3%, while the lending rate increased from 16.5% to 18%. Nigeria's current account balance USD \$ -2.8M and public debt stands at USD\$ 39.1B. Like many other countries in West Africa, there is little to no internal funding available for climate change policy implementation.

The government of Nigeria has identified the integration of climate change adaptation into national, sectoral, State and Local Government planning as being its biggest barrier to implementation. The government would also like to integrate climate change plans into the plans of universities, research and educational organizations, civil society organizations, the private sector and the media. ARAF can support the government in this endeavor by bringing together all of the relevant stakeholders for workshops, sharing insights, and capacity building. ARAF will widely disseminate its learnings to NGOs, universities, the media and other members of the private sector with the intention of helping these stakeholders develop ways in which the learnings can be apart of the future program design and implementation.

E.5. Country Ownership

Beneficiary country (ies) ownership of, and capacity to implement, a funded project or programme

E.5.1. Existence of a national climate strategy and coherence with existing plans and policies, including NAMAs, NAPAs and NAPs

Please describe how the project/programme contributes to country's identified priorities for low-emission and climate-resilient development, and the degree to which the activity is supported by a country's enabling policy and institutional framework, or includes policy or institutional changes.

Acumen is committed to local country operations and expertise. Acumen has local offices in each of the regions it invests in (East Africa, West Africa, India, Pakistan and Latin America) with local employees that understand consumer needs and cultural context and extensive local networks. Acumen's teams across the world works with relevant local government, NGOs and private sector partners to execute on its investment and impact goals, and ensure alignment with local policies.

ARAF aims to invest in three countries in Sub-Saharan Africa: Uganda, Ghana and Nigeria. Where available, supporting institutions are also mentioned. All of ARAF proposed activities were a function of Acumen's current portfolio and the learnings that have been generated the last fifteen years of the organization's investment track record. All activities are supported by each country's National Adaptation Plan.

Government Engagement & Ownership

Country ownership of ARAF will be ensured through regular dialogue and long-term relationship building with national governments and the national stakeholders that are important to them. Acumen already holds good relationships with the governments of each of the three ARAF countries and these have been further strengthened by recent dialogue with NDAs and designated national stakeholders (including Ministries of Agriculture, Ministries of Environment, Ministries of Finance, parastatals, NGOs and consultancy groups) to ensure their full understanding of proposed ARAF goals and activities, our alignment with national adaptation goals and priorities, co-development of stakeholder engagement plans, and government acceptance and approval of ARAF strategies.

Across 2017 Acumen has undertaken desk-based research and in-person consultations to fully understand the national adaptation goals and activities of each ARAF country and ensure strategic alignment with ARAF goals and activities at the national level. The findings from this research formed the basis of the national strategies that we presented to each NDA and corresponding government-convened stakeholder group. These strategies have since been modified and improved in collaboration with stakeholders.

From May to August 2017 Acumen has engaged NDAs and other national stakeholders both in person at various meetings and also in writing to gain their understanding of and feedback on proposed ARAF goals and activities. We supplied each country with the ARAF Overview Deck, an individualized National ARAF Concept Note per country and the full GCF Proposal as a springboard for discussion. We responded to a wide range of questions and concerns from NDAs and other national stakeholders, both in person and in writing, and facilitated open dialogue on priorities, processes, risks and challenges.

NDAs and government-designated national stakeholders engaged and consulted to date are outlined below:

Ghana

NDA - Mr Mensah
Ministry of Finance
Ministry of Agriculture
USAID – Food for the Future Programme (FINGAP), ACIDI-VOCA
Ghana Poultry Farmers Association
Ghana Peasant Farmers Association
Ghana Agriculture Insurance Pool

Nigeria

NDA - Dr Tarfa
Ministry of Environment
Federal Ministry of Agriculture and Rural Development
Access Development Assistance Africa – an NGO related to NEST
Nigeria Agricultural Insurance Corporation - NAIC
Nigerian Incentive Based Risk Sharing System for Agricultural Lending – NIRSAL (Central Bank of Nigeria)

Uganda

NDA - Mr. Keith Muhakaniz
Ministry of Finance, Planning and Economic Development
Commission for Economic Development Policy and Research
Minister of Agriculture
Ministry of Environment

A summary of agreed ARAF strategic areas of focus and national adaptation plan alignments are outlined below.

Ghana

1. Improve livelihoods output and income of vulnerable groups; Build and strengthen capacity of local farmers to increase agricultural productivity and awareness of climate issues; Promote farming technologies that enhances productivity of agricultural lands.
2. Create awareness on climate change and its adaptation strategies; Sensitize beneficiaries on the need to adopt new and appropriate technologies on economic and non-economic livelihoods
3. Improve access to credit facilities for the poor and vulnerable
4. Promote cultivation of crops and rearing of animals adapted to harsh climatic condition
5. Early Warning: Promote the development of modern information management system including E-Governance process; Develop systems for data collection, processing and dissemination of information; Intensify government's commitment to enhance access to public information and enabling environment for media
6. Increase availability of water for agriculture, domestic, energy and industrial purposes

7. Promote evidence-based decision making
8. Fisheries Management: Promote fish farming
9. Improve livelihoods and living conditions
10. Alternative livelihoods for women
11. Increase in job creation/job diversification

Nigeria

1. Implement strategies for improved resource management, including irrigation rainwater harvesting, introduction, supply and training of new products better adapted to a changing climate
2. Increase access to drought resistant crops and livestock feeds; intensify crop and livestock production in place of slash and burn, and ensure that vulnerable communities and groups alter their agricultural practices to adapt to the changing climate
3. Provide climate-adaptive financial products, including micro-credit and micro-insurance.

Uganda

1. Promotion of multimedia approach to dissemination of weather and climate information
2. Develop and promote drought-tolerant and early maturing plant varieties and animal breeds
3. Strengthen community sensitization and advocacy on climate-change related issues; Promote community best practices of collaborative natural resource management; Promote community best practices of collaborative water resource management; Promote tree growing in farmland; Promote use of indigenous knowledge (IK) as a coping mechanism; Study and promote traditional food preservation technologies
4. Promote appropriate and sustainable water harvesting, storage and utilization technologies
5. Expansion of weather observing infrastructure
6. Help Uganda address barriers to NAPA implementation

Given that ARAF is a private sector investment opportunity, we are keen to strike a balance between aligning and collaborating closely with government and maintaining the autonomy required by the private sector in order to be able to make commercial market-based decisions. We are therefore not able to include government stakeholders within our internal governance structures. However, we have expressed our strong desire to work closely with each national government and other national stakeholders to collaborate on strategy development, identify a robust pipeline of appropriate private sector investments and explore potential investment in public-private partnership businesses, where appropriate. We have also pledged to facilitate iterative feedback loops with government to ensure ongoing

collaboration and alignment. In all cases the governments were receptive to engaging and collaborating regularly with ARAF and understood the need for formal fund governance structures to be led by the private sector.

We have outlined the following stakeholder engagement plan for national governments and designated national stakeholder groups:

- Annual Report on ARAF activities, finances and impact
- In-person meetings, as required to deepen relationship and clarify questions
- Regular ad hoc emails and phone calls with investment and impact updates

Wider Stakeholder Engagement:

We firmly believe in an inclusive approach to agriculture where longer term commitments by value chain stakeholders are sustained through alignment with shared value and interests. We are regular speakers and attendees at impact investing and agribusiness conferences and events

Within ARAF we will work with a range of stakeholders while leveraging our experience and partner networks to share knowledge from our investing work, co-invest to create greater impact at scale and ultimately influence policy to become more focused on meeting climate adaptation objectives.

Please see Section E.5.3 for a comprehensive overview of our wide multi-stakeholder network.

E.5.2. Capacity of accredited entities and executing entities to deliver

Please describe experience and track record of the accredited entity and executing entities with respect to the activities that they are expected to undertake in the proposed project/programme.

Please refer to Section C.4 for a broader discussion of Acumen’s organizational history and investment track record outside of the agriculture sector.

Since inception, Acumen has invested over \$33 million of investment capital in 23 agriculture companies in Latin America, Africa and South Asia that have collectively impacted approximately 13.9 million lives to date. In Africa specifically, Acumen has invested over \$20 million in 10 companies, which have impacted approximately 10 million lives. Please refer to Section E1.2 for estimates of Acumen’s agriculture portfolio’s impact to-date by investments.

Acumen strongly believes that being able to utilize our organization’s local presence in the markets in which we invest is critical to the success of ARAF. This presence will allow the Investment Team to continue developing a

deep understanding of the local market dynamics of the regions in which Acumen's portfolio companies already operate, and to continue building strong relationships with the local advisors and networks that already support Acumen's work.

Through its local presence, Acumen has attracted experienced in-country senior leadership and has built a strong network of well-respected local advisors who are influential members of their respective business communities. Due in part to this network, Acumen has built a powerful brand and is recognized as a leader amongst investing peers and entrepreneurs operating in the social impact sector. Acumen and the Investment Team will have access to in-country senior leadership and local advisors, and will leverage Acumen's prominent brand recognition to source and facilitate investment opportunities.

Acumen's Ghana and Kenya offices serve as regional hubs for the organization's investment efforts in West Africa and East Africa, respectively. The New York office makes investments in companies that are global in nature and also exists to help source and develop potential investments in all regions. Companies deemed to be "global" are those that domiciled outside of East Africa, West Africa, South Asia or Latin America but have significant operations in those geographies. Accordingly, while a majority of investment sourcing, diligence, and post-investment management for ARAF will be undertaken by teams in the Ghana and Kenya offices, New York will also play a role in supporting ARAF's operations.

All of these factors provide Acumen with a competitive advantage in sourcing deal flow, allowing the organization surface deals which are not seen by other investors who lack the same local presence. Acumen also maintains close relationships with many of the incubators and accelerators in the social impact sector, which serve as additional resources for potential Fund investments.

E.5.3. Engagement with NDAs, civil society organizations and other relevant stakeholders

Please provide a full description of the steps taken to ensure country ownership, including the engagement with NDAs on the funding proposal and the no-objection letter.

Please also specify the multi-stakeholder engagement plan and the consultations that were conducted when this proposal was developed.

Securing Country Ownership

We firmly believe in an inclusive approach to agriculture where longer term commitments by value chain stakeholders are sustained through alignment with shared value and interests. In the process of setting up ARAF and building its investment strategy, Acumen has gone through extensive internal and external consultations on the framework for ARAF. These consultations have included the key stakeholder groups outlined below.

1. Government Engagement

In order to ensure smooth functioning of ARAF's activities in each of the countries of focus, we are working according to the following government engagement process:

- **National Strategy Development:** Based on Acumen’s decade long learning in agriculture investing in Africa and carefully analyzing the National Adaptation Plans (NAPs) as well as National Adaptation Program of Action (NAPA) of respective focus countries, we developed country-specific ARAF Strategy Papers.
- **Strategy Alignment with NDAs:** The exact nature of reaching ‘alignment’ varies by country but involved a series of email communications and calls with GCF’s Nationally Designated Authority (NDA) in each focus country sharing strategy resources including but not limited to concept notes, strategy papers, country-specific funding proposal and pitch decks. This was followed by discussion meetings with the NDAs and relevant government officials to reach alignment with national priorities.
- **Securing NOLs:** Alignment with NDAs was then translated into a written approval or an No Objection Letter (NOL) from the highest authorities within the NDA as well as the respective government minister.
- **Maintaining communication with NDAs:** A relationship manager is assigned to ensure regular updates to the NDA and participation in developing a conducive environment for achievement of mutually agreed national adaptation goals.

To date we have secured NOLs from three national governments: Ghana, Nigeria and Uganda. We hope to secure NOLs from the governments of Ethiopia, Kenya, Rwanda and Tanzania over the coming weeks.

Please see the below table for a summary of ARAF engagement with government representatives in the seven proposed ARAF countries across East and West Africa.

Country	Contact	Department	Discussions	NOL status
Ghana	Mr. Robert Mensah – MOFEP (NDA)	Ministry of Finance	Initially approached by Acumen West Africa (AWA) team in April 2017 to introduce and discuss ARAF. NDA informed AWA that first need approval by Ministry of Agriculture before NOL can be issued. July 2017 - Ministry of Agriculture approval shared with NDA. September 2017 - ARAF presented at NDA Technical Committee Meeting and clarification on specific elements requested by NDA. November 2017 - ARAF presented at second NDA Technical Committee Meeting and approved by all stakeholders.	NOL issued November 2017
	Ms. Zalia Zempare - Advisor to the Minister of State, Agriculture	Ministry of Agriculture	Met by AWA team in May 2017 to introduce and discuss ARAF. Ministry of Agriculture then held a management consultation meeting to discuss ARAF and met again with AWA in July 2017 to confirm their approval.	
Nigeria	Dr. Yerima Peter Tarfa - Department for Climate Change (NDA)	Federal Ministry of Environment	Our primary contact on ARAF proposal. Acumen contacted Dr Tarfa by email in April 2017 to introduce ARAF. July 2017 - in person visit made to meet Dr Tarfa and wider stakeholder representatives by AWA and Acumen Business Development	NOL issued August 2017

			representative to get feedback on ARAF proposal. Aug 2017 AWA invited to Technical Committee Meeting to allow NDA and stakeholders to ask final questions, resulting in ARAF approval.	
	Various	Federal Ministry of Agriculture and Rural Development; Nigerian Environmental Study Action Team – NEST Nigeria Agricultural Insurance Corporation - NAIC NIRSAL - Central Bank of Nigeria	Additional contacts on ARAF. Invited to discuss ARAF at NDA's Technical Committee Meetings in Jul 2017 and Aug 2017. Positive approval of ARAF in Aug.	
Uganda	Mr. Keith Muhakanizi - Permanent Secretary/Secretary to the Treasury (NDA)	Ministry of Finance, Planning and Economic Development	Uganda-focused GCF Proposal submitted to NDA in May 2017. NDA met with Acumen's Associate Director of Portfolio, East Africa (Patrick Oketa) later in May 2017, discussed ARAF at length and oversaw NOL signature.	NOL issued May 2017
	Matia Kasaija – Minister	Ministry of Finance, Planning and Economic Development	Minister met with Acumen's Associate Director of Portfolio, East Africa (Patrick Oketa) in May 2017, discussed ARAF at length and authorized the NOL signature.	

In addition to the NDA-focused government stakeholder engagement outlined above, Acumen has rich experiences with governments especially in public-private partnership models. EthioChicken is a relevant example where, under a partnership with the Ethiopian Government (ATA), they are operating state-owned poultry breeding farms at greater efficiency and profitability. We also have close relationships with government organizations such as IFAD, the FAO, World Bank and a range of government-funded Development Finance Institutions such as CDC Group and FMO.

Acumen is keen to build upon the close relationships developed with government to date and ensure continued collaboration with the public sector on ARAF.

Annual government consultation meetings will be scheduled once funding is received, the ARAF team is in post and the launch date formalized. Annual consultation meetings will be arranged with each national government and other

key national stakeholders to entrench a collaborative approach to ARAF activity and investment planning. We will also provide a written annual update on ARAF activities to each national government.

We will work closely with each government to provide regular updates on investments made by ARAF in all the ARAF countries through in-person meetings, stakeholder forums & annual reports. As often as necessary and feasible, we will also organize trips to visit ARAF investee companies for government, partners and investors.

In addition ARAF will work with governments and other public and private sector partners to create the right market ecosystems to support rapid growth for climate-resilient agricultural products, services, best practices and business models.

2. Smallholder Farmers

Acumen strongly believes in developing strategies in response to direct feedback from the low-income communities our investee businesses exist to serve. In the case of ARAF these are the smallholder farmers who are the customers or suppliers of African agribusinesses.

Since 2014, through Acumen's industry-leading 'Lean Data' impact measurement tool, we have been consistently surveying smallholder farmers across East and West Africa and tracking their direct feedback on their key pain-points and suggestions on the best business solutions to address these.

Please see below for a summary of the number of farmer surveys we have undertaken across East and West Africa.

Survey Year	African Countries	Agri-Businesses	Smallholder Farmers
2014	2	2	745
2015	3	3	1283
2016	4	5	2894
2017	7	10	4720

These surveys have captured feedback from African smallholders on increasingly unpredictable weather patterns (climate change) and their impact on farming livelihoods, which has significantly influenced ARAF's core focus on climate resilience. The surveys have also uncovered a number of other key lessons, which have been incorporated in our strategic focus on aggregators, digital platforms and financial services.

Please find a summary of Acumen's key lessons through engagement with smallholder farmers below.

ACUMEN INSIGHTS ON SMALLHOLDER FARMING

- 1 Climate change is the single biggest challenge being faced by small holder farmers. Resilience against climate change is key to long term sustainable development of sector.
- 2 Lack of access and visibility between smallholder farmers and value chain actors is the key market failure.
- 3 Adoption of innovative inputs by farmers is slow even if the value proposition is compelling.
- 4 Smallholder farmers have a strong preference for one-stop solutions.
- 5 Farmer decisions are deeply influenced by uncertainty associated with farm incomes, largely linked to climate.
- 6 Access to finance is central to farmer livelihoods as farmers' cash remains invested in their land for much of the year.

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ARAF will leverage Acumen's Lean Data expertise through the ARAF Technical Assistance Facility (TAF), which will harness grant funding to develop specific survey tools that measure the climate resilience impacts of agriculture investments. Lean Data surveys will be carried out on all prospective and live ARAF investments as an integral part of ARAF's due diligence and ongoing assessment processes. This will ensure that the voices of smallholder farmers form an integral part of stakeholder consultation, investment selection and strategic learning.

3. Private Sector Engagement

Acumen engages closely with African businesses on two different levels:

- Acumen investee companies.** Since 2008, Acumen has invested \$33M directly into 23 different agribusinesses across Africa, Asia and Latin America, which has provided us with a deep understanding of key challenges to building more inclusive business models involving smallholder farmers. A close and long-term working relationship with these businesses - including seats on their executive boards, detailed analysis of operational challenges and barriers to success, the co-delivery of capacity building programs, and the co-delivery and analysis of Lean Data impact measurement reports - has provided rich learning for the Acumen team around what works and what does not in the delivery of both financial sustainability and social impact in early stage agribusinesses both of which are required in parallel if these investee businesses are to have a positive long-term impact on farmers. This deep learning has fed directly into the ARAF strategy.

In addition, given the sharp focus on climate resilience within ARAF, over the past year Acumen has met with a range of potential new investee businesses that focus specifically on improving climate resilience for farmers. These have included businesses from all three core ARAF pillars: Aggregator Platforms, Digital Platforms and Innovative Financial Services. Engagement with these organizations has greatly contributed to our understanding of resilience challenges.

Finally, to ensure that we incorporate learning into ARAF from a wide range of stakeholders, including current and potential future investees from different sectors, Acumen convened a Corporate Collaboration Summit specifically focused on Agriculture and ARAF in Nairobi Kenya in January 2018 – please see the section headed Multi-Stakeholder Engagement below.

- b. Multinational Corporations:** Acumen has a strong focus on fostering value through corporate partnerships. We actively partner with corporations that respond to new business and sustainability challenges in the countries we work in. We engage with corporations that align with our impact goals and that have an explicit commitment to sustainable and inclusive business practices. In addition to funding, we work with corporate partners to secure in-kind and pro-bono support that can dramatically expand the capacity of our investee companies, including opening up formal supply chains to smallholder farmers.

A relevant example is our partnership with Unilever as part of the Enhanced Livelihoods Investment Initiative and our investment in BURN under this initiative which is improving access to clean and affordable cook stoves for Unilever tea farmers. We also have shared-learning partnerships with organization such as Syngenta, who have interesting R&D investments in areas of interest such as hybrid seeds and crop insurance. Acumen has a strong partnership with Bain on strategy development and the collation and dissemination of strategic learning, which has been instrumental to our strategic learning in the Agriculture space over the last three years. These lessons were distilled into a published study named ‘Growing Prosperity: Developing Repeatable Models® to Scale the Adoption of Agricultural Innovations’. To view please visit <http://www.bain.com/publications/articles/growing-prosperity-executive-summary.aspx>.

Other corporations such as Dow, General Electric (GE), Ernst and Young (EY) and Sainsbury’s partner with Acumen to support shared learning and collaboration events such as the Collaboration Summit outlined in the section headed Multi-Stakeholder Engagement below.

4. Academia & Research Organizations

Acumen has active relationships with several leading universities for agriculture, these include UC Davis and Wageningen University and Kenya-based Tegemeo Institute of agricultural policy & development.

We are also in the early stages of a partnership with Stanford University and the University of Minnesota on climate change mapping and value chain landscaping. We aim to expand these linkages to develop knowledge pieces and influence sector development towards climate adaptation based on learnings from relevant investments.

5. Climate Resilience Experts

Given ARAF’s focus on climate resilience, Acumen has consulted with a range of climate expert organizations to understand the issues better and then to develop a tool to screen investments on climate resilience. These consultations have included a mix of in-person meetings, calls, visits etc. Organizations consulted included World Resources Institute, The Nature Conservancy (TNC), Winrock, Dalberg, Conservation International, CGIAR/CCAFS and others.

Acumen has developed the Climate Resilience assessment tool to be used by ARAF at the investment due diligence stage (ARIS) in partnership with Winrock, which has significant experience in this space.

6. Potential ARAF Funders

Acumen is currently in conversation with multiple funding prospects that have shown a potential interest in investing in ARAF, including a range of high-net-worth individuals, trusts and foundations, multinational corporations (see Collaboration Summit participant list in line item 8. below) and impact investors.

Acumen's strong preference is to source senior equity funding from private sector sources, but for our own learning we have also consulted with Development Finance Institutions ("DFIs") to better understand the current offerings, gaps, expectations and tools available in the market and the network of potential funders available to support ARAF.

These consultations have shown that ARAF is seen to offer significant value in the market as there are very few Climate-Adaptation focused funds available to fund, particularly coupled with the depth of early stage African smallholder agribusiness investment experience linked to Acumen and the Acumen network.

7. Multi-Stakeholder Engagement – Acumen Collaboration Summit, Nairobi

Every year Acumen hosts a summit in Nairobi Kenya to engage with a wider range of stakeholders from a wide range of sectors (agriculture, energy, finance, consultancy, crop sciences, technology), to gather their feedback and learning to inform Acumen strategies and also to identify types of partnerships that can be fostered between different stakeholder types to accelerate positive impact on the low-income consumers that Acumen exists to serve.

In January 2018 Acumen hosted their first sector-specific Collaboration Summit on Agriculture in Nairobi Kenya to facilitate collaboration between a wide range of stakeholders to improve the lives of smallholders farmers. During this convening Acumen took the opportunity to consult with stakeholders on ARAF and agricultural resilience as a whole. Please see below for the list of summit attendees.

Organisation Type	Participating Organisation	Region(s)
Advisory	Adaptive Change Advisors	Global
Advisory	MPA Global Advisors	Global
Advisory	Winrock	Global
Development Agency	IFAD	Global
Development Agency	The Nature Conservancy (TNC)	Global
Development Agency	World Bank	Global
Foundation	Expo2020 Dubai	Global
Foundation	Grameen Foundation	Global
Foundation	Rockefeller Foundation	Global
Foundation	Small Foundation	Africa
Government	Taita-Taveta County, Kenya (Deputy Governor)	East Africa
Multinational Corporation	Bayer	Global
Multinational Corporation	Cargill	Global

Multinational Corporation	Coca-Cola	Global
Multinational Corporation	Dow	Global
Multinational Corporation	EY (Ernst & Young)	Global
Multinational Corporation	GE (General Electric)	Global
Multinational Corporation	Grow Partners	Global
Multinational Corporation	Hersheys	Global
Multinational Corporation	IDH Trade	Global
Multinational Corporation	IKEA	Global
Multinational Corporation	MasterCard	Global
Multinational Corporation	Microsoft	Global
Multinational Corporation	Nespresso	Global
Multinational Corporation	Partners in Food Solutions	Global
Multinational Corporation	Sainsbury's	Global
Multinational Corporation	Syngenta	Global
Multinational Corporation	Unilever	Global
Multinational Corporation	Vitol	Global
SME – Agribusiness	EA Fruits Farm & Co	East Africa
SME – Agribusiness	EthioChicken	East Africa
SME – Agribusiness	Frank About Tea	East Africa
SME – Agribusiness	Hello Tractor	West Africa
SME – Agribusiness	InspiraFarms	East Africa, Latin America
SME – Agribusiness	VegPro Group	East Africa, West Africa
SME – Agribusiness	Wanda Organics	East Africa
SME – Agribusiness	Wasi Organics	Latin America
SME - Agribusiness, Energy	Sanergy	East Africa
SME – Climate Advisory	Connective Impact	Global
SME - Digital Services	Viamo	Global
SME - Digital Services (Agri)	Virtual City	East Africa
SME - Digital Services (Agri)	Esoko	East Africa
SME - Digital Services (Agri)	Tulaa	East Africa
SME - Financial Services	FirstAccess	East Africa
SME - Financial Services (Agri)	F3 Life	East Africa
SME - Financial Services (Agri)	Juhudi Kilimo	East Africa
SME - Land Conservation	Virunga Group	West Africa
SME - Land Restoration (Agri)	LandLife Company	Global
SME - Renewable Energy	Azimuth Easy Solar	West Africa
SME - Renewable Energy	Biolite	East Africa, India, USA

SME - Renewable Energy	Burn Manufacturing	East Africa
SME - Renewable Energy	Devergy	West Africa
SME - Renewable Energy	Ecofuels Kenya	East Africa
SME - Renewable Energy	Green Energy BioFuels	West Africa
SME - Renewable Energy	SolarNow	East Africa
SME - Renewable Energy	Sun Culture	East Africa

Learning highlights from the Collaboration Summit include:

- Consultation with a number of early stage businesses focused on climate resilience in East and West Africa which could be considered as ARAF investee pipeline
- A number of large multinational corporations, including many of those listed above, have pledged to support early-stage businesses tackling agricultural resilience in Africa (including Acumen and ARAF investees). This could be in the form of financial funding, market provision or pro bono support.
- Microfinance Institutions (MFIs) confirmed that it would make good business sense for them to incorporate climate resilience training to farmers into their existing business operations as this would help to minimize loan non-repayments by (a) decreasing the risk of poor harvests due to unpredictable weather and (b) building trust and goodwill with the farmers. This has confirmed finance providers as a good source of climate adaptation service provision.
- Both small start-up tech companies and large tech corporations (Microsoft, Syngenta, etc) confirmed that there are exciting new technologies in the market that can support the development and delivery of business models focused on climate adaptation, including satellite imagery and drones.
- Close partnerships need to be developed between agribusinesses and renewable energy suppliers to ensure that smallholder farming value chains are addressing both climate resilience and mitigation issues. These partnerships could be between early-stage companies from each sector or with larger corporations.
- There is a need for ongoing consultations with and collaborations between small and large corporations working in East and West Africa in the resilient agriculture space – Acumen and/or ARAF to convene stakeholders in a collaborative manner annually to strengthen partnerships and learning.

Once ARAF becomes operational, the following process describes the stakeholder engagement framework:

- **Investee companies:** In addition to regular engagement at the Relationship Manager level, formal annual meetings with the senior management and boards of investee companies, focused on their business strategy and impact to ensure alignment of the overall objectives of the company with that of ARAF. Any course correction and realignment will be enabled through this engagement.
- **Governments:** We aim to have regular engagement with Country NDAs with a minimum annual meeting,, updating them on our experience and learnings from ARAF, getting updates on the evolution of each country's climate adaptation strategies and its alignment with ARAF's objectives, providing input as may be necessary on government policy based on our learnings and sharing impact results from ARAF investments.
- **Academia, Research Organizations and Corporates:** The experts from Academia and Corporates will periodically be invited to the sessions of Agriculture Expert Committee (AEC) to opine on issues related to ARAF strategy and climate adaptation focus. AEC is expected to meet at least once a year. We have active relationships with several leading universities for agriculture, these include UC Davis and Wageningen University while we have collaborated on Impact Measurement with Kenya-based Tegemeo Institute of agricultural policy & development. We have also just launched a partnership with Stanford University and the University of Minnesota on climate change mapping and value chain landscaping. We aim to expand these

linkages to develop knowledge pieces and influence sector development towards climate adaptation based on learnings from relevant investments.

- **Smallholder farmers:** At the time of making the investment, we will work with our investee companies to identify impact metrics to be tracked and develop a lean data and metrics collection plan. Metrics collection plan. This plan will be presented in the IM. We will periodically undertake lean data surveys to capture farmer insights and feedback to be incorporated into company's strategy. We would aim to undertake these surveys several times over the life each investment.

E.6. Efficiency and Effectiveness

Economic and, if appropriate, financial soundness of the project/programme

E.6.1. Cost-effectiveness and efficiency

Describe how the financial structure is adequate and reasonable in order to achieve the proposal's objectives, including addressing existing bottlenecks and/or barriers; providing the least concessionality; and without crowding out private and other public investment.

Acumen is requesting that the GCF invest equity capital into a 12-year fund. This vehicle, and GCF's anchoring investment in the Catalytic First Loss Capital (CFLC) tier, will enable Acumen to raise additional capital from like-minded investors that want to achieve the same goals of the GCF and Acumen but have a lower risk appetite. We believe we can leverage GCF's investment capital in ARAF by 1.2 times to raise a \$50M fund. We are also targeting a \$6M Technical Assistance Facility, so GCF's grant capital of \$3M will be leveraged to raise another \$3M in TA grants.

Acumen will use ARAF's capital to make equity and quasi-equity investments in SMEs that are serving low-income populations and enhancing their resilience against climate change. The early stage nature of these enterprises, unproven environment that they operate in and the associated risks involved in scaling these enterprises, generally tends to stall investor confidence and deter private sector investments in this space. To address this concern, ARAF is structured as a blended capital fund that not only offers a single digit IRR to investors but also provides them with downside protection to the extent of \$25m. This risk / reward profile of the fund will attract private investors that are okay with limited financial return on their investment provided sufficient capital protection and high social impact. Over the 12-year period of the fund, ARAF will establish the commercial viability of the sector by investing in, developing and scaling agribusinesses that make agricultural value chains more climate resilient. Together through this fund, Acumen, GCF and other investors will be creating financially sustainable enterprises that continue to operate through internal profits and follow-on investment capital even after ARAF has made its investments. This success of ARAF is anticipated to catalyze investor confidence and attract further private sector capital into those same companies and similar companies that arise to compete, which ultimately will serve to increase the scale and impact of climate resilient agribusinesses operating locally within countries. Thus, the GCF's involvement will in no way be crowding out private capital, but on the contrary, will be key to crowd-in private capital that requires downside capital protection to invest in such high risk impact driven investment vehicles.

Lastly, Acumen has a strong track record of deploying and returning capital. Acumen has appropriate internal controls to monitor its investments and report to investors. ARAF will seek to generate a positive financial return to investors.

Please describe the efficiency and effectiveness, taking into account the total project financing and the mitigation/adaptation impact that the project/programme aims to achieve, and explain how this compares to an appropriate benchmark. For mitigation, please make a reference to [E.6.5 \(core indicator for the cost per tCO2eq\)](#).

Not Applicable

E.6.2. Co-financing, leveraging and mobilized long-term investments (mitigation only)

Please provide the co-financing ratio (total amount of co-financing divided by the Fund's investment in the project/programme) and/or the potential to catalyze indirect/long-term low emission investment.

Please make a reference to [E.6.5 \(core indicator for the expected volume of finance to be leveraged\)](#).

Acumen is requesting that the GCF invest equity capital into a 12-year fund. This vehicle, and GCF's anchoring investment in the FLP, will enable Acumen to raise more risk averse capital from like-minded investors that want to achieve the same impact goals of the GCF and Acumen but have a higher risk threshold. We believe we can leverage GCF's capital by 1.2 times.

ARAF is intended to create a blueprint to climate resilient agriculture in developing markets that can be followed by other nations and that will attract millions of dollars in private capital.

E.6.3. Financial viability

Please specify the expected economic and financial rate of return with and without the Fund's support, based on the analysis conducted in [E.1](#).

Without the anchoring investment of the GCF in the Catalytic First Loss Capital pool, Acumen believes it would be extremely difficult to raise such a Fund, if even possible at all.

Please describe financial viability in the long run beyond the Fund intervention.

By creating this new Fund, the GCF is enabling a new and unique investing vehicle to target climate resilient agriculture interventions that improve farmer livelihoods while reducing income volatility from climate shocks. If this new Fund can prove that there are viable investment opportunities in this target sector over the next couple years, Acumen and other investors could raise multiple funds on the back of this success, which will serve to scale GCF's adaptation goals. Thus, the GCF's investment in this first Fund could catalyze multiple follow-on investment vehicles. Further, because this Fund is focused on for-profit enterprises, these companies should be able to continue to scale and remain financially viable once the investment capital from ARAF has been returned.

Please describe the GCF's financial exit strategy in case of private sector operations (e.g. IPOs, trade sales, etc.).

Overall, Acumen seeks to create investment structures that will allow for exits, either through 1) sales to a later-stage growth investor, a strategic buyer or a management buyout or 2) self-liquidating instruments such as convertible debt and quasi-equity investment structures (i.e. instruments with shares of revenue or EBITDA). Initial public offerings are not seen as practical exit opportunities given the relatively immature capital markets in the economies in which ARAF will invest.

As an investor in Acumen’s proposed Fund, the GCF will receive its share of financial distributions from ARAF when any liquidity events occur from the underlying portfolio companies. Such liquidity events could include a sale of ARAF’s shares of the company or payment of principal, interest and/or dividend payments from a portfolio company to ARAF. The specific timing and manner of financial distributions from ARAF to the GCF will be agreed upon in a Shareholder’s agreement between the GCF, ARAF, and other investors in ARAF.

E.6.4. Application of best practices

Please explain how best available technologies and practices are considered and applied. If applicable, specify the innovations/modifications/adjustments that are made based on industry best practices.

Acumen invests in companies that are bringing innovative solutions to vulnerable populations. In the context of agriculture, these solutions consist of both product innovations and access innovations that enable farmers to increase incomes and improve resilience e.g., access to disease resistant highly productive chickens. There are a range of effective solutions to farmers’ problems available in the world e.g., affordable credit through Micro Finance Institutions, hybrid disease resistant seeds, drip irrigation solutions etc however, the real challenge for farmers in Africa is the lack of access to these solutions due to poor infrastructure and businesses which are unable to serve disbursed smallholder farmers due to high cost of access and servicing, lack of adequate capital or due to high perceived risks of the sector. The focus of this Fund will be to provide long term patient capital to enable these businesses to serve smallholder farmers giving them access to affordable solutions around inputs, extension, credit and off-take. The focus hence will be on business model innovations more than product innovations. However, the Fund will strategically invest in digital platforms that can enable efficient and cost effective access for smallholder farmers.

E.6.5. Key efficiency and effectiveness indicators

<i>GCF core indicators</i>	Estimated cost per t CO ₂ eq, defined as total investment cost / expected lifetime emission reductions (mitigation only)
	Not Applicable
	Expected volume of finance to be leveraged by the proposed project/programme and as a result of the Fund’s financing, disaggregated by public and private sources (mitigation only)
	Acumen is requesting that the GCF invest equity capital into a 12-year fund. This vehicle, and GCF’s anchoring investment, will enable Acumen to raise additional capital from like-minded investors that want to achieve the same goals of the GCF and Acumen. We believe we can leverage GCF’s capital by 1.2 times.
	<p><i>Describe the detailed methodology used for calculating the indicators above.</i></p> <p>By anchoring ARAF with a \$23M investment in the Catalytic First Loss Capital (CFLC) tier, we believe Acumen can raise an additional \$27M from other investors, including up to \$2M from Acumen. Further, the creation of this new investment vehicle, and the resulting investments from this Fund, will attract</p>

capital from co-investors into the underlying portfolio companies as Acumen has a strong reputation and multiple value-add resources it can offer the portfolio company. It is harder to estimate an exact amount of how much capital will be invested in these companies as a result of Acumen investing in them with this Fund, however it is reasonable to expect that GCF's creation of Acumen's Fund will catalyze further capital from co-investors in the underlying portfolio companies of ARAF.

Please describe how the indicator values compare to the appropriate benchmarks established in a comparable context.

We think a \$23M anchor investment from the GCF is not only catalytic but also crucial to Acumen's ability to raise this Fund. Furthermore, we believe being able to raise a \$50M fund and leveraging GCF's capital by 1.2 times to raise more risk averse capital, is a strong use of GCF's capital.

A \$23M investment from GCF will enable Acumen to create the world's first climate change fund focused on BoP populations in developing countries. This anchor investment will be not only catalytic but also crucial to enable Acumen to create the first climate adaptation fund to utilize SMEs to affect the lives of low-income populations in developing countries. We believe being able to raise a \$50M fund and leverage GCF's capital by 1.2 times is a strong use of GCF's capital.

Other relevant indicators (e.g. estimated cost per co-benefit generated as a result of the project/programme)

** The information can be drawn from the project/programme appraisal document.*

F.1. Economic and Financial Analysis

Please provide the narrative and rationale for the detailed economic and financial analysis (including the financial model, taking into consideration the information provided in [section E.6.3](#)).

The forecasted financial return for this Fund accounts for, amongst other factors, Acumen's expectations of the ability of its underlying investments to scale and reach profitability, the size of the impact capital and commercial capital markets that are willing to take the risks stated above and invest in companies, and potential movements in foreign currency relationships over the life of ARAF. The economics of ARAF also account for the expenses that will be incurred in managing a portfolio of companies that operate in these challenging operating environments.

Based on the above analysis, please provide economic and financial justification (both qualitative and quantitative) for the concessionality that GCF provides, with a reference to the financial structure proposed in section B.2.

ARAF expects to make investments in illiquid markets, which have disproportionate risk relative to financial returns given the Acumen's significant social objectives. As such traditional commercial capital, and even segments of "impact investors" that are still focused on achieving "market rate returns" are not interested in taking the risk of investing in the types of investment opportunities that Acumen's Fund will be targeting. Specific risk factors and reasons that justify the concessionality of the GFC funding include 1) Liquidity Event/Exit, 2) Inflation and Interest Rate Risk, 3) Foreign Currency, Exchange Rate and Market Risks, and 4) Accounting Standards, Limited Availability of Information, and Due Diligence.

F.2. Technical Evaluation

Please provide an assessment from the technical perspective. If a particular technological solution has been chosen, describe why it is the most appropriate for this project/programme.

Acumen invests in innovative companies that are bringing essential goods and services to vulnerable populations. Acumen through this Fund will be primarily focused on investing in platform businesses that enable farmers access to innovative and climate resilient inputs (like seeds, fertilizers etc.), affordable financial services including access to credit and insurance solutions, reliable and climate smart extension and training services and access to off-take markets. ARAF will focus on investing in digital platforms, innovative financial services as well as aggregator businesses that enable integration of smallholders into global supply chains.

F.3. Environmental, Social Assessment, including Gender Considerations

Describe the main outcome of the environment and social impact assessment. Specify the Environmental and Social Management Plan, and how the project/programme will avoid or mitigate negative impacts at each stage (e.g. preparation, implementation and operation), in accordance with the Fund's Environmental and Social Safeguard (ESS) standard. Also describe how the gender aspect is considered in accordance with the Fund's Gender Policy and Action Plan.

Acumen has formalized robust ESG diligence, monitoring and reporting processes, which are based on industry standards, as well as guidelines outlined by several prospective Investors for its global portfolio (elaborate by stating the checklists that will be used) from leading organizations like the IFC and FMO. The ESG diligence process and reports include assessment of the 8 IFC Performance Standards and an overall rating on Environmental, Social, Business Integrity, and Corporate Governance risks of the enterprise. Acumen will include a formal ESG process for conduct a formal ESG process for all investments of ARAF. Acumen will designate a person in charge of all ESG matters related to ARAF and its investments, and will also ensure all members of the Investment Team have been adequately trained with respect to appropriate ESG processes. **As per its accreditation by the GCF, and with respect to ESS risks, ARAF will only target Category C projects for investment.**

In Initial Due Diligence, the Portfolio Manager will analyze potential ESG risks and financial management and governance risks, based in part on the company's sector, sub-sector and geography, as well as on an initial understanding of the company's operations. Based on these factors, the deal team will rate potential ESG risks as Low, Medium or High. These risks ratings will be presented as part of the Preliminary Investment Memo ("PIM"), and will ultimately serve to guide the team as it prepares its formal diligence plan.

During Formal Due Diligence, the Portfolio Manager will conduct extensive ESG diligence, focusing on areas highlighted from the initial ESG risk evaluation. The ESG diligence is meant to uncover ESG risks, identify potential risk mitigants and/or the lack thereof, as well as evaluate areas for potential ESG improvements. Upon completion of formal ESG diligence, the Portfolio Manager will rate each of the ESG risks as Low, Medium or High and come to a conclusion on whether the investment remains appropriate given this assessment. The Portfolio Manager will also complete an ESG Action Plan, which outlines steps that the company will take going forward to remedy or mitigate any ESG issues or risks deemed unacceptable. These elements will be presented to the IC in the Investment Memo ("IM").

In areas where the Portfolio Manager identifies high ESG risks, and which require specific and deep domain expertise (e.g., supply chain audit), Acumen will typically engage external experts as consultants to aid in diligence and verification. Acumen will, to the extent available, attempt to cover the costs of these external consultants from the Technical Assistance ("TA") Facility raised in conjunction with ARAF, but such costs will otherwise be borne by ARAF.

In the operational stage (post investment) we will work with the investee company to gauge their capacity to monitor and report on the environment and social safeguards. Together with this, the ARAF portfolio manager will also actively monitor and report, on an annual basis, on the environmental and social safeguards in place, their

implementation, changes in the environmental and social risks, updates on the status of grievances redressed/outstanding (if any) and ESG action plan updates.

ARAF will focus on investing in early stage small & medium enterprises (with revenues in the \$0.5M to \$10M range) that benefit smallholder farmers living on less than \$4 a day. The average investment from ARAF is expected to be in the \$2-4M range but in no case shall it exceed \$7.5M. The use of technologies in projects funded by ARAF will include software for digital platforms and basic food processing technologies. We will ensure as part of our ESG diligence that the use of these technologies is in line with local environmental regulations and standards. The scope of the projects will initially be local (limited to a sub-region within a country) and we would like to support scale-up of these projects into multiple sub-regions and multiple countries to impact more smallholder farmers.

ARAF will not invest in companies that use or permit the use of hazardous agrochemicals and/or participate in activities that lead to deforestation or negatively impact the environment. ARAF will invest only in companies that comply with international and local regulations and standards regarding environmental best practices as well as working conditions.

In addition, ARAF will leverage Acumen's Lean Data capabilities to actively track the impact its investments is having on smallholder farmers and also leverage this farmer feedback to help refine the strategy and execution of service delivery to smallholder farmers.

A proper grievance redressal mechanism will also be designed in line with the framework to ensure transparency and alignment between all stakeholders.

Therefore, given the small scale nature of projects being funded through ARAF, the focus on improving wellbeing and climate resilience of smallholder farmers, the use of basic software and agro processing technologies, ARAF's investing work will fall under **GCF's Category C classification**.

The table below gives a further breakdown of the kinds of business models Acumen will be investing in through ARAF. The key elements of these business model types have been identified and based on these, the environment and impact risk allocated to each business model type. As you can see, all these business models would be classified as low risk from an ESS standpoint.

	Types of companies	Key Business Model Elements	Environment & Impact Risks
Access to Inputs	<p>Companies providing:</p> <ul style="list-style-type: none"> - <i>climate resilient inputs</i> that offer improved yields in the face of climate changes e.g., hybrid drought resistant seeds - <i>improved livestock breeds</i> that are both more productive and disease resistant e.g., Poultry breeder producing highly productive disease resistant Day Old Chicks for smallholders 	<p>Scale: Sub-regional with scale-up likely to be focused in several regions within the same country impacting up to 5M lives.</p> <p>Technology: Basic agro-processing and breeding technology usage complying with local environment protection regulations and standards.</p> <p>Type of beneficiary: Smallholder farmers</p>	- Low

<p>Access to Financial Services</p>	<p>Companies providing:</p> <ul style="list-style-type: none"> - <i>innovative financial services</i> while leveraging digital platforms including payment and credit solutions that allows farmers to purchase improved inputs e.g., a digital platform offering access to credit based on farmers e-transaction history - <i>asset finance</i> to enable farmers to purchase additional productive assets - <i>insurance services</i> for smallholder farmers to improve resilience 	<p>Scale: Sub-regional and national. Financial services leveraging digital payment platforms are expected to reach much greater scale with potential impact up to 10M lives.</p> <p>Technology: Leveraging software solutions and/or mobile money (digital) platforms. Such technological use will comply with local environment protection regulations and standards.</p> <p>Type of beneficiary: Smallholder farmers</p>	<p>- Low</p>
<p>Access to Market</p>	<ul style="list-style-type: none"> - Agro-processing companies in value chains appropriate for specific regions given changing climate conditions. e.g., investing in pulses processing under dry conditions instead of crops like rice or sugarcane which consume a lot of water - Companies offering alternative livelihoods opportunities allowing for diversified incomes e.g., a poultry company promoting poultry farming in an area dominated by cash crop cultivation. 	<p>Scale: Sub-regional and national with scale-up likely to be focused in several regions within the same country impacting up to 10M lives.</p> <p>Technology: Basic agro-processing technology, software solutions and/or mobile money (digital) platforms. Such technological use will comply with local environment protection regulations and standards.</p> <p>Type of beneficiary: Smallholder farmers</p>	<p>- Low</p>

<p>Access to Extension</p>	<ul style="list-style-type: none"> - Companies offering extension support to farmers enabling them to improve their farming practices and make informed decisions about crop selection, land preparation, sowing and harvesting. These companies would typically be agro-processing enterprises or digital platforms offering bundled solutions 	<p>Scale: National with scale-up likely to be focused in clusters across the country impacting up to 20M lives.</p> <p>Technology: Software solutions and Mobile Information Dissemination platforms. Such technological use will comply with local environment protection regulations and standards.</p> <p>Type of beneficiary: Smallholder farmers</p>	<ul style="list-style-type: none"> - Low
<p>Resource Mgmt.</p>	<ul style="list-style-type: none"> - Companies providing efficient irrigation solutions like drip and sprinkler solutions etc. 	<p>Scale: Sub-regional and national impacting up to 5M lives</p> <p>Technology: Basic irrigation technology complying with local environment protection regulations and standards.</p> <p>Type of beneficiary: Smallholder farmers</p>	<ul style="list-style-type: none"> - Low

Exclusion List:

ARAF will not invest in companies involved in:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
- Production or trade in alcoholic beverages (excluding beer and wine).¹
- Production or trade in tobacco.¹
- Production or trade in un-bonded asbestos fibers
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Production or activities involving harmful or exploitative forms of forced labor²/harmful child labor.³
- Commercial logging operations for use in primary tropical moist forest.
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.

- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
- Operations leading to deforestation and/or deliberate wastage or contamination of natural resources (like land and water)
- GMOs
- Activities that may lead to physical and economic displacement of people
- Violation of International Labor Standards as specified by ILO or FAO's Climate Smart Agriculture Framework.

Footnotes

¹ This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

² Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

³ Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

Gender Considerations

Acumen will closely evaluate investment opportunities from a gender lens during due diligence. As part of investment management, our Portfolio managers will work with investees to further strengthen gender impact from the investment through targeted support in the area and utilizing TAF for specific gender enabling interventions. Some possible examples of expected gender interventions are provided as follows:

Insurance

For instance, Acumen intends to provide crop/drought insurance for underserved smallholder farmers, many of whom will be women, to help them mitigate the impact of climate change. However, the penetration of agricultural insurance is very low in Africa primarily due to lack of availability of such services and also the information asymmetries between the insurer and the insured. To ensure that these smallholders, particularly women, get adequate access to agricultural insurance, ARAF will employ its TAF to support investees in designing differential and gender-friendly insurance packages and premiums taking into consideration the financial capacity and risk appetite of different farmers while also providing support in awareness campaigns to mitigate information asymmetries and encourage greater uptake by women.

Water Management

ARAF, as part of our strategy, also intends to improve water management for agricultural purposes through promoting efficient irrigation systems. These irrigations systems are often used by women farmers for livestock as well household needs, however, in their design little thought is given to who will be using them. ARAF through its investments and use of TAF will aim to promote a 'design for management' approach, that is, the adaptation of irrigation technologies to match the preferences of users, including adaptation measures that enable women and girls in project areas to benefit fully from them. Such adaptation measures could include localized water harvesting structures, putting steps in irrigation structures and consideration of factors such as irrigation schedules (e.g. to align with time available for access for livestock or household needs, or avoiding night irrigation schedules because of women's increased risk of harassment after dark). This would enable greater and more productive participation of women in agriculture.

Extension Services

Access to improved knowledge (extension services) is crucial for both poverty reduction and climate change adaptation. ARAF through its investments in digital platforms and aggregators that provide extension services, will

support implement of agricultural extension services that is expected to benefit male and female farmers. However, as studies have shown that gathering knowledge on agriculture – based methodologies does not always translate to behaviour change and improved livelihoods. What is required over and above this are incentives through platforms that provide farmers financing solutions and a more participatory way of learning through, say, farmer field schools (FFS'). ARAF, therefore, would encourage the use of FFS' by investees as learning & demonstration centers of excellence to further document and scale up successful agricultural practices. ARAF will support investees through TAF to encourage an increasing number of women farmers' enrollment in these FFS' and provided training on sustainable agriculture practices. Further, that capacities of FFS' are strengthened in a manner that they can work at multiple scales to build social capital, for example by helping strengthen producer organizations and by contributing to greater organizational capacity along the entire value chain – from financing, post – harvest processing and marketing etc.

Others

The vulnerability of any society to climate disasters depends on several factors such as population, technology, policy, social behavior, land use patterns, water use, economic development, and diversity of economic base and cultural composition. Decline in, say, food availability because of climatic conditions should not necessarily lead to famines and loss of livelihoods. Whether decline in food availability would lead to disaster will depend on capability failures which, in turn, is inextricably linked to diversification of livelihoods, market access, and peoples' social, economic and political entitlements. ARAF will therefore invest in aggregators or agriculture processing companies that while strengthening supply chains also provide alternative livelihoods to rural communities diversifying their income sources away from farming to jobs and support services (e.g., logistics, warehousing etc.). This will enable resilience of smallholder/women farmers that would allow for more liquid asset build – up and precautionary savings.

These are some examples to illustrate the kind of gender design considerations that will be applied when investing in businesses that enable climate resilience for smallholders.

See Section E.3 for additional discussion on gender considerations.

F.4. Financial Management and Procurement

Describe the project/programme's financial management and procurement, including financial accounting, disbursement methods and auditing.

Acumen has appropriate internal policies and procedures in place with regards to financial accounting, disbursement, wiring and receipt of funds, and audits of financials. Acumen undergoes and the ARAF will undergo a financial audit every year and can share audited financial statements and/or auditor engagement letters upon request. The financial statements will be audited by an independent external auditor in accordance with internationally recognized financial reporting and auditing standards. Acumen can also share any requested details on internal controls related to disbursement and wiring procedures and policies regarding Acumen's Finance and Audit Committee.

In the process of due diligence on co-investors, ARAF's subscription documentation for the fund will require diligence on the ultimate beneficial holders and representations around source of funds for the commitment. Those names will be run through sanctions and terrorism search databases (Acumen uses a composite database called Bridger) and any hits will be discussed with the counsel. Acumen would not accept funds from a 'true hit'. Generally, funders are expected to be known to Acumen, and in the event that they are not already known, Acumen would engage in research to understand the source of funds and nature of the prospective investor before accepting a subscription.

In its due diligence of investment opportunities, Acumen conducts, and the ARAF will conduct, in-depth analysis and diligence of the financial and procurement operations of potential portfolio companies. Amongst many other items, diligence includes assessment of internal financial controls, relationships with suppliers and relevant procurement policies, and accounting systems and reports. Acumen requires that its portfolio companies have financial statements audited by an independent external auditor in accordance with internationally recognized financial reporting and auditing standards, once the company receives investment from Acumen. Acumen also endeavors to ensure that its portfolio companies, are in compliance with its anti-money laundering and anti-corruption policies.

The Manager plans to utilize investment capital from ARAF for pioneer and early stage growth-oriented investments in portfolio companies that are more developed than start-up enterprises, but are still relatively early-stage, high-risk companies in the context of traditional investing. The Manager intends to target portfolio companies that have shown proof of concept, have established business models and that have a clear path towards profitability. The Manager will also prioritize a strong management team with a track record of execution and operational experience.

ARAF will seek to make minority (i.e., less than 50% ownership) equity and equity-linked debt investments totaling from \$0.5 million to \$3.0 million per portfolio company. Detailed investment criteria of ARAF with respect to target portfolio companies and investment structures are described in the table below.

ARAF Target Investment Criteria	
Company Leadership	<ul style="list-style-type: none"> Experienced entrepreneur with proven ability to execute Complete or plan for completing management team
Idea	<ul style="list-style-type: none"> Proof of concept around business and revenue model No ambiguity around proving product or market Clear fit with ARAF's climate resilience objective
Execution*	<ul style="list-style-type: none"> Clear and quantifiable path to scaling operations and impact Historical operations showing ability to execute; at least 1 year of operations
Financials*	<ul style="list-style-type: none"> Revenue generating Positive gross margins
Organization	<ul style="list-style-type: none"> Basic structure and systems in place
Market & Consumer	<ul style="list-style-type: none"> Proof of customer adoption and market receptivity Proof of smallholder farmers engagement either as supplier or customer
Competition/Substitution	<ul style="list-style-type: none"> Identified as a potential leader in the defined market
Regulatory & Legal	<ul style="list-style-type: none"> Defined and established legal and regulatory environment

ESG status	<ul style="list-style-type: none"> • Satisfactory results from environmental, social, and corporate governance assessment
Integrity standards	<ul style="list-style-type: none"> • Satisfactory result from Patriot Act/Anti-Money Laundering checks on entrepreneurs, senior management, board members, and existing investors
Company Leadership	<ul style="list-style-type: none"> • Experienced entrepreneur with proven ability to execute • Complete or plan for completing management team
<p>*Up to 30-35% of the portfolio companies in which the Program invests may be in an earlier stage; in such cases, the investment committee should approve that a company warrants early-stage investments for clear reasons, which must be elaborated in the investment memo for the company.</p>	

G.1. Risk Assessment Summary

Please provide a summary of main risk factors. Detailed description of risk factors and mitigation measures can be elaborated in G.2.

As an investment fund focusing on innovative businesses in developing markets, ARAF and the portfolio companies in which it plans to invest may face a host of challenges. Acumen believes that these challenges can be summarized in three categories, across 1) Execution Challenges and Risks, 2) Financial Risks, and 3) Legal and Regulatory Risks. Acumen’s general strategies for risk management in each of these risk categories are outlined in the sections below.

The Managing Director plans to regularly evaluate the overall risk of ARAF and its investments. S/he will also prepare a periodic report for the IC, which identifies risks from the previous report and includes recommendations for procedures to mitigate and address such risks.

G.2. Risk Factors and Mitigation Measures

Please describe financial, technical and operational, social and environmental and other risks that might prevent the project/programme objectives from being achieved. Also describe the proposed risk mitigation measures.

Selected Risk Factor 1

Description	Risk category	Level of impact	Probability of risk occurring
<p>Execution Challenges & Risks</p> <ul style="list-style-type: none"> The ARAF will invest in a mix of pioneer and early growth stage, innovative companies. By definition, these enterprises operate with a lot of unknowns around business model, company operations, and market dynamics. These enterprises may fail or may take longer than anticipated to achieve financially viable business models The ARAF generally will seek significant minority stakes with strong contractual rights, though it sometimes may have a majority position in consortium with other co-investors. As such, the ARAF does not expect to control the activities of its portfolio companies. Many of the ARAF’s investments will involve working with farmer cooperatives, public and private partnerships and individual small holder farmers. There is inherent risk in the relationships and their depth of knowledge and experience The ARAF will invest in small holder farmers that produce yields that are susceptible to global pricing fluctuations and climate patterns 	Technical and operational	Medium (5.1-20% of project value)	Medium

<ul style="list-style-type: none"> Digital platform investments bear the risk of adoption and strong business model proof points 			
Mitigation Measure(s)			
<p><i>Please describe how the identified risk will be mitigated or managed. Do the mitigation measures lower the probability of risk occurring? If so, to what level?</i></p> <p>The ARAF has rigorous due diligence processes which include analysis of financial, operational, market and ESS issues. The due diligence process provides the ARAF with the ability to assess high quality investment opportunities and select enterprises with strong management teams, high quality products, and strong brand names and reputation. The ARAF will not only provide investment capital, but expects to provide strategic advice and additional resources through such actions as sitting on the Board of companies, identifying and working with co-investors, providing access to local networks of experts and value-add partners, and offering specific technical assistance programs. Example of technical assistance programs could include conducting a study to help the aggregator better understand and serve multiple customer segments (farmers and the end customer), developing training for direct sales approach to customers, implementation of MIS and ESM systems, market research and impact measurement.</p>			
Selected Risk Factor 2			
Description	Risk category	Level of impact	Probability of risk occurring
<p>Legal Challenges & Risks</p> <ul style="list-style-type: none"> Countries in which the ARAF seeks to invest lack fully developed legal systems, and many of the countries in which the ARAF seeks to invest control the repatriation of investment income, and capital and profit that result from foreign investment. Some of the ARAF's investments may work in partnership with local, regional and/or national governments. Risks for corruption and bribery could be heightened within these partnerships Understanding of local legal frameworks in multiple countries in West and East Africa could be difficult 	<p>Technical and operational</p>	<p>Medium (5.1-20% of project value)</p>	<p>Medium</p>
Mitigation Measure(s)			
<p><i>Please describe how the identified risk will be mitigated or managed. Do the mitigation measures lower the probability of risk occurring? If so, to what level?</i></p> <p>In order to mitigate legal risks, Acumen will rely on its experienced, local, in-house legal team as well as outside counsel. Acumen's General Counsel has over 20 years of corporate law experience. Acumen has developed strong relationships with global law firms and local law firms in the countries in which Acumen invests who provide guidance and support on deal execution and other legal matters. The in-house legal team also is involved in deal</p>			

research, diligence, structuring, closing and, as needed, post-investment monitoring. The team develops strategies and processes for navigating regulations pertinent to specific geographies, industries and situations. Additionally, the legal team works to recommend deal structures that minimize legal challenges and risks. With regard to issues of repatriation of investment income and other capital, the risk exposure of ARAF of such capital controls seems to be relatively lower in the target countries of Ghana and Uganda compared to other countries in the region. The US Department of State Bureau of Economic and Business Affairs issued a 2016 Investment Climate Statements Report on July 5, 2016 regarding the overall investment climate working with developing countries. Excerpts are provided below, as well as links to the full reports, which outline openness to and restriction on foreign investment, conversion and transfer policies, expropriation and compensation, dispute settlement, performance requirements and investment incentives, protection of property rights, transparency of the regulatory system, efficient capital markets and portfolio investment, competition from state owned enterprises, responsible business conduct, political violence, corruption, bilateral investment agreements, OPIC and other investment insurance programs, labor, foreign trade zones/free ports/trade facilitation, and foreign direct investment and foreign portfolio investment statistics.

Ghana: See the following link for detailed information from the US Dept of State; excerpt from executive summary³² is below

Until recently one of the fastest growing economies in the world, Ghana's GDP growth rate slowed in 2015 to 3.9 percent. The country's economy is highly dependent on the export of primary commodities such as gold, cocoa, and oil, and consequently remains vulnerable to potential slowdowns in the global economy and commodity price shocks. Attracting foreign direct investment (FDI) continues to be a stated priority for the Government of Ghana (GOG), given the urgent need to restore the country's economic momentum and overcome an annual infrastructure funding gap of at least USD 1.5 billion.

Increased inflation and devaluation of the Ghanaian cedi since late 2013 has dampened the earlier macroeconomic success story – inflation hit 19.2 percent in March 2016 – the highest since early 2010. In April 2015, the GOG signed a three-year \$918 million extended credit facility agreement with the International Monetary Fund (IMF) in an effort to stabilize Ghana's struggling economy. In September 2015, Ghana's debt to GDP ratio rose above 70 percent. The Ghanaian currency, the cedi, lost almost 32 percent of its value in 2014 and slid another 15 percent in 2015. The nation suffered severe power outages in 2015, negatively affecting business and industry. Under the ongoing IMF program, Ghana's inflation, currency, and debt are beginning to stabilize but it will be critical that Ghana adheres to program guidelines to ensure long-term economic success. New power plants are coming online in 2016 that will help meet consumer and business demand and ameliorate the power outage issue. The nation is preparing for national presidential elections in November 2016.

Despite the current macro-economic challenges, Ghana's abundant raw materials (gold, cocoa, and oil/gas), good governance, political stability, and policy reforms makes it stand out as one of the better locations for investment in sub-Saharan Africa. Among the promising sectors are agribusiness, food processing, downstream oil, gas, and minerals processing, as well as the energy and mining-related services subsectors.

The current government administration acknowledges that foreign investment requires an enabling environment and is open to discussing issues that hinder foreign investment. However, implementation and enforcement of the laws, policies, and actions needed to attract FDI continue to lag. The burdensome bureaucracy, weak productivity, costly and difficult financial services, under-developed infrastructure, ambiguous property laws, frequent power and water cuts, and an unskilled labor force are the main factors that hinder FDI in Ghana.

³² US Dept of State 2016, Investment Climate Statements for 2016, <https://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/index.htm?year=2016&dliid=254203#wrapper>

Overall, while the investment climate in Ghana is relatively welcoming to foreign investment, especially compared to other countries in the sub-region, there are also troubling trends in investment policy. The passage of stringent local content regulations in the petroleum sector and public discussion of expanding local content provisions to other sectors are signals of future efforts to legislate restrictions on how international capital can be used within Ghana.

In sum, Ghana offers investors a business environment with features such as:

- A stable and predictable political environment
- No discrimination against foreign-owned businesses
- A free-floating exchange rate regime and guarantees that investors can transfer profits out of Ghana
- Investment laws that protect investors against expropriation and nationalization
- A lower degree of corruption than that of some regional counterparts.

Current market challenges:

- Although the existing legal framework recognizes and provides ways to enforce property rights, the procedure to obtain a clear title over land is often difficult, complicated, and lengthy.
- Lack of sufficient protection of intellectual property rights, including computer software and pharmaceuticals.
- A lengthy and complex process to establish a business, involving at least five government agencies.
- Local content regulations in the oil and gas sector that entered into force in November 2013.

Nigeria: See the footnoted link for detailed information from the US Dept of State³³; excerpt from executive summary is below.

With over 177 million citizens, a Gross Domestic Product (GDP) over USD 568 billion, and oil production over 2 million barrels per day, Nigeria has Africa's largest population, economy, and oil production (and export). Consistently strong GDP growth over the past decade has developed a growing consumer class and attracted considerable investor interest. Nigeria offers abundant natural resources and a low-cost labor pool, and enjoys mostly duty-free trade with other member countries of the Economic Community of West African States (ECOWAS). However, much of Nigeria's market potential remains unrealized because of significant impediments such as pervasive corruption, inadequate power and transportation infrastructure, high energy costs, an inconsistent regulatory and legal environment, insecurity, a slow and ineffective judicial system, inadequate intellectual property rights protections and enforcement, and an inefficient property registration system. Major developments affecting investors' attitudes toward Nigeria have included the following factors:

- **Declining Naira:** The drop in the value of the Naira against the dollar to an official exchange rate of approximately 200 in 2015 squeezes margins for traders and manufacturers, who pay for imports in dollars but earn revenue in Naira (most manufacturers in Nigeria rely heavily on imported inputs). In order to preserve foreign exchange reserves and promote import substitution, in mid-2015 the Central Bank of Nigeria (CBN) published a list of 41 items for which official foreign exchange would not be provided. As oil prices continued to fall, the gap between the official exchange rate and an unofficial parallel exchange rate widened. Many companies and economists believe the official exchange rate overvalues the Naira and that the CBN's policy to defend this rate in the face of market forces for a lower rate, as reflected in the parallel rate, is unsustainable. Concerns about whether and how the CBN will adapt exchange rate policy have contributed to economic uncertainty in 2015 and early 2016.

³³US Dept of State 2016, Investment Climate Statements for 2016,
<http://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/index.htm?year=2016&dclid=254231>

- Foreign exchange and fiscal challenges: Nigeria depends on exports of crude oil for approximately 70 percent of government revenue and 90 percent of foreign exchange earnings. Continuing decline in the price of crude oil throughout 2015 has posed foreign exchange challenges for the CBN and a fiscal challenge for the government. The loss of revenue derived from the sale of crude oil increased the budget deficit. The government is addressing the fiscal challenge with a combination of spending cuts, improved tax collection, and domestic and international borrowing. Reduced oil revenue has also strained state governments and many are struggling to pay civil servant salaries. Reduced government spending, greater tax collection, and low oil prices were factors contributing to the slowdown in economic growth in 2015, with GDP growth falling to 2.79 percent, according to Nigeria's National Statistics Bureau and with inflation reaching 9.6 percent in December 2015, largely a consequence of the depreciation of the parallel exchange rate.
- Elections: Following presidential elections on March 28, 2015, deemed largely peaceful and orderly by international observers, the May 2015 inauguration of President Muhammadu Buhari marked the first peaceful transfer of power to an opposition party since Nigeria's independence in 1960. Consistent with his campaign pledges, President Buhari has focused on security matters, particularly the Boko Haram insurgency in Nigeria's northeast. Nonetheless, continuing terrorist attacks by Boko Haram in 2015 contributed to investor uncertainty over security in the country.

Nigeria's recent economic growth has been concentrated primarily in trade, agriculture, manufacturing, and telecommunications. While the agriculture sector sustains over 80 percent of rural households, the Nigerian economy remains heavily dependent on its oil and gas sector which accounts for 12 percent of GDP but, as noted above, over 90 percent of export earnings and over 70 percent of government revenues. Nigeria is the world's thirteenth largest oil producer and sixth largest oil exporter. However, investment in Nigeria's oil sector slowed in 2015 due to regulatory uncertainties, security risks, and low oil prices.

Nigeria's underdeveloped power sector remains a significant bottleneck to broad-based economic development. Current production is around 4,000 megawatts of power, forcing the vast majority of businesses to generate most of their own electricity. The World Bank currently ranks Nigeria 182th out of 189 countries for ease of obtaining electricity for business. Reform of Nigeria's power sector is ongoing, but investor confidence has been shaken by tariff and regulatory uncertainty. The Nigerian Electricity Regulatory Commission's surprise announcement of the removal of collection losses in the electricity tariff in March 2015 reversed a phased increase policy upon which newly privatized electricity generation and distribution companies had been relying to support profitable operation and investment in infrastructure. Many challenges remain before Nigeria will see a significant, sustainable improvement in power delivery to industrial and consumer end-users.

Nigeria's trade regime remains protectionist, with high tariffs and prohibitions on many import items with the aim of spurring domestic agricultural and manufacturing sector growth. U.S. goods exports to Nigeria in 2015 were USD 3.4 billion, down 42.9 percent from the previous year, while U.S. imports from Nigeria were USD 1.9 billion, down 50 percent. U.S. exports to Nigeria are primarily refined petroleum products, used vehicles, cereals, and machinery. Crude oil and petroleum products continued to account for over 95 percent of Nigerian exports to the United States in 2015. The stock of U.S. foreign direct investment (FDI) in Nigeria was USD 5.2 billion in 2014 (latest data available), down from USD 8.1 billion in 2013. U.S. FDI in Nigeria continues to be led by the oil and gas sector. There is also investment from the United States and other countries in Nigeria's power, telecommunications, real estate (commercial and residential), and agricultural sectors.

Given the corruption risk associated with the Nigerian business environment, potential investors often develop anti-bribery compliance programs. The United States and other parties to the OECD Anti-Bribery Convention aggressively enforce anti-bribery laws, including the U.S. Foreign Corrupt Practices Act (FCPA). A high-profile FCPA case in Nigeria's oil and gas sector resulted in 2010 U.S. Securities Exchange Commission (SEC) and U.S. Department of Justice rulings that included record fines for a U.S. multinational and its subsidiaries that had paid bribes to Nigerian officials. Since then, the SEC has charged an additional four international companies with bribing Nigerian government officials to obtain contracts, permits, and resolve customs disputes. See SEC enforcement actions at <https://www.sec.gov/spotlight/fcpa/fcpa-cases.shtml>.

Security remains a concern to investors in Nigeria due to high rates of violent crime, kidnappings for ransom, and

terrorism. Seven bombings of high-profile targets with multiple deaths have occurred in the federal capital Abuja since October 2010, two of which – one at a bus station and one in a market – happened in 2014. Other bombings and assassinations have occurred in the cities of Kaduna, Maiduguri, Damaturu, Bauchi, Jos, Kano, and Suleja, the majority linked to Boko Haram. An amnesty program for militants in the Niger Delta region and rehabilitation and re-integration training for ex-militants have led to a significant decline in militant violence and limited restoration of shut-in oil and gas production. The longer-term impact of the government's Delta peace efforts, however, remains unclear and criminal activity in the Delta – in particular, rampant oil theft - remains a serious concern. Maritime criminality in Nigerian waters, including incidents of piracy and crew kidnap for ransom, has increased in recent years and law enforcement efforts have been limited or ineffectual. Onshore, international inspectors have voiced concerns over the adequacy of security measures at some Nigerian port facilities.

Freedom of expression and of the press remains broadly observed, with the media often engaging in open, lively discussions of challenges facing Nigeria. Some journalists, however, occasionally practice self-censorship on sensitive issues.

Uganda: See the following link for detailed information from the US Dept of State; excerpt from executive summary³⁴ is below.

Uganda offers investors numerous opportunities, given its youthful, English-speaking population, open markets, and abundant resources, Uganda's economy expanded six percent per year over the past decade, due to rapid growth in the energy, construction, infrastructure, telecommunications and financial services sectors. While Uganda maintains a liberal trade and foreign exchange regime, and largely adheres to IMF/World Bank programs to fight poverty, continuing reports of endemic corruption, financial mismanagement, and increasing political repression raise questions about the government's commitment to fostering an investor-friendly environment. National elections held on February 18, 2016 fell short of international standards, according to most international and domestic election observer missions. Projects managed by the Government of Uganda are hampered by a sluggish bureaucracy with a non-transparent decision-making process.

Poor infrastructure, high energy and production costs, and a number of macro-economic challenges, most notably a large trade deficit, inflation, and high interest rates, dampened growth in 2015, but growth is expected to rebound to five percent in 2016, and 5.5 percent in 2017. With a trade deficit exceeding \$2 billion, the Ugandan shilling remains under pressure. Uganda's Central Bank, the Bank of Uganda (BOU), is widely credited with pursuing sound monetary policy that helped arrest the shilling's rapid depreciation which totaled 30 percent in the first three quarters of 2015. The BOU targeted inflation, raising the central bank rate (CBR) to 17 percent in September 2015. The BOU recently dropped the CBR to 16 percent in a sign that it believes inflation is under control at 6.2 percent, just above the BOU's target of five percent.

Agriculture plays a dominant role in Uganda's economy, employing 72 percent of Uganda's workforce. In 2014 agriculture contributed 24.7 percent of GDP. Uganda's top agriculture exports include: coffee, tea, tobacco and cotton. Uganda is Africa's largest exporter of coffee, producing about 3.8 million bags of coffee in 2014. Other significant agricultural exports include fish, flowers and horticultural produce. Agricultural inputs such as seeds, fertilizers, herbicides, and agricultural processing equipment remain in short supply for Ugandan farmers, impeding growth in the sector.

Uganda's natural resources are plentiful, including significant oil reserves - an estimated 6.5 billion barrels, including 1.4 billion which are recoverable. With only 40 percent of the oil-rich areas explored, additional discoveries could boost Uganda's oil reserves and the Ministry of Energy plans to award additional exploration licenses in 2016. In February 2015, the Ministry of Energy also provisionally awarded a multi-billion dollar contract to construct a refinery to Russian firm RT Global, subject to final negotiations. In spite of these developments, two of the three oil companies active in Uganda are downsizing their operations as delays in issuing production licenses mount. Moreover, details of an export pipeline from western Uganda to the Indian Ocean through Kenya or Tanzania are

³⁴ US Dept of State 2016, Investment Climate Statements for 2016,
<https://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/index.htm#wrapper>

still being negotiated. Based on current projections, it is unlikely that any production could realistically begin before 2020 at the earliest.

Inadequate and unreliable power supply remains one of the largest obstacles to private sector investment, and Uganda's electricity network urgently needs renovation and expansion. Access to electricity countrywide is a meager 20 percent and falls to 10 percent in rural areas. The Government formally broke ground on the 600-megawatt Karuma hydropower project in 2013, but the project continues to be dogged by delays, and the first 100 megawatt turbine is not expected to be operational until 2018 at the earliest. In the meantime, Uganda is working to expand its power supply by constructing a number of micro-hydro projects along the Nile River and is promoting the development of other sources of renewable energy, such as off-grid solar power systems. The government continues to explore options to develop its geothermal reserves in western Uganda.

High transportation costs are another constraint on Uganda's economy. Uganda's dilapidated road and bridge infrastructure needs considerable investment, its railway system is in disrepair, and air freight charges are among the highest in the region. A two-lane highway from Kenya remains the primary route for 80 percent of Uganda's imports, making transportation slow, costly and susceptible to disruption. Another problem is Uganda's reliance on imports from Kenya's Mombasa seaport. While Uganda and Kenya have worked to remove non-tariff barriers, resulting in quicker transit times, chronic congestion at Mombasa results in costly delays. Uganda also hopes to shift more cargo transit from trucking to rail but extensive and expensive rehabilitation of existing rail lines is required before freight trains can service Uganda. In March 2015, the government signed a contract with China Harbor Engineering Company Ltd to build a USD 3.2 billion standard gauge railway project to improve rail infrastructure through the east-African region; it is projected for completion in December 2017. Passenger traffic through Uganda's Entebbe International Airport grew 7 percent in 2015. The government pulled privately-owned Air Uganda's license in 2014; however, the government is looking to revive another carrier as a public-private partnership.

At 3.0 percent per year, Uganda's population growth rate is one of the fastest in the world, and its current total population of 34.9 million is expected to rise to 54 million by 2025. While creating potential markets for products, the country's population growth is also increasing the strain on social services, underfunded schools and hospitals, infrastructure, forests, water, and land resources. The high level of HIV/AIDS infection in the country is also taxing social services. Uganda developed a model program to combat HIV/AIDS, and prevalence rates decreased from close to 20 percent in the 1990s to 6.4 percent in 2006. However, the current published national HIV/AIDS prevalence rate is 7.3 percent according to the 2011 AIDS Indicator Survey.

The ARAF is expected to be formed in Ontario, Canada as the country has a well-developed regulatory framework and understanding of investment fund operations due the many funds that are already registered in the country. Canada also has tax treaties with several countries, which is beneficial to the ARAF and in turn investors in the ARAF, and a reasonable tax program governing distributions to investors. We have familiarity with the jurisdiction through a prior fund formation project and access to credible service providers (e.g., legal, accounting, fund administration), and have found the jurisdiction to be administratively efficient, which keeps down costs and resourcing for the ARAF and its investors.

Selected Risk Factor 3

Description	Risk category	Level of impact	Probability of risk occurring
<p>Exit and Valuation Risks</p> <ul style="list-style-type: none"> The ARAF will invest in companies in markets which have limited options for liquidity events / exits due to lack of developed financial markets, including lack of an abundance of private equity and venture capital firms 	Financial	Medium (5.1-20% of project value)	Medium

<ul style="list-style-type: none"> • Many of the countries in which the ARAF seeks to invest control, to some extent, the repatriation of investment income, and capital and profit that result from foreign investment. • Accounting standards in the countries in which the ARAF seeks to invest do not generally correspond to international accounting standards, and national accounting, auditing and financial reporting standards are not yet in place in many target countries Many portfolio investments will generate revenue that is denominated in foreign currency, and changes to exchange rates may affect the value of the ARAF's investments in portfolio companies. 			
Mitigation Measure(s)			
<p><i>Please describe how the identified risk will be mitigated or managed. Do the mitigation measures lower the probability of risk occurring? If so, to what level?</i></p> <p>In order to mitigate financial risks, ARAF expects to develop investment structures reflective of market conditions. For example, the ARAF expects to invest equity capital when appropriate, but will also look to invest in debt instruments and equity-like instruments that have a pre-determined liquidation date to help improve the likelihood of financial exits. The ARAF also expects to capture ongoing upside through vehicles such as dividends and warrants to help offset the unpredictability of markets. The Investment Team of the ARAF expects to maintain ongoing relationships with potential strategic acquirers of portfolio companies and growth stage investment firms to help improve exit opportunities for ARAF's investments. The ARAF will carefully monitor investments and utilize regional teams to stay abreast of changing markets and company conditions. The ARAF will require its portfolio companies to have financial audits in order to improve transparency of financials and accounting systems.</p>			
Other Potential Risks in the Horizon			
<p><i>Please describe other potential issues which will be monitored as "emerging risks" during the life of the projects (i.e., issues that have not yet raised to the level of "risk factor" but which will need monitoring). This could include issues related to external stakeholders such as project beneficiaries or the pool of potential contractors.</i></p>			

* Please expand this sub-section when needed to address all potential material and relevant risks.

H.1. Logic Framework.

Please specify the logic framework in accordance with the GCF's [Performance Measurement Framework](#) under the [Results Management Framework](#).

H.1.1. Paradigm Shift Objectives and Impacts at the Fund level³⁵

Paradigm shift objectives

<p><i>Increased climate-resilient sustainable development</i></p>	<p><i>Please elaborate on the paradigm shift objectives to which the project/programme contributes.</i></p> <p>Acumen strongly believes in the need to create a Paradigm Shift through our interventions that is much greater than the already significant impact we have on the individual enterprises we invest in and on the large groups of smallholders that they serve. In everything we do we aim to create genuine and sustainable Systems Change by testing and proving new commercial business models that place low-income consumers, in this case smallholder farmers, at their core and innovate to meet their needs. This means that our investee enterprises need to listen closely to the real needs of low income smallholders, as the success of their core business models depends on the success and loyalty of their smallholder customers/suppliers (safeguarded by our Lean Data model, see Section E1).</p> <p>ARAF will be the world's first climate change fund that is focused on agribusiness SMEs that serve BoP populations in Africa. With partnership from the GCF, this Fund will demonstrate that agricultural value chains can be made climate resilient by investing in smallholder farming, catalyzing millions of dollars in private capital in climate resilient agriculture in Africa. Africa presents a huge opportunity in agriculture given its underdeveloped nature, as new climate aligned developments can put the sector on the path of sustainable development without the need for unwinding existing developments and costs of unlearning.</p> <p>Acumen believes that to truly create a paradigm shift towards a business ecosystem that supports climate resilient African agriculture, we need a comprehensive approach rather than piecemeal solutions. Therefore, in addition to investing in agribusinesses that directly enable climate resilience for smallholders, we will in parallel invest in businesses that enable the scale up of the resulting climate resilience benefits, as we strongly believe that these are key to the development of an enabling ecosystem for sustainable agriculture in the target countries (see our key learnings on scaling businesses in Section C1). We will safeguard ARAF's climate-focus through the addition of an individual on the ARAF Investment Committee who shall be responsible for the climate focus of ARAF's investment strategy, and shall have a veto over investment decisions that are not reasonably expected to contribute to the climate adaptation goals of the fund (see Section C7).</p> <p>In addition, through ARAF, Acumen will also look to invest in partnership with the public sector and global corporates. We have experience in this space and would leverage that experience to build mutually beneficial partnership. This will further allow Acumen to leverage its learnings and experience in climate resilience to influence how the public sector and corporates approach challenges in agriculture.</p>
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³⁵ Information on the Fund's expected results and indicators can be found in its Performance Measurement Frameworks available at the following link (Please note that some indicators are under refinement): http://www.gcfund.org/fileadmin/00_customer/documents/Operations/5.3_Initial_PMF.pdf

	<p>This influx of private capital and alignment of public policy with climate resilience objectives has the potential to uplift agricultural growth in these developing countries and pull millions of smallholder farmers out of poverty in a environmentally sustainable way. This will allow Acumen to develop a strong track record in climate resilient agriculture and will enable Acumen to raise future, larger funds to invest in more companies that are aligned with the GCF's impact goals.</p> <p>To understand the nuance of the paradigm shift, we will track a number of indicators at ARAF and Project/Programme levels using a combination of data from the company and customized Lean Data projects that we will do with them. We will also use this data to conduct analyses and distill insights at ARAF-level on a regular basis. Section H2 lays out the Lean Data plan for ARAF.</p>					
Expected Result	Indicator	Means of Verification (MoV)	Baseline	Target		Assumptions
				Mid-term (if applicable)	Final	
Fund-level impacts						
<p><i>A1.0 Increased resilience and enhanced livelihoods of the most vulnerable people, communities and regions</i></p>	<ul style="list-style-type: none"> • Total number of direct and indirect beneficiaries, disaggregated by gender • Number of people adopting a wider variety of livelihood strategies/coping mechanisms • Percentage of beneficiary households living below World Bank's \$3.1 line per person per day 	<p>Company and Lean DataSM</p>	<p>0</p>	<ul style="list-style-type: none"> •0.5M Direct beneficiaries, 2M indirect beneficiaries 	<ul style="list-style-type: none"> •10M individuals; 50% women •2.1M Direct Beneficiaries, 7.9M³⁶ Indirect Beneficiaries •3.9% of total population •25-50% of HHs below \$3.1 line 	<p>Investment impacts the family's livelihood and hence every single family member</p>
<p><i>A1.0 Increased resilience and enhanced livelihoods of the</i></p>						<p>These indicators will be collected using Lean Data. It will</p>

³⁶ Based on weighted average family size of 4.8 people in ARAF countries

<p><i>most vulnerable people, communities and regions</i></p>		<p>Company and Lean DataSM</p>				<p>explore the individual constituents of resilience and well-being such as access (to services and resources), reduced risk of losses (economic, health, lives, etc.) and enhanced production/prod activity (in agriculture, livestock, and other economic activities)</p>
<p><i>A2.0 Increased resilience of health and well-being, and food and water security</i></p>	<p>Increase in number of food secure households among the ARAF beneficiaries (in areas/periods at risk of climate change impacts)</p>	<p>Lean DataSM</p>	<p>0</p>	<p>0.3M households</p>	<p>1.25M households³⁷</p>	<p>Quality of life is a good composite metric that measures monetary and non-monetary improvements</p>

³⁷ Based on weighted average family size of 4.8 people in ARAF countries

H.1.2. Outcomes, Outputs, Activities and Inputs at Project/Programme level						
Expected Result	Indicator	Means of Verification (MoV)	Baseline	Target		Assumptions
				Mid-term (if applicable)	Final	
Project/programme outcomes	Outcomes that contribute to Fund-level impacts					
A6.0 Increased generation and use of climate information in decision-making	<ul style="list-style-type: none"> Increase in number of people using climate information products/services for decision-making among ARAF beneficiaries 	Company data	0	0.2M direct beneficiaries 0.6M indirect beneficiaries	0.62M direct beneficiaries 2.37M indirect beneficiaries	This indicator is qualitative and/or quantitative in nature
A7.0 Strengthened adaptive capacity and reduced exposure to climate risks	<ul style="list-style-type: none"> Number of farmers reporting increased adaptive capacity (or means to it e.g. reduced risk, more stable incomes) 	Company data and Lean Data SM	0	0.5M Direct beneficiaries 2M indirect beneficiaries	2.1M Direct Beneficiaries 7.9M Indirect Beneficiaries	Lean Data is in the process of crystalizing our approach to directly measuring adaptability to climate change. We will have a better idea of targets a year into investing.
A8.0 Strengthened awareness of climate threats and risk-reduction processes	<ul style="list-style-type: none"> Number of people reporting increased awareness of climate threats and risk reduction processes among ARAF beneficiaries 	Company data and Lean Data SM	0	0.4M Direct beneficiaries 1.4M indirect beneficiaries	1.5M Direct Beneficiaries 5.5M Indirect Beneficiaries	For instance, number of beneficiaries with improved access to information via technical assistance
Project/programme outputs	Outputs that contribute to outcomes					
Equity						
Increase in climate resilience and enhanced livelihoods of	<ul style="list-style-type: none"> Total number of direct and indirect beneficiaries, disaggregated by 	Company and Lean Data SM		0.5M Direct beneficiaries	<ul style="list-style-type: none"> 10M individuals; 50% women 2.1M Direct Beneficiaries, 	**Given the nature of the investments, output could not

smallholder farmers in ARAF countries*	gender		N.A.	2M indirect beneficiaries	7.9M ³⁸ Indirect Beneficiaries •1% of total population 25-50% of HHs below \$3.1 line	be defined based on log-frame theory approach. Nonetheless, once the investment will be delivered, ACUMEN will track the number of farmers reached by each beneficiary company. We will also track select social performance metrics for the companies and do cross-portfolio comparisons using Lean Data. Examples of these metrics are mentioned in section E1”
Technical assistance						
Increase in access to financial services for women	Women reached with formal financial services in the target population	Company and Lean Data SM	0		•25% more women than the national / regional average	
Increase in mobile adoption and use of digital services by women	Women adopt mobile phones and use digital services in the target population	Company and Lean Data SM	0		•25% more women than the national / regional average	
Increase in participation by women in agricultural extension programs	Women participating in agricultural extension programs in the target	Company and Lean Data SM	0		•20% more women than the national / regional average	

³⁸ Based on weighted average family size of 4.8 people in ARAF countries

	population					
					•	
Activities	Description	Inputs	Description			
Equity						
Pipeline development and Investing	<p>Acumen, through ARAF, will invest in 18-20 agribusinesses that are contributing in increasing the climate resilience of smallholder farmers. Each investment will have the following stages:</p> <ul style="list-style-type: none"> • Pipeline development and initial screening • Due diligence • Deal approval and legal documentation • Execution 					
Post Investment Management	<p>This will involve:</p> <ul style="list-style-type: none"> • Reviews to ensure targets are met • Post-investment support to understand and improve social performance through lean data and TA 					
Exit	<p>This will involve:</p> <ul style="list-style-type: none"> • Negotiations to close exit transactions • Legal documentation for exit • Receipt of proceeds from exit 					
Technical Assistance						
Funding for climate adaptation interventions including gender specific initiatives	<ul style="list-style-type: none"> • Support training and extension services to enable small holder farmers to adopt climate resilient inputs and practices • Support diversification of income streams for a business • Shifting a business and its smallholder suppliers/customers to value chains that are better aligned with a changing climate environment • Gender initiatives that enhance the uptake of digital services by women, improve their access to 					

	financial services and enhance their participation in agriculture extension programs.		
Business Development Services (BDS) and Management / Employee Training	<ul style="list-style-type: none"> • Deliver interventions to address the most common technical barriers to scale • Leadership Development • CEO Summit Events • Capacity Building Summits 		
Lean Data Support to understand and augment the impact of portfolio companies	<p>Activities will include analyzing need for TA support to undertake Lean Data exercise to capture farmer feedback. After due analysis a TA project plan will be prepared and approved and therefore implemented.</p> <p>Both the investee company and smallholder farmers will be direct beneficiaries. LD will allow farmers to share feedback on products and services being offered and in turn allow the investee company to tailor its services more closely to the needs for the farmers and make their interventions more impactful.</p>		
Other (TA Audit Fees / Legal Fees / ESG reporting, etc.)	<p>Activities will include appointing auditors to audit use of TA funds, or legal fees related to transaction or ESG reporting costs.</p> <p>Direct beneficiary will be ARAF and the investee company.</p>		

H.2. Arrangements for Monitoring, Reporting and Evaluation

Besides the arrangements (e.g. semi-annual performance reports) laid out in AMA, please provide project/programme specific institutional setting and implementation arrangements for monitoring and reporting and evaluation. Please indicate how the interim/mid-term and final evaluations will be organized, including the timing.

Reporting schedule for GCF

The following outlines the reporting schedule that ARAF will follow for GCF:

- Fund bi-annual and annual reporting
- Mid project evaluation (Yr 6)
- Final evaluation (after completion)

LEAN DATA: POST-INVESTMENT SUPPORT TO UNDERSTAND AND IMPROVE SOCIAL PERFORMANCE

Section E1 goes into detail about Acumen approach to understanding social performance of our companies and portfolios, Lean Data. Since the inception of Lean Data in 2014, we have successfully completed over 80 projects and surveyed over 35,000 low income customers of companies in the Acumen portfolio and the portfolios of other leading actors in the impact investing space like Omidyar Network and DFID Impact Fund managed by CDC.

The Lean Data team has seven members, who are based in different Acumen geographies and provide dedicated support to our local portfolio teams in-country. Lean Data and Portfolio teams work along-side each other starting from the diligence process and all the way through to the exit stage of investments. Once Acumen's investment is finalized, the Lean Data team starts working closely with the leadership and staff at the investee company to ensure that our data collection is suitably customized to the company's needs. Our priority is to collect data that not only help us understand the social performance of our companies but also helps them make more informed decisions to serve their customers even better.

To collect data in the most cost-effective way while ensuring quality, we have recruited and trained research teams and established partnerships with technology providers in each of our geographies. While most of our data collection happens over the phone, we have used a number of technologies to collect data in the past including SMS, IVR and tablets, to name a few. Good data collection often needs a combination of methods and we continue to pilot ways of combining different approaches.

Our suggested plan for Lean Data with companies under ARAF is in the next subsection. We will work closely with GCF to fine-tune this.

Please provide methodologies for monitoring and reporting of the key outcomes of the project/programme.

Acumen typically takes a board seat/ observer seat in its investee companies, and this will hold true for ARAF as well. This seat provides ARAF representative with access to company's key information and enables them to contribute to high level strategic decision making to ensure alignment with fund objectives which in the case of ARAF will be focused on climate adaptation.

There will be a Relationship Manager from ARAF team for each of our investments who will actively engage with the senior management and board of the investee and ensure that their business strategy remains aligned to our climate adaptation objectives.

An Annual Review of all investee companies will be conducted where progress against their budgeted financial as well as impact targets will be assessed. Based on this review, there will be a discussion on next year objectives and targets and a formal plan will be agreed with the company's management for achieving them.

To track that ARAF is achieving its climate adaptation objectives, ARAF team will work with each investee company and our Lean Data team to develop and track a number of proprietary indicators to measure progress at ARAF and Project/Programme levels. We will initiate various Lean Data projects over the course of the fund's life to evaluate improvements in climate resilience among farmers, including improved income levels, income stability, access to climate information systems and other metrics. We will consolidate data for analyses and form insights at ARAF-level on a regular basis. This will help us track progress against ARAF objectives and will enable us to provide timely feedback to investee companies where realignment in their business strategy is required.

We will also track standard financial metrics, social performance, ESG metrics, competitive positioning and ongoing market trends in the industries and geographies in which ARAF's portfolio companies operate, in each case as reported and audited by portfolio companies.

With respect to financial reporting, Acumen will pay particular attention to top and bottom line trends, cash balance, cash flow requirements as well as any other significant changes in financial performance and health. Acumen will also monitor operational metrics and ongoing working capital needs. With respect to social performance tracking, Acumen will monitor metrics which are agreed upon with each portfolio company's management at the time of initial investment. These typically include units sold as a proxy for Lives Impacted as well as other important social data points that are gathered as part of ongoing operations.

Acumen will actively monitor ESG matters in portfolio companies from point of investment onwards. This will typically include 1) monitoring ESG risk areas, 2) assessing progress made on the ESG Action Plan, and 3) evaluating any changes in the business, which might create additional ESG risks. The Portfolio Manager is expected to report all serious ESG issues (such as labor or manufacturing accidents) to Acumen. Additionally, Portfolio Managers and the Managing Director, with the support of Acumen's investor relations professionals, will update the investors on ESG progress, risks and other pertinent ESG updates as part of the Annual Review process (described below).

To monitor ongoing market trends, Acumen will typically inquire about key hires and departures, strategic priorities and any ongoing regulatory and legal processes. In some cases, ARAF's investments will be structured in tranches, with specific requirements for additional disbursements. In these scenarios, Acumen will monitor progress against established milestones in order to anticipate future disbursements.

Specific documents, systems and processes used to carry out the above monitoring include:

- a) 100-Day Plan

Portfolio Managers for Fund investments plan to develop a "100-Day Plan" at the time of an investment in collaboration with the management of the relevant portfolio company. This document identifies the key near-term action items the

company has committed to completing, as well as the challenges the company may face and the actions that can be taken to mitigate those challenges. The 100-Day Plan will typically target three to four key priorities that can each be broken down to two to three specific tasks with clear timeframes and lines of responsibility. Examples of areas that the 100-Day Plan may focus on include corporate governance, management capacity building, sales and marketing, and operations and information management. The Portfolio Manager will monitor the progress of the action items included in the 100-Day Plan, typically through monthly reports from the portfolio company along with general communication with its management.

b) Performance Management and Metrics

i. eFront FrontInvest

The Manager intends to utilize eFront's FrontInvest product, a leading portfolio management platform for private equity and venture capital firms. This platform will be used to house all data related to pipeline tracking, deal execution and management, and portfolio level analysis and valuation. The platform is expected to be used to produce regular reports, including on portfolio company operations and impact.

c) Annual Review Process

The annual review process is a culmination of the monthly and quarterly reviews that occur throughout the year. The purpose of the annual review is to assess the performance of ARAF's portfolio companies on financial, operational and social and environmental impact metrics; to identify those portfolio companies that are facing significant challenges as well as those that have seen superior performance; to foster detailed discussion and thought amongst the Investment Team members and the IC as to how best to support the portfolio companies going forward; and ultimately to inform strategic decisions related to the overall portfolio strategy.

The annual review document is supplemented by a Post-Investment Management Plan ("Post Plan") that outlines an engagement strategy with respect to each investment. The Post Plan is developed along the same timeline as the annual review document and is discussed in the same forum. The Post Plan identifies key post-investment management priorities and outlines quarterly deliverables for each. The annual review documents will also include an update report on ESG matters.

In conjunction with the above-described annual review, the Investment Director will conduct a review of ARAF's underlying portfolio investments and make any adjustments deemed necessary to the valuation of each of the investments, including write-downs of any impaired investments. Acumen will also host an annual investor conference for the investors.

I. Supporting Documents for Funding Proposal

- NDA No-objection Letter (To be provided within 30 days after the submission of the Funding Proposal)
 - Annex 1A Letter of No-objection (Uganda)
 - Annex 1B Letter of No-objection (Nigeria)
 - Annex 1C Letter of No-objection (Ghana)
- Feasibility Study
- Integrated Financial Model that provides sensitivity analysis of critical elements (xls format, if applicable)
- Confirmation letter or letter of commitment for co-financing commitment (If applicable)
 -
- Project/Programme Confirmation/Term Sheet (including cost/budget breakdown, disbursement schedule, etc.) – see *the Accreditation Master Agreement, Annex I*
- Environmental and Social Impact Assessment (ESIA) or Environmental and Social Management Plan (If applicable)
- Appraisal Report or Due Diligence Report with recommendations (If applicable)
- Evaluation Report of the baseline project (If applicable)
- Map indicating the location of the project/programme
- Timetable of project/programme implementation
 -

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

This Funding Proposal does not constitute an offer to sell or a solicitation of an offer to purchase any security of the ARAF. Any such offer or solicitation will only be made pursuant to the final Confidential Private Placement Memorandum issued with respect to the ARAF, which qualifies in its entirety the information set forth herein and which should be read carefully prior to any investment in the ARAF for a description of the terms, merits and risks of such an investment.

In case of reply the
number and date of this
letter should be quoted

Our Ref.: **MOF/RSD/NREC/GCF/VOL VII**

Your Ref.:

Tel. No.: 0302-673489, Ext: 7512



REPUBLIC OF GHANA

MINISTRY OF FINANCE

P. O. BOX MB 40

ACCRA

1574

JANUARY, 2018

RE: FUNDING PROPOSAL FOR THE GCF BY ACUMEN FUND INCORPORATED
REGARDING THE ACUMEN RESILIENT AGRICULTURE FUND

We refer to the request received from the Ministry of Food and Agriculture dated 12th July, 2017 with reference number KC 35/130/01 seeking approval for the Acumen Fund Incorporated to implement the above project.

2. The undersigned is the duly authorized representative of the Ministry of Finance, the National Designated Authority/ Focal Point of Ghana.

3. Pursuit to the GCF decision B.08/10, the content of which we acknowledge to have reviewed, we hereby communicate our **No-Objection** to the "**Acumen Resilient Agriculture Fund**" as included in the funding proposal, which is in conformity with Ghana's national priorities, strategies and plans.

4. We confirm that our **No-Objection** applies to all activities that has been agreed to be implemented within the scope of the Acumen Resilient Agriculture Fund.

5. We also confirm that our national process for ascertaining no-objection to the programme has been duly followed.

6. This letter supersedes our earlier letter dated 8th December, 2016 with reference number MOF/RSD/NREC/GCF/VOL VII.

7. We acknowledge that this letter will be made publicly available on the GCF website.

8. We count on your usual cooperation.

FRIMPONG KWATENG-AMANING
NDA/FOCAL POINT, GHANA
For: MINISTER

MR. HOWARD BAMSEY
EXECUTIVE DIRECTOR
G-TOWER, 24-4 SONGDO-DONG, YEONSU-GU
INCHEON CITY, REPUBLIC OF KOREA

CC: Hon. Minister, MoF
Hon. Deputy Ministers, MoF
The Chief Director, MoF
The Director, Env. MESTI
The Portfolio Manager, Acumen West Africa

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For: MINISTER

MR. HOWARD BAMSEY
EXECUTIVE DIRECTOR
G-TOWER, 24-4 SONGDO-DONG, YEONSU-GU
INCHEON CITY, REPUBLIC OF KOREA

CC: Hon. Minister, MoF
Hon. Deputy Ministers, MoF
The Chief Director, MoF
The Director, Env. MESTI
The Portfolio Manager, Acumen West Africa

We acknowledge that this letter will be made publicly available on the GCF website.

Kind regards,

Dr. Yerima Peter Tarfa

NDA/Director, Department of Climate Change
Federal Ministry of Environment, Nigeria

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: 256 41 4343 023
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Ministry of Finance, Planning &
Economic Development
Plot 2-12, Apollo Kaggwa Road
P.O. Box 8147
Kampala
Uganda

In any correspondence on
this subject please quote No. EDP 79/251/02

THE REPUBLIC OF UGANDA

May 10, 2017

The Executive Director
Green Climate Fund
Songdo International Business District
175, Art Center – Daero
Yeonsu-gu, Incheon 22004
Republic of Korea

Dear Sir/Madam

**LETTER OF NO OBJECTION TO THE GREEN CLIMATE FUND (GCF) FOR THE
ACUMEN RESILIENT AGRICULTURE FUND (ARAF) BY ACUMEN FUND.**

We refer to the Acumen Resilient Agriculture Fund (ARAF) proposal from the Acumen Fund. The National Designated Authority in Uganda has reviewed the above proposal, which seeks to obtain \$20Million from the Green Climate Fund, and established that it is in line with the country's priorities.

The undersigned is the duly authorized representative of the Ministry of Finance, Planning and Economic Development, the National Designated Authority/focal point of Uganda.

Pursuant to GCF decision B.08/10, the content of which we acknowledge to have reviewed, we hereby communicate our no-objection to the above program as included in the funding proposal.

By communicating our no-objection, it is implied that:

- (a) The Government of the Republic of Uganda has no-objection to the ARAF as included in the funding proposal;
- (b) The programme as included in the funding proposal is in conformity with Uganda's national priorities, strategies and plans;
- (c) In accordance with the GCF's environmental and social safeguards, the program as included in the funding proposal is in conformity with relevant national laws and regulations.

We also confirm that our national progress for ascertaining no-objection to the programme as included in the funding proposal has been duly followed. We also confirm that our no-objection applies to all projects or activities to be implemented within the scope of ARAF.

We acknowledge that this letter will be made publicly available on the Green Climate Fund website.

Matia Kasajja (MP)

MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

Environmental and social report(s) disclosure

Basic project/programme information	
Project/programme title	Acumen Resilient Agriculture Fund (ARAF)
Accredited entity	Acumen Fund, Inc.
Environmental and social safeguards (ESS) category	Intermediation 3 (I3)
	<i>Note: Environmental and social report disclosure not required for Category C and Intermediation 3 projects and programmes.</i>

Environmental and social report disclosure information	
Description of report/disclosure	N/A
Date of disclosure on accredited entity's website	N/A
Language(s) of disclosure	N/A
Link to disclosure	
Other link(s)	