Meeting of the Board
17 – 20 October 2022
Incheon, Republic of Korea
Provisional agenda item 13

GCF/B.34/02/Add.03

29 September 2022

Consideration of funding proposals - Addendum III

Funding proposal package for FP193

Summary

This addendum contains the following seven parts:

a) A funding proposal titled "Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)";
b) No-objection letter issued by the national designated authority(ies) or focal point(s);
c) Environmental and social report(s) disclosure;
d) Secretariat's assessment;
e) Independent Technical Advisory Panel's assessment;
f) Response from the accredited entity to the independent Technical Advisory Panel's assessment; and
g) Gender documentation.

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Funding Proposal

Project/Programme title:	Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)
Country(ies):	Peru
Accredited Entity:	Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE)
Date of first submission:	2021/04/07
Date of current submission	2022/21/08
Version number	V.002.

GREEN CLIMATE FUND

Contents

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

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

Please submit the completed proposal to:

fundingproposal@gcfund.org

Please use the following name convention for the file name:

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

A. PROJECT/PROGRAMME SUMMARY

A.1. Project or programme	Project	**A.2. Public or private sector**	Public
A.3. Request for Proposals (RFP)	Enhancing Direct Acess (EDA)		

A.4. Result area(s)

*Check the applicable GCF result area(s) that the overall proposed project/programme targets below. For each checked result area(s), indicate the estimated percentage of **GCF and Co-financers' contribution** devoted to it. The total of the percentages when summed should be 100% for GCF and Co-financers' contribution respectively.*

	GCF contribution	Co-financers' contribution[1]
Mitigation total	00 %	00 %
☐ Energy generation and access	00 %	00 %
☐ Low-emission transport	00 %	00 %
☐ Buildings, cities, industries and appliances	00 %	00 %
☒ Forestry and land use	100 %	100%
Adaptation total	00 %	00 %
☐ Most vulnerable people and communities	00 %	00 %
☐ Health and well-being, and food and water security	00 %	00 %
☐ Infrastructure and built environment	00 %	00 %
☐ Ecosystems and ecosystem services	00 %	00 %

A.5. Expected mitigation outcome *(Core indicator 1: GHG emissions reduced, avoided or removed / sequestered)*	*3,806,936 t CO_2*	**A.6. Expected adaptation outcome** *(Core indicator 2: direct and indirect beneficiaries reached)*	*Indicate total number of direct and indirect beneficiaries*	
			Indicate number of direct beneficiaries	*Indicate number of indirect beneficiaries*
			Indicate % of direct beneficiaries vis-à-vis total population	*Indicate % of indirect beneficiaries vis-à-vis total population*
A.7. Total financing (GCF + co-finance[2])	10,000,000 USD	**A.9. Project size**	Micro (Upto USD 10 million)	
A.8. Total GCF funding requested	8,972,400 USD *For multi-country proposals, please fill out annex 17.*			

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

A.10. Financial instrument(s) requested for the GCF funding	*Mark all that apply and provide total amounts. The sum of all total amounts should be consistent with A.8.* ☒ Grant 8,972,400 ☐ Loan Enter number ☐ Guarantee Enter number ☐ Equity Enter number ☐ Results-based payment Enter number		
A.11. Implementation period	10 years (120 months)	**A.12. Total lifespan**	20 years
A.13. Expected date of AE internal approval	*This is the date that the Accredited Entity obtained/will obtain its own approval to implement the project/ programme, if available.* 6/28/2022	**A.14. ESS category**	*Refer to the AE's safeguard policy and GCF ESS Standards to assess your FP category.* I-2
A.15. Has this FP been submitted as a CN before?	Yes ☒ No ☐	**A.16. Has Readiness or PPF support been used to prepare this FP?**	Yes ☒ No ☐
A.17. Is this FP included in the entity work programme?	Yes ☒ No ☐	**A.18. Is this FP included in the country programme?**	Yes ☒ No ☐
A.19. Complementarity and coherence	*Does the project/programme complement other climate finance funding (e.g. GEF, AF, CIF, etc.)? If yes, please elaborate in section B.1.* Yes ☒ No ☐		
A.20. Executing Entity information	• Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE)		
A.21. Executive summary (max. 750 words, approximately 1.5 pages)			

The Amazon Eco Bio Business Facility (EBBF) will provide effective climate change mitigation outcomes by investing in eco bio businesses (EBBs) supporting the sustainable management and conservation of Peruvian forests. The EBBF will be established as an open-end fund and capitalized with GCF's resources and Profonanpe's resources, while its long-term sustainability will be ensured via EBB grant repayments and possibly REDD+ results-based payments (RBP) earmarked to the EBBF under the national REDD+ RBP framework, should Peru qualify for results-based payments in the future.

The EBBF will contribute to the implementation of REDD+ infrastructure that will in turn provide support and evidence for its emissions reductions.This will take place in a context in which Peru is developing enabling conditions that permit REDD+ emission reductions to be accounted for in a uniform manner with a single National Forest Reference Level for deforestation and degradation beginning in 2021.

This proposal responds to the Enhanced Direct Access request for proposals, establishing an effective mechanism for the transfer of funds to projects of small EBBs without access to traditional financing, with clear investment criteria and in line with those of GCF.

During the project lifetime the EBBF will identify and invest in the expansion, upscaling and supporting technical improvement for up to 75+ EBBs focused on forest-based products and services. In parallel, the EBBF will provide technical support through an innovation partner to incubate and accelerate EBBs. The EBBF will prioritize projects in areas affected by high deforestation rates in the Amazon biome, namely, Amazonas, San Martin, Cusco, Puno, Loreto and Madre de Dios (See maps in Annex 16).

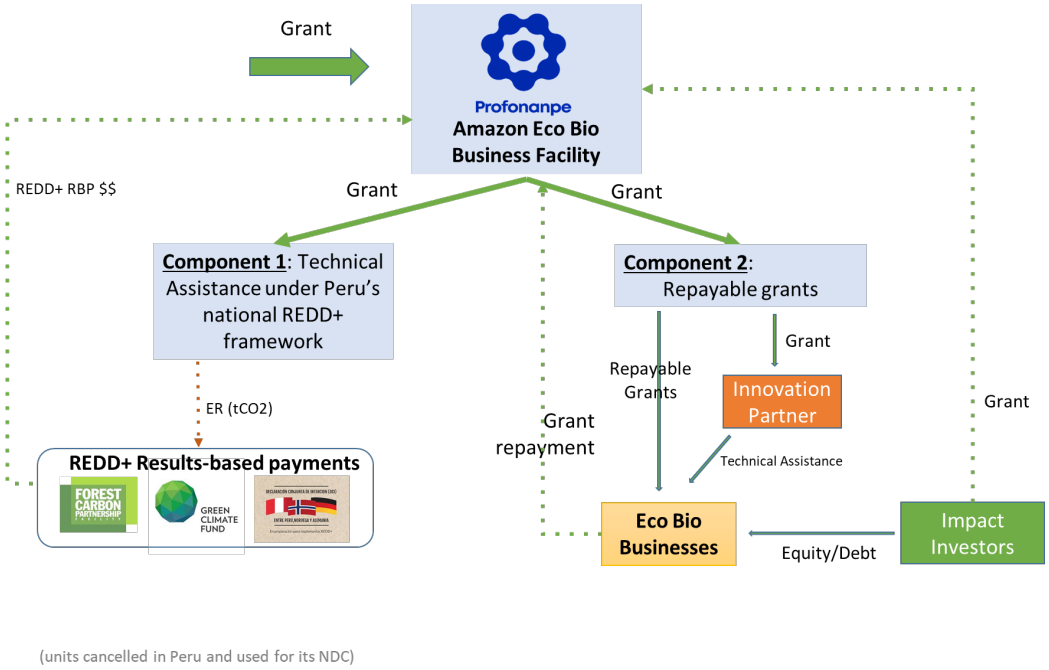


Figure 1. Project snapshot

The key objectives of the Amazon EBBF are:

1. *Provide effective climate change mitigation:* The EBBF provides technical assistance and seed capital grant funding on a demand-driven basis to EBBs while leveraging private finance to reduce emissions and enhance carbon stocks. The EBBF will provide specialized technical assistance to EBBs through an innovation partner to dynamize the interventions by covering all the regions of the project and provide seed funding in the form of repayable grants to 55 EBBs. This range is based on the availability of financial resources, financing needs of EBBs, and the number of EBBs registered in the country.

   EBBF GCF-funded activities will strengthen Peru's climate change mitigation measures, empowering Peruvian EBBs to prevent 8,602 hectares of forest from being deforested. During the project lifetime, the EBBF will contribute to enhancing carbon stocks and avoiding the emission of 3.8 million tonnes of CO2, with an estimated cost of 2.63 USD / t CO_2eq.

2. *Provide economic co-benefits in terms of job creation for men and women:* Smallholder farming employs approximately 75% of rural and peri-urban populations in Peru. The EBBF will provide economic co-benefits, alternative livelihoods through formal employment creation in green jobs for men and women. EBBF, through its investments, is estimated to contribute to the creation of 550 formal jobs and EBB staff training. Further on, it is estimated that an additional 2,200 people will indirectly be supported as part of EBBs' employees' households or through increased economic affluence and activity.

3. *Crowd-in investments in EBBs:* GCF will invest in the form of repayable seed capital grants in order to boost the EBBF so that EBBs are able to attract other investors, such as impact, private, and public investors seeking direct exposure to sustainable forest-based projects. Also, it is expected to promote EBBs led by women. Further details on the impact of the proposed actions are provided in section D.

4. *Support REDD+ infrastructure in Peru:* The project will provide Peru's Ministry of Environment with the support needed to strengthen Peru's REDD+ institutional framework and pilot the "nesting" of small-scale interventions under the national framework *(Component 1)*.

5. First, it will strengthen the deforestation sub-module of the Forest Cover Monitoring Module and expand it to include the forest degradation sub-module. This will include the training of public sector, communities, and private sector actors to utilize the data for decision making purposes. This will enable more accurate data for land use policy creation, private sector planning for crops and forest-based products, and increased participation by communities in livelihood planning. Second, it will develop the reference level for the REDD+ activities of Conservation and Sustainable Management of Forests. Third, it will strengthen the technical and institutional capacities of MINAM and potential EBBs and end-beneficiaries to ensure, monitor, and report on the environmental and social safeguards, integrity and sustainability of the EBBs, in adherence to relevant international and national applicable safeguards and other relevant policies.

Both components will create a virtuous cycle of sustainable land stewardship and EBBs with improved enabling environments for success. They will be mutually reinforcing in that EBBs will support the successful implementation of REDD+ RBPs, which would result in a leverage finance for the EBBF to support additional EBBs and leverage outside capital from impact investors and other private actors thus leading to more RBPs.

The EBBF will be implemented by the *Facility Management Unit (FMU*), under the strategic direction of the Board of the REDD+ Financial Mechanism.The REDD+ National Financial Mechanism is conceived as the means through which the country channels, administers and manages resources from different non-public sources for the implementation of initiatives, programs and/or projects that correspond to each of the three phases of REDD+. Profonanpe is the administrator of this Mechanism, and plays the role Technical and Financial Secretariat.

The Financial Mechanism Board will be composed by a diverse range of stakeholder representing key interest groups in relation to REDD+, it includes national and subnational government representants, amazon indigenous people representants and private sector. Designated members of the Board will provide strategic direction and decision-making over the overall execution of the project and the management of the facility.

B. PROJECT/PROGRAMME INFORMATION

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

Peru has experienced strong economic growth in recent years, reducing poverty from 56 percent to 22 percent between 2005 and 2018[3]. However, the pace of progress significantly slowed down during the past five years as the global commodities boom retreated. As a result, in 2019 the country's poverty rate showed a 1 percent increase in the number of people living below the poverty threshold[4]. Vulnerable populations are under increased pressure from climate change which is a growing challenge to Peru's development efforts. In fact, despite its upper-middle-income status, inequality remains high, and poverty is concentrated among rural, indigenous populations, who are also the most affected by climate change. In the absence of sufficient climate change mitigation and adaptation actions[5], the Government of Peru estimates economic losses between 7.3 to 8.6 percent of the country's annual GDP between 2016 and 2050[6].

Peru's historical emissions have increased by 91 percent from 88.2 $MtCO_2e$ in 1990 to 168.85 $MtCO_2e$ in 2016[7]. Under business-as-usual policies, GHG emissions will continue to increase up to 298.3 $MtCO_2e$ by 2030 (238 percent above 1990 levels). Forestry and other land use (FOLU) accounted for 42.3 percent (71.4 $MtCO_2e$) of total emissions in 2016. In its third national communication to the UNFCCC, the government of Peru identified deforestation as the main cause of FOLU emissions accounting for 53 percent the total[8]. In its nationally determined contributions, the Government of Peru envisages a 40 percent reduction in greenhouse gas emissions to 2030.

Forest conservation and sustainable landscape use account for the largest share of reduced GHG emissions projected in the NDC. To this end, mitigation of approximately 53,600,000 tCO2e/y of emissions from the FOLU sector will contribute to 66% of Peru´s expected overall emission reduction goal of 30% in 2030[9]. Deforestation in the 5 Amazonian regions of Loreto (19%), Ucayali (18%), San Martin (17%), Huánuco (14%) and Madre de Dios (9%) account for approximately 77% of total nationwide deforestation. These regions are comprised of Amazonian highlands, and high and lowland Amazon. Deforestation caused by migration from highlands and unsustainable land stewardship practices in the high and lowland Amazon are driven by a lack of clearly defined tenure rights - over 40% of deforestation occurs on unassigned land – and exacerbated by agricultural frontier and rural infrastructure expansion and land speculation as well as the presence of illicit logging, coca cultivation and mining.

These factors result in climate problems such as degraded land unsuited for agriculture as well as a lack of quality and quantity of reliable water sources for productive and human needs, which create vicious cycle of continued migration and expansion of deforested and degraded areas, resulting in increased vulnerability of indigenous communities and low-income rural populations whose livelihoods depend on forest-based activities.

Out of Latin American countries, Peru is has the third highest rates of loss and damages due to natural disasters between 1990 and 2013, and the second highest rate of loss and damages per 100,000 people[10]. Climate events such as droughts, flooding, cold waves and hail, as well as more extreme climate events such as El Niño have increased over 7 times between 1995 and 2008[11] and serve to exacerbate impacts caused by the vicious cycle of deforestation and land degradation previously described resulting in economic losses (crops, infrastructure and human settlements). In fact, 72% of national agricultural emergencies are related to climatic phenomena such as droughts, strong rains and floods.

Increasing climate events adversely affect ecosystems and populations. Flooding and landslide events will decrease water quality, increase soil erosion and damage infrastructure, further affecting water treatment, energy provision, irrigation, transportation, and infrastructure related to livelihoods, such as housing, industries and farming. Droughts cause losses in crops and livestock and changes in plant composition in forests, causing loss of plant species,

[3] https://www.macrotrends.net/countries/PER/peru/poverty-rate
[4] https://www.reuters.com/article/us-peru-poverty/peru-poverty-rate-rises-for-first-time-in-16-years-government-idUSKBN1HV2L2#:~:text=Some%206.9%20million%20Peruvians%20now,to%20some%2010%20million%20people.
[5] Please see Annex 23, which details major REDD+ financing to date and existing gaps.
[6] https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Peru%20First/iNDC%20Per%C3%BA%20castellano.pdf
[7] https://www.climatewatchdata.org/countries/PER
[8] https://unfccc.int/sites/default/files/resource/pernc3.pdf
[9] MINAM (2015). http://www.minam.gob.pe/wp-content/uploads/2015/06/contribucion-NDC21.pdf
[10] https://www.unisdr.org/files/48578_impactodesastresamericalatinacaribe.pdf
[11] National Strategy on Forests and Climate Change (MINAM 2016)

desertification, wildfires and a decrease in availability of forest species of economic value. Heat waves cause losses in agricultural production due to loss of flowering processes, an increase in diseases, and an increase in water demand for crops and livestock. These climate events disproportionally affect vulnerable groups of people[12] and people whose livelihoods depend on natural resources[13], and in turn leaves them more vulnerable to other climate events. These affects are especially notorious when considering that agriculture and forest activities employ more than 25% of the population as of 2014[14] Some potential effects on populations include increase in caring responsibilities which fall disproportionately on women, loss of income, loss and changes of economic livelihoods. This factors especially limit the resilience of rural women due to the fact that almost a third (27%) of female smallholder producers cannot read or write, compared with only 8.7% of men[15].

The National Forest and Climate Change Strategy and REDD+ activities attend to these climate phenomena by establishing the institutional, data monitoring and environmental safeguard conditions that will allow for a results-based payment system that rewards government's, communities' and other stakeholders' efforts for avoided deforestation, forest conservation and other sustainable forest practices. At present, it also works directly with vulnerable indigenous communities in identified deforestation hotspots to promote forest cover conservation activities and small-scale forest product initiatives utilizing sustainable land stewardship practices. REDD+ activities increase forest carbon stocks through decreasing deforestation and providing value to standing forests and forest products. This will foster positive mitigation outcomes by reducing deforestation and land degradation through economic incentives and market investment for sustainable land use practices. It will also support indigenous and rural communities by increasing available natural and economic resources to bear in the face of climate events.

EBBs are the main market actor actively engaged in forest conservation and employment creation in rural regions. EBBs are mentioned extensively in Peru's NDC strategy for mitigation targets across different sectors. The Government of Peru defines EBBs, through the Ministerial Resolution N° 046-2020-MINAM General guidelines to identify and promote eco-businesses and bio-businesses, as "*businesses that are based on the sustainable use of biodiversity products, taking into account the criteria of environmental, social and economic sustainability."*[16]. Peru's NDC and Biocommerce National Strategy and Action Plan 2025[17] prioritize the promotion and scale up of private and public EBBs to promote forest conservation and restoration in order to meet mitigation targets, and to increase the contribution of the forestry sector to the country's GDP to the benefit of vulnerable and rural communities.

According to a latest study prepared by the Ministry of the Environment[18], 1,317 companies with biodiversity-friendly business models were identified, of these, 860 companies have the potential to scale up to impact investments, with more than two years in the market and a turnover of more than US$ 174 thousand approximately. Likewise, the main value chains of these biodiversity-friendly businesses are:

[12] https://www.un.org/sustainabledevelopment/blog/2016/10/report-inequalities-exacerbate-climate-impacts-on-poor/
[13] Chavez Michaelsen, A. et al. (2020) The effects of climate change variability on rural livelihoods in Madre de Dios, Peru. Regional Environmental Change. 20(70). https://doi.org/10.1007/s10113-020-01649-y
14 Plan Nacional de Adaptación, p.84
15 Ibid, p.85
[16] Ministerial Resolution N° 046-2020-MINAM.
[17] https://consultasenlinea.mincetur.gob.pe/DocumentosNormativos/Publico/Imagen.aspx?ITEM=132856
[18] Baseline of friendly business models with the biodiversity - Bioinvest Project

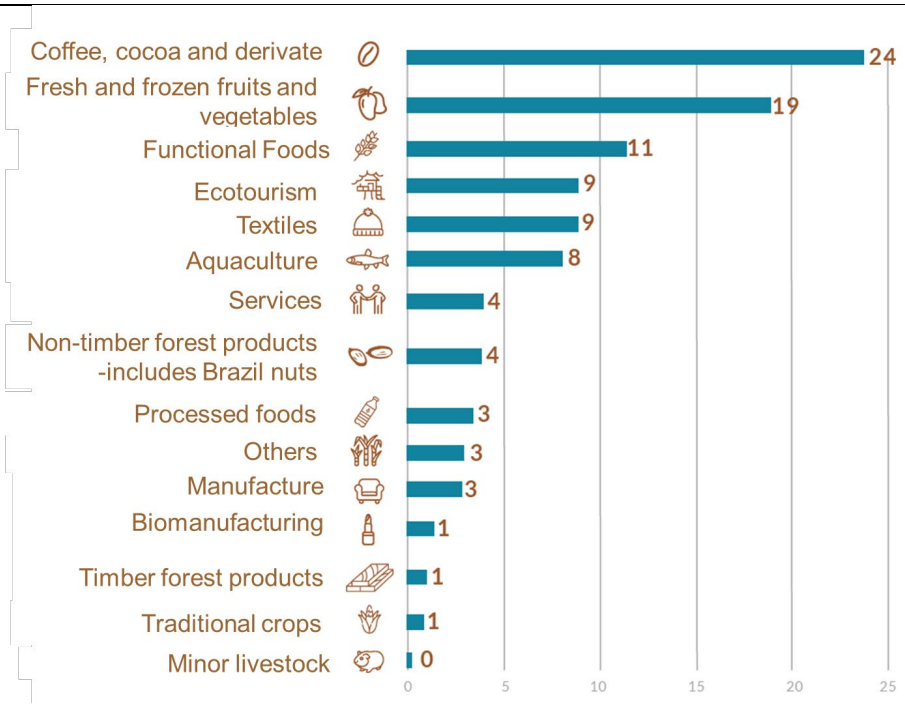


Figure 2 Main value chains by categories (%)

Below are presented more indicators from the 1,317 companies:

- 41% are led by women
- 63% have environmental certifications
- 4% have acces to impact investors
- 9% did not meet the eligibility requirements of credit institutions

Despite growing interest in EBBs, several significant barriers hinder the establishment and scale up of successful EBBs. These can be divided across four areas: entrepreneurial and management skills, innovation and technology, access to market and access to finance.

Table 1. Eco Bio Business Capacity Gaps

Entrepreneurial skills	• Unable to carry out bureaucratic procedures. • Difficulties in obtaining required business certifications. • Difficulties in obtaining health certifications for products (registros sanitarios) • Dearth of negotiation, financial, technological and innovation skills. • Lack of marketing strategy. • Difficulty in positioning products on the market.
Innovation and technology	• Lack of R&D resources and capabilities • Lack of mechanization of processes • Limited research in innovation: development of new products, new business models. • Lack of scientific studies supporting products development and regulation • Limited scientific research on bioeconomy products • Slow development of new products. • Development, formalization and protections of brands, trademarks and patents
Access to market	• Lack of market studies to inform the development and positioning of products and services. • Difficulty in accessing information on regulations governing export to international markets. • Lack of awareness about the benefits of natural products to promote demand. • Limited supporting scientific evidence about the properties of natural products. • Small domestic market with limited awareness of local natural products. • Limited negotiation power against supermarkets and distributors • High upfront capital required. • Limited understanding of the logistics to access international markets
Access to finance	• Lack of collateral to raise finance from local financial institutions. • No communication channels with regional and international impact investors. • Domestic financial institutions have limited experience in lending to EBBs and their business models

	• High interest rates due to perceived high risk of EBBs.

While EBBs represent a growing sector of Peru's economy with significant contribution to the country's mitigation targets, their development is at an embryonic stage with little progress and support. Due to the significant barriers limiting their growth, most of them never graduate from their status as microenterprises. Concessional finance is needed to establish an Amazon EBBF providing technical assistance and capital injection into nascent and established EBBs to improve their risk/reward profile in line with impact investors' appetite. Concessional finance in the form of repayable grants will enable the deployment of blended finance solutions whereby grants will serve as first-loss buffers to leverage additional investments from private and public investors. Conditions created by the EBBF can lead to a positive feedback loop whereby a growing number of EBBs will support the implementation of REDD+ result-based-payments which, in turn, will replenish the facility allowing the support of even more EBBs.

As background, PROFONANPE has been executing the FP001 Project: Building the Resilience of Wetlands in the Province of Datem del Marañon, Peru. The project is contributing to the development and testing procedures for promoting sustainable bio-businesses, based on sustainably managed natural or specialty products from Amazon forests that are aligned with new and growing markets and private sector interests.

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

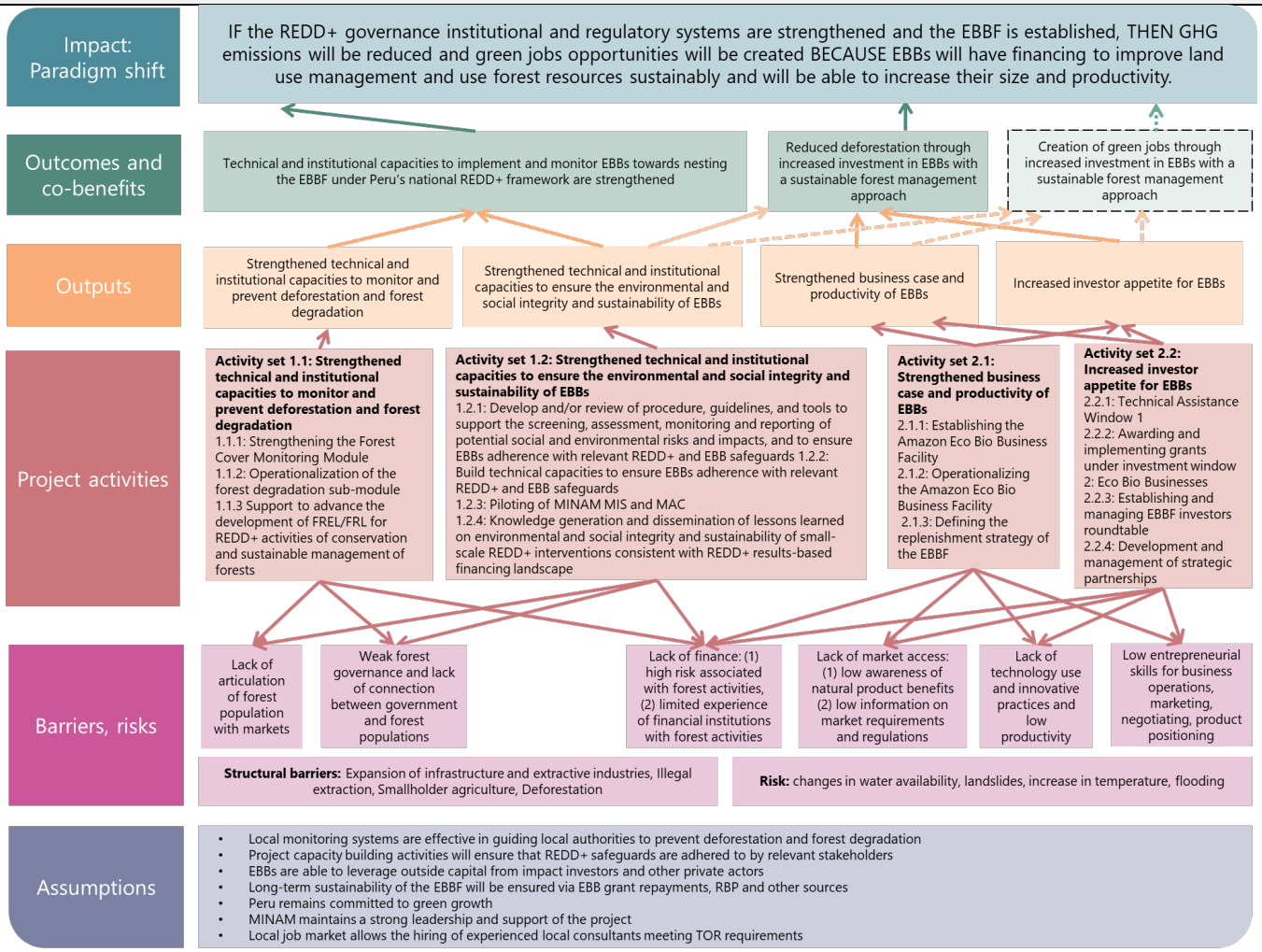


Figure 2. EBBF Theory of Change

The Peruvian Amazon faces serious climate risks exacerbated by three main practices identified by The National Strategy for Forests and Climate Change (ENBCC): (i) the expansion of infrastructure and extractive industries, (ii) illegal timber extraction, and (iii) smallholder agriculture. These practices are the principal drivers of deforestation in the EBBF target regions of Amazonas, San Martin, Cusco, Puno, Loreto and Madre de Dios. Deforestation from these practices increases climate change-related risks such as water quality and availability, landslides, temperature

variations and flooding patterns that adversely affect crops and the economic livelihoods of forest-dependent communities and smallholder farmers in a disproportionate manner. The project will address the barriers that fuel unsustainable practices in order to shift the current development pathway towards a more sustainable use of forest resources, and reduced deforestation. These barriers are related to weak climate governance issues and the lack of articulation between forest-based businesses and markets. The former includes ill-defined roles between forest activity stewards such as the regional governments, MINAM and SERFOR, and the lack of monitoring systems that provide evidence-based information for decision making and the dearth of capacity of forest-based populations to monitor and report on illegal activities. The latter is due to a series of factors related to EBBs and the vicious cycle in which they often find themselves. On one hand, the high-risk level of forest-based activities and limited experience of financial entities with forest actors results in financial products that are not attractive or accessible to EBBs. These instruments often have high interest rates and grace periods that are not aligned with forest product harvesting cycles.

At the EBBs level, a variety of interlinked issues hinder market success. On one hand, EBBs staff have limited entrepreneurial skills for more sophisticated business activities such as marketing, negotiating contracts, product positioning and growing the business operation. Often EBBs owners and staff work with traditional methods and are not aware of technology trends and practices that can increase efficiency and productivity. Finally, information barriers are significant. EBBs often lack market information about market requirements for certifications, regulations for importing and exporting, which limit their opportunities and increase their transaction costs for doing business. Consumers often have scant or contradictory information about the use and benefits of natural products, which means they may be unaware of many EBBs products or not understand the best way to take advantage of them.

Consistent with the national REDD+ results-based implementation and financing mechanism and EBB national regulation, the proposed project will provide practical support to design and upscaling of EBBs and putting in place the enabling conditions to nest EBBs under the national REDD+ framework. The EBBF will play a key role to piloting the operation of the REDD+ financial mechanism to transfer REDD+ based finance to support small-scale interventions at EBB level.

The financing provided to EBBs will support training and promotion activities that will promote a virtuous cycle characterized by increased investor interest in EBBs and successful EBB growth, which will lead to increased productivity and a stronger case to be made internationally for the viability of EBBs. This increased capacity, will result in improved land use practices and long-term use of technology and practices adopted for responsible land stewardship. The proposed project will provide practical support to the ENBCC implementation, complementing current government efforts as well as international efforts under the Phase II of the implementation of the Joint Declaration of Intent (JDI) and UNREDD+. Below, we describe the support provided by each project component:

Component 1 of the proposed project, will address weak forest governance and a lack of articulation with markets by strengthening technical and institutional capacities to design, implement and monitor EBBs towards nesting the EBBF under Peru's national REDD+ framework. This includes the strengthening and operationalizing of 3 REDD+ pillars:

(1) the Forest Cover Monitoring Module,

(2) Reference Levels for Forest Emissions, and

(3) Safeguard mechanisms.

Addressing these gaps will result in strengthened forest governance, increased knowledge and deforestation monitoring and the operationalization of results-based payments. A share of results-based payments achieved through REDD+ efforts, following the benefit sharing mechanism, will be further earmarked to the Amazon EBBF (Component 2) in support of EBBs contributing to the sustainable management of standing forests and the generation of green jobs for men and woman.

Component 2 will address EBB-centered issues described above such as the lack of funding, technology and knowledge, and low productivity and value of forest products through the establishment and operationalization of an Amazon EBBF providing demand-led technical and financial support to Peruvian EBBs. EBBs will receive technical and financial support (repayable grants) for the expansion/adoption of sustainable agricultural and forestry practices. Furthermore, the Amazon EBBF will act as anchor investor to demonstrate confidence in EBBs, lower private investment risk and crowd in private capital investments. The aim of this component is to support EBBs access domestic and international markets for sustainably sourced forest-based products and zero-deforestation commodities, while building efficient and socially impactful value-chains. The EBBF will support improved sustainable and resilient land

use practices and forest-based technologies and transform EBBs into active actors against deforestation and forest degradation.

Components 1 and 2 have clear self-reinforcing links whereby a growing number of successful EBBs will support the mobilization of REDD+ result-based-payments which, in turn, will replenish the Amazon EBBF, allowing the support of an increased number of eligible EBBs and the leveraging of more private investments for mitigation actions.

An important aspect of the EBBF is that it will form a cornerstone of the larger established system of REDD+ governance for the administration of Results Based Payments, where Profonanpe has been designated as the administrator of the Financial Mechanism of REDD+ in the country[19]. Through GCF financing for the EBBF, Profonanpe would be not only strengthen its role in support of forest-based communities but would also will develop the first pilot of the operation of the REDD+ financial mechanism to support small-scale interventions. In this sense, GCF financing would contribute to the virtuous cycle of RBP that would foment its sustainability in the long term.

Thus, if the REDD+ governance institutional and regulatory systems are strengthened and the EBBF is established, then GHG emissions will be reduced and green jobs opportunities will be created because EBBs will have financing to improve land use management and use forest resources sustainably and will be able to increase their size and productivity

B.2 (b). Outcome mapping to GCF results areas and co-benefit categorization

Outcome number	GCF Mitigation Results Area (MRA 1-4)				GCF Adaptation Results Area (ARA 1-4)			
	MRA 1 Energy generation and access	**MRA 2** Low-emission transport	**MRA 3** Building, citiies, industries, appliances	**MRA 4** Forestry and land use	**ARA 1** Most vulnerable people and communities	**ARA 2** Health, well-being, food and water security	**ARA 3** Infrastructure and built environment	**ARA 4** Ecosystems and ecosystem services
Outcome 1	☐	☐	☐	☒	☐	☐	☐	☐
Outcome 2	☐	☐	☐	☒	☐	☐	☐	☐

Co-benefit number	Co-benefit					
	Environmental	**Social**	**Economic**	**Gender**	**Adaptation**	**Mitigation**
Promotion of green jobs	☐	☐	☒	☐	☐	☐

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

Conceived in response to the GCF's Enhanced Direct Access request for proposals, the Amazon EBBF seeks to leverage public and private investments to support national climate change mitigation objectives by fostering of EBBs in the Peruvian Amazon Biome that support the sustainable management and conservation of Peruvian forests under the umbrella of the National Strategy for Forests and Climate Change (ENBCC, for its name in Spanish) and consistent with the national regulatory framework for eco and bio businesses.

The ENBCC constitutes Peru's national policy REDD+ framework and defines a cross-sectoral and multilevel policy framework to transform the land use sector through integrated and sustainable forest landscapes, strengthened local governance and thriving and sustainable local livelihoods and agricultural practices. To achieve its objectives, the ENBCC requires to put in place a series of technical and institutional enabling conditions to incentivize sustainable forest management and agricultural production, including opening markets for sustainable value chains, developing or revision regulations, as well as developing local and institutional capacities, while ensuring and inclusive and gender-responsive investment process.

[19] Supreme Decree 003-2022-MINAM

In developing its national REDD+ results-based implementation and financing mechanism, MINAM has enacted further regulations to identify and categorize REDD+ actions to be considered under the national performance in the context of REDD+ results-based financing, including in relation to monitoring and estimation of mitigation outcomes, social and environmental performance vis-à-vis Cancun Safeguards and Peru's country approach, as well as in relation to ownership of carbon units to be considered in the context of voluntary markets and overall national greenhouse gases accounting for the purposes of achieving Peru's NDC objectives. Box 1 outlines the criteria identify, categorize and/or design, and implement a REDD+ action under the national REDD+ framework.

Box 1 Criteria to identify, categorize and /or design and implement a REDD+ action

As defined in Article 1 of the guidelines to identify and classify a REDD+ action, the following criteria should be met to be considered as an action under the national REDD+ framework:

a) The action should be consistent with at least one (1) of the five (5) eligible REDD+ activities / measures as defined by the UNFCCC.
b) The action should be aligned with at least one (1) of the eight (8) strategic actions defined under the ENBCC, as the public policy instrument consitituting Peru's national action plan.
c) The action should meet as a minimum the following criteria, defined for mitigation measures in the Climate Change Framework Law:
    - Result in greenhouse gas emission reductions and/or the enhancement of forest carbon stocks against a national emissions and absorptions baseline.
    - A baseline for emissions and absorptions corresponding to their activity is in place.
    - Have available and quantitative information on costs and mitigation potential.
    - Aim to be consistent and complementary to the objectives of the LMCC and other relevant policies, strategies, plans, programmes and projects, as prioritized by sectoral, regional and local authorities, as relevant.
    - Generate benefit beyond climate change mitigation, including social, economic and environmental.

d) Generate greenhouse gas emission reductions and/or the enhancement of forest carbon stocks as a direct result of its implementation.
e) The action is consistent with guidelines by the DGCCD, as Peru's REDD+ focal point, including in relation to efforts to address and respect REDD+ safeguards with a view to monitoring and reporting in the context of REDD+ implementation.

Source: adapted from the Ministerial Decree 143-2021-MINAM and Peru's first SOI.

Similarly, Ministerial Decree 143-2021-MINAM establishes a typology of REDD+ actions and associated criteria to be met, and associated expected environmental and socio-economic benefits beyond those mitigation outcomes, hereon co-benefits; see Table 2.

Table 2 Typology of REDD+ actions, REDD+ eligible activities, strategic actions under the ENBCC and associated environmental and social co-benefits

N°	REDD+ actions as per Ministerial Resolution 143-2021	Alignment with at least one of the five (05) associated REDD+ eligible actions	Alignment with at least one of the eight strategic actions under the ENBCC	Priority environmental and/or social co-benefits
1	**Sustainable and deforestation free agricultural and livestock production**	Emission reductions from deforestation .	Promote sustainable and climate compatible agricultural and livestock production, that reduces the pressure on natural forests .	Contributes to food security of forest dependent local families and indigenous peoples in the Amazon, Andes and Coastal regions, as appropriate.

2	**Sustainable Forest Management**	Sustainable management of forests.	Increase the value of standing forests through sustainable forest management, including community management and other activities that increase the value in relation to deforestation and degradation-intensive economic activities.	Contributes to the conservation of ecosystemic services, with significant for the livelihoods and traditions of local families and indigenous peoples in the Amazon, Andes and Coastal regions, as appropriate.
3	**Amazonian Indigenous REDD+ and Amazonian and Coastal Indigenous REDD+**	Sustainable management of forests.	Reduce the vulnerability of forest dependent local communities against the impacts of climate change, including the consideration of traditional knowledge.	Contributes to food security of forest dependent local families and indigenous peoples in the Amazon, Andes and Coastal regions, as appropriate, and to the conservation of traditional knowledge, ecosystem services and biodiversity.
4	**Community Forest Management**	Sustainable management of forests.	Increase the value of standing forests through sustainable forest management, including community management and other activities that increase the value in relation to deforestation and degradation-intensive economic activities.	Contributes to the conservation of ecosystemic services, with significant for the livelihoods and traditions of local families and indigenous peoples in the Amazon, Andes and Coastal regions, as appropriate.
5	**Conservation of Forests on Indigenous Territories**	Conservation of forest carbon stocks	Enhance the resilience of forest ecosystems, particularly those that are highly vulnerable and/or that generate goods and services critical to local populations.	Contributes to the conservation of ecosystemic services and biodiversity that are critical for the livelihoods of local families and indigenous peoples in the Amazon, Andes and Coastal regions, as appropriate.
6	**Land tenure, forest monitoring and governance, in local communities and indigenous peoples' territories**	Emission reductions from deforestation	Complete territorial planning and zoning in forest areas, legal titles of ownership over forest resources and wildlife in buffer zones.	Contribute to the recognition of indigenous peoples' rights and governance over their territories, as well as to the conservation of ecosystem services and biodiversity in forest landscapes.
7	**Strengthening of the protected Areas system and other conservation schemes**	Conservation of forest carbon stocks	Enhance the resilience of forest ecosystems, particularly those that are highly vulnerable and/or that generate goods and services critical to local populations.	Contributes to the conservation of ecosystem services and biodiversity that are critical for the livelihoods of local families and indigenous peoples in the Amazon, Andes and Coastal regions, as appropriate.
8	**Afforestation, reforestation, rehabilitation and restoration of forest ecosystems with a landscape approach**	Enhancement of forest carbon stocks.	Enhance the resilience of forest ecosystems, particularly those that are highly vulnerable and/or that generate goods and services critical to local populations.	Contributes to the restoration of forest ecosystems and their biodiversity, which are critical for the livelihoods of local families and indigenous peoples in the Amazon, Andes and Coastal regions, as appropriate.

Source: Adapted from the Ministerial Decree 143-2021-MINAM

Peru has developed a robust policy and institutional framework to promote EBBs that contribute to the conservation of biodiversity and economic and social sustainability, including through a fair distribution of the associated benefits from their implementation. As defined in the "General guidelines to identify and promote ecobusiness and biobusiness", EBBs will pursue the sustainable management and use of biodiversity, underpinned by the principles of environmental, social, and economic sustainability, including in relation to the conservation of natural forest resources, the inclusion of communities and traditional knowledge in the development of sustainable value chains, and the diversification of local livelihoods[20]. Table 3 outlines the criteria defines for eco and bio business according to Peruvian regulations.

Table 3 Key elements, minimum criteria for Eco & Bio Businesses in Peru

Key elements of Eco & Bio Businesses	**Minimum criteria of a Ecobusiness**	**Guiding questions to identify a Ecobusiness**	**Guiding questions to identify a Biobusiness**
Environmental	Prevents, reduces and/or reverts environmental impacts to promote a sustainable use of natural resources.	Does the EBB has a recognized environmental certification for the main area of economic activity? *Where the business model can obtain certification.	The product or service contributes to the conservation and enhancement of biodiversity and natural resources in its area of influence.
		The production of the good / service uses substances or materials that are harmless or compatible with the environment and human health?	The EBB does not introduce or use invasive / exotic species.
		The production of the good / service uses materials or inputs of known origins?	The EBB does not result in changes in the landscape and ecosystems in its area of influence.
Social	Adopts social responsibility practices to distribute the economic and social development benefits from the activity and provides transparent information and strives to provide the best service to the customers and beneficiaries.	Does the EBB actively engage the local community?	N/A
		Does the EBB have legal rights over the land where the EBB will be developed and avoids forced displacement?	Does the EBB have access rights over the natural resources where the EBB will be developed?
		Does the EBB actively pursue local development and the diversification of local livelihoods in its area of influence?	The EBB protects traditional knowledge
Economic	Generates economic sustained and regular economic benefits and ensures equitable benefit sharing.	Does the EBB have an active single taxpayer registry?	The price of the product includes production and commercialization costs?
		Does the EBB have the register, license, permits and other requirements required to perform its economic activity?	The EBB integrates environmental costs in its business model.

Source: Adapted from the Ministerial Decree 046-2020-MINAM

[20] Ministerial Resolution N° 046-2020-MINAM General guidelines to identify and promote eco-businesses and bio-businesses, available: https://www.gob.pe/institucion/minam/normas-legales/441688-046-2020-minam

Only the EBBs that meet the criteria outlined in the table 6 describing the prioritization and eligibility criteria for Grant Window 2 below will be considered. Therefore, it is important to note that not all EBBs will be eligible for EBBF funding, as they may not have a direct impact on emissions. EBBs that demonstrate a statistically significant reduction in emissions or increase in removals will be considered for this analysis, particularly prioritizing those focusing on agroforestry or in frontier areas of deforestation. EBBs will be screened to determine their relevance to climate change mitigation impact before funding is granted, including an analysis of priority value chains with regards to their mitigation potential.

In the table below is presented potential value chains, including products and services and their potential intervention in mitigation goals.

Table 4 Value chains and products/services potential in climate change mitigation goals

Value Chain categories (a)	**Products/Services (b)**	**Access mode (c)**	**Contribute at least one REDD + action (d)**	**Generates a reduction in emissions or conservation/increase of forest carbon stocks (05 associated REDD+ eligible actions) (e)**	**Keeps the forest standing (f)**	**If it is located in forests, they remain as forests for at least the duration of the project (g)**
Agroforestry	Fine aroma cocoa, chocolate, coffee, camu camu (Myrciaria dubia), sacha inchi (Plutekenia volubilis), achote (Bixia sp) medicinal plants, copuazu (Theobroma grandiflora), aguaymanto (Physalis peruviana), native palms, honey and other products beekeepers	Assignment Contracts in Use for Agroforestry Systems (CUSAF), private property, native and peasant communities	Action 1: Sustainable family farming production free from deforestation. Action 5: Conservation of forests on the lands of peasant and native communities. Action 8: Afforestation, reforestation, rehabilitation and restoration of forest ecosystems with a landscape approach.	Yes, reduction of emissions due to deforestation, due to the loss or permanent conversion of forests threatened by other land uses. Also, conservation and increase of forest carbon stocks. In Amazonas, a coffee chain value can stock 98.80 tn CO2 ha-1 (In coffee-guaba-pashaco agroforestry systems)[21], and for cacao value chain, 165.41 t CO2 ha-1 (In a 12-year agroforestry system)[22].	Yes, it is part of the CUSAF commitments	Yes, this is the condition for the CUSAF case

[21] https://repositorio.untrm.edu.pe/handle/20.500.14077/1384

[22] http://www.scielo.org.pe/scielo.php?pid=S1726-22162007000100009&script=sci_arttext&tlng=en

	Forest use for timber purposes	Round wood, sawn wood, by-products	a) Timber forest concessions, b) Permits for forest use on lands of native and peasant communities	Action 2: Sustainable Forest management Action 4: Community Forest management Action 8: Afforestation, reforestation, rehabilitation and restoration of forest ecosystems with a landscape approach.	Yes, reduction of emissions due to sustainable timber forest management, reduction of emissions due to forest degradation, and increase of forest carbon stocks.	Yes	Yes
	Non-timber forest use	Harvesting chestnut (Bertholletia excelsa), shiringa latex (Hevea brasiliensis aguaje (Mautiria flexuosa), huasai (Euterpe preacatoria, Euterpe oleracea), ungurahui, bijao (Calathea lutea), cat's claw (Uncaria sp), ornamental, honey and bee products	a) Timber forest concessions b) Permits for forest use on lands of native and peasant communities	Action 2: Sustainable Forest management Action 4: Community Forest management Action 5: Conservation of forests on the lands of peasant and native communities. Action 8: Afforestation, reforestation, rehabilitation and restoration of forest ecosystems with a landscape approach.	Yes, reduction of emissions due to sustainable timber forest management, reduction of emissions due to forest degradation, and conservation and increase of forest carbon stocks. In Loreto, the aguaje value chain stock 262.44 t CO2 ha-1 (in dense aguajal)[23]	Yes	Yes

[23] https://repositorio.unsm.edu.pe/bitstream/handle/11458/228/6053412.pdf?sequence=1&isAllowed=y

Ecotourism	Nature tourism initiatives, community tourism	a) concessions for ecotourism b) native and peasant communities, c) private properties	Action 2: Sustainable Forest management Action 4: Community Forest management Action 7: Strengthening of protected areas and other conservation figures.	Yes, reduction of emissions due to sustainable timber forest management, reduction of emissions due to forest degradation, and conservation of forest carbon stocks.	Yes	Yes
Wildlife Management	Taricaya, Teparo, Lagarto Blanco	concessions	Action 7: Strengthening of protected areas and other conservation figures.	Yes, conservation of forest carbon stocks.	Yes	Yes

Source: MINAM

More recently, in the context of its response to the global shock of the pandemic, Supreme Decree 003-2022-MINAM declared the climate emergency as of national interest. This decree states the urgency to implement measures towards achieving Peru's climate commitments under the UNFCCC by 2030 and contribute to limiting the increase of global average temperature, while ensuring its sustainable development, poverty alleviation and reducing vulnerabilities to the impacts of climate change. Proof of Peru's high level of political commitment to climate action through a cross-sectoral effort, the Decree establishes a series of priority actions and mandates the Ministry of Environment to put in place a process to receive, manage and distribute the benefits from a diversity of financial sources -national and international, and mandates PROFONANPE as the financial manager of said financial function (Article 3.2).

It is in this context, and aligned with the GCF's investment criteria, that the EBBF has been conceived to provide capital seed investments for EBBs that facilitate the sustainable management and conservation of forest landscapes that contribute to Peru's national forest and climate change and EBB-related objectives (Component 2), and will provide specialized technical assistance to strengthen technical and institutional capacities to enable the implementation, monitoring and reporting of EBBs consistent with Peru's national REDD+ framework (Component 1).

By supporting the design and upscaling of EBBs and putting in place the enabling conditions to nest EBBs under the national REDD+ framework, the EBBF will contribute directly to the achievement of Peru's national and international climate mitigation and adaptation priorities and objectives while generating green jobs. Moreover, consistent with the national REDD+ results-based implementation and financing mechanism and EBB national regulation, the EBBF will play a key role to piloting the operation of the REDD+ financial mechanism to transfer REDD+ based finance to support small-scale interventions at EBB level.

Component I: Strengthen technical and institutional capacities to design, implement and monitor EBBs towards nesting the EBBF under Peru's national REDD+ framework

In its role as the financial manager for the national REDD+ financial mechanism, and as a DAE under the GCF eligible to facilitate the transfer of REDD+ based finance to support small-scale interventions at EBB level, Profonanpe is uniquely positioned to support MINAM, as the national authority on climate change and EBBs to develop and strengthen technical and institutional capacities, including through tools, trainings, and technical backstopping. In doing so, the EBBF aims to contribute to address the remaining gaps to enable the implementation, monitoring and reporting of

small-scale REDD+ interventions through EBBs, with a view to their eligibility to REDD+ results-based financing under the national framework (Component 1).

Implemented under PROFONANPE's institutional framework, and consistent with the GCF's investment criteria and policies funding and national REDD+ results-based implementation and financing mechanism and EBB national regulation, the EBBF proposal will directly contribute to strengthening Peru's REDD+ institutional framework and pilot the "nesting" of small-scale interventions under the national framework. The EBBF will provide specialized technical assistance and backstopping to: i) strengthen technical and institutional capacities to monitor and prevent deforestation and forest degradation (Output 1.1); and ii) strengthen technical and institutional capacities to ensure the social and environmental integrity and sustainability of the EBBs (Output 1.2).

Output 1.1: Strengthened technical and institutional capacities to monitor and prevent deforestation and forest degradation

In 2021, MINAM submitted to the UNFCCC a new forest reference emission level (FREL), which is still in the process of being accepted. This update includes improvements in terms of precision and uncertainty calculations. Further, the methodology to estimate deforestation has been modified. This reference level is still limited to the Amazon biome and to emissions from deforestation. The measurement of emissions due to forest degradation has not yet been incorporated, but initial estimates consider it to be very significant. Developing these degradation estimates is a priority for the country.

In this context, MINAM seeks to strengthen the Forest Cover Monitoring Module (MMCB), which is part of the National Forest and Wildlife National Information System (SNIFFS), by developing an analysis of compatibility and consistency of the new methodology to estimate forest loss used in the updated FREL with the previous methodology produced by the country's official deforestation information unit (Geobosques). This analysis will ensure a consistent instrument for the measurement, monitoring, reporting and verification of forest cover and associated emissions.

The first task will be to incorporate into Geobosques the new methodology developed to estimate deforestation and to continue to improve the level of precision and detail of the instrument until it is able to detect changes in forest cover in small areas, such as the areas where the EBBs will be active. This, in turn, will enable the EBBF to monitor the impact of its beneficiaries on forests. Not only will it have a positive impact on this project, but it will benefit all REDD+ initiatives, as well as facilitate the the compliance of various producers with financial entities and support programmes in maintaining deforestation-free operations.

The second task is to complete the work already started on the estimation of emissions from forest degradation, which is of great interest so that EBBs associated with timber harvesting in standing forests subject to degradation pressure can demonstrate emission reductions and thus receive the benefits corresponding to their contribution. The third and final task corresponds to developing the measurement methodology and the reference level for REDD+ activities of Conservation and Sustainable Management of Forests, also key for EBB initiatives in forested areas.

Activity 1.1.1 Strengthening the Forest Cover Monitoring Module (MMCB). Deforestation sub-module.

MINAM will carry out a compatibility analysis between the methodology for mapping deforestation of the MMCB and the methodology of the Reference Mesh approach on deforestation used recently in the report of the reference level to the UNFCCC. This analysis will allow the definition of a unique and consistent methodological approach to generate the data on deforestation activity, which in turn will permit the generation of reports on forest emissions in the framework of the country's various climate commitments.

In addition, MINAM will develop the thematic accuracy analyses for the forest loss maps (years 2001-2019). This independent accuracy evaluation of the activity data will allow verification of the reduced emissions for performance payments.

Activity 1.1.2 Operationalization of the forest degradation sub-module

MINAM will operationalize the forest degradation sub-module, enhancing the capacity of the MMCB, through Geobosques, to monitor forest degradation. While significant progress has been made in monitoring deforestation, additional work is required for the quantification of degradation. Currently, the country is developing a methodological framework for the development of the degradation reference level in Amazon forests through the support of the national UN REDD+ program. The EBBF project will ensure sustainability of the work through support in the operation of the

Forest Degradation Submodule, as well as having a team of experts to make methodological adjustments to degradation mapping in order to have consistent data for reporting and results-based payments.

To this end, capacity building will be provided to government officials at national and regional levels on the use of degradation data and tools for monitoring.

This activity may also allow EBBs located in non-frontier areas to engage more with the EBBF, as there will be a better approach available to estimate avoided emissions from degradation.

Activity 1.1.3. Support to advance the development of FREL/FRL for REDD+ activities of conservation and sustainable management of forests

EBBF will support the development of a FREL/FRL for the REDD+ activities of conversation and sustainable management of forests by developing technical documentation and a methodology. This will include a technical document that identifies information gaps related to these two activities, as well as a technical document that identifies overlapping concepts on conservation and sustainable management with the relevant sectors. This activity will also include the development of a methodology for estimating activity data and emission factors for these two activities. This will provide a methodological framework that allows forconsistency in the data reported on emissions reductions generated by these activities. Its construction will involve defining in a participatory manner a set of technical considerations necessary for transparent, consistent, and accurate reporting.

Output 1.2: Strengthened technical and institutional capacities to ensure the environmental and social integrity and sustainability of EBBs

Peru has made significant progress to establish a national environmental and social management framework, underpinned by the social, environmental and governance (ESG) safeguards established to support REDD+ results-based financing, known as Cancun Safeguards. Through a country approach to REDD+ safeguards, Peru has interpreted Cancun Safeguards to unpack, contextualize and operationalize Cancun Safeguards in the context of the ENBCC and facilitate the consistent, coordinated and efficient monitoring and reporting on how the safeguards are being addressed and implemented in the context of the implementation of REDD+ actions. In doing so, the country approach to REDD+ safeguards is designed to guide the assessment of environmental and social potential risks and opportunities, and inform the consistent and coordinated monitoring and reporting on environmental and social performance of REDD+ actions, beyond its forest mitigation outcomes.

As outlined in its First Summary of Information (SOI) on how REDD+ safeguards are being addressed and implemented, for the period 2012-2019, Peru's country approach to REDD+ safeguards is the result of an analytical and an inclusive and participatory process led by MINAM and its partners, and draws on its environmental and social commitments and responsibilities under the Forest Investment Program (FIP) and the Joint Declaration of Intent -JDI with Norway and Germany. Anchored to Peru's national legal and governance structure, the country approach aims to ensure REDD+ actions in Peru minimize potential environmental and social risks associated to the implementation of REDD+ actions and promote the delivery of priority co-benefits. Adhering to Cancun Safeguards, and other relevant environmental and social management requirements and commitments applicable to Peru's REDD+ implementation and financing framework, REDD+ actions should be implemented in consistency with the core elements identified as a result of the national interpretation of Cancun Safeguards; see Table 9. Moreover, consistent the objectives of the ENBCC and the criteria for EBBs, and in adherence to REDD+ safeguards, REDD+ actions should promote positive priority co-benefits associated to the typology of REDD+ actions; see Table 2 above.

The REDD+ readiness process in Peru has been underpinned by a broadly participatory and multi-level process, including through a dedicated dialogue and participation platform (the Sub-technical Safeguards Committee, SCTS for its name in Spanish), bringing together representatives of indigenous peoples, NGOs, and relevant government actors. A stakeholder participation and engagement plan has been developed to facilitate and ensure full and effective participation in the design and implementation of REDD+ actions, including at small-scale and in the case of those to be supported by the EBBF. Similarly, REDD+ actions are required to demonstrate alignment with indigenous peoples' livelihood plans and the integrated management of indigenous territories when implementing REDD+ actions, in recognition to the role of indigenous peoples and other forest-dependent communities in the conservation of biodiversity, ecosystem services and cultural diversity, including in consistency with the Amazon Indigenous REDD+ (RIA, for its name in Spanish). The country has also established a Grievance and Citizen Attention Mechanism (MAC, for its name in Spanish), which serves as a national level REDD+ accountability mechanism to facilitate the reception

of concerns, enquiries and/or grievances from all relevant stakeholders in the context of the ENBCC and associated REDD+ actions. Moreover, while a Safeguards Information Module (MIS, for its name in Spanish) is complete MINAM has put in place a Safeguards Webpage as a means to disseminate information on REDD+ safeguards.

Despite the above, the operation of Peru's country approach to REDD+ safeguards in a way that enables Peru to manage, monitor, and report on how safeguards are being addressed and implemented in the context of REDD+ actions at the productive unit scale remains a challenge. Remaining analytical, technical, and institutional gaps towards a consistent, coordinated, and efficient assessment andmonitoring and reporting on the environmental and social performance of REDD+ actions may hinder Peru's opportunities to access to a diversity of REDD+ results-based financing, for instance under voluntary carbon market standards as those supported by the Lowering Emissions by Accelerating Forest finance (LEAF) Coalition[24].

The EBBF will strengthen the technical and institutional capacities of MINAM and potential EBBs to ensure adherence with relevant REDD+ and EBB safeguards and to monitor and report on the environmental and social safeguards, integrity, and sustainability of the EBBs.

Activity 1.2.1: Develop and/or review of procedure, guidelines, and tools to support the screening, assessment, monitoring and reporting of potential social and environmental risks and impacts, and to ensure EBBs adherence with relevant REDD+ and EBB safeguards

Implemented by Profonanpe, the EBBF seeks to contribute to strengthening Peru's REDD+ institutional framework and facilitate piloting the "nesting" of small-scale interventions under the national framework. To do so, the EBBF will provide specialized technical assistance and backstopping to MINAM in developing:

- REDD+ safeguards procedure and associated guidelines for EBBs to facilitate the screening, categorization, assessment, management, monitoring and reporting on environmental and social risks and impacts;
- Guidelines for the operationalization of EBB's accountability mechanism, aligned with the EBBF's Accountability and Grievance Mechanism and the MAC
- The revision of the EBBF's ESMS to ensure consistency in the screening, categorization, assessment, management, monitoring and reporting on environmental and social risks and impacts, at the facility level, as relevant.

Activity 1.2.2: Build technical capacities to ensure EBBs adherence with relevant REDD+ and EBB safeguards

Implemented by PROFONANPE, the EBBF will build the technical capacities of EBBs to ensure EBBs adherence with relevant REDD+ and EBB safeguards.

Utilizing the guidelines developed under activity 1.2.1 and those designed under the UN REDD+ program, this activity will involve the dissemination of the guidelines, accompanied by training sessions (3 per year) targeted to EBBs and the SCTS, as well as technical backstopping to EBBs throughout the EBB life-cycle.

Activity 1.2.3: Piloting of MINAM MIS and MAC

As aforementioned, a MIS is still under development and serves as a repository of safeguards information reporting from REDD+ actions in an interim manner. Noting PROFONANPE's role as the financial manager for the national REDD+ financial mechanism, and the importance of consistent reporting the environmental and social integrity and sustainability of REDD+ actions, this activity will provide technical assistance for the piloting of the MIS and MAC. This activity will involve:

[24] The LEAF Coalition aims to mobilize at least $1 billion in results-based financing to rewards mitigation outcomes from national or subnational REDD+ programmes. Launched in April, 2021, LEAF's initial Call for Proposals received more than 30 proposals from jurisdictions from all regions, representing the world's largest tropical forests. https://leafcoalition.org/

- Set up of operational MIS that is linked to monitoring and reporting of sub-national REDD+ activities, including of small-scale REDD+ actions under the EBBF. This will be done through the adoption of necessary operating procedures and guidelines, and the set-up of technological solutions.
- Set up of operational MAC that is linked/accessible to sub-national REDD+ activities, including of small-scale REDD+ actions under the EBBF. This will be done through the adoption of necessary operating procedures and guidelines.
- Piloting of both MIS and MAC, and the generation of annual reports, which can inform national reporting on REDD+ safeguards, including the preparation of Peru's subsequent SOIs.

Activity 1.2.4: Knowledge generation and dissemination of lessons learned on environmental and social integrity and sustainability of small-scale REDD+ interventions consistent with REDD+ results-based financing landscape

In a key role in the national REDD+ implementation and financing mechanism, the EBBF will contribute to strengthening capacities at the EBB and national level and aims to generate relevant lessons to be replicated at a regional and global level.

This activity will include the development of three (3) thought-pieces (including case studies) to capture best practices and lessons learned in relation to: i) the set-up and operation of an integrated environmental and social REDD+ safeguards framework that enables the screening, categorization, assessment, management, monitoring and reporting on environmental and social risks and impacts of small-scale REDD+ interventions; and ii) opportunities and remaining challenges to nest small-scale REDD+ interventions under national REDD+ frameworks to enable direct access to results-based financing.

Project Activities under Component II: Amazon Eco Bio Business Facility (EBBF)

Component II of the EBBF is geared at the establishment and management of an Amazon EBBF providing technical assistance and capital seed investments for EBBs to support sustainable management and conservation practices in forest and agricultural landscapes, while contributing to Peru's national forest and climate change and EBB-related objectives, increase forest-economy contribution to Peru's GDP, attract private capital, consistent with the national REDD+ framework and the national regulatory framework for EBBs.

The facility will be established and managed under Profonanpe's financial management. PROFONANPE, on behalf of the EBBF, will establish a dedicated account with GCF resources. The replenishment strategy of the facility will consist in the grant repayaments and contributions from other donors, that will ensure its long-term sustainability. In addition, it is expected to potentially leverage resources from REDD+ results-based financing.

As an economic co-benefit, GCF-financed activities will contribute to the creation of green jobs opportunities. The EBBF will prioritize projects in areas affected by high deforestation rates, namely, Amazonas, San Martin, Loreto, Cusco, Puno and Madre de Dios. In the context of the present proposal, approximately 70% of the GCF resources sought under the present proposal will be channeled through two funding windows.

It is important to note how the EBB Financial Facility is the cornerstone of a larger knowledge management dynamic that seeks for forest conservation EBBs supported by actors such as private firms, the government and international cooperation entities. This includes serving as a platform not only to facilitate the investment environment, but also to develop concepts, match EBBs with impact investors, and provide assistance to EBBs to maximize investments and impacts as seen below.

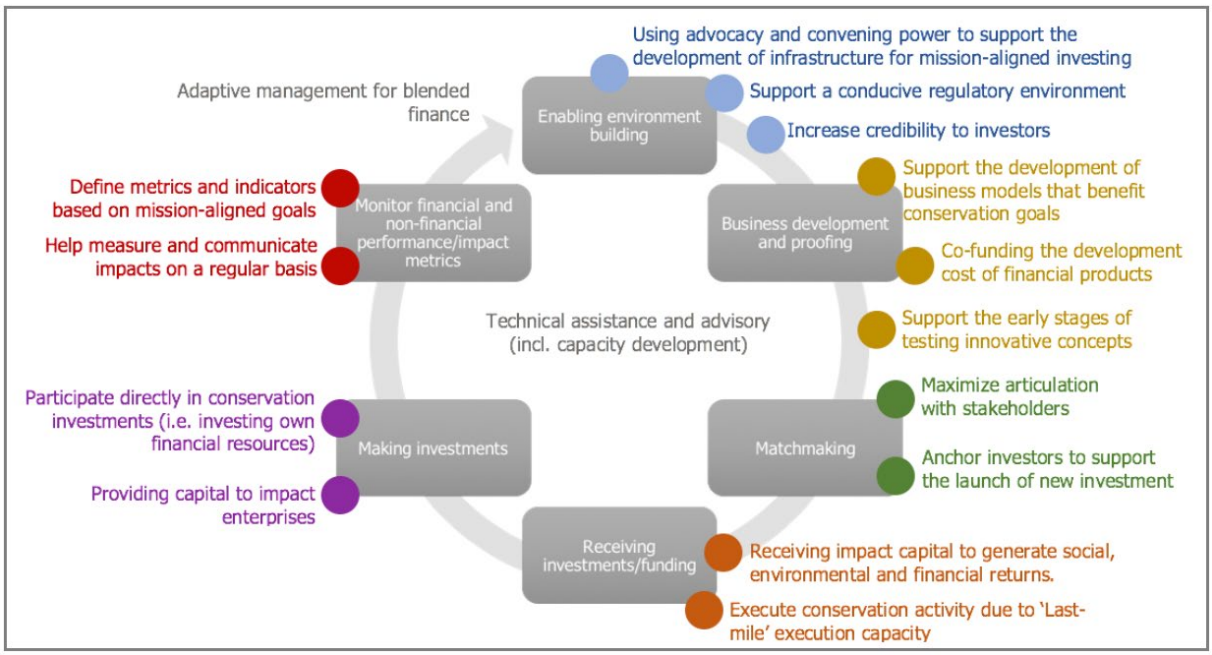


Figure 3. Component 2 overview

Output 2.1: Strengthened business case and productivity of EBBs

The EBBF will provide technical assistance and seed capital grant funding on a demand-driven basis to EBBs to crowd in private investments and generate lessons and experience to replicate and scale-up climate action in priority areas in Peru and possibly neighboring countries.

Activity 2.1.1 Establishing the Amazon Eco Bio Business Facility

Profonanpe will develop a framework for the establishment, operationalization and sustainable replenishment of the facility. Following the award notification, Profonanpe will proceed to open a dedicated account to ensure effective management and tracking of the GCF grant. The Project Team will lead the development of the EBBF strategy goals and objectives and replenishment strategy.

Activity 2.1.2 Operationalizing the Amazon Eco Bio Business Facility

The operationalization of the facility will be guided by the establishment of a Facility Management Unit (FMU) as well as will entail the revision and/or strengthening of the EBBF's Governance and implementation structure aligned with the financial mechanism governance already implemented in Profonanpe; the Environmental and Social Management System, and Operational Manual and other relevant analysis and operational instruments as relevant. The establishment and entry into operation of the Facility is responsibility of the FMU, including through an inclusive and gender-responsive process as defined in the EBBF's Stakeholder Engagement Plan and the Gender Action Plan.

Activity 2.1.3 Defining the replenishment strategy of the EBBF

The Financial Mechanism Board will provide strategic direction and approve the Facility's implementation and replenishment strategy to ensure its long-term financial, environmental, and social sustainability. The replenishment strategy will consist of multiple sources of finance, including potentially REDD+ RBP, the grant repayments to the EBBF, and other sources of international climate finance. The FMU will be responsible for the development and implementation of the strategy, including the development of EBBF communication and marketing materials, information memorandum, engagement with the government of Peru and finance providers.

Output 2.2: Increased investor appetite for EBBs

The EBBF provides technical assistance and seed capital grant funding on a demand-driven basis to EBBs to crowd in private investments and generate lessons learned. The EBBF will support an innovation partner offering technical assistance to EBBs in order to dynamize the interventions by covering all the regions of the project. EBBF seed funding will benefit a minimum of 55 EBBs during the first ten years of operation with an average volume of USD90,000[25]

[25] Refer to Annex 3 for more details

implemented and reported upon. EBBF seed capital will enable the implementation of blended finance solutions, whereby EBBF grants will improve the risk/return profile of selected EBBs to leverage private capital investments. Funding and technical support to female–headed enterprises with climate change mitigation missions is prioritized.

The grant funding amount to be provided will be based on a multi-tiered system that depends on the number of years the EBBs have been operational, as seen in the following figure. In this multi-tiered system, three categories have been defined; Early (with a minimum of 2 years of operation); Medium (with a minimum of 5 years of operation); and Advanced (with a minimum of 7 years of operation). Each category has a maximum grant amount at different repayment rates (25%, 50% and 65% for Early, Medium, and Advanced respectively).The repaid funds received from the repayment of the reimbursable grants to the EBBF will be reused following the same procedures as for the initial grant award.

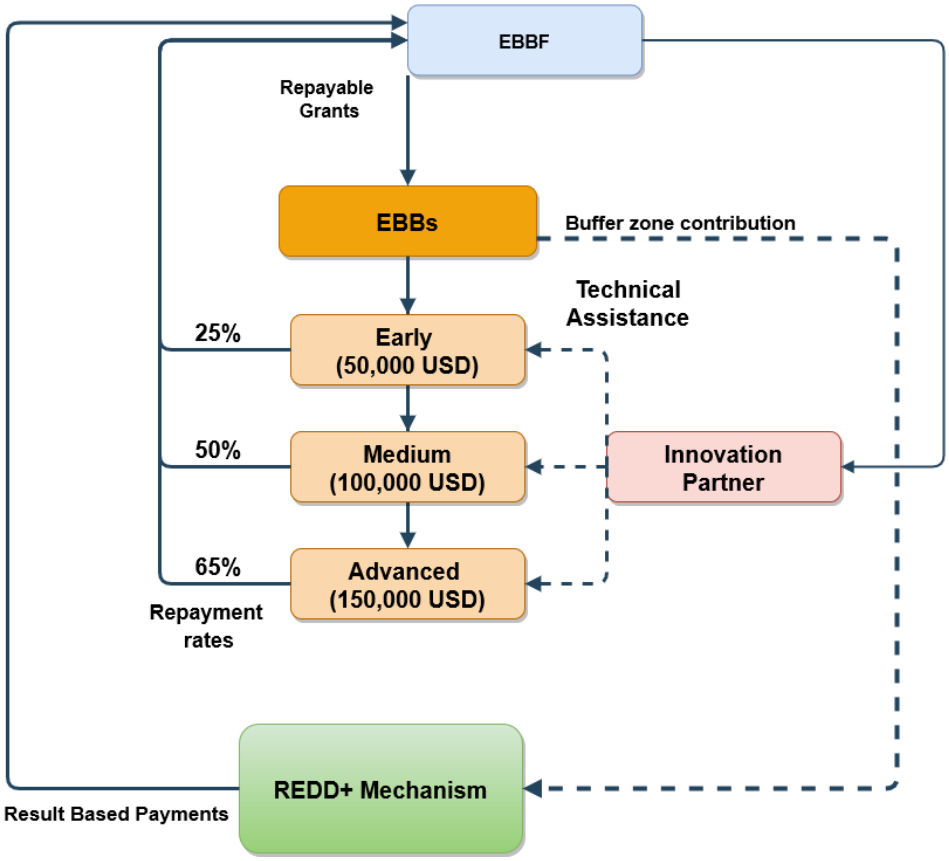


Figure 4. EBBF grant funding

Activity 2.2.1: Technical Assistance Window 1

Under this window, the EBBF will provide specialized technical assistance to Peruvian EBBs through an innovation partner, which is NESsT, an organization with outstanding experience investing in impact companies that generate decent jobs and income for people in a situation of vulnerability. NESsT has supported 14,000 organizations in 55 countries to assess, identify, and develop sustainable business models.

NESsT's support includes working with partners to identify sources of financing. One key source of financing is the NESsT Fund, which provides loans to social enterprises. NESsT works with companies in their incubation programs to prepare them to apply to the NESsT fund. NESsT also has strong relationships with a range of other sources of finance.

As a result, NESsT estimates that 80% of the enterprises they work with through their incubation program manage to secure financing, whether from NESsT or other sources.

The terms of reference developed by NESsT for window 1 must be coordinated and approved by the FMU.

40 EBBs will receive capacity building and technical assistance across key capacity gaps identified in the market assessment, including bureaucratic, managerial and access to market barriers, and REDD+ topics. All these activities will consider the Gender Action Plan.

Out of the 40 EBBs supported through technical assistance window 1, it is estimated that 20 EBBs can apply successfully to window 2 in order to receive the grant. NESsT will also support the transition from window 1 to window 2 for a pre-selected number of EBBs, depending on their investment readiness status.

Table 5. Window 1 characteristics and methodology

Window 1: Technical Assistance	
Purpose: To address capacity gaps of early-stage eco bio business enterprises	
Scope	Incubation and acceleration programme tailored to bio business needs Budget: USD 742,293 in the first round and subsequent rounds dependent upon appropriate funding from the EBBF Duration of funding window: 3 years Expected implementation years: In the second year after the operationalization of the EBBF and subsequent rounds will be discussed within the FMU
Activities	Definition of call for proposals' terms of reference Adaptation of the application platform Definition of communication plan and dissemination of the call Evaluation of application forms and selection of winners Development of training modules Investment Memorandum Preparation Site visits for 25 EBBs Support to transition from window 1 to window 2 for a pre-selected number of EBBs Support to EBBs for seeking and securing additional sources of finance
Technical Assistance to EBB	Concept evaluation and validation Business planning and support including personalized consultations on an as-needed basis Market assessment Tech verification Engineering and analytical services Capacity building for EBBs on REDD+ regulations, monitoring and safeguards as well as network development

Methodology			
Phase	***Duration***	***Objective***	***Process***

Selection and Development of Growth Business Model	***Months 1-6***	*To select EBBs that meet EBBF criteria; to help these finalists assess business growth opportunity and develop growth model and plan.*	***1. Work through other actors to identify pipeline:*** *universities, impact investors, accelerators, Bioinvest Project, Bioeconomy Fund, corporations with shared value programs and other intermediaries and networks, NESsT Portfolio / Alumni / exited SEs- in the sector to identify existing enterprises*
			2. Organize Call for Applications *inviting enterprises to apply to the program.*
			3. Assess Application form and define selection criteria Complementary criteria examples: *Management Team, Enterprise Performance & Potential to Meet Business Goals, Impact Performance & potential to meet impact goals, NESsT & EBBF Value Added*
			4. Instruments & activities: *Conduct Interviews / site visit for the selected candidates.* *Individual one-on-one support for the ones passing the interview stage, iterative business planning or canvas generation process (if needed), with design thinking and user validation (lean canvass) methodology; might be longer if tech prototyping & testing would be needed.*
Onboarding	***Month 7***	*Invite enterprises to enter the portfolio and launch relationship built on trust with clear partnership goals and indicators; enterprise goals and indicators, and plans for achieving them.*	***1. Prepare and sign the Memorandum of Understanding****. Share communications plans and branding materials.*
			2. Train the enterprise in the performance metrics and establish goals and indicators*; as well as reports to be completed.*
			3. Develop the action plan addressing key business assistance areas *(as identified in the Investment Memo). Roles of NESsT Team, Mentors/Implementing Advisors and other External Mentors/Advisors are defined.*
Validate & Consolidate the Growth Business Model	***Months 8-20***	***Objective: Test the business model and refine it until it works. Ensure the team is consolidated*** ***Examples of Key indicators:***	***1. Incubation Training -*** *Content examples (to be complemented with others prioritized with program partners)****:***
			Module 1: Build and support the Management Team
			Module 2: Strategic Development

		Team consolidated with clear roles & responsibilities *Cost-revenue structure works* *Predictable delivery & sales delivery* *Business model validated* *Adopt metrics to manage the business & performance* *Track social & environmental impact*	***Module 3: Marketing and Sales***
			Module 4: Operations
			Module 5: Product Development
			Module 6: Human Resources
			Module 7: Legal Support
			Module 8: Risk Mitigation Plan
			Module 9: Social and Environmental Impact
			Module 10: Financial Management
			Module 11: Investment Readiness and Raising Capital
			Instruments:
			Monthly meetings to discuss Progress on Action Plans
			Regular coaching sessions
			Monthly Implementation Sessions to focus on specific modules
			Group workshops (in person or online) to train in specific skills
			***2. Advisory services**: Coach / mentor support (Approximately 15 hours) Feedback, support, advice. Complemented by mutual evaluation.*
Prepare to Scale	***Months 21-36***	***Objective: Prepare to scale a validated product/service and business model.***	***Tailored technical assistance and training*** *(to be complemented with others prioritized with program partners):* *1) Business Model and Enterprise Activity* *2) Talent & Senior Management Team* *3) Investment Readiness* *4) Governance* *5) Capacity building for EBBs on REDD+ regulations, monitoring and safeguards as well as network development* *Portfolio wide sessions (online) to share challenges and best practices*
		Example of key indicators: *Achieve operational stability.* *Enhance the conditions needed for scaling.*	***Complementary and sector building activities.*** *1. Site visit for monitoring activities and selected workshops.* *2. Portfolio Retreat bringing enterprises together for learning and networking.*

			3. Individual and group travel to position best case practices and fundraising purposes.

Activity 2.2.2: Awarding and implementing grants under investment window 2: Eco Bio Businesses

Under this investment window, the EBBF will provide seed capital to a minimum of 55 EBBs during the first ten years of operation with an average grant volume of USD 90,000 awarded, implemented, monitored, and reported upon. The Facility will promote the participation of women in the EBBs and will consider at least 40% of the selected EBBs to be led by women. This funding window will lead to the creation of 550 new jobs and 8,602 hectares of avoided deforestation. The EBBF will employ repayable grants in the form of seed capital to improve the risk/return profile of selected businesses and leverage additional investments, eventually, from national and international impact investors. Grant repayment will be tied to the maturity and revenue-generating potential of selected EBBs by varying levels of concessionality. They will repay to the Facility in the form of 20% annually at their respective repayment rates for 5 years approximately after the time that will be established in the agreements between Profonanpe and EBBs. Repaid capital will be reinvested in grants for new EBBs.

The varying levels of concessionality in the repayment rates for the different EBB categories are considered a benefit for EBBs (with an average value of the non-reimbursable portion equal to approximately USD 45,000).

In "Table 6: Grant Window 2", the scope, applicable cost categories, eligibility, and prioritization criteria for window 2 are shown. If an EBB meets all eligibility criteria, they can be scored out of 100 and ranked based on the weighted eligibility prioritization criteria outlined under the “Financial Sustainability and Operating Capacity” section.

It is worth noting that the eligibility and prioritization criteria should be revised during early implementation of the EBBF project, in the context of the establishment of the EBBF. Refining eligibility and prioritization criteria in a way that is compatible with the profile of potential EBB-beneficiaries will require additional mapping, scoping and feasibility assessments, all of which will inform the investment strategy of the Facility.

Table 6: Grant Window 2

Grant Window 2: Eco Bio Businesses	
Purpose: To generate climate change mitigation impacts and economic co-benefits by promoting increased flow of finance to eco bio businesses	
Scope	Target: Eco Bio Business Sector: Private Grant size: USD 50,000 – 150,000 Grants repayment: 5 years Grace Period: 1 year 15% co-financing in cash or in-kind
Cost Categories	Construction costs Personnel expenses Training, research and monitoring Small scale infrastructure, machinery and equipment Working capital Consumables Professional services for installation, planning, implementation and management Roadshows and marketing

	☐ Interest-rate buydowns/offsets ☐ Cash collateral with lender as debt service reserve account and/or first loss buffer
Eligibility and Prioritization Criteria[26]	**Eligibility criteria**
	Climate change mitigation potential and reduced deforestation
	Forest emission reduction potential**, including by type of REDD+ activity and location in areas with higher risk of deforestation. There must be a significant difference between forest emissions in the baseline scenario and the EBB scenario, and preferably a cost per ton of carbon avoided that does not exceed the current average market rate of approximately $20 per ton. EBBs engaging in activities that will generate greater emissions reductions per dollar invested should be prioritized, particularly projects in deforestation frontier areas or EBBs engaging in agroforestry, which are predicted to have greater emissions benefits (refer to Annex 22b). Projects must not contribute to additional deforestation**.
	Forest carbon stock enhancement potential. There must be a significant difference between removals in the baseline scenario and the EBB scenario, and preferably a cost per ton of carbon removed that does not exceed the current average market rate of approximately $20 per ton.
	Potential contribution and alignment with the national REDD+ framework (preferred: a**lignment with the typology for REDD+ actions and location in areas with high risk of deforestation**)
	Environmental integrity and sustainability
	Potential to contribute to environmental sustainability, including strengthening ecosystem resilience, provision of ecosystem services, and biodiversity conservation (preferred: **Contributes to the conservation of ecosystem services and biodiversity that contribute to the livelihoods of indigenous peoples of the Amazon, Andean and coastal regions** and **contributes to restoring forest ecosystems and biodiversity**)
	Social integrity and sustainability & gender equity
	Promote the engagement and participation of local stakeholders **(preferred: local stakeholders and end-beneficiaries have full and effective participation in EBBs, including in the design, implementation and distribution of benefits)**
	Promotes the respect of the rights of property, access and use over land and resources **(preferred: ensures legal rights to use / manage the land and resources where the EBBs will operate**)
	Promotes sustainable local development (preferred: p**romotes the diversification of local livelihoods, including through the generation of green jobs)**
	Enhance the resilience of local livelihoods (preferred: **contributes to food security, enhances socio-economic resilience and/or strengthens local governance)**
	Promotes the conservation of traditional practices (preferred: **integrates traditional knowledge/practices in its operations and contributes to their conservation**)
	Promotes the participation of women in the design, implementation and benefits of EBBs[27] (preferred: **integrates positive actions to address the gender gap in EBB and ensures women have full and effective participation in EBBs, including in the design, implementation and distribution of benefits**)

These criteria are consistent with the *General* Guidelines for the identification and promotion of eco and bio businesses (Ministerial Resolution N° 046-2020-MINAM).

[27] This includes zero tolerance for all forms of Sexual Exploitation, Sexual Abuse and Sexual Harassment – SEAH in EBBs activities.

Paradigm shift potential and replicability
Potential for replicability in other regions and with the crowd-in of the private sector sources (preferred: i**ncorporates positive actions to ensure replicability of EBBs**)

Eligibility criteria	**Prioritization criteria**
Financial Sustainability and Operating Capacity (Max score of 100)	
The project has a feasibility study already completed or in progress (which could be in the way of a financial or business model, breakeven point analysis or a Minimum Viable Product). (Max 10 points)	Repayment capacity sustained by the project feasibility study, credit history or accumulated sales or co-financing from a third party of private financier (The repayment capacity will be evaluated and assigned a maximum score of 70 points)
Verifiable credit history in good standing or unmodified audited financial statements for the past year (Max 10 points)	Expected impact of the investment
A minimum of accumulated sales equal to the value of the repayable grant to be given in the last 12 months (Max 40 points)	Repayment capacity supported by credit history
The project has received an expression of interest from a third-party investor/financier (Max 10 points)	
At least 2 years of operation in EBB activities and at least one of legal constitution in the public registries (minimum requirements)	Expected impact of the grant in the operation/ financial indicators of the project (The expected impact of the grant will be evaluated and assigned a aximum score of 30 points)

Activity 2.2.3: Establishing and managing EBBF investors roundtable

The EBBF will invest approximately USD 4.7 million across 55 EBBs during its first ten years of operation, which could also support the mobilization of commercial capital from other sources of capital, specifically from impact investors. The EBBF FMU will establish and maintain an Investors Roundtable (IR) composed of a broad base of national and international investors. The IR will serve as a platform connecting investors and EBBs, developing relationships, and identifying investment opportunities and collaborations. The IR will gather investment executives from national and international investment institutions and will hold meetings each year. The IR will provide support for the participating investors to initiate, implement, and expand innovative collaborations. The EBBF FMU shall maintain the IR by organizing meetings, sharing project data rooms, and facilitating connections. These activities will be developed with support of NESsT, based on the experience and development of impact investors in its investment fund. The eligibility criteria for the investment institutions that participate in the IR are mainly related to the investment interests, where social or environmental criteria are more important than financial return and when possible, for the institutions to accompany and strengthen capacities in impact-generating organizations.

Activity 2.2.4 Development and managing strategic partnerships

Peru is home to several complementary sources of finance for the types of enterprises to be supported under this project. These include impact investors as well as other public and private funding sources. During consultations to inform the development of the present funding proposal, several of these were consulted. Results of these consultations can be found in Annex 28.

The FMU will work to establish ongoing partnerships with key impact investors to encourage financing of the EBBs. These partners will form a Private Sector Advisory Committee (PSAC). They will be invited to provide inputs into the design and composition of meetings of the investors roundtable and requested to publicize the roundtable and share

information on EBBs with their networks. The table 7 below uses the GCF-sponsored Amazon Bioeconomy Fund (ABF) and the IDB-sponsored Biobusiness Program (both operated in large part by COFIDE in Peru) as an example of how these partnerships may be structured and what the expected benefits are.

Table 7: Linkages of EBBF with ABF and Biobusiness program

	Linkage	Benefits	Operationalization
1	EBB Identification – Profonanpe and COFIDE can share leads of EBBs	Reduced business development expenses and increased process efficiency	Data sharing agreements, screening tools developed for determining program eligibility and regular BD team check-ins.
2	Pooling in TA funds – For EBBs that satisfy both Biobusiness Program or ABF and EBBF eligibility criteria	Eligible EBBs identified by ABF/Biobusiness Programs that have demonstrable REDD+ linkages with would receive incremental training from NESsT on REDD+ matters. Similarly, EBBs identified by EBBF would receive TA from Biobusiness Program beyond REDD+. This way EBBF TA funds could be limited to focusing on REDD+ linkages while leveraging other TA resources to improve overall business capacity. This should increase number of EBBs supported by EBBF.	Data sharing agreements and coordination of training schedules and materials from TA providers for Biobusiness Program and EBBF.
3	Streamlined access to finance	Eligible EBBs identified the EBBF could have streamlined or priority access to financing offered by the ABF and BioBusiness Program, provided they meet financing eligibility criteria.	Data sharing agreements and project finance templates that the EBBF can use to streamline information provided to ABF or BioBusiness Program regarding EBBs. COFIDE could include additional scoring points for EBBs that have been certified by EBBF as having positive REDD+ impact.
4	Improving financing terms (more details in section 3.4.3)	Eligible EBBs identified and primarily mentored by EBBF would have access to any risk reduction mechanisms put in place by ABF or Biobusiness Program. Similarly, any EBB receiving financing from ABF or Biobusiness program that has demonstrable REDD+ impact will receive interest rate offset grants (also known as interest rate buydowns) to increase profitability and decrease financial risk for borrower and lender.	MoU related to access to risk reduction mechanisms, interest rate offset grants and associated eligibility criteria.

Please refer to section 3.4 in Annex 2 Feasibility study for more details on type of strategic partnerships envisioned with the financial sector with using the GCF-sponsored Amazon Bioeconomy Fund (ABF) and IDB-sponsored Biobusiness Program as examples.

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

1. Governance Mechanism and Implementation Structure

As a financing facility designed to enable small EBB's direct access to GCF financing through repayable grants, EBBF will be implemented by a Facility Management Unit (FMU), under the strategic direction of the Board of the REDD+ Financial Mechanism.The REDD+ National Financial Mechanism is conceived as the means through which the country channels, administers and manages resources from different non-public sources for the implementation of initiatives, programs and/or projects that correspond to each of the three phases of REDD+. As mentioned before, Profonanpe is the administrator of this Mechanism, and plays the role Technical and Financial Secretariat.

The Financial Mechanism Board will be composed by a diverse range of stakeholder representing key interest groups in relation to REDD+, it includes national and subnational government representants, amazon indigenous people representants and private sector. Designated members of the Board will provide strategic direction and decision-making over the overall execution of the project and the management of the facility.

Specific roles and responsibilities regarding the EBBF Board will include:

- Providing strategic direction and oversee the overall execution of the project, including the management of the facility.
- Overseing the adherence of the EBBF with applicable national policies and regulations and consistent with the national REDD+ framework, Profonanpe's institutional policies, and those under relevant financing entities, including the GCF.
- Ensuring participatory, democratic, impartial, and transparent procedures for the operation of the facility,
- Reviewing the reports in relation to the execution of the project and management of the facility.
- Aproving the selection of projects in accordance with the Terms of Reference for Call for EBB Proposals, based on eligibility and prioritization criteria elaborated by the FMU.
- Participating of periodic field visits to EBBs as part of the monitoring of the operation of the facility.
- Supervising that there are no conflicts of interest in the selection of subprojects decision-making.
- Providing opportunities for regular communication with relevant stakeholders, including in the context of the redress and accountability mechanism of the facility.

Profonanpe (DAE): As the DAE and recipient of GCF grant PROFONANPE will be responsible for the overall implementation, supervision and monitoring of the Project.PROFONANPE's roles and responsibilities include:

- Implementation of the Project activities
- Facilitate Board meetings.
- Monitor and ensure the project and the facility's subprojects compliance with the GCF's policies and conditions under the Accreditation Master Agreement (AMA) and Funded Activity Agreement (FAA), including with the environmental and social safeguards and relevant policies.
- Conduct the procurement of goods, works, and consulting services on behalf of the PFMU.
- Disburse GCF's grant proceeds.
- Elaborated project accounts and financial statements and the overall report to GCF.

Facility Management Unit

The FMU team will be composed by an EBBF project manager, a portfolio manager – innovation partner, a monitoring specialist, a social and gender specialist, and an environmental specialist. As the ultimate responsible for day-to-day project execution and management of the facility, the FMU is responsible for the implementation of all project activities, including procurement of consultants/service providers, financial management, monitoring and evaluation, reporting, overall quality assurance, and safeguards compliance.

At the facility-level, the FMU is responsible for:

- Development of the EBBF's Operational Manual
- Elaboration of reports for the Board
- Portfolio-wide monitoring and reporting
- Ensuring compliance with PROFONANPE's Procurement Rules, and Environmental and Social Safeguards, and oversight of the implementation of the Environmental and Social Management System at the project and facility level
- Preparing fund-level progress reports
- Developing Terms of Reference for calls
- Monitoring project cash flows
- Reviewing audited project accounts and financial statements
- Oversight and operation of the EBBF's accountability mechanism, as appropriate

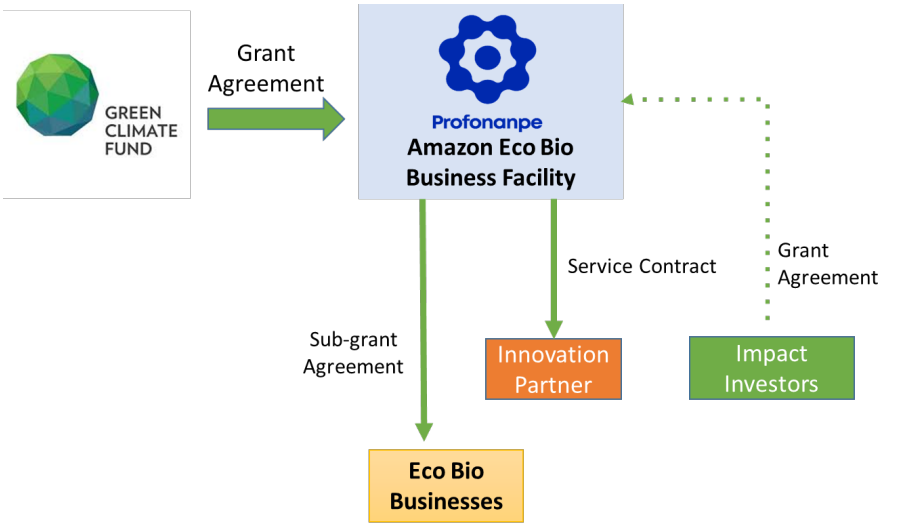
At the project-level, the FMU is responsible for:

- Project identification and review
- Conducting review missions and site visits
- Negotiation of the investment agreement
- Providing technical assistance and backstopping, and monitor EBB's Environmental and Social Monitoring Plans and adherence with relevant safeguards
- Oversight and assistance in the EBB's accountability mechanism, as appropriate

Implementing Partner

NESsT will act as implementing partner (contractor) of the EBBF. As the EBBF's Innovation Partner, NEStT will provide specialized technical assistance to expand, upscale, and support technical improvements for up to 40 EBBs focused on forest-based products and services.

See below the main contractual arrengements



2. ***Operations of the EBBF***

Grant Appraisal Procedure: The EBBF will publicly advertise "call for proposals" once in a year starting six months after the project launch. This will be done through print media, MINAM's and PROFONANPE's websites and social media account and MINAM Eco & Bio Negocios network and will run for at least 60 days. The FMU staff will assume the primary responsibility for receiving and processing all grants applications. The FMU team will process all applications received as follows:

- Issue acknowledgments of receipt to applicants and record all applications onto the prescribed register
- Perform administrative and technical pre-screening of applications (for completeness and eligibility)
- Conduct the Environmental and Social Safeguards and Gender Assessments on screened applications

- Communicate with applicants as necessary on queries or shortcomings
- Prepare and present Project Technical Document to EBBF approval structures.
- Implement decisions of the said approval structures (approvals, declines and refer backs) as prescribed in the Operations Manual. This will also involve communicating and corresponding with applicant as necessary
- Negotiating contracting terms and performance measures with successful applicants
- Prepare grant agreements for signature

The FMU will review the Project Technical Documents and confirm or reject the recommendations. After reviewing the proposals, the FMU is entitled to make one of the following decisions: a) decline, b) refer back for improvement, or c) accept for further processing. The FMU will present the final list to the Board for the approval. The eligibility and prioritization criteria are outlined in Table 6.

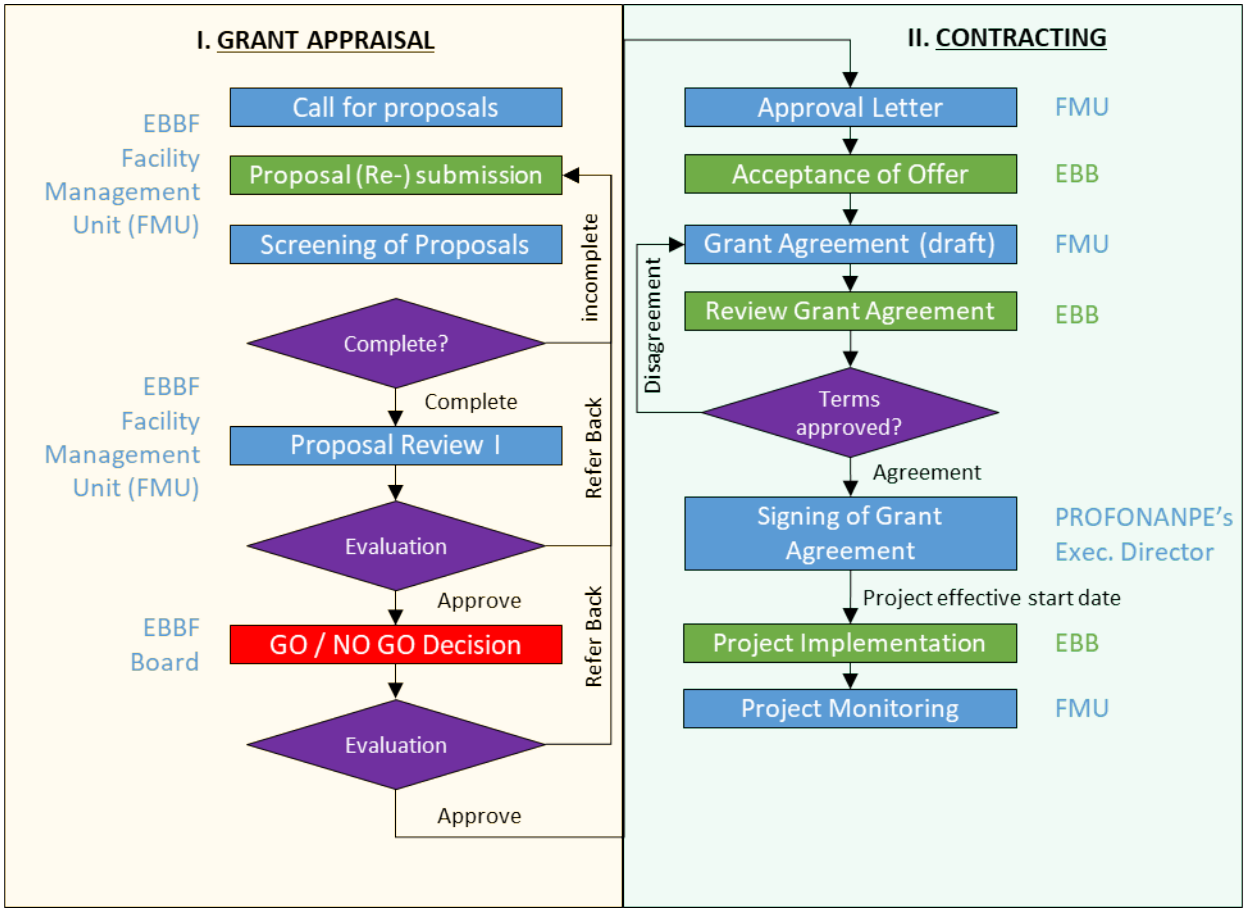


Figure 5. Schematic illustration of the grant appraisal and contracting procedures

Contract Management: Successful grant applicants will be receiving a comprehensive grant agreement. Contracting procedures will detailed in Facility's Operational Manual. Applicants will be issued with an offer. After receiving legally valid acceptance letters, the EBBF FMU will prepare draft grant agreements with input from PROFONANPE's legal team. The FMU will also be involved in the process to assist with developing, negotiating and agreeing on realistic, practical, and measurable performance indicators and terms for the grant repayment. After clearance by the Portfolio Manager, applicants will be provided with copies of the draft grant agreements for their review and comments. Once agreement is reached on the content and terms, the FMU will prepare the contracts with all supporting documents for signature with the authorized beneficiary representative.

3. Accountability mechanism

PROFONANPE, as the DAE for the EBBF and in a central role for the management and operation of the Facility - including in its financial management role under the national REDD+ framework, has in place a web-based grievance

and accountability mechanism[28] to receive grievances, complaints and suggestions from all relevant stakeholders, and which will serve as the accountability mechanism for the EBBF.

As established in the EBBF's SEP, EBBs will have in place an accountability mechanism for receiving and addressing complaints, claims and suggestions from EBB end-beneficiaries and other relevant stakeholders, consistent with the EBBF's accountability functions and PROFONANPE's grievance and accountability mechanism, as per its Stakeholder Engagement Plan (see FP Annex 7).

It is worth noting that as part of Peru's national REDD+ framework, MINAM has established a Grievance and Citizen Attention Mechanism (MAC, for its name in Spanish). The MAC fulfills an accountability function to facilitate the reception of concerns, enquiries and/or grievances from all relevant stakeholders, underpinned by the national Strategy for Improved Citizen Attention. As part activities conceived under Component I, the EBBF will facilitate the alignment between the EBBF and EBBs accountability mechanisms under the umbrella of the MAC to ensure a systematic and comprehensive grievance redress and accountability system for all REDD+ actions in Peru.

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

REDD+ Mandate with Climate Change Law: With the advent of the new Climate Change Law and its regulation, MINAM has an extended mandate for REDD+ implementation. While international financing has provided significant support for fundamental components, important elements related to monitoring and safeguards are required to create the link to attract private financing sources for sustainability of productive forest initiatives. With regard to institutionality, the National Strategy for Forests and Climate change provides an overall REDD+ framework that links Peru with international financing sources to fund crucial REDD pillars. These include the PMR, FCPF, Moore Foundation and others. At the national level, REDD+ strategy elements are making progress in the form of public policies such as the NAMAs in coffee, cocoa and other forest activities that seek to promote sustainable forest management. At the subnational level, regional governments are developing and implementing Regional Climate Change Strategies and Regional Low Emission Development Strategies for sustainable land use practices and forest management. With respect to safeguards, the public web portal[29] has relevant information whose progress to date that aligns Peru's safeguard process with international standards[30]. In order to link Results Based Payments to a dynamic of private investment in forest activities, GCF funding is required to support the design and upscaling of EBBs and putting in place the enabling conditions to nest EBBs under the national REDD+ framework. Moreover, consistent with the national REDD+ results-based implementation and financing mechanism and EBB national regulation, the EBBF will play a key role to piloting the operation of the REDD+ financial mechanism to transfer REDD+ based finance to support small-scale interventions at EBB level.

New asset class with limited access to finance: As an asset class, investments in forest-based companies in Peru is still largely unknown, especially among private investors. PROFONANPE, with GCF support, wishes to establish an Amazon EBBF to act as anchor investor to demonstrate confidence in this new asset class and crowd in private capital investments. Peru has experienced very few investments in forest-based companies despite their promising business models and climate change mitigation potential. GCF has a vital role in bringing scale to the Amazon EBBF and thus multiplying the impact PROFONANPE is seeking to deliver. An investment by GCF, leveraged with Peru's REDD+ RBP will secure the long-term sustainability of the facility and unlock the appropriate anchoring amount needed to leverage private capital at scale.

Crowding in private capital: forest-based companies have seen only little investment to date. Despite offering attractive risk-adjusted returns and significant impact potential, private and public investors have been reluctant to invest for different reasons, including the sector being at a nascent development stage and high perceived operational or country risks. The proposed financing structure foresees GCF to capitalize the Amazon EBBF to catalyze further co-investments at the fund-level – by PROFONANPE and MINAM– and project-level by national and international impact investors. Two mechanisms for facilitating mobilization of private investments are the annual investor roundtables and the potential for entering into strategic partnerships with other sources of capital including the IDB-sponsored Program

[28] https://profonanpe.org.pe/quejas/
[29] http://www.minam.gob.pe/cambioclimatico/salvaguardas-redd/
[30] This includes the Strategic Environmental and Social Assessment framework of the Inter-American Development Bank

to Promote Sustainable Financing in the Peruvian Amazon Region: Opportunity to Leverage Biobusinesses (Biobusiness Program) and the GCF-sponsored Amazon Bioeconomy Fund. EBBs who receive financing interest from a mission-aligned financier will have the ability to structure the repayable grant under window 2 as credit enhancements or interest rate buydowns. Such schemes will lead to a positive feedback loop whereby a growing number of successful EBBs will support the implementation of REDD+ result-based-payments which, in turn, will replenish the facility allowing the support of even more EBBs and the leveraging of more private investments.

Multiplying effect of GCF investment: GCF investment will mobilize additional capital in two ways. On one side, the Eco Bio Business Facility will typically not be the sole investor in the EBBs, but provide financing alongside other sources, such as impact investors and the EBBs themselves. The former is represented by the 15% of co-financing (in cash or in-kind) that is asked of EBBs to apply for the grants. On the other side, PROFONANPE, given its experience in fundraising funds, is expected to increase the investment of the Facility, leveraging resources from other international sources like donors or impact investors. At the moment Permian Global has committed to the EBBF (see annex 29) as a potential investor for an amount no less than US$ 20 million in the form of direct equity investments as well as credit lines and small grants that could be deployed on a case-by-case basis. Furthermore, it business model also contemplates options for providing advance payments to theri partners and beneficiaries of their projects.

Finally, the EBBF would be one of the first funds in the region to solely invest in forest-based companies with the potential to spark follow-on investments by creating more track records for EBBs as an asset class and by reducing perceived risks.

Barriers of entry: forest-based companies are known to achieve their highest mitigation impact after 5-10 years from their establishment. For this reason, the cash flow profile of greenfield investments creates barriers to significant investment in the sector. Greenfield EBBs require significant upfront investments, but only start generating positive cash flows after several years. This stretched-out cash flow profile puts the financing structure of a greenfield project in stark contrast with the investment criteria of most investors which seek short-term risk-adjusted returns. Hence, greenfield EBBs projects are not bankable for conventional debt financing and thus in dire need for flexible and patient equity or grant financing, such as the repayable grants contributed by the Amazon EBBF. To ensure a proper diversification of risk and replenishment of funds, the EBBF shall diversify across EBBs in different stage of maturity (i.e., early stage, mid stage and late stage).

Climate change mitigation efforts: Peru's mitigation strategy has yet to take full advantage of REDD+ and forest-based businesses. Examples from other countries in the region demonstrate that forest-based projects when implemented with high environmental and social standards provide significant mitigation. In addition, these companies contribute to the overall shift towards truly sustainable production methods away from intensive practices. GCF's involvement in this sector is critical in bringing it to the forefront of the battle against climate change. GCF's involvement will also provide the EBBF with further credibility, which is likely to support future fundraising efforts. A GCF contribution can serve as a stamp of approval and ensures adherence to highest ecological and social standards as well as clear climate targets. From the perspective of the EBBF's fund-raising strategy, GCF funding can support the positioning and marketing of the facility to new and diverse providers of finance

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

Local Ownership through Enhanced Direct Access: In line with the objectives of the GCF EDA modality, the EBBF will enable EBBs to directly access climate finance. The EBBF will be fully aligned with the GCF in terms of their objectives and investment criteria while allowing for maximum responsiveness to national and, particularly, local priorities. In contrast to a pre-determined top-down funding approach, the proposed approach of self-determined local adaptation through a grant facility is expected to:

- Respond directly to local needs, vulnerabilities, and opportunities,
- Create local awareness towards climate change and ownership of the climate change response, and thus
- Be sustainable beyond the period of direct financial support.

Possibility for self-sustainability of the Amazon Eco Bio Business Facility: The Amazon EBBF will be established as an open-end fund. The facility will be initially established and capitalized with GCF's and PROFONANPE's resources. However, the project contains measures for self-sustainability. From Annex 3 (Financial Analysis) it is expected that initially 55 EBBs will be supported during the first ten years of operation. Subsequently. depending on

the sources of finance the grant repayments, the EBBF will be able to support up to 88 EBBs over 20 years of operation (only considering the grant repayments at the designated repayment rates) or up to 115+ EBBs (if the EBBF secures additional funding sources such as the REDD+ RBP).

The Facility's long-term sustainability will be sought via the following sources of finance:

- Grant repayment: EBBF's seed capital investments take the form of repayable grants with a multi-tiered system for which different repayment rates are established as mentioned in section B.3. Grants shall be repayable in five years plus a year of grace period after disbursement.
- REDD+ results-based payments (RBPs): in total, non-market approaches under the JDI could potentially account for up to USD ~250 million for the coming years. EBBs supported through the EBBF -after the grant repayment period- could be eligible to apply to the REDD+ mechanism, according the procedure that will be established by MINAM. The EBBs can make use of their REDD+ contributions for self-income generating capacities. Government of Peru allocations: The project establishes a model for enhanced direct access by EBBs to climate finance. In doing so, it provides a platform for the Government of Peru and the Ministry of Environment to allocate domestic resources currently allocated to other, less-effective, initiatives. This will however depend on the impact and results of the project to influence policy and decision making.
- Government of Norway: In addition to investment in the JDI and the promotion of agroforestry concessions to reduce deforestation in Peru, the Government of Norway is also investing in a program to support EBBs in Colombia. To this end, a programmatic synergy may exist to attract possible investment in technical assistance or other financial support for EBBs in Peru.
- Amazon Bioeconomy Fund: There are several windows of technical assistance and market facilitation windows available under the GCF-sponsored Amazon Bioeconomy Fund which could provide complementary funding especially for Component 2.
- Permian Global commitment to the EBBF (see annex 29) as a potential investor for an amount no less than US$ 20 million in the form of direct equity investments as well as credit lines and small grants that could be deployed on a case-by-case basis. Furthermore, it business model also contemplates options for providing advance payments to theri partners and beneficiaries of their projects.

Self-sustainability of EBBs after grant support: It is expected that after providing the grant support to the EBBs, they will be able to increase their capacity to access local or foreign markets, solve working capital and operational restrictions they may have and scale up their production capacity and efficiency. Furthermore, it is expected that some of the grant support will be used to leverage additional private sector capital through mechanisms such as interest rate buydowns or first-loss bufferss. This will enable EBBs to access additional financing sources.

Pilot nature of the Proposed Project: The proposed EDA Project constitutes a first-of-its-kind, not only in Peru, but also internationally. Enhanced direct access to climate finance is a new strategy unique to the GCF and as such still in development. The proposed project therefore constitutes a pilot which has a strong learning component for Peru, impact investors and the GCF. Even if not all elements of the proposed EDA project may be self-sustainable after project end, corresponding lessons will be learned for the design of a full-scale EDA program with stronger elements of self-sustainability. The evaluation of the project impact and sustainability will provide valuable lessons to maximize the value of the future similar projects.

C. FINANCING INFORMATION

C.1. Total financing

(a) Requested GCF funding (i + ii + iii + iv + v + vi + vii)	Total amount	Currency
	10	million USD ($)million USD ($)

GCF financial instrument	Amount	Tenor	Grace period	Pricing
(i) Senior loans	0	0 years	0 years	0 %
(ii) Subordinated loans	0	0 years	0 years	0 %
(iii) Equity	0			0 % equity return
(iv) Guarantees	0	0 years		
(v) Reimbursable grants	0			
(vi) Grants	8,972,400			
(vii) Results-based payments	0			

(b) Co-financing information	Total amount	Currency
	1,027,600	million USD ($)million USD ($)

Name of institution	Financial instrument	Amount	Currency	Tenor & grace	Pricing	Seniority
PROFONANPE	GrantGrant	0.750	million USD ($)million USD ($)	NA years NA years	NA%	Options
PROFONANPE	In kindIn kind	0.250		NA	NA	NA
Ministry of Environment	In kindIn kind	0.027		NA	NA	NA

(c) Total financing (c) = (a)+(b)	Amount	Currency
	10,000,000	million USD ($)million USD ($)

(d) Other financing arrangements and contributions (max. 250 words, approximately 0.5 page)	The in-kind contributions from PROFONANPE include staff costs and IT equipment. Similarly the in-kind contributions from MINAM include staff costs. For more details on the in-kind contributions please refer to Annex 4 – EBBF Budget. *Please explain if any of the financing parties including the AE would benefit from any type of guarantee (e.g. sovereign guarantee, MIGA guarantee).* *Please also explain other contributions such as in-kind contributions including tax exemptions and contributions of assets.* *Please also include parallel financing associated with this project or programme (refer to the co-financing policy).*

C.2. Financing by component

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

Component	Output		GCF financing	Co-financing

		Indicative cost million USD ($)million USD ($)	**Amount** million USD ($)million USD ($)	**Financial Instrument**	**Amount** million USD ($)million USD ($)	**Financial Instrument**	**Name of Institutions**
Component I: Strengthening and operationalization of REDD+	1.1 Strengthened technical capacity of the local, regional and national fovernments to monitor and prevent deforestation	0.513	0.485	GrantsGrants	0.027	In-Kind contribution	Ministry of Environment
	1.2 Improved forest-based population capacity and access to report and monitor Cancun safeguards	0.368	0.368	GrantsGrants			
Component II: Amazon Eco Bio Business Facility	2.1 Amazon EBBF established and operational	2.222	2.031	GrantsGrants	0.191	In-kind contribution	PROFONANPE
	2.2 Amazon EBBF grants disbursed and implemented	6.447	5.696	GrantsGrants	0.750	Grant	PROFONANPE
Project Management	PM	0.450	0.400	Grant	0.058	In-kind contribution	PROFONANPE
Indicative total cost (USD)		10.000	8.972		1.027		

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

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

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

C.3.1 Does GCF funding finance capacity building activities?	Yes ☒ No ☐
C.3.2. Does GCF funding finance technology development/transfer?	Yes ☒ No ☐

The project will provide capacity building and technology transfer to address barriers[31] to financial innovation in more precarious financial markets. Specifically, the EBBF will:

- ***Strengthen the entrepreneurial ecosystem***: Components 1 and 2 will align EBB support with national-level strategies for forest conservation and sustainable stewardship jointly with MINAM. This policy framework combined with RBPs and government prioritization, will incentivize innovation and reduce risk for further investment. The EBBF will also extend the pool of entrepreneurs and connect the supported EBBs with each other and investees through knowledge exchange and capacity building. The EBBF will provide technical assistance to address the identified capacity gaps. Additionally, the EBBF will facilitate knowledge transfer in areas such as crop and non-timber product productivity improvement, post harvesting handling improvement and other demand-driven areas necessary to improve EBBF competitiveness.

- ***Support the crowding in of private finance***: assistance provided by innovation partner to the EBBs will form "patient capital" that will work with forest-based businesses to strengthen EBBs' networks for increasing private finance for technology, training and research and development.

- ***Sustainability through formality:*** EBBs often face the added obstacle of complying often with unclear sensitive land and environment related questions. Investors are not exempt from this hurdle, which is one of the reasons why forest investments have not been attractive to investors. By focusing on forest-based businesses while implementing international standards and best practices, the EBBF seeks to help formalize a sector that often suffers from informality. PROFONANPE and MINAM have close links with relevant local and national forest authorities.

- ***Capacity building for improved decision making and monitoring:*** The Ministry of Environment will provide training in a variety of areas for sustainable forest management. This includes:

  a) Information management for the following actors to improve strategic decision-making regarding deforestation drivers:
     - Regional government authorities and technical staff across government agencies
     - Private sector actors who manage areas with forest cover and/or participate in the forest economy via bio eco businesses or investments
     - Citizens who participate in forest supervision or who have businesses or investments that depend on sustainable land or forest management practices

  b) Update of Forest Reference Emissions Level
     - National and regional level authorities and technical staff involved in collection, processing, monitoring of emissions data

  c) Aspects of REDD+ Safeguards compliance and oversight
     - Indigenous peoples,
     - Regional government authorities and technical staff
     - Private sector actors who manage areas with forest cover and/or participate in the forest economy via bio eco businesses or investments
     - Citizens who participate in forest supervision or who have businesses or investments that depend on sustainable land or forest management practices

[31] *Catalysing Finance for Incubators and Accelerators Addressing Climate Change Through Innovation.* Green Climate Fund, Technology Executive Committee and the Climate Technology Centre and Network, July 2018.

D. EXPECTED PERFORMANCE AGAINST INVESTMENT CRITERIA

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

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

Mitigation Impact

The project will contribute to the conservation of forests through the scale up of EBBs across the country. The information provided in this proposal responds to existing data from the Ministry of Environment in the framework of reports to UNFCC and/or official public-facing data platforms. The baseline information provided will be updated once the EBBF has selected its EBBs according to the selection criteria, which will seek to maximize carbon mitigation and increased land area under sustainable stewardship (among other factors).

REDD+ RBP and EBBs will contribute to carbon sequestration from reduced deforestation and improved land and forest management practices. To estimate the carbon sequestered, MINAM and PROFONANPE followed the overall guidance of the Intergovernmental Panel on Climate Change (IPCC) and Peru's FREL submission to the UNFCCC. The carbon sequestered by the project corresponds to the net CO2 sequestration from reduced deforestation through sustainable forest management and conservation of forest carbon sinks by EBBs as follows:

$$E_t = \sum_{i}^{I} \left(A_{i.t} * EF_{i,t} \right)$$

Where:

E_t	Emissions from deforestation in year t; tCO_2-e yr^{-1}
$A_{i.t}$	Area deforested in the eco-zone due to land use change in year t; ha yr^{-1}
$EF_{i,t}$	Emission factor applicable to the eco-zone *i* due to land use change in year t; tCO_2-e yr^{-1}
i	Eco-zone *i;* dimensionless
I	Total number of eco-zones; dimensionless
t	A year; dimensionless

Using this estimation methodology and considering 55 EBBs from window 2, MINAM and PROFONANPE estimated that the project will contribute to the sequestration of 3,806,936 tCO_2 during the project lifetime (20 years)[32]. The methodology for the project's mitigation impact potential is explained in detailed in *Annex 22b Carbon Methodology*. All emissions benefits from EBB projects in this annex are estimated using an avoided deforestation approach, although projects will also likely contribute to removals and avoided degradation if they contribute to sustainable forest management. They thus may have fewer avoided deforestation emissions benefits and more avoided degradation and removals benefits. The estimates here are therefore an approximation of the EBBs' mitigation impact, as degradation impacts cannot yet be quantified on a national level in Peru. The activities of this project will support the estimation of carbon impacts from degradation. The sale of emissions reductions from projects supported by the EBBF on the voluntary market as an additional source of revenue should not be considered during the GCF project implementation.

Economic Co-benefits

The project, through the Amazon EBBF, will generate co-benefits and contribute to job creation against external shocks, including climate change and COVID19 impacts.

The Amazon EBBF will support communities of 550 beneficiaries and avoid 8,602 hectares of deforestation. Further on, it is estimated that 4 people per each employee will be supported as part of the employee's household or through increased economic affluence and activity. This results in the indirect improvement of 2,200 people in rural communities. Importantly, generating employment especially in rural areas is key to providing alternative livelihoods to subsistence agriculture and thus to reducing the vulnerability of local communities to climate change.

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

[32] The GHG estimates do not depend on the RBP flows.

The project has scaling up and replication potential in two major areas: (1) Serving as a regional example for the successful linking of RBPs with a variety of financing options to catalyze EBBs and support community while reducing deforestation, (2) demonstrating a functioning nexus between public policy and private investment to prioritize forest conservation and stewardship. To this end, an important component of the project would involve knowledge sharing and exchange opportunities with countries that currently have RBPs in place and/or countries that seek to implement RBPs and complement them with sustainable private investment opportunities.

Despite its extensive forest cover and significant planning around REDD+, Peru lags in comparison to other countries in Latin America with RBPs already in place to reduce deforestation. First, the proposed project activities will complete the crucial monitoring, evaluation, reporting and social safeguard processes necessary to initiate the virtuous cycle of RBP in deforestation hotspots. This will permit the scaling up of a financial incentive system for forest conservation in indigenous and traditionally vulnerable communities. Second, it will link these communities and small-scale forest-based economic initiatives often characterized by financial fragility with market investment. This model could inform current RBP systems in neighboring countries on how to successfully link RBP with other financing options to ensure solidity of forest-based EBBs.

The EBBF will deepen the entrepreneurial ecosystem and crowd-in private financing through training, technology transfer, specialized technical assistance from the innovation partner that will provide demand-driven support to EBBs. The management and commercial strategy skills of the EBB employees will be strengthened through the technical assistance they will receive. The project will actively engage in knowledge sharing in Peru and in Latin America. These factors will provide enabling conditions for scaling up in Peru and other countries in Latin America by:

(1) reducing risk for potential new domestic and foreign investors,

(2) demonstrating solutions to policy, legal and financial barriers that can be used as a model for other neighboring economies with RBPs already being implemented

(3) enabling financial institutions and private sector actors to take the lead in innovation while receiving clear support from the government through RBP financing, a priority national policy framework that seeks to promote reduced deforestation and provides increased land tenure security.

Aligning national-level forest policy with RBPs and private investment opportunities will not only create an enabling environment characterized by higher security for private investment and significantly contribute to Peru's mitigation NDC through reduced deforestation, but also provide economic co-benefits for communities. It would also provide a platform to leverage benefits of complementary policies such as those promoting sustainable smallholder agriculture, conservation/production agreements, community forestry and agroforestry options. To this end, the project can serve as a regional example for successful initiative combining public policy, private capital and actors normally excluded from public support programs and private investment opportunities.

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

Through forest cover conservation and sustainable management, the project contributes directly to SDGs 13 (combating climate change and its effects) and 15 (reduction of deforestation and sustainable use of ecosystems). There are also a number of SDGs that will be addressed indirectly through the virtuous cycle of improved natural resource tenure, which include:

Environmental co-benefits: (SDG6-Water)
Increased forest cover and sustainable forest use has the potential to result under improved stewardship of forestland, which will decrease soil erosion and increase quality and availability of water for agricultural and human consumption, as well as increasing quantity and diversity of flora and fauna (estimated in approximately 162,929 hectares).

Enhancing degraded landscapes
The project will seek to afforest or reforest degraded landscapes for the commercial, yet sustainable production of forest-based products and services. Besides creating additional carbon sinks, sustainably managed forests help to regulate soils and water flows. For example, by preventing soil erosion and water run offs, forests contribute to halt the detrimental effects of land degradation. Furthermore, conservation efforts can help conserve local biodiversity offering migratory corridors and breeding areas to insects and other animals, hence contributing to preserving the biodiversity in such areas.

Reducing pressure on natural forests
One of the key drivers of natural forest degradation and ultimately deforestation in Peru, especially in rural regions, is informal and unsustainable timber extraction for multiple end uses. By generating alternative employment opportunities,

the project has the potential to contribute to wider conservation efforts by reducing extractive pressures on natural forests over time.

Integrating Environmental and Social Standards
Each project supported by the EBBF will actively raise the environmental awareness of local communities partly through operational risk mitigation practices and partly through community development activities. For example, raising awareness among local communities about the causes and detrimental effects of fires, landscape degradation through anthropogenic forest fires will be reduced. Similarly, the conservation efforts of the different projects (e.g., ecotourism) will raise the appreciation of local communities for the environmental value of forests and transfer knowledge of best practices.

Economic co-benefits: (SDG1- Poverty elimination, SDG10-reduced inequality, SDG8-work and economic growth) Well-managed forest cover provides increased protection against flooding and reducing economic loss from climate events. Soil stability also provides enabling conditions for a greater diversity for income generation of forest-based products for EBBs. It also increases potential for tourism and recreation opportunities in forest environments.

Employment creation and tax revenue
EBBF-supported projects are estimated to provide direct employment and training to more than 550 people. Further on, it is estimated that 4 people per each employee are supported as part of employee's household or through increased economic affluence and activity, resulting in the indirect improvement of 2,200 people in rural communities.

The project will widen the local tax base in several ways. Among many other things, the EBBs will generate profits, create employment, and fuel further investment in forest-based projects. The forest sector tends to be highly informal, i.e., taxes, both at individual employee level and at company level, as well as other payments such as license fees, royalties etc. are not paid. This informality also leads to low participation in social welfare structures such as healthcare plans and pension schemes. Further growth and formalization in the forestry industry will create tax income for local governments, both directly through corporate income taxes and tax-like payments such as licensing fees or harvesting royalties paid by the project companies and indirectly through personal income taxes of employees and payments of other companies that benefit from the project indirectly (e.g. contracted service providers or processing companies). This increase in tax and tax-like revenues for local governments has the potential to free up public finances that can be used elsewhere to spur sustainable economic development or climate action.

Economic diversification
Peru is highly reliant on a few export products and its economic growth is thus sensitive to price swings in such products. For example, Peru's real GDP grew by 9.1% in 2008, followed by a slowdown to 1% in 2009[33]. Peru's economy is highly dependent on copper ore and gold (41.4 percent of exports in 2018[34]) and thus vulnerable to external price shocks. This is seen in the recent economic contraction due to a slowdown in commodities demand. By contribution to the development of a significant local forest sector, the project can support the country to diversify its economy economies and becoming less vulnerable to external shocks.

Support for small and medium enterprises
The project is expected to have significant spillover effects to local industries and related economic sectors. First and foremost, the well-being and survival of local forest products processing industries. Secondly, the projects supported under the project may contract local service providers, e.g., for installation, maintenance, or transport activities. Many such contractors are SMEs, meaning the project is expected to spur their local business activity. Finally, if such enterprises are contracted, they will be required to ultimately abide by the same business practices as the project companies, e.g., in terms of health and safety. This way the project will contribute to passing best practices along the value chain and create wider economic (e.g., increased productivity) or social (e.g., increased safety standards) benefits.

Social co-benefits:(SDG3-health lives and well-being)

Employment Formalization
The project will support the formalization of labor in areas dominated by informal employment relations. This will allow people employed under the project to benefit from wider social services like public social security or health insurances, which they currently miss under informal employment relations. Similarly, best practices regarding working hours health

[33] http://datatopics.worldbank.org/world-development-indicators/
[34] https://oec.world/en/profile/country/per/

and safety standards, vacation, etc. will be followed, which will benefit people employed under the project beyond the monetary value of their salaries.

Reverse the urbanization trend
By establishing EBBs in rural areas, the project will generate labor in rural areas with limited alternative employment opportunities – with subsistence agriculture oftentimes being the only form of economic activity. Doing so, the project will help to mitigate the causes of urbanization, as particularly young people tend to migrate to cities to find employment and overcome economic disparities. Retaining such talent in rural areas will support the betterment of local communities and their well-being in the long run.

Gender development impact:(SDG5-Gender equality):

Increased participation of women and men in transparent decision-making processes and more secure land tenure will increase employment opportunities will strengthen access to secure land tenure.

The projects supported by the Amazon EBBF will seek to offer employment opportunities or other benefits following a gender responsive approach. This means that PROFONANPE will use its best endeavors to ensure that the social and economic benefits that its stakeholder groups derive from the operations of its portfolio companies will be distributed in an equal basis taking into account the needs of the various groups and noting that such needs may vary between the groups. From other EBB initiatives it is clear that such projects (especially forest-based projects) generally have certain areas of operation which are well suited and liked by female employees. Female planting teams have been successful in other projects for example in East Africa. Also, nursery operations typically attract female employees. It is therefore estimated that between 15 -30 % of the workforce will be female. This is seen as both reducing gender inequalities in the target regions and the vulnerability of local communities to climate change. Firstly, women living in rural areas of the target regions are oftentimes left with no employment opportunities other than – at most – subsistence agriculture or gathering non-wood forest products. Secondly, providing employment to women diversifies the income streams of families away from subsistence agriculture and employment of working men and thus reduces the vulnerability of their livelihoods.

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

While Peru has made important steps to develop environmental institutions during its decentralization process and the creation of a series of agencies for environmental policy and enforcement, the OECD Environmental Performance Assessment cites three important needs for strengthened environmental governance that will be directly addressed by this project: (1) the need for increased and equitable social participation, (2) increased effectiveness in environmental legal enforcement and (3) enhanced interinstitutional cooperation for policy development and implementation[35]. This is in addition to catalyzing private sector participation in eco-innovation and increasing economic information to foment a higher diversity of financial instruments for environmental activities. By the implementation of social and environmental safeguards for REDD+ activities, MINAM will increase transparency and reinforce equitable representation by vulnerable populations and women in environmental decision making. Increased accurate deforestation information and implementation at the subnational level will also improve available data for potential private investors and also increased public funding. Finally, in the framework of REDD+ governance and existing governance mechanisms, MINAM will improve inter-institutional coordination for forest conservation and management.

Peru's rural population is largely dependent on subsistence agriculture and natural resources for their livelihoods. At present, 80% of Peruvian farmers are subsistence farmers depending on rainfed agriculture. 21% of households are below the poverty line, with rural poverty being much higher than urban poverty. Since a large proportion of natural resources are *free to take*, these resources provide short-term relief to households living below the poverty threshold, and as source of livelihood by providing the option for deriving food and income from multiple sources. With population growth, increase in population density in rural areas, as well as the general overutilization of the resources, in many areas the resources around villages have been depleted so that households are finding it more difficult to access them, further increasing the vulnerability of these communities. The proposed project will make a significant contribution to improving the position of the rural communities located within the project areas primarily by providing formal employment opportunities. It is estimated that livelihoods of up to 54,648 people will be improved through PROFONANPE's activities. In addition to providing employment and source of income, the formal employment also shifts these people to the reach of healthcare and vocation education services as well as pension and social security system.

[35] https://www.oecd.org/environment/country-reviews/16-00313%20Evaluacion%20desempeno-Peru-WEB.pdf

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

Peru established its original National Climate Change Strategy in 2015, which was a framework document that established the importance of climate change actions and gave way to its NDC contributions. In 2018, Peru passed the Framework Law for Climate Change and in 2019, its regulation provided further detail on the roles of MINAM and other ministries for NDC development, update, and implementation.

The NDA (Ministry of Economy and Finance) has a completed country program awaiting final approval that prioritizes investment in the major GHG emission areas of land use/land change, agriculture, energy, industrial processes, solid waste, housing and transportation. The role of the NDA in the project will be to coordinate directly with MINAM and PROFONANPE (DAE) for reporting to the GCF.

As this project directly addresses deforestation drivers and land use and land use change, it is directly aligned not only with NDCs, but also complements national-level rural development initiatives such as the NAMAs in coffee, cocoa, sustainable cattle ranching and intern-institutional coordination efforts to reduce deforestation.

The project has received approval by the NDA and was developed with the Ministry of Environment and PROFONANPE (DAE) which will also act as the Executing Entities for Component I and Component II, respectively.

In addition to climate change legislation, the proposed project is also aligned with economic development strategies such as the Biocommerce National Strategy and Action Plan 2025. This EBB-focused mission is aligned with Peru's country development vision as evidenced in various national policies. The table below provides an overview of the main planning and strategy documents targeting EBBs.

Table 8. Planning and Strategy Instruments targeting eco bio businesses

Document	Reference to Eco Bio Businesses
1. General Guidelines for the identification and promotion of eco and bio businesses **RM 046-2020-MINAM**	These guidelines provide the general overall official framework for the identification and promotion of EBBs as well as promotion/strengthening actions developed to address key challenges specific to them. The General Guidelines: (1) Identify and define the different types of eco businesses and bio businesses according to the type of products they product, (2) Targeted promotion/strengthening actions that respond to traditional areas of need for EBBs.
2. National Environmental Policy (Política nacional del ambiente) **Decree Nº 012-2009-MINAM**	a) Biological biodiversity guidelines: Promote biocommerce practices, facilitating establishing sustainable productive chains. b) Use of natural resources: Promote organic agriculture, agroforestry and aquaculture, under biocommerce criteria, articulating productive chains and with the active participation of local populations. c) Environment, commerce and competition: Encourage environmental competition and promote private investments for the development of biobusinesses, including the principles of exportable production.
3. National Biological Diversity 2021 Strategy and its 2014-2018 action plan (Estrategia nacional de diversidad biológica al 2021 y su plan de acción 2014-2018 (EPANDB))	-Defines biobusinesses as the profitable use of biological diversity products, considering the environmental, social and economic sustainability criteria. -Considers targets to encourage the development of biobusinesses, emphasizing the biocommerce model, to provide for internal and external markets: encourage 5 biobusinesses preferably directed towards the biocommerce model, achieving marketing two new products with added value.

4. Guidelines for green growth (Lineamientos para el crecimiento verde) R.M. 161-2016-MINAM	- The green growth approach is understood as encouraging economic growth and development, while ensuring natural assets continue to supply nature's resources and services which lay the foundations for our wellbeing.
5. National Green Growth Strategy Draft proposal (Borrador de propuesta de la estrategia nacional de crecimiento verde) (ENCV)	- Specifically in strategic objective 1: Green economic activities, including eco businesses and bio businesses, scarcely participate in national economy. The productive diversification towards activities more intensive in innovation, science and technology, as well as a reduction in the dependence on exporting raw materials is an urgent need. Specific objective 1.1: Increase productivity, competitiveness and green markets: this specific objective centers around increasing labour production and innovation, promoting eco businesses, bio businesses and green jobs, and incentivizing the efficient use of energy and water. Considering this, the action points set to achieve this specific objective are: Action point 1: increase participation in green economic activities • Capacity building and technical assistance for the development of ecobusinesses and biobusinesses; and in business management, financial management and sustainable use of natural resources for industrial and agricultural businesses. • Promoting private investments in the forestry sector and in industrial parks in prioritized areas. • Economic diversification with the identification of markets and promoting hydrobiological products, andean-amazonean fruits, andean grains, ecotourism, and responsible tourism, teleworking, and exportable organic products. • Researching and creating new green jobs in the industrial sector, increasing agricultural productivity in priority crops and breeding.
6. Biocommerce National Strategy and its 2025 action plan (Estrategia nacional de Biocomercio y su plan de acción al 2025) DS 008-2016 MINCETUR	-Biocommerce is defined as an activity that, through the sustainable use of native biodiversity resources, promotes investment and commerce in line with the objectives in the Convention on Biological Diversity; supporting the development of local level economic activity through strategic alliances and generating added value on biodiversity products competitive for national and international markets, with social equity and economic profitability criteria. The Strategy develops seven thematic foci: 1. Policies and Legal Framework, 2. Institutionality related to Biocommerce, 3. Supply development, 4. Research, development and innovation, 5. Market development, 6. Knowledge management, 7. Monitoring and evaluation.
7. National Innovation for Competitiveness and Productiveness Program (Programa nacional de innovación para la competitividad y la productividad) (INNOVATE PERU).	- Fund for promoting innovation. - In 2016, the call for StartUp Peru was launched, aimed at financing business undertakings that promote the sustainable use and valuing biodiversity; meaning the use of biological diversity components (ecosystems, species or genes) in a form and rate that does not cause its diminishing on the long term, with which its possibilities for satisfying human needs are maintained.

D.S. 003-2014 PRODUCE	
8. Strategic Sectorial Multiannual Plan (Plan estratégico sectorial multianual) (PESEM) R.M.385/2016 MINAM	The Strategic Sectorial Multiannual Plan of the Environmental Sector is composed of five sectorial objectives: 1. Improving the environment condition. 2. Promote sustainability in the use of biological diversity and ecosystem services. 3. Promote the reduction of GHG emissions. 4. Strengthen the capacity for adaptation and response towards climate change and geological and glaciological events. 5. Strengthen environmental government and culture.
9. Ministry of Environment 2017-2019 Institutional Strategic Plan (Plan estratégico institucional (PEI) 2017-2019 del ministerio del ambiente)	**Environmental sector 2017-2021 vision:** "A modern country that sustainably uses its natural resources and cares for conserving the environment reconciling economic development with environmental sustainability for the benefit of its citizens." Mission: Ensuring the sustainable use, the conservation of natural resources and environmental quality for the benefit of people and the environment, in a normative, effective, decentralized manner, and articulated with public and private organizations and the civil society, in the green growth and environmental governance frameworks. Nine Strategic Objectives: 1. Ensuring the sustainable management of biological diversity and ecosystem services. 2. Increasing the recovery, rehabilitation and restoration of degraded ecosystems, species and ecosystem services. 3. Increasing the adaptative capacity and resilience of people's livelihoods, ecosystems and ecosystem services. 4. Promoting carbon capture and the reduction of GHG emissions at the national level from the productive sectors and services. 5. Strengthening the management of air, water and soil environmental quality, and waste and chemical substance management. 6. Increasing the ecoefficiency and environmentally responsible production approach. 7. Strengthening the National Environmental Management System. 8. Promoting a greater and better environmental culture, education and knowledge. 9. Strengthening environmental institutionality.
10. Ministry of Environment Regulation of organization and functions (Reglamento de organización y funciones (ROF) del ministerio del ambiente)	Article 65 designates the following functions to the General Environmental Economy and Financing Directorate (under the Strategic Development of Natural Resources Vice-ministry): a) Produce and implement national technical instruments, programmes and projects related to environmental economic valuation and environmental financing. B) Produce the guidelines for the valuation of forestry and wildlife diversity. C) Implement actions linked to treaties, agreements, conventions and other international instruments related to green growth. D) Design and promote economic and financial instruments that facilitate public and private investment in the conservation and sustainable use of biodiversity, ecosystem services and environmental protection.

	E) Promote biobusinesses and ecobusinesses with the participation of the private sector within its scope, in coordination with competent entities.

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

The cash flow profile of most EBBs represents a barrier to significant investment in the sector. Most EBBs require large upfront investments, but only start generating positive cash flows several years, sometimes decades after the first investment depending on several factors. The stretched-out cash flow profile – especially of long rotation projects with a high mitigation potential – puts the financing structure of a greenfield EBBs under strain, as not only initial establishment costs but also maintenance costs in the early years of operation have to be financed up front until operational costs can (at least partially) be covered by cash inflows. Hence, greenfield plantation projects are not bankable for conventional debt financing and thus in dire need for flexible and patient equity financing. In fact, domestic debt financing e.g., through commercial banks is largely non-existent. Peruvian EBBs have seen only little investment to date. Despite offering attractive risk-adjusted returns and significant impact potential, especially private investors have largely stayed away for different reasons, incl. the sector being at a nascent development stage and high perceived operational or country risks. It is expected that GCF's investment will catalyze further co-investments into the EBBF investee companies over the long run. This is because the GCF investment will help PROFONANPE create additional track record to reduce the perceived risk of EBBs and attract future investors. Similarly, the GCF investment will support the EBBF in reaching a critical scale to ensure an efficient fund structure and sufficient project diversification. Once operational, the EBBF will attract potentially additional capital from REDD+ RBP and other national and international donors, meaning GCF's investment is not expected to crowd out, but rather to encourage other public donors to follow suit.

Capital mobilization and investment leverage

GCF investment will mobilize additional capital in two ways. On one side, the EBBF will typically not be the sole inves tor in the EBBs, but provide financing alongside other sources, such local financial institutions (LFIs), impact investors and the EBBs themselves. This last is represented by the 15% of co-financing (in cash or in-kind) that is asked to ap ply for the grants.

On the other side, PROFONANPE, by its experience in fundraising funds, is expected to increase the investment of th e Facility, leveraging resources from other international sources like donors or impact investors.

Finally, the EBBF would be one of the first funds in the region to solely invest in forest-based companies with the pote ntial to spark follow-on investments by creating more track records for EBBs as an asset class and by reducing percei ved risks.

CO_2 sequestration

It is estimated that the EBBs will lead to a total of 3,806,936 tonnes of CO_2 of emission reductions due to avoided deforestation over the project lifetime. Hence, every 10 USD invested will contribute to emission reductions of approximately 3.81 tons of CO_2. This estimate is deemed conservative because it does not account for (i) emission reductions from indirectly preventing natural forest degradation and deforestation, (ii) emission reduction from additional capital raised during the EBBF lifetime, (iii) emission reduction from grant repayment by EBBs, (iv) emission reductions after the project lifetime, and (v) carbon sequestration due to enhancements in forest carbon stocks. The estimated mitigation costs of 2.63 USD/tCO_2 are competitive when compared to other – although less comparable – GCF funded projects. Experience from other (non GCF funded) renewable energy projects in developing countries confirms that mitigation costs strongly depend on the technology and scale of a project but can be significantly higher than what is estimated for the Amazon EBBF.

E. LOGICAL FRAMEWORK

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

E.1. Project/Programme Focus

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

☒ Reduced emissions (mitigation)

☐ Increased resilience (adaptation)

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

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

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

Assessment Dimension	Current state (baseline)		Potential target scenario (Description)	How the project/programme will contribute (Description)
	Description	Rating		
Scale	Various national policies, strategies, and guidelines promote EBBs and actions needed to scale them to promote emission reductions. However there is a small domestic market with limited awareness, limited understanding of the logistics to access international markets,	MediumMedium	The project will enable a successful link of RBPs with a variety of financing options to catalyze EBBs and support communities while reducing deforestation and demonstrating a functioning nexus between public policy and private investment to prioritize forest conservation and stewardship. Access to finance to be able to scale EBB operations will be increased and technical capacity to receive RBPs will be enhanced.	Project activities will complete the crucial monitoring, evaluation, reporting and social safeguard processes necessary to initiate the virtuous cycle of RBP in deforestation hotspots. This will permit the scaling up of a financial incentive system for forest conservation in indigenous and vulnerable communities. The project will enable scaling up conditions by reducing risk for potential new domestic and foreign investors and enabling financial institutions and private sector actors to take the lead in innovation, while receiving clear support

	lack of upfront capital, a lack of collateral to raise finance, and other considerable gaps.			from the government through RBP financing.
Replicability	EBBs are currently also supported in Colombia, Ecuador, and Bolivia and therefore there is potential for replicability across countries. Various international organizations promote EBBs and MINAM has implemented projects associated with EBBs that offer potential for replicability. However there are limited communication channels with regional and international investors, difficulties in accessing information, preventing replicability	MediumMedium	The project can serve as a regional example for a successful initiative combining public policy, private capital and actors normally excluded from public support programs and private investment opportunities. More EBBs will be able to access finance and follow the example models of the EBBs participating in this project.	The project will actively engage in knowledge sharing in Peru and in Latin America. This project will link these communities and small-scale forest-based economic initiatives often characterized by financial fragility with market investment. This model could inform current RBP systems in neighboring countries on how to successfully link RBP with other financing options to ensure solidity of forest-based EBBs. The project will also demonstrate solutions to policy, legal and financial barriers that can be used as a model for other neighboring economies.
Sustainability	Institutional structures to support EBBs long-term exist across multiple stakeholders although still depend on external support and face many implementation challenges.	MediumMedium	EBBs are able to have more sustainable growth through access to technical assistance and capacity building. A growing number of EBBs will support the implementation of REDD+ result-based-payments which, in turn, will open up funding opportunities of even more EBBs in a positive feedback loop.	The EBBF will deepen the entrepreneurial ecosystem and crowd-in private financing through training, technology transfer, and specialized technical assistance from the innovation partner that will provide demand-driven support to EBBs and therefore will promote long-term sustainability of the project through capacity building. The management and commercial strategy skills of the EBB

				employees will be strengthened through the technical assistance they will receive.

E.3. GCF Outcome level: Reduced emissions and increased resilience (IRMF core indicators 1-4, quantitative indicators)

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

GCF Result Area	IRMF Indicator	Means of Verification (MoV)	Baseline	Target		Assumptions / Note
				Mid-term	Final[36]	
MRA4 Forestry and land use	Core 1: GHG emissions reduced, avoided or removed/sequestered	• REDD+ registry •Infocarbono	0	951,730 tCO2eq	1,903,468 tCO2eq	Avoided deforestation and emissions calculated through IPCC methodology in alignment with Peru's FREL submission to the UNFCCC (see Annex 22 Carbon Methodology). Project lifetime: 20 years GHG emissions avoided in project lifetime: 3,806,936 tCO2eq Annual emission reductions: 190,346 tCO2eq

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

MRA4 Forestry and land use	Core 4: Hectares of natural resources brought under improved low-emission and/or climate-resilient management practice	• Annual reports from the competent entity (MINAM) • Portfolio company data	0	40,732.25 ha of forest are under sustainable land use practices proposed by the project	81,464.5 ha of forest are under sustainable land use practices proposed by the project	Investee EBBs profile is aligned with the 2017 census (see Annex 22 Carbon Methodology) Project lifetime: 162,929 ha

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

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

Core Indicator	Baseline context (description)	Rating for current state (baseline)	Target scenario (description)	How the project will contribute	Coverage
Core Indicator 5: Degree to which GCF investments contribute to strengthening institutional and regulatory frameworks for low emission climate-resilient development pathways in a country-driven mannerCore Indicator 5: Degree to which GCF investments contribute to strengthening institutional and	Forest Monitoring System: The REDD+ Forest Cover Monitoring Module's methodology is not complete Peru's forest reference emissions level only includes deforestation activities	mediummedium	*Midterm:* Forest Monitoring System established but not operational Technical evaluation report by UNFCCC experts, validate inclusion of conservation as a new activity at the forest reference emissions level *Final:* Forest Monitoring System operational and able to generate credible reports	Through Activity 1.1.3, the EBBF will support the development of a FREL for activities other than deforestation activities by including conservation and sustainable management of forests. Contributions include a technical document that identifies information gaps, a technical document that identifies overlapping concepts on conservation and sustainable management with the relevant sectors, and a	National level (one country)National level (one country)

regulatory frameworks for low emission climate-resilient development pathways in a country-driven manner				methodology for estimating activity data and emission factors for these two activities.	
Core indicator 7: Degree to which GCF Investments contribute to market development/transformation at the sectoral, local, or national level	There are currently 10 investors in EBBs and the market has room to develop.[37]	low	*Midterm:* Greater number of investors and investments in EBBs at the national sectoral level (4 private investors that invest in EBBs) *Final:* Greater number of investors and investments in EBBs at the national sectoral (8 private investors that invest in EBBs)	The EBBF will contribute to market development for EBBs and transforming the EBB market by increasing the investment pathways available to EBBs and the number of investors interested in EBBs. Under Output 2.2., the EBBF will provide technical assistance and seed capital grant funding to EBBs to crowd in private investments and generate lessons learned. The EBBF will support an innovation partner, offering technical assistance to EBBs in order to dynamize the interventions by covering all the regions of the project. EBBF seed capital will enable the implementation of blended finance solutions, whereby EBBF grants will improve the risk/return profile of selected EBBs to leverage private capital investments.	National level (one country)National level (one country)

[37] The AE will develop data collection to verify the baseline under activity 2.1.2

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

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

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

Project/programme results (outcomes/ outputs)	Project/programme specific Indicator	Means of Verification (MoV)	Baseline	Target		Assumptions / Note
				Mid-term	Final	
Output 1.1 Strengthened technical and institutional capacities to monitor and prevent deforestation	*Indicator 1.1.1 FREL for Amazon biome includes deforestation and forest degradation.*	Report on standardized methodology for mapping deforestation Annual progress report on degradation sub-module	Forest cover monitoring module presents maps of forest loss and land use without thematic precision analysis. No degradation report.	Improved Forest Cover Module - including deforestation and forest degradation- cover at least 60% of the forests of the Amazon biome.	Improved Forest Cover Module - including deforestation and forest degradation, cover 100% of the Amazon biome.	There is some progress carried out by MINAM which requires further support. In the case of Peru, forest monitoring has been carried out for Amazonian forests. However, in 2021, MINAM began the official mapping of 02 additional ecosystems: Seasonally dry forest (2,376,000.55 hectares) and Pacific tropical forest (40,000.58 hectares). It is expected that, based on the methodology developed, the Geobosques platform will monitor these ecosystems. According to Article 58 of the regulation of the

						framework Law on climate change, Law No. 30754, establishes that the tools for monitoring, measuring and reporting the measures to reduce GHG emissions and increase GHG removals in Forests are: Module Forest Cover Monitoring System (MMCB) and the Safeguards Information Module for REDD +
	Indicator 1.1.2 FREL for Amazon biome including degradation approved by UNFCCC	Reference Level Report for deforestation and degradation activities	Only the FREL for deforestation is available for the Amazon.	FREL for both deforestation and degradation developed for the Amazon, validated with key stakeholders At least 01 national regulations are informed/built based on the Forest Emissions Reference Level Report	FREL of REDD+ activities of deforestation and degradation approved that helps to monitor the performance of the country to prevent deforestation At least 02 national regulations are informed/built based on the Forest Emissions	There is some progress carried out by MINAM which requires further support. Regarding the 05 REDD+ activities foreseen in the UNFCCC, Peru's current reference level of forest emissions only incorporates the reduction of deforestation. Peru is recognized as a High Forest Low Deforestation country, so it is vital to develop a FREL that includes other REDD+ activities, such as conservation of carbon stocks and sustainable management of forests.

					Reference Level Report	This will make visible the climate contribution of forest concessions and natural protected areas
Output 1.2 Strengthened technical and institutional capacities to ensure the environmental and social integrity and sustainability of EBBs	*Indicator 1.2.1 Number of ESG tools strengthened to enable EBB's screening, categorization, assessment, monitoring and reporting under Peru's national REDD+ framework*	Revised ESMS Standard Operating Procedures (SOPs) for EBBs SOPs for the MIS and MAC MIS and MAC pilot versions operational	EBBF's ESMS, SEP and GAP, and associated guidance and tools MINAM's country approach to REDD+ safeguards and first SOI	Revised EBBF's ESMS, guidance and tools to ensure EBB's adherence to the Peruvian REDD+ safeguards country approach SOPs and training modules for EBBs SOPs for the Safeguards Information Module and MAC developed / revised	Safeguards Information Module and MAC pilot version operational At least 03 KPs lesson learned on environmental and social integrity and sustainability of small-scale EBB's nested under a national REDD+ results-based framework and financing	There is some progress carried out by MINAM which requires further support. Currently, there is 01 national group on safeguards for REDD +, with multi-stakeholder, multi-level participation, with active participation in REDD+ design in Peru. Likewise, there is a 01 national Prototype of the Safeguards Information Module (MIS). Source: RPP Project 2
Output 2.1 Strengthened business	*Indicator 2.1.1 Access market level*	Portfolio company data Interviews (qualitative methods)	46 EBBs participate in international platforms /	7 EBBs access to new national or international markets.	15 EBBs access to new national or	Private companies international/nationals maintain interest to

case and productivity of EBBs			missions (MINAM's database)		international markets	support EBB 's development Targets can be updated at the Interim Evaluation stage with more reliable data.[38]
	Indicator 2.1.2 Estimated increase in revenue of EBBs	Portfolio company data Surveys	baseline to be developed[39]	At least 1% increase in sales from baseline level	At least 2% increase in sales from baseline level	Baseline survey is developed
Output 2.2 Increased investor appetite for EBBs	*Indicator 2.2.1 Interest of investors in EBB.*	Number of private investors that invest in EBBs	10[40]	15	20	Private companies maintain interest to support EBB 's development
Project/programme co-benefit indicators						
Creation of green jobs through increased investment in EBBs with a sustainable forest management approach	*Number of green jobs created disaggregated by sex*	Portfolio company data	Total new green jobs: 0 Male: 0 Female: 0	Total new green jobs: 275 Male: 192 Female: 83	Total new green jobs: 550 Male: 385 Female: 165	Employees per EBB estimated: 10[41]

E.6. Project/programme activities and deliverables

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

[38] At this stage, it is too early for the AE to provide estimates of the country market and EBBs
[39] baseline surveys to be developed by the project in year 1 under activity 2.1.2 .
[40] The AE will develop data collection to verify the baseline under activity 2.1.2
[41] According to national regulation of micro enterprises that considers 1 to 10 employees.

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

Activity	Description	Sub-activities	Deliverables
1.1.1 Strengthening the Forest Cover Monitoring Module (MMCB)	MINAM will carry out a compatibility analysis between the methodology for mapping deforestation of the MMCB and the methodology of the Reference Mesh approach on deforestation to be used in the report of the reference level to the UNFCCC.	• Definition of a methodological approach to generate data on deforestation activity • Produce reports on forest emissions. • Development of the thematic accuracy analyses for the forest loss maps • Verification of the reduced emissions for performance payments.	Improved MMCB methods.
1.1.2 Operationalization of the forest degradation sub-module	MINAM operationalize the forest degradation sub-module, enhancing the capacity of the MMCB to monitor forest degradation.	• Support the operation of the Forest Degradation Submodule. • Update data on degradation activity in coastal and highland ecozones. • Make methodological adjustments to degradation mapping. • Capacity building to key staff on the use of degradation data and tools for monitoring.	Operationalization Manual
1.1.3 Support to advance the development of FREL/FRL for REDD+ activities of conservation and sustainable management of forests	MINAM will support the development of the FREL for REDD+ activities of conservation and sustainable management of forests.	• Development of technical documentation and methodology for estimating activity data and emission factors • Consultations and validation meetings with key country stakeholders •	Technical document that identifies information gaps. Technical document that identifies overlapping concepts on conservation and sustainable management with the relevant sectors, Methodology for estimating activity data and emission factors for each of these two activities.

1.2.1 Develop and/or review of procedures, guidelines and tools to support the screening, assessment, monitoring and reporting of potential social and environmental risks and impacts, and to ensure EBBs adherence with relevant REDD+ and EBB safeguards	The EBBF seeks to contribute to strengthening Peru's REDD+ institutional framework and facilitate piloting the "nesting" of small-scale interventions under the national framework. To do so, the EBBF will provide specialized technical assistance and backstopping to MINAM.	• Preparation of REDD+ safeguards procedure and associated guidelines for EBBs to facilitate the screening, categorization, assessment, management, monitoring and reporting on environmental and social risks and impacts; • Preparation of Guidelines for the operationalization of EBB's accountability mechanism, aligned with the EBBF's Accountability and Grievance Mechanism and the MAC. The revision of the EBBF's ESMS to ensure consistency in the screening, categorization, assessment, management, monitoring and reporting on environmental and social risks and impacts, at the facility level, as relevant	REDD+ safeguards procedure and associated guidelines for EBBs Guidelines for the operationalization of EBB's accountability mechanism, Revised EBBF's ESMS
1.2.2 Build technical capacities to ensure EBBs adherence with relevant REDD+ and EBB safeguards	The EBBF will build the technical capacities of EBBs and relevant stakeholders, including end-beneficiaries (i.e. Indigenous Peoples, regional governments, and private sector actors/organizations) to ensure EBBs adherence with relevant REDD+ and EBB safeguards.	Utilizing the guidelines developed under activity 1.2.1, and those designed under the UN REDD+ program, this activity will involve the dissemination of the guidelines, accompanied by training sessions (3 a year) targeted to EBBs and the SCTS, as well as technical backstopping to EBBs throughout the EBB life-cycle.	Workshop reports for 3 targeted trainings a year
1.2.3 Piloting of MINAM MIC and MAC	This activity will provide technical assistance for the piloting of the MIS and MAC.	This activity will involve: - Set up of operational MIS that is linked to monitoring and	Operational MAC Operational MIC

		reporting of sub-national REDD+ activities, including of small-scale REDD+ actions under the EBBF. This will be done through the adoption of necessary operating procedures and guidelines, and the set-up of technological solutions. - Set up of operational MAC that is linked/accessible to sub-national REDD+ activities, including of small-scale REDD+ actions under the EBBF. This will be done through the adoption of necessary operating procedures and guidelines, and the set-up of technological solutions. - Piloting of both MIS and MAC, and the generation of annual reports, which can inform national reporting on REDD+ safeguards, including the preparation of Peru's subsequent SOIs.	Annual reports from MIC and MAC
1.2.4 Knowledge generation and dissemination of lessons learned on environmental and social integrity and sustainability of small-scale REDD+	The EBBF will contribute to strengthening capacities at the EBB and national level~~,~~ and aims to generate relevant lessons to be	The development of three (3) knowledge products (including case studies) to capture best practices and lessons learned in relation to: i) the set-up and operation of an integrated	3 knowledge products

interventions consistent with REDD+ results-based financing landscape	replicated at a regional and global level.	environmental and social REDD+ safeguards framework that enables the screening, categorization, assessment, management, monitoring and reporting on environmental and social risks and impacts of small-scale REDD+ interventions; and ii) opportunities and remaining challenges to nest small-scale REDD+ interventions under national REDD+ frameworks to enable direct access to results-based financing.	
2.1.1 Establishing the Amazon Eco Bio Business Facility	PROFONANPE will develop a framework for the establishment, operationalization and sustainable replenishment of the facility.	• Opening of a dedicated account • Formalization of strategic goals and objectives • Baseline elaboration • Awareness raising initiatives targeting both public and private audience	Facility's Operation Manual
2.1.2 Operationalizing the Amazon Eco Bio Business Facility	Development and formalization of governance system, operational manual and implementation arrangements.	• Formalization of governance system (staff assignment, roles and responsibilities) • Formalization of operations manual • Formalization of implementation arrangements	Governance System, Operational Manual and Implementation Arrangements
2.1.3 Defining the replenishment strategy of the EBBF	The EBBF Project Administration Council will conceptualize the replenishment strategy of the facility to	• Formalization of replenishment strategy • Engagement with potential donors	Minutes reflecting approval from PAC

	ensure the long term sustainability of the facility	• Negotiation of share of REDD+ RBP	
2.2.1 Technical Assistance window 1	EBBF will provide specialized technical assistance to Peruvian EBBs through an innovation partner, NESsT.	• Announcing the call for proposal • Evaluation of application forms and selection of winners • Development of training modules Evaluation of application forms and selection of winners • Investment Memorandum Preparation	Technical Assistance reports
2.2.2 Awarding and implementing grants under investment window 2: Eco Bio Businesses	Under this investment window, the EBBF will provide seed capital to 55 EBBs with average grant volume of USD 90,000 awarded, implemented, monitored and reported upon.	• Announcing the call for proposal (once in a year) • Project identification and screening based on eligibility criteria and ESMS • Project prioritization based on prioritization criteria • Due diligence of potential investee EBBs • Environmental and social impact assessment • Development of ESMP • Approval of the proposed investments by the FMU and PAC • Execution of the investment • Periodic monitoring and reporting • Financial monitoring of grant repayment •	Agreements between PROFONANPE and EBBs
2.2.3 Establishing and managing the EBBF Investors Roundtable	The IR will serve as a platform connecting investors and EBBs, developing relationships and identifying investment opportunities	• Mapping and engagement of private and public investors • Formalization of IR • Conducting IR meetings	Meeting reports Strategic documents

	and collaborations. The IR will gather investment executives from national and international investment institutions and will hold meetings each year. These meetings will include a presentation delivered by each selected project owner and a series of peer-to-peer networking opportunities organized in a manner that optimizes direct interaction among participants.	• Transaction advisory and oversight of deals between IR members and investee EBBs	
2.2.4 Development and managing strategic partnerships	The FMU will work to establish ongoing partnerships with key LFIs and impact investors to encourage financing of the EBBs. These partners will form a Private Sector Advisory Committee (PSAC). PSAC members will be consulted on key aspects of the project. They will be invited to provide inputs into the design and composition of meetings of the investors roundtable and requested to publicize the roundtable and share information on EBBs with their networks. Additionally, private sector partners will be invited to provide funding to the EBBF.	• FMU to confirm interest in partnering among key LFIs and impact investors • FMU to establish private sector advisory committee (PSAC) • Ongoing: FMU to seek inputs from PSAC as needed • FMU to confirm level of support needed to join selection committee and other operational aspects • Board to approve selection committtee plan • FMU to establish selection committee with private sector partners	Establishment of PSAC Selection Committee rules and membership requirements

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

The monitoring, reporting and verification (MRV) requirements for the investee company will be stipulated in the investment agreement in a Project Monitoring and Reporting Plan, which is entered into between the EBBF and the investee company. The investment agreement will be signed for a 5 year duration approximately. Also it will define a set of measurable indicators against which investee company will report progress, including:

- Quarterly reports (unaudited) which will be delivered no later than 60 calendar days after the end of each quarter and include:
  - A summary of the company's shareholders
  - A cash flow statement and balance sheet of the company (unaudited)

- A summary of key developments in the preceding quarter (e.g. drawdowns, investments, sales, hiring)
- Report against the company's own Environmental and Social Monitoring Plan

- Annual report (audited) which will be delivered four months after the end of each fiscal year and include an audited report of:
  - A year-to-date cash flow statement of the company as of the end of such fiscal year;
  - A balance sheet of the company as of the end of such fiscal year
  - A year-to-date income statement of the company for such fiscal year

The data shall be accessible to the GCF at least until the end of the GCF implementation period.

This is additional to the reporting requirements already specified under the Accreditation Master Agreement which shall be incorporated into the EBBF legal documentation. In addition to the AMA and FAA reporting requirements, the EBBF shall prepare and submit reports to the GCF including:

- Semestral reports (unaudited) which will be delivered no later than 60 calendar days after the end of each semester and include:
  - A summary of the key terms of the EBBF;
  - A cash flow statement and balance sheet of the EBBF;
  - A year-to-date income statement of the EBBF;
  - A summary of key developments in the preceding semester (e.g. drawdowns, investment pipeline, new investors, workshops and events);
  - Information about the EBBF staff, roles, KPIs, responsibilities and remuneration; and
  - An overview of the EBBF investments (i.e. commitments, stakes in the projects, drawdowns, projects' key financial indicators, projects' valuation, compliance with the investment strategy) as well as a portfolio breakdown by sector, region, counterparty;
- Annual report (audited) which will be delivered four months after the end of each fiscal year and include an audited report of:
  - A year-to-date cash flow statement of the EBBF as of the end of such fiscal year;
  - A balance sheet of the EBBFas of the end of such fiscal year
  - A year-to-date income statement of the EBBFfor such fiscal year;
- E&S and Impact reporting: The Project Administration Council will report regularly and in a transparent manner about activities, results, and challenges of its business operations in line with its vision and mission. ESG issues shall be reported in depth to the GCF at least once a year through the publications of PROFONANPE's Sustainability Report. Furthermore, ESG KPIs will also be reported regularly. In years 3, 6, and 10 the report will include an assessment on whether similar initiatives have been developed in other Latin American countries, which would reflect the replicability of PROFONANPE's activities.

- The EBBF'sKPIs will be computed and communicated as part of the semestral report. EBBF's KPIs will be monitored and reported as follows:
  - Financial: PROFONANPE follows the International Financial Reporting Standards (IFRS). EBBF's Net Asset Value calculation is performed quarterly and reported to the investors as part of the semestral reporting.
  - CO_2 sequestration: The project follows the overall guidance of the International Panel on Climate Change (IPCC). The carbon sequestered by the project corresponds to the net CO2 sequestration from reduced deforestation through sustainable forest management and conservation of forest carbon sinks by EBBs as follows:

$$E_t = \sum_{i}^{I} \left(A_{i.t} * EF_{i,t} \right)$$

Where:

E_t	Emissions from deforestation in year t; tCO_2-e yr^{-1}
$A_{i.t}$	Area deforested in the eco-zone due to land use change in year t; ha yr^{-1}
$EF_{i,t}$	Emission factor applicable to the eco-zone *i* due to land use change in year t; tCO_2-e yr^{-1}
i	Eco-zone *i;* dimensionless
I	Total number of eco-zones; dimensionless
t	A year; dimensionless

- Job creation: employment generation is measured as full-time equivalent. More detailed breakdowns of the employment generation (gender disaggregation, level of income, level of education, type of employment contract) will be made available.

The Annual Sustainability Report will provide details on the impact and final methodologies used. The EBBF's performance will be measured against EBBF's targets in the mid-term and final assessment report based on EBBF's KPIs.

F. RISK ASSESSMENT AND MANAGEMENT

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

Investments made by the Amazon EBBF are subject to market fluctuation and the risks inherent in all investments. Accordingly, no assurance can be given that the investment objective of PROFONANPE will be achieved. The risk factors related to the EBBF can be categorized as fund risks and as risks related to investing in emerging markets and new forest-based products. No exhaustive list of these risks can be given, and the risks may result in net asset value volatility and depreciation or not achieving the impact targets of the fund. General fund risks include risk related to its investment portfolio, the fund structure and how it operates, and external environment risks related to both e.g.:

- Currency risk (between the EBBF's home currency and the fund currency)
- Changes in laws applicable to PROFONANPE's structure, mandate and operations
- Changes in laws applicable to EBBF's projects portfolio
- Reliance on the investment committee and investment managers (FMU)
- Credit risk: risk of non-repayment by sub-projects
- Delays in REDD+ RBP
- Dependency of key personnel

The risk mitigation strategy of the EBBF is pursued at both project and fund level:

- Cautious and professional project planning, in strict compliance with IFC standards, allows for risk mitigation at project level
- Balanced project portfolio in terms of investment types (sectors, maturity stage, investment ticket), regions and products, allows for risk diversification at Fund level

Specific risk factors are continuously assessed throughout the entire investment process and are strictly monitored by the FMU. Appropriate mitigation strategies are analyzed and implemented proactively from inception stage.

The below section discusses more in details the key risk factors and mitigation measures related to investee projects, the investment operations in Peru and eco bio sectors.

Selected Risk Factor 1

Category	Probability	Impact
Technical and operationalTechnical and operational	MediumMedium	MediumMedium

Description

In forest-based investments, inadequate planning and implementation agroforestry measures, as well as the occurrence of pests and disease, can result in poor growth and quality of timber and non-timber products. The occurrence of such events may lead to the underperformance of investments in forest-based projects with negative impact on the debt repayment capacity of the project and its ability to attract external investors.

Mitigation Measure(s)

The EBBF's investment screening process shall prioritize projects adopting international best practices for agroforestry practices and others. Selected projects shall have the capacity to implement best practices from the planning phase, with proper selection of species for the given site conditions, definition of operations for selected species and production targets, and acquisition of high-quality planting materials; and continues throughout the production cycle through timely implementation of agroforestry operations, conducted by skilled staff. Proper project selection aimed at identifying companies with adequate planning and implementation capacity will minimize deviations from the plan of plantation performance and will reduce the vulnerability of plantations against any pests and disease. In addition, eligible expenses of EBBF grants shall include pest and disease management programs, including preventive measures such as species diversification. Finally, plantation investments will be strictly monitored by the FMU to identify deviations from the original plan and develop mitigation measures.

Selected Risk Factor 2

Category	Probability	Impact
Technical and operationalTechnical and operational	LowLow	MediumMedium

Description
External natural shocks such as calamities, floods, storms and wildfires can have negative impacts on the performance of forest-based businesses and thereby on the financial performance of the EBBF's investments. Such events can weaken investee projects making them more vulnerable against future events and result in irreversible financial losses.
Mitigation Measure(s)
Management practices such as species diversification and good-quality management practices cab reduce the vulnerability of forest-based projects against extreme climate events that might occur in Peru, thus reducing any negative impacts on their performance. Fire events need special consideration in plantation investments. Forest fires can cause the loss of significant planted areas and in some cases, they are the result of social conflicts and agricultural practices in surrounding areas, since fire a common practice used to prepare agricultural and pastureland. Investee projects will require to implement proper fire management strategies, focusing on preventive measures and contingency plans. Fire prevention measures shall be integrated in the investee project's technical operations, by ensuring an adequate level of diversification and avoiding large areas of homogenous vegetation, as well as conducting maintenance operations in a timely manner. The risk of fire events will be managed as well through proactive social strategies, targeting cooperation and aligning interests with local communities, through employment generation, enhancement of livelihoods and promotion of out-grower schemes, as well as fire awareness campaigns.

Selected Risk Factor 3

Category	Probability	Impact
Technical and operationalTechnical and operational	LowLow	MediumMedium

Description
Sudden changes in the demand for the services and products of EBBs, namely a decrease in volumes and product prices, can compromise the financial performance of EBBF investments.
Mitigation Measure(s)
Global trends indicate a reverse trajectory with a growing demand for EBBs' products and services. Population growth and economic development, together with increasing visibility of forest-based products, suggest that favorable market conditions will persist. The EBBF will prioritize investment in EBBs with products and services in growing demand from both domestic and international markets. EBBF will seek an adequate level of diversification in its portfolio in terms of products, services, geographies, export markets and target customers.

Selected Risk Factor 4

Category	Category	Category
OtherOther	OtherOther	OtherOther

Description
<u>Expropriation</u> Expropriation or other such political risk event is considered extremely unlikely <u>Corruption</u> PROFONANPE will implement an absolute zero tolerance to corruption, money laundering (ML), terrorist financing (TF), and prohibited practices (PP) risks. <u>Legal risks</u> Inadequacy of local regulatory environment
Mitigation Measure(s)
Political risks can, to an extent, be mitigated by making sure that the projects are implemented in a transparent manner and making sure that the local stakeholders (from grassroots level to local and national government level) are appropriately informed and heard of throughout the implementation process. In addition, the mitigation measures include local participation schemes, integration of neighboring communities as well as good cooperation with the local

administration. PROFONANPE has a complete and extensive understanding of Peru's regulatory environment. Regardless of level of regulation, PROFONANPE's projects will be implemented following the highest industry standards, including those related to environmental and social aspects of the projects.		
Selected Risk Factor 5		
Category	Probability	Impact
GovernanceGovernance	LowLow	MediumMedium
Description		
Insufficient co-ordination and/or co-operation between entities (MINAM and PROFONANPE) resulting in project implementation delays.		
Mitigation Measure(s)		
MINAM and PROFONANPE have a long track record of working closely to deliver complex programmes and projects. The EBBF Board will consist of representatives from both organizations to ensure effective coordination, communication and management. It will also be responsible to identify and monitor programme-level risks and suggest corrective actions.		
Selected Risk Factor 6		
Category	Probability	Impact
Technical and operationalTechnical and operational	MediumMedium	LowLow
Description		
Political shifts could reduce the national government's interest in channeling resources to EBBs and potentially change incentives to promote carbon intensive investments. From the project's perspective, this could imply a reduction in cooperation and protracted bureaucratic processes that might delay the implementation of REDD+ measures.		
Mitigation Measure(s)		
The project's development objective is framed in Peru's long-term planning and strategy document which shelters the project from changes in the national political landscape. The Ministry of Environment, which is the Executing Entity under the proposed project , is the main decision making body responsible for the development and implementation of REDD+ measures.		
Selected Risk Factor 7		
Category	Probability	Impact
GovernanceGovernance	LowLow	LowLow
Description		
Shifting political priorities and changes in the government administration could hinder REDD+ policy that is both directly related to slowing down deforestation in the country and indirectly related to deforestation as enabling conditions for the bio eco businesses facility (Component 2).		
Mitigation Measure(s)		
Establish REDD+ policies as part of specific rules, regulations and or plans that are formally approved by competent authorities, with clear mandates for future administrations. Also, plan for schemes that ensure the financial self-sustainability of these measures.		
Selected Risk Factor 8		
Category	Probability	Impact
Technical and operationalTechnical and operational	LowLow	MediumMedium
Description		

COVID-19 pandemic caused significant disruptions in the implementation of projects across the country. The Government of Peru has the faculty to mandate a country-wide lockdown any time according to the circumstances. As the country is slowly reopening its economy, uncertainties remain with regard to possible waves of cases. Should the number of cases continue to climb during the program implementation period, this might cause delays and disruptions to the launch and implementation of the program's activities, and also it could affect the Facility's demand for resources that have been programmed for EBB companies.
Mitigation Measure(s)
PROFONANPE and MINAM are fully equipped to work remotely. Awareness raising and capacity building activities can be conducted via webinars and online training modules that will help EBBs to prepare adequately to assume repayable grant. The repayable grant was designed to be reimbursed for a value of 20% annually annually for 5 years approximately. In conservative terms, it has been estimated that there will be a 30% return success.

Selected Risk Factor 9		
Category	Probability	Impact
Technical and operational	Low	Medium
Description		
Due the economics and social characteristics of small and medium enterprises in Peru as the EBBs, it could be presented an scenario where a larger than expected proportion of repayable grants end in default.		
Mitigation Measure(s)		
To mitigate the risk of default, Annex 3 includes an assumption for the amount of minimum cash needed in the EBBF. This assumption was made as per the analysis performed by the IDB for Biobusinesses in Peru, where it is mentioned that in 2019 the average default rate for medium and small enterprises was around 8%. Furthermore, during consultations with the innovation partner, it was mentioned that during the incubation phase for the EBBs, special attention would be given to developing the necessary capacities to be able to receive and repay the grants.		

G. GCF POLICIES AND STANDARDS

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

Implemented under PROFONANPE's institutional framework, and capitalized with GCF funding, the EBBF seeks to contribute to Peru's national climate change mitigation objectives. In doing so, the EBBF aims to directly contribute to the implementation national policies to implement REDD+ actions and eco and bio businesses in the Peruvian Amazon Region. Accordingly, the EBFF will adhere to a comprehensive set of environmental and social safeguards policies to avoid, prevent, minimize and mitigate potential negative impacts to people and their environment and strive to develop benefits in the development process, as outlined below. Applicable safeguards frameworks and the EBBFs environmental and social management system are outlined below.

Applicable Safeguards to the EBBF

1. PROFONANPE's Environmental Social and Gender Policy

As defined in the ESMS for the EBBF (Annex 6), the EBBF will be governed PROFONANPE's Environmental, Social and Gender Policy (ESGP). The ESGP is underpinned by the Equator Principles[42], an environmental and social risks management framework for financial institutions, and is consistent with the GCF's Social and Environmental, Indigenous People and Gender Policies as per PROFONANPE's accreditation under the GCF. The ESGP has been designed to prevent and manage potential adverse environmental and social impacts from projects and strategies to go beyond a do-no-harm approach and rather deliver positive outcomes for people and the environment. The ESGP aims to: i) avoid, correct, mitigate and manage the possible adverse environmental and social risks and impacts that may arise during the implementation of its investee projects; and, ii) improve the environmental and social benefits and opportunities for the local populations involved. See 9.

Table 9 EBBF's environmental, social and gender policies (ESGP)

ESG Policy	Objectives of the Policy
ESP 1. Assessment and management of environmental and social impacts and risks	(1) Identify the Facility level and Portfolio Company level environmental and social impacts and risks. (2) Establish an efficient and effective plan for managing previously identified environmental and social impacts and risks to avoid and / or mitigate them. (3) Establish responsibilities for managing, monitoring and evaluating environmental and social impacts and risks. (4) Guarantee that affected communities have adequate access to information during all phases of the project cycle. (5) Ensure that complaints and suggestions from the affected population are addressed. (6) Ensure that the gender approach is taken into account during all phases of the program
ESP 2. Compliance with national laws and regulations	(1) To ensure compliance with national legislation and international commitments derived from agreements, conventions, etc. (2) Establish the necessary procedures to ensure compliance by Portfolio Companies.
ESP 3. Conservation of biological diversity	(1) Conserve ecosystems, biological diversity, species and genes. (2) Maintain and improve ecosystem services.

[42] Equator Principles: P1 Review & Categorisation; P2 E&S Assessment, P3 Applicable E&S Standards, P4 E&S Management System & EP Action Plan, P5 Stakeholder Engagement, P6 Grievance Mechanism, P7 Independent Review, P8 Covenants, P9 Independent Monitoring & Reporting, P10 Reporting & Transparency. https://equator-principles.com/about-the-equator-principles/

	(3) Promote the sustainable management of natural resources through practices that align with the Sustainable Development Goals (SDGs)
ESP 4. Climate change	(1) Guarantee low-carbon development in activities related to the conservation of biological diversity. (2) Contribute to reducing vulnerability and increasing the adaptability and resilience of ecosystems and populations to climate change.
ESP 5. Pollution prevention	(1) Avoid or minimize possible air, water and soil contamination in the areas of intervention.
ESP 6. Involvement and participation of actors	(1) Ensure the full and effective participation of the populations linked to the project. (2) Establish effective and inclusive means of involvement of the actors linked to the project
ESP 7. Gender approach	(1) Ensure the mainstreaming of the gender approach in Portfolio Companies. (2) Establish effective and inclusive means for the full and effective participation of women in projects implementation
ESP 8. Indigenous and Native Peoples	(1) Avoid any damage or negative impact that Portfolio Companies may cause to indigenous or native peoples. (2) Promote the benefits and opportunities of sustainable development for indigenous or native peoples. (3) Ensure the full and effective participation of indigenous or native peoples, through appropriate cultural practices.
ESP 9. Cultural Heritage	(1) Avoid any damage or negative affectation on the cultural heritage derived from the management of the Portfolio Companies. (2) Promote the equitable exchange of benefits from the use of cultural heritage.
ESP 10. Involuntary resettlement and / or restriction on the use of renewable natural resources	(1) Anticipate and avoid involuntary resettlement or restriction of the use of natural resources derived from the implementation of the Portfolio Companies. (2) Mitigate adverse social and environmental impacts derived from the restriction of use of resources, which have been identified as unavoidable when implementing the program. (3) Consider improving the means and quality of life conditions of rural and indigenous populations.
ESP 11. Job safety	(1) Anticipate and avoid any risk derived from the execution of the Facility and Portfolio Companies that may negatively affect its personnel, project teams and their counterparts.

Moreover, the EBBF will adhere to a series of principles, and integrity and good governance standards throughout the lifecycle of the facility and EBBs; see Annex 6 for more details.

2. REDD+ safeguards and Peru's country safeguards approach

As outlined in its First Summary of Information (SOI) on how REDD+ safeguards are being addressed and implemented, for the period 2012-2019, Peru has made significant progress to interpret the set of social, environmental and governance (ESG) safeguards underpinning the global REDD+ results-based financing framework, known as Cancun Safeguards. Similarly, through a country approach to safeguards, Peru has established a national environmental and social management framework, supported by a robust operational governance framework geared at enabling the unified, coordinated and efficient environmental and social management of potential risks and opportunities from REDD+ actions. The country approach to REDD+ safeguards has also been conceived to facilitate the coordinated

monitoring and reporting on environmental, social and development impacts from REDD+ actions, beyond forest mitigation outcomes.

As established in Ministerial Resolution 143-2021, all REDD+ actions to be implemented in Peru in the context of REDD+ results-based financing are expected to actively pursue the delivery of environmental, social and development co-benefits, and adhere to the country approach to REDD+ safeguards, as part of the minimum eligibility criteria for REDD+ actions; see Box 1. Accordingly, and in a key role to pilot the implementation of small-scale EBB interventions nested under the umbrella of the national REDD+ framework, the EBBF will adhere to the country approach to REDD+ safeguards.
Institutional strengthening activities conceived under Component I of the EBBF will facilitate the integration of the environmental, social and governance requirements defined under Peru's country approach to safeguards as part of the revision of the EBBF's ESMS and other relevant guidance and operational instruments in preparation to the operation of the facility and the first EBB call for proposals. In doing so, the EBBF's will ensure the environmental and social integrity and sustainability of the EBBs aligned with, and reporting under the national REDD+ framework, including under the Safeguards Information Module (MIS, for its name in Spanish).

EBBFs Environmental and Social Management System

As underscored in the EBBF's Environmental and Social Management System (ESMS), concentration of power and limited representation in decision-making bodies pose a threat to effective and inclusive participation of women and indigenous communities, hindering the possibility for EBBs to address their needs and priorities. Remaining gender inequalities on access to labor market and to information can in turn result in unequal access to benefits from EBBs of the projects, particularly for women. Moreover, Ill-designed EBBs can also result in negative environmental impacts where the use of natural resources goes beyond its sustainable renewal, or the operation of EBBs result on increased liquid and solid waste or increased use of fossil fuels.

The EBBF has been designed to generate a wide range of positive environmental and social impacts through the integration of environmental and social eligibility and prioritization criteria for the selection and approval of EBBs, but also through a comprehensive ESMS that constitutes an environmental and social management framework to ensure that both the facility and supported EBBs adhere to all applicable environmental and social safeguards and policies through the facility and sub-projects life-cycle. In doing so, the EBBF's ESMS aims to avoid and/or manage key social risks identified during the facility proposal development (see Table 9).

Table 4 Key social risks identified for the EBBF

Risk	Probability	Impact
Risk factor 9 Concentration of power and representation functions in decision-making bodies by men, which discourages the participation of women and the identification of their needs.	Medium	Medium
Risk factor 10 Difficulties for women to enter the labor market in adequate and equal conditions, which will generate an unequal use of the benefits of the project.	High	Medium
Risk factor 11 Possibility of neglecting cases of violence against women, which can generate difficulties in relations with local actors.	Medium	Medium
Risk factor 12 Scarce information on the situation of women in the forestry sector and in eco and bio businesses, which hinders decision-making and the design of differentiated actions.	High	Medium

Risk factor 13 Changes in the internal dynamics of indigenous institutions (associated with the exercise of power) are caused by economic income and the information provided by the project.	Low	High
Risk factor 14 Loss of ancestral traditions in the production process due to the incorporation of new technologies.	Low	High

Source: Adapted from the EBBF's ESMS, Annex 6 Risks and Mitigation Measures.

Moreover, as stated in the EBBF's ESMS, adherence to and compliance with applicable safeguards throughout the lifecycle of the facility and selected EBBs while directly contribute to the achievement of the EBBF's key KPIs, outlined in Box 2.

Box 2 Environmental, social and gender Key Performance Indicators of the EBBF

- Employment generated by the investments of the Facility
- Tonnes of CO2 reduced or avoided from forest and land under sustainable management
- Hectares of land or forests under improved and effective management
- Number of females and males benefitting from the project activities
- Number of indigenous people benefitting from project activities

The implementation of the ESMS at the facility level is responsibility of the PFMU, through its Social & Gender Specialist and aims to facilitate the integration of environmental, social and governance principles, policies and standards throughout the facility and investments life cycle, from the investment process to the running investment stage, to divestment stage (see Figure 8).

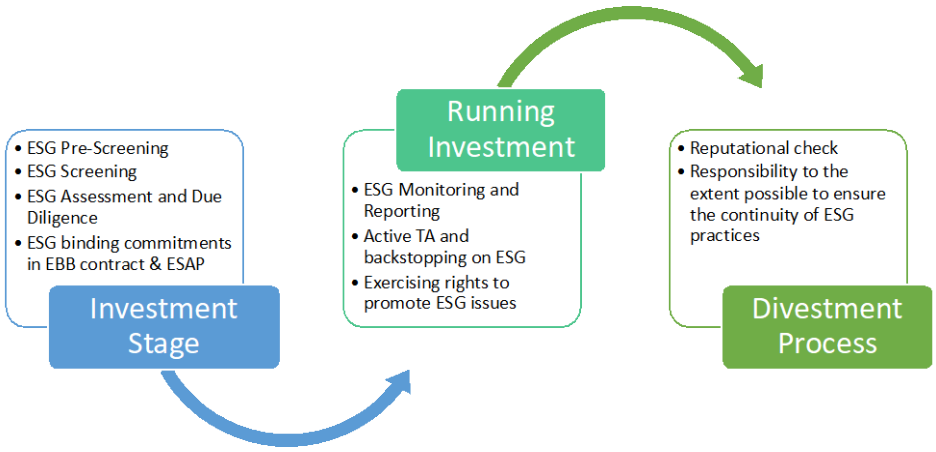


Figure 6. Environmental and Social Management in the EBBF lifecycle

As defined in the EBBF's ESMS, and consistent with PROFONANPE's accreditation conditions under the GCF, the EBBF will only select/approve EBBs whose environmental and social risk assessments results in risk Categories B or Category C, only. Moreover, the EBBF will not invest in EBBs which benefit from and/or which business revenue derives from any of activities in the EBBF exclusion list; see Annexes 6 and 21.

- Category B: potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversable, and readily addressed through mitigation measures;
- Category C: Minimal or no adverse environmental or social risks and/or impacts.

Environmental and Social Risk Assessment and Management at the EBB level

Through its ESMS, the EBBF seeks to support and facilitate EBB's efforts to effectively deliver environmental, social and development benefits throughout the lifecycle of supported EBBs.

The EBBF will only support EBBs are committed to comply with all criteria and requirements to ensure and demonstrate adherence with applicable safeguards, carrying out its operations consistent with the EBBF's environmental and social integrity and sustainability criteria, and so guarantees the sustainability of investments in both aspects; an exclusion list is included in Box 2 above. Figure 9 below outlines environmental and social impacts identification, screening, assessment and management process under the EBB's lifecycle, as defined in the EBBF's ESMS. Said assessment and management responsibilities of EBBs, including tools and outlines, are further detailed in the ESMS (Annex 6) and Operational Manual (see Annex 21).

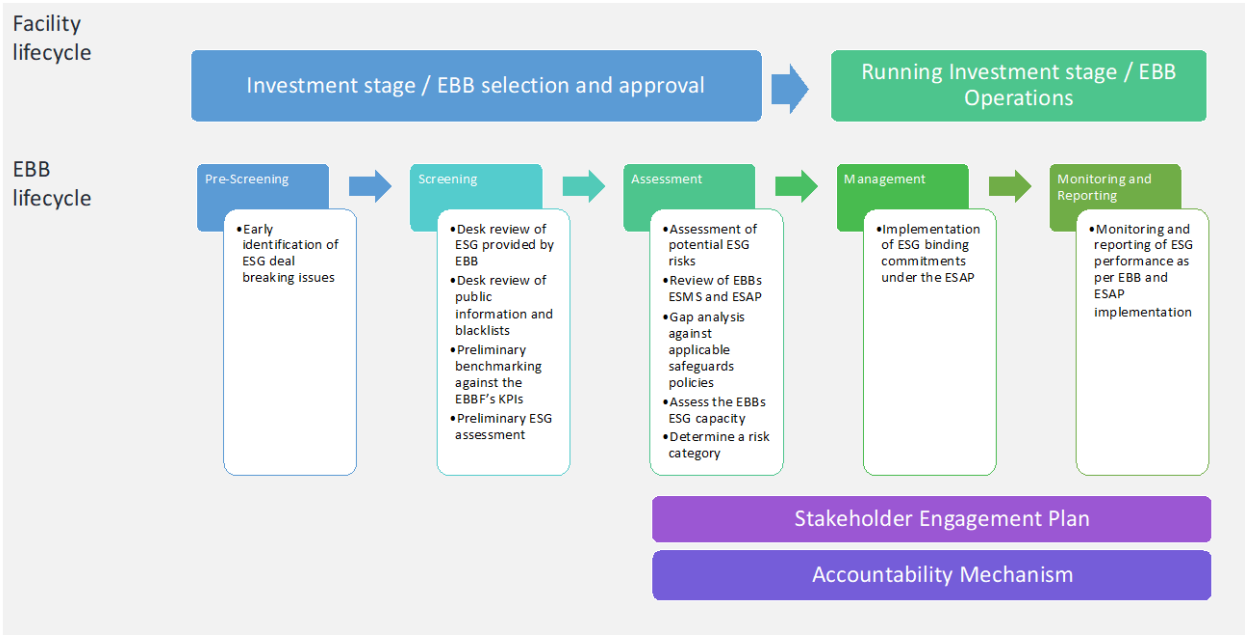


Figure 7. Environmental and Social Management in the EBB lifecycle

As part of their ESMS, EBBs will prepare a Stakeholder Engagement Plan for the EBBs, including an Indigenous Peoples Planning Framework, when the EBB is located in an area with the presence of indigenous peoples, to ensure culturally appropriate and responsive stakeholder engagement.. Similarly, EBBs will have in place an accountability mechanism for receiving and addressing complaints, claims and suggestions from EBB end-beneficiaries and other relevant stakeholders, consistent with the EBBF's accountability functions and PROFONANPE's Grievance and Accountability mechanism[43]. See for the complete ESMS in Annex 6 and SEP in Annex 7.

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

Gender equality is especially important factor to consider in forestry, as it has traditionally been male-dominated industry. In this regard, EBBs show a higher-than-average propensity towards women leadership with 51% of EBBs listed in MINAM's Eco & Bio Business platforms being led by female entrepreneurs. PROFONANPE is committed to promoting gender equality and the basis for PROFONANPE's Gender Policy is formed by the IFC's Sustainability Framework and the Performance Standards which has specific sections on gender equality. The Fund seeks to promote gender equality throughout the whole investment process in four thematic areas:

[43] https://profonanpe.org.pe/quejas/

• True participation: PROFONANPE recognizes that minimum number of women represented is not always enough, but their actual participation and ability to influence is more relevant. The EBBF will prioritize support to women-led enterprises and the creation of job opportunities for women.
• Equal benefits: PROFONANPE will use its best endeavors to ensure that the social and economic benefits that its stakeholder groups derive from its operations will be distributed in an equal basis considering the needs of the various groups and noting that such needs may vary between the groups.
• Capacity development: PROFONANPE is committed to contribute to capacity development as part of its activities and will seek to understand the specific needs of the target groups of these activities to understand their usefulness, and where applicable organize trainings to empower women and strengthen their capacities.
• Gender-disaggregated data: The EBBF will seek to develop and apply transparent assessment and reporting methods that will include gender-disaggregated data. The objective of this data is to be able to provide meaningful information and regular feedback on the impact and effectiveness of the fund´s gender responsive approach.

Sub-project level gender assessment can only be provided at a later stage and on a project to project basis as the target sub-projects will only be chosen during the implementation period (the fund investment period). When assessing project opportunities PROFONANPE will seek to understand the prevailing socio-economic and cultural context as well as gender norms and perceptions related to the project area and all of its stakeholders. Where applicable, a gender-responsive social analysis as part of the overall social and environmental impact assessment will be undertaken to understand the underlying causes and drivers of gender inequalities. Where laws and regulations disadvantage one gender over the other (often women, but men can also be affected), PROFONANPE will seek to ensure that disadvantaged populations are protected and not further disadvantaged. Where applicable, PROFONANPE will seek to address systemic and structural practices that create barriers to the realization of women's rights and gender equality. PROFONANPE's investee companies will be encouraged to provide and operate in an environment that aspires to creating equal opportunities for both women and men, which in some instances may result in going "beyond the law". Investee companies will be required to have a gender policy, and a timetable and procedures for monitoring its implementation. Gender equality is included as a company performance indicator.
For details please refer to Annex 8.

The EBBF will also support the achievement of specific objectives of the Gender and Climate Change Action Plan, which is a key policy of the Peruvian government.

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

PROFONANPE has significant expertise in working with donor funds and a track record in implementing or co-implementing complex projects and programmes. By 2020, PROFONANPE managed and implemented 36 programmes and projects using sound financial management practices. The PROFONANPE Directorate of Administration and Finance adheres to policies and procedures that meet international donor agencies' requirements.

In the context of this project, PROFONANPE is responsible for the fiduciary aspects and is accountable for all financial and investment activities. PROFONANPE will open a dedicated bank account, in United States dollars, for the establishment and management of the Amazon EBBF. The principal regulatory framework for the project's financial management will comply with (a) Peru's laws governing budget and financial management for the private sector; and (b) the operating manuals and norms of PROFONANPE, which include acceptable policies and procedures in line with GCF fiduciary requirements. The tailor-made administrative management integrated system (Sistema Integrado de Gestión Administrativa) of PROFONANPE enables the recording of the entity's transactions through the use of international accounting standards (IFRS). Financial statements are prepared using the accrual basis of accounting , the IFRS and the standard chart of accounts accepted in Peru.

PROFONANPE's control specialist reporting to the Director of Administration and Finance will be in charge of: (a) checking all payment support documents and ensuring compliance with the donor's hiring and procurement conditions; (b) checking compliance with terms of contracts for the procurement of goods and services, in regard to deliverables, deadlines, service conformity, amounts and characteristics or delivered goods or equipment, work assessments, and work progress reports; and (c) ensuring payment vouchers comply with tax regulations. Furthermore, PROFONANPE will select independent external auditors to audit the project,. In addition, the administrative staff of PROFONANPE has established periodic and spot-check reviews (in situ) of programmes' and projects' accounting and financing

procedures. The purpose of these reviews is to verify the accuracy of the documents and to ensure that agreed activities have been implemented using internal regulations as defined in the AMA.

The investment process of Amazon EBBF will be managed by PROFONANPE's team itself. PROFONANPE's team will also perform the technical due diligence internally. Where needed, PROFONANPE aims to efficiently work together with a recurring panel of external service providers procured in a professional and commercial manner based on well-defined terms of references, competitive rates, monitoring and control of service delivery, and evaluation for future assignments. Subject to PROFONANPE's agreement, NESsT is also able to provide support with the disbursement and implementation of the grants for the EBBs.

G.4. Disclosure of funding proposal

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

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

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

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

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

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

H. ANNEXES

H.1. Mandatory annexes

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

H.2. Other annexes as applicable

☒	Annex 15	Evidence of internal approval **(template provided)**
☒	Annex 16	Map(s) indicating the location of proposed interventions
☐	Annex 17	Multi-country project/programme information **(template provided)**
☐	Annex 18	Appraisal, due diligence or evaluation report for proposals based on up-scaling or replicating a pilot project
☒	Annex 19	Procedures for controlling procurement by third parties or executing entities undertaking projects financed by the entity
☒	Annex 20	First level AML/CFT (KYC) assessment
☒	Annex 21	Operations manual (Operations and maintenance)
☒	Annex 22	Assessment of GHG emission reductions and their monitoring and reporting (for mitigation and cross cutting-projects)[44]
☒	Annex 22b	Carbon Methodology Note

☒	Annex 23	Internal Labour Regulations
☒	Annex 24	Code of Ethics
☒	Annex 25	Rules for the Prevention and Fight against Corruption
☒	Annex 26	Guidelines to Prevent Conflict of Interest
☒	Annex 27	Investigation procedures in case of irregularities
☒	Annex 28	Social Consultations Report
☒	Annex 29	Permina Global Commitment letter

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

[44] Annex 22 is mandatory for mitigation and cross-cutting projects.

No-objection letter issued by the national designated authority(ies) or focal point(s)

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Motivo: Firma Digital

Ministerio de Economía y Finanzas

MINISTERIO DE ECONOMÍA Y FINANZAS
DIRECCIÓN GENERAL DE ASUNTOS DE ECONOMÍA INTERNACIONAL, COMPETENCIA Y PRODUCTIVIDAD

"DECENIO DE LA IGUALDAD DE OPORTUNIDADES PARA MUJERES Y HOMBRES"
"AÑO DEL BICENTENARIO DEL PERÚ: 200 AÑOS DE INDEPENDENCIA"

To: The Green Climate Fund ("GCF")

Lima, May 13th, 2021

Re: Funding proposal for the GCF by the Profonanpe regarding the Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)

Dear Madam, Sir,

We refer to the Peruvian Amazon Eco Bio Business Facility (Amazon EBBF) in Peru as included in the funding proposal submitted by Profonanpe to us on April 14th, 2021.

The undersigned is the duly authorized representative of the Ministry of Economy and Finance, the National Designated Authority of Peru.

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

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

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

We also confirm that our national process for ascertaining no-objection to the project as included in the funding proposal has been duly followed.

We also confirm that our no-objection applies to all activities to be implemented within the scope of the project.

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

Kind regards,

[DIGITAL SIGNATURE]
JOSÉ LA ROSA BASURCO
General Director
General Directorate of International Economic Affairs, Competition and Productivity
Ministry of Economy and Finance of Peru

BICENTENARIO PERÚ 2021

Sede Central
Jr. Junín N° 319, Lima 1
Tel. (511) 311-5930
www.mef.gob.pe

Environmental and social safeguards report form pursuant to para. 17 of the IDP

Basic project or programme information	
Project or programme title	Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)
Existence of subproject(s) to be identified after GCF Board approval	Yes
Sector (public or private)	Public
Accredited entity	Peruvian Trust Fund for National Parks and Protected Areas (Profonanpe)
Environmental and social safeguards (ESS) category	Category I-2
Location – specific location(s) of project or target country or location(s) of programme	Peru Regions of: Amazonas, San Martin, Cusco, Puno, Loreto and Madre de Dios
Environmental and Social Impact Assessment (ESIA) (if applicable)	
Date of disclosure on accredited entity's website	N/A
Language(s) of disclosure	N/A
Explanation on language	N/A
Link to disclosure	N/A
Other link(s)	N/A
Remarks	N/A
Environmental and Social Management Plan (ESMP) (if applicable)	
Date of disclosure on accredited entity's website	N/A
Language(s) of disclosure	N/A
Explanation on language	N/A
Link to disclosure	N/A
Other link(s)	N/A
Remarks	N/A
Environmental and Social Management (ESMS) (if applicable)	
Date of disclosure on accredited entity's website	Thursday, September 1, 2022
Language(s) of disclosure	Spanish and English
Explanation on language	The official language ofPerú is Spanish.
Link to disclosure	English: https://profonanpe.org.pe/en/wp-content/uploads/2022/09/Environmental-and-Social-Management-System-of-the-Financial-Facility-for-Amazonian-biobusinesses.pdf Spanish: https://profonanpe.org.pe/wp-content/uploads/2022/09/Annex-6-ESMS-espanol.pdf

Other link(s)	English: https://profonanpe.org.pe/en/category/publicaciones/ Spanish: https://profonanpe.org.pe/category/publicaciones/
Remarks	An ESMS consistent with the requirements for a Category I-2 project is contained in the "Environmental and Social Management System of the Peruvian Amazon Eco Bio Business Facility -EBBF".
Any other relevant ESS reports, e.g. Resettlement Action Plan (RAP), Resettlement Policy Framework (RPF), Indigenous Peoples Plan (IPP), IPP Framework (if applicable)	
Description of report/disclosure on accredited entity's website	N/A
Language(s) of disclosure	N/A
Explanation on language	N/A
Link to disclosure	N/A
Other link(s)	N/A
Remarks	N/A
Disclosure in locations convenient to affected peoples (stakeholders)	
Date	Thursday, September 15, 2022
Place	- Profonanpe regional office (FP 001): Calle los Tigres S/N (ref. next to the "La posada del Apu" Hotel), San Lorenzo, Datem del Marañón, Loreto. - Regional Offices of the National Service of the Natural Protected Areas: • Calle Napo N° 1198 - Iquitos, Maynas- Loreto • Jr. Leticia 1477-1479 - Juanjui, Mariscal Cáceres - San Martín • Jr. Ángel Delgado Morey 565 - Partido Alto - Tarapoto, San Martín • Jr. Cajamarca N° 946 Tambopata, Puerto Maldonado-Madre de Dios • Pasaje 2 de Febrero N° 154 - Puno • Urb. Santa Martha E-12, Distrito San Jerónimo - Cusco • Jr. Ciro Alegría 788, Bagua Grande – Utcubamba, Amazonas • Mz. S-1 Lote 1 Barrio Vista Alegre -AA.HH. Juan Velasco Alvarado -Santa María de Nieva Condorcanqui - Amazonas
Date of Board meeting in which the FP is intended to be considered	
Date of accredited entity's Board meeting	Tuesday, December 22, 2020
Date of GCF's Board meeting	Monday, October 17, 2022

Note: This form was prepared by the accredited entity stated above.

Secretariat's assessment of FP193

Proposal name:	Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)
Accredited entity:	Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE)
Country/(ies):	Peru
Project/programme size:	Micro

I. Overall assessment of the Secretariat

1. The funding proposal is presented to the Board for consideration with the following remarks:

Strengths	Points of caution
The Amazon is a biodiversity hotspot and major carbon sink which, due to deforestation and forest degradation, is nearing a tipping point that could turn it into a net source of carbon dioxide (CO_2). The project would help reverse the trend, filling in the gaps of current financing initiatives which suffer from limited private sector involvement.	The project would make use of grants to support the private sector with revenue generation potential. The recipients are small biobusinesses that find it very difficult access to finance, where the EBBF reimbursable grant has a de-risking role key to recipients being able to access other financing sources. The level of concessionality is thus considered justified.
Financial sustainability would be achieved through the repayment of grants from successful eco-biobusinesses (EBBs) into a revolving fund, and the investment of a portion of the funds received by Peru in terms of REDD-plus results-based payment into the Eco Bio Business Facility (EBBF). Emission reductions generated by biobusinesses would thus flow back to support further investment. Impact investors will be actively engaged in order to leverage additional private financing.	The grants provided to EBBs under investment window 2 consist of a repayable portion (increasing with the size and experience of the EBB from 25 to 65%) and a non-repayable portion. This arrangement is considered adequate to facilitate cash flow and sustainability of the EBBs, taking also into account the emission reductions they will generate into the future.
The project has linkages to FP173 (the Amazon Bioeconomy Fund (ABF), from the Inter-American Development Bank (IDB)), with EBBs being able to access ABF's risk reduction mechanisms, as well as shared data and training materials. It has a strong potential to provide important lessons for similar initiatives for further direct access entity projects in the region.	The financial analysis assumes a level of default of 8% based on prior experiences and IDB's study for EBBs in Peru; the proposal also includes adequate preventative measures against default, such as minimum cash requirements and specific capacity-building.

2. The Board may wish to consider approving this funding proposal with the terms and conditions listed in the term sheet and addendum XIII, titled "List of proposed conditions and recommendations", respectively.

II. Summary of the Secretariat's assessment

2.1 Project background

3. Peru is home to a large carbon stock in its diverse ecosystems, including the Amazon rainforest which occupies nearly 60 per cent of its territory. The economic boom in recent years has succeeded in bringing a substantial part of the population out of poverty, with poverty rates decreasing from 56 per cent in 2005 to 22 per cent in 2018. But this has been accompanied by a significant increase in greenhouse gas (GHG) emissions – from 88.2 megatonnes of CO_2 equivalent ($MtCO_2eq$) in 1990 to 168.85 $MtCO_2eq$ in 2016, with 42.3 per cent of the 2016 emissions being related to forestry and land use. Deforestation in the Amazonian regions accounts for approximately 77 per cent of total nationwide deforestation. These regions are comprised of Amazonian highlands, and high and lowland Amazon. Deforestation caused by migration from highlands and unsustainable land stewardship practices in the high and lowland Amazon are driven by a lack of clearly defined tenure rights.

4. Peru has been at the forefront in the development of the REDD-plus framework. Its nationally determined contribution (NDC) recognizes the importance of forests in terms of mitigation efforts. The forestry and land use sector is estimated to contribute two-thirds of Peru's expected overall emission reduction goal (i.e. annual emission reductions of 53.6 $MtCO_2eq$), which is 30 per cent of GHG emissions in 2030.

5. The project aims to contribute to this mitigation effort by unlocking the potential of small, community-based enterprises, or eco bio businesses (EBBs), in the stewardship of forests. EBBs, as defined by the regulations in Peru, obtain value from the sustainable use of forest resources in their activities, which range from sustainable tourism to forestry and agroforestry products such as medicinal plants, cocoa and coffee, and aguaje and azaí (açaí). EBBs are small in size and community-based, and they face barriers in accessing markets and regular credits from the financial sector. The proposal would support up to 80 EBBs by providing them with training and support through a technical assistance facility, allowing them to refine their business plans, and a reimbursable grant to enable them to scale up operations. These elements would help to improve the risk/reward profile in line with impact investors' appetite, enabling EBBs to access finance, and thus establishing a channel for impact finance to contribute to the conservation of the Peruvian Amazon.

6. The EBBF aims to draw down from GCF funds in the first 10 years of operation, supporting 55 EBBs. After that, it will rely on the reflows from the supported EBBs, with the option of receiving additional transfers from REDD-plus results-based payments (RBPs) if/when they materialize.[1] It is estimated that an additional 25 EBBs can be supported between years 10 and 20. Cash flow from these two sources would initially be rather limited (USD 250,000 to 300,000 annually) but, if successful, there is a possibility to crowd in finance from local financial institutions, impact investors and international donors.

[1] The accredited entity (AE), Profonanpe, is the financial manager of Peru's national REDD-plus mechanism.

Table 1: Project financing

Source	Amount (USD)	Use	Amount (USD)
GCF	8,972,400 (grant)	Strengthening and operationalizing REDD-plus framework	881,000 (8.8%)
Government of Peru	1,027,600 (grant)	Establishing EBBF and grants to EBBs	8,669,000 (86.7%)
Total	**10,000,000**	**Project management**	**450,000 (4.5%)**

2.2 Component-by-component analysis

Component 1: Strengthening REDD-plus governance, institutional and regulatory systems (total cost: USD 880,350; GCF cost: USD 852,750, or 96.8 per cent)

7. In component 1, the project will directly contribute to strengthening Peru's REDD-plus institutional framework and pilot the "nesting" of small-scale interventions under the national framework. The EBBF will provide specialized technical assistance and backstopping to (i) strengthen technical and institutional capacities to monitor and prevent deforestation and forest degradation; and (ii) strengthen technical and institutional capacities to ensure the social and environmental integrity and sustainability of the EBBs.

8. Addressing these gaps will result in strengthened forest governance, increased knowledge and deforestation monitoring, all of which are key to operationalizing RBPs. Among other things, GCF support will help to unlock the REDD-plus finance committed to the country by international donors. It will also critically support the ability of EBBs to trade credits on voluntary carbon markets, if necessary for their business model, contributing to their financial sustainability.

9. In the context of this project, this first component's focus on REDD-plus bolsters the financial exit strategy: a share of RBPs achieved through REDD-plus efforts, estimated at around USD 150,000 annually, will be earmarked to the Amazon EBBF (component 2) in support of EBBs contributing to the sustainable management of standing forests. This would provide a significant boost in ensuring the long-term capitalization of the EBBF in addition to grant repayments by beneficiaries.

Component 2: Amazon Eco Bio Business Facility (EBBF) (total cost: USD 8,669,650; GCF cost: USD 7,727,200, or 89.1 per cent)

10. This component, which accounts for 86.7 per cent of the total funding, will support the establishment, operationalization and grant-making of EBBF, a facility which will support EBBs through two funding windows in line with the GCF enhanced direct access modality.

11. The first window, funded through an initial USD 742,293 grant from GCF, will be an incubation/acceleration facility, providing technical assistance in the form of grants to EBBs for activities such as concept evaluation, business planning, market assessment and research, technology or network development. The AE, Profonanpe, will partner with NESsT[2], an social enterprise organization with ample experience of investing in high-impact companies and which has supported 14,000 organizations in 55 countries to assess, identify and develop sustainable business models.

12. The second window will focus on providing seed capital to a minimum of 55 EBBs with average grant volume of USD 90,000 awarded, implemented, monitored and reported upon.

[2] See https://www.nesst.org/

Whereas the first window will support the development of new EBBs, the second window will support established, albeit small, EBBs that have been in operation for two years and with a minimum level of sales. These EBBs typically lack the collateral to access traditional finance or the profile and visibility for impact investors: EBBF support and seed capital will help bridge these gaps.

13. Grant repayment will be tied to the maturity and revenue-generating potential of selected EBBs by varying levels of concessionality. For smaller EBBs, a 25 per cent portion of the grant will be repayable, increasing to 50 - 65 per cent for larger and more experienced EBBs, which can also receive a larger total grant amount. This arrangement is considered adequate to facilitate cash flow and sustainability of the EBBs, taking into account the emission reductions and environmental and social benefits they will generate into the future. With their valorization and sustainable exploitation of forestry products and services (e.g. eco-tourism, wildlife management, medicinal plants, cocoa and coffee, and aguaje), EBBs would contribute to the stewardship of forests and help reverse the deforestation trend in the Peruvian Amazon.

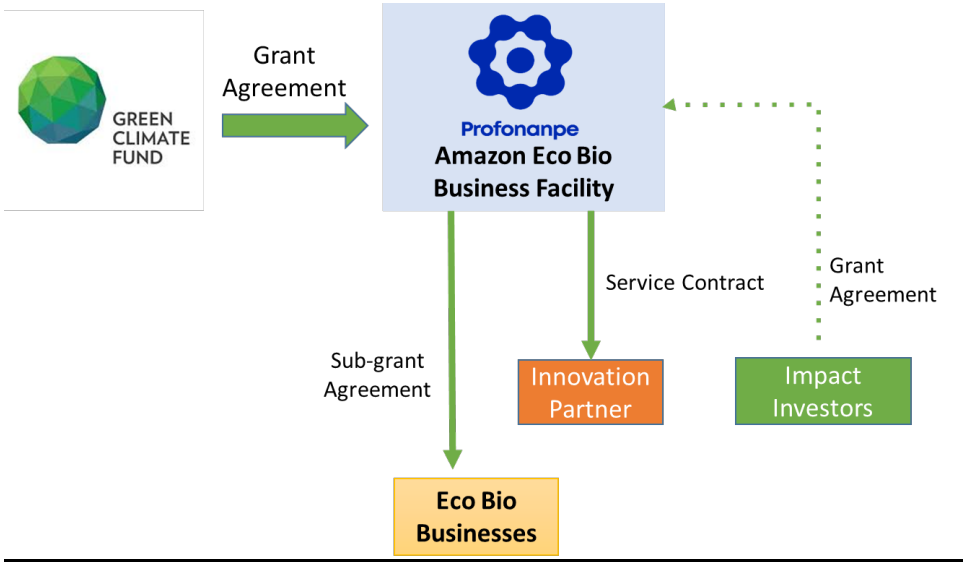
14. After breaking even EBBs will repay the EBBF 20 per cent annually at their respective repayment rates for approximately 5 years after the time that will be established in the agreements between Profonanpe and each EBB. Repaid capital will be reinvested in grants for new EBBs. Reflows will be revolved, contributing to supporting further EBBs down the line. This, together with funds from Peru's RBPs, will be the major source of ongoing funding for EBBs, and would contribute to financing an additional one to two EBBs per year without the need for further capital input.

15. The possibility of EBB defaults is one of the sources of risk for the sustainability of the Facility. The proposal has been developed assuming a probability of default of 8 per cent, based on prior experiences and IDB's study for EBBs in Peru. The proposal includes adequate preventative measures against default, such as minimum cash requirements and specific capacity-building that should improve EBBs' business operational skills.

16. EBBF will be operated by a facility management unit. EBBF's expanded governance system, Operational Manual and implementation arrangements have all been updated consistent with recommendations made by the independent Technical Advisory Panel. The Operational Manual, considered a living document to be updated regularly, includes the proposed organizational structure (see fig. 1 below). A project implementation unit (PIU) will have responsibility for the day-to-day management of the Facility, and will identify, review, screen and clear project proposals based on eligibility and prioritization criteria. It will also conduct procurement of consultants/service providers, financial management, monitoring and evaluation, overall quality assurance, and safeguards compliance.

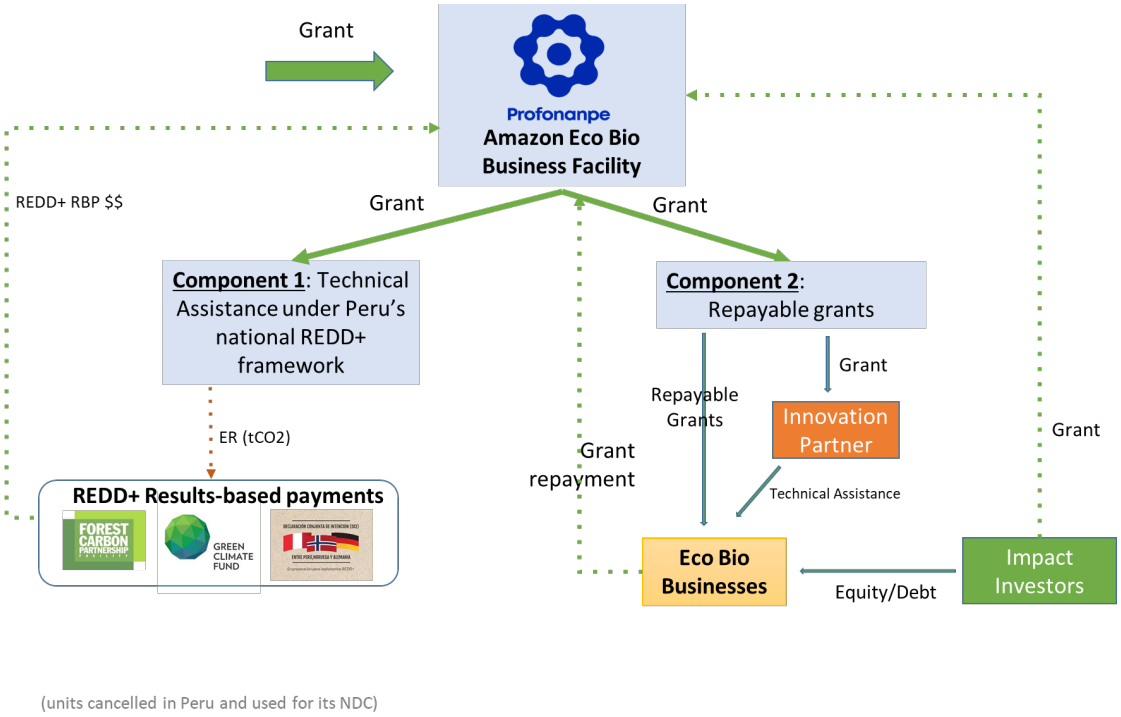
17. To ensure the visibility of EBBs and facilitate their access to impact investors, EBBF will also manage an investors' round table, composed of a broad base of national and international investors, with the support of NESsT. The investors' round table will serve as a platform connecting investors and EBBs, developing relationships and identifying investment opportunities and collaborations.

Figure 1: Implementation arrangements



18. Funds for the overall project will flow through Profonanpe which, as the AE, will oversee the project administration, monitor the project implementation and ensure that the project complies with Profonanpe's own policies. Component 1 will be executed by Peru's Ministry of the Environment (MINAM). Component 2, including the establishment of the Amazon EBBF, will be executed by Profonanpe. The AE and MINAM, acting as executing entities (EEs), will be responsible for the obligations under the accreditation master agreement (AMA) and the funded activity agreement (see fig. 2).

Figure 2: Flow of funds



III. Assessment of performance against investment criteria

19. The Secretariat team considers the proposal to be strongly aligned with GCF investment criteria and the enhanced direct access modality. On the basis of the eligibility criteria and the experience of the technical partner, NESsT, the supported biobusinesses will successfully expand their operations and contribute to the stewardship of the Amazonian forests.

3.1 Impact potential *Scale: N/A*

20. The project aims to reduce GHG emissions by 3.8 $MtCO_2eq$ over 20 years through the sustainable management of 162,929 ha of rainforest carried out by the supported EBBs, which will help to prevent deforestation. The emission reduction estimate was calculated on the basis of results achieved by existing EBBs of comparable size that Profonanpe is currently working with.

21. All emission reduction benefits from EBB projects are estimated using an "avoided deforestation" approach, although projects will also likely contribute to removals and avoided degradation as long as they contribute to sustainable forest management. Their avoided degradation and removals benefits might therefore exceed avoided deforestation emissions benefits. The estimates presented in this assessment are therefore an approximation of the EBBs' mitigation impact, because degradation impacts cannot yet be quantified at the national level in Peru.

22. Some EBBs are likely to generate adaptation co-benefits, for example by preserving ecosystem services in areas where climate change may result in more severe rainfall and run-off. Such EBBs, provided they can adequately articulate the climate rationale, will be prioritized for investment according to the eligibility criteria.

23. Importantly, generating employment (especially in rural areas) is key to providing alternative livelihoods to subsistence agriculture and thus to reducing the vulnerability of local communities to climate change. However, it is not possible to articulate a solid project-level adaptation climate rationale, so any such benefits will be considered and tracked as co-benefits and this project remains 100 per cent mitigation.

3.2 Paradigm shift potential *Scale: N/A*

24. The mitigation figure is a small part of Peru's forestry and land use contribution to the NDC (53.6 $MtCO_2eq$/year by 2030). The proposal, however, fills an important gap in the implementation of the REDD-plus framework in Peru and in Latin America as a whole, where the involvement of the private sector – and particularly, that of small enterprises – has lagged far behind.

25. The proposal would open the door for impact investors and local financial institutions to channel finance for mitigation and forest conservation efforts in the highly biodiverse Peruvian Amazon. The project will set up the enabling environment for that to happen, through both the regulatory improvements to the REDD-plus framework, and the direct involvement of local and international impact investors (through the investors' round table).

26. GCF finance will focus on addressing knowledge and access to finance barriers that impede the set-up and growth of EBBs, which typically offer a risk–reward profile that prevents them from accessing regular finance. Technical skills will be brought in through the technical assistance facility, generating quality jobs and improving the capacity of the staff of EBBs by partnering with NESsT, which has a strong track record in supporting sustainability-minded companies across the globe.

27. Similar initiatives currently under preparation in neighbouring countries can benefit significantly from the lessons learned in this initiative. Profonanpe has been actively cooperating with its counterpart organizations in the region, and thus the potential for knowledge sharing is high. Lessons learned may also be helpful in the larger-scale initiatives for private sector-led mitigation in the Amazon currently being developed.

3.3 Sustainable development potential *Scale: N/A*

28. The Peruvian Amazon is one of the world's top biodiversity hotspots – biodiversity that is being threatened by the rapid pace of deforestation across the region. The conservation of habitats as a result of the action of the biobusinesses would generate very significant environmental co-benefits in terms of biodiversity preservation, and help reverse land degradation, soil erosion, run-off, and other impacts resulting from the loss of ecosystem services.

29. From an economic perspective, the EBBF will support 550 beneficiaries directly. With estimations of an average household of four, this proposal will lead to the indirect improvement of the livelihoods of 2,200 people in rural communities.

30. The project will also widen the local tax base in several ways. The forest sector tends to be highly informal and taxes of different kinds (license fees, royalties etc.) are rarely paid. This informality also leads to low participation in social welfare structures such as health-care plans and pension schemes. This project will accelerate the growth and formalization of the forestry industry, creating a new source of tax income for local governments, both directly through corporate income taxes and tax-like payments such as licensing fees or harvesting royalties paid by the project companies and indirectly through personal income taxes of employees and payments of other companies that benefit from the project indirectly (e.g. contracted service providers or processing companies).

3.4 Needs of the recipient *Scale: N/A*

31. While overall income levels have increased in Peru, people in rural areas such as the Amazon regions targeted by the proposal are largely dependent on subsistence agriculture and natural resources for their livelihoods, which is one of the key factors leading to the vicious cycle of deforestation and land degradation.

32. At present, 80 per cent of Peruvian farmers are subsistence farmers depending on rain-fed agriculture; and 21 per cent of households are below the poverty line, with rural poverty being much higher than urban poverty. Since a large proportion of natural resources are effectively free to take, these resources provide short-term relief to households living below the poverty threshold, and act as a source of livelihoods by providing the option for deriving food and income from multiple sources.

33. The proposed project will make a significant contribution to improving the position of the rural communities located within the project areas, primarily by providing formal employment opportunities. It is estimated that the livelihoods of up to 54,648 people will be improved through the project's activities. In addition to providing employment and a source of income, formal employment also enables health care access and vocational education services for the beneficiaries, as well as the pension and social security system.

3.5 Country ownership *Scale: N/A*

34. The forestry and land use sector is the main pillar of Peru's NDC. The proposal is fully aligned with Peru's National Climate Change Strategy and the NDC, and complements national-level rural development initiatives such as the nationally appropriate mitigation actions in coffee, cocoa, sustainable cattle ranching and inter-institutional coordination efforts to reduce deforestation. The project's adaptation co-benefits are also aligned with the new National Adaptation Plan, currently being finalized by the Government of Peru, and forest and water adaptation NDCs.

35. The focus on EBBs is also aligned with and based on economic development strategies such as the Biocommerce National Strategy and Action Plan 2025. Table 8 (section D.5) of the funding proposal presents a long list of the planning and strategy instruments targeting EBBs.

3.6 Efficiency and effectiveness *Scale: N/A*

36. The proposal envisages achieving emission reductions at a cost of USD 2.36/tCO_2eq (GCF) and USD 2.63/tCO_2eq (total), which rates favourably compared with the benchmark USD 5/tCO_2eq for the GCF REDD-plus results-based payment programme. This estimate is deemed conservative because it does not account for (i) emission reductions from indirectly preventing natural forest degradation and deforestation, (ii) emission reductions from additional capital raised during the EBBF lifetime, (iii) emission reductions from grant repayment by EBBs, (iv) emission reductions after the project lifetime, and (v) carbon sequestration due to enhancements in forest carbon stocks.

37. The provision of grants to private EBBs needs to be accompanied by an adequate consideration of the level of concessionality provided. In this case, the Secretariat team welcomes the use of reimbursable grants in a revolving fund structure that would allow the financing of an additional 20 projects after the initial GCF-funded cycle. The need for grants of around USD 90,000 to be provided for EBBs so that they will be able to access other sources of finance has been well articulated in the funding proposal. It is worth noting that the target EBBs are small, community-based and excluded from traditional finance. A co-financing requirement of 15 per cent in cash or in kind will be in place for EBBs, ensuring there will be some crowding in and a leveraging effect (over USD 0.6 million) from the beneficiaries and/or financial sector at project level.

38. If successful, there is also potential for impact finance to be leveraged at the facility level at a later stage. The ties of the project with local financial institutions and international impact investors can help to grow the Facility if it is successful in achieving results.

IV. Assessment of consistency with GCF safeguards and policies

4.1 Environmental and social safeguards

39. The Amazon EBBF is expected to attain climate change mitigation (i.e. reducing emissions from deforestation and forest degradation) and adaptation (i.e. enhancing the livelihoods and resilience of communities) outcomes through the implementation of REDD-plus infrastructure and the establishment and management of the Facility. Environmental co-benefits include increasing forest cover and sustainable forest use, enhancing degraded landscapes and improving resilience, reducing pressure on natural forests, and enhancing local communities' appreciation for the environmental value of forests. The project allows for transfer of knowledge of best practices, and its social co-benefits include increased resilience against climate change and reduced sensitivity to climate variability and extreme climate

events; increased access to wider social services such as public social security or health insurances; and generation of labour and employment in the rural areas.

40. **Environmental and social risk category and safeguards instrument**. The Facility is categorized as medium level of intermediation (I-2) because all subprojects to be financed by the programme through the Facility will fall under either Category B or C following the screening and assessments using the AE's safeguards standards. The programme is expected to screen, select and provide seed funding to 30 EBBs that may have either potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or have minimal or no adverse environmental or social risks and/or impacts. The Secretariat confirms the categorization and is within the AE's environmental and social (E&S) risk accreditation level. The AE has submitted an environmental and social management system (ESMS) that contains a set of environmental, social and gender policies and procedures that aim to avoid, mitigate and manage the possible adverse E&S risks and impacts that may arise during the implementation of the programme and its subprojects.

41. **Compliance with GCF environmental and social safeguards (ESS) standards**. The paragraphs below provide a description of the Facility's compliance with GCF's ESS standards.

42. **ESS1: Assessment and management of E&S risks and impacts**. The ESMS describes the potential E&S risk factors of the EBBs (i.e. forest-based activities, including agriculture, silvopasture activities, agroforestry, timber plantations, non-timber forest products, eco-tourism, bioeconomy products, sustainable livestock, etc.) that will be managed and supervised both at the Facility level and at the subproject operational level. At the Facility level, the ESMS includes environmental, social and governance (ESG) considerations and a project management cycle for E&S risks. Eligibility and due diligence assessment tools for assessing submitted projects for financing are also presented. At the subproject level, portfolio companies will be required to put in place a management system that establishes procedures and tools and allocates appropriate resources to guarantee the effective implementation of environmental and social requirements. The ESMS at the portfolio company level will include (i) an environmental and social policy that reflects the commitment of the portfolio company to sustainable development and provides a framework for environmental and social management; (ii) an environmental and social management plan; and (iii) an organizational capacity, stakeholder engagement and monitoring system. Furthermore, subprojects will be assessed on a case-by-case basis in accordance with National Environmental Impact Assessment System legislative and regulatory frameworks.

43. **ESS2: Labour and working conditions**. This standard is part of the ESS due diligence that the Facility will perform on all portfolio companies. Issues related to human resources policies, working conditions and terms of employment, labour grievances mechanism, child labour and forced labour, management of contractors among others will be assessed. Labour and working conditions are expected to align with national and International Labour Organization requirements. Furthermore, according to the exclusion list, the Facility will not be providing grants to production or activities that involve harmful or exploitative forms of forced labour and/or child labour.

44. **ESS3: Resource efficiency and pollution prevention**. The assessment on subprojects is expected to ensure that potential impacts of activities have been identified and included in the ESMS, including that there is an appropriate management system in place for waste, water and emissions, and a plan for the safe use of chemicals, including application, storage and disposal. In addition, the exclusion list indicates that the Facility will not invest in companies that are involved in the production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances and other hazardous substances subject to international phase-outs

or bans. Notwithstanding, the Facility and the subprojects will take appropriate measures to monitor resource efficiency and pollution prevention aspects throughout the project cycle.

45. **ESS4: Community health, safety and security**. The programme and the subprojects are expected to put forward an ESMS that has community health and safety considerations. Where relevant, the ESMS requires that the main health and safety aspects that could affect communities be identified (e.g. exposure to noise, dust, hazardous materials, water pollution, transmittable diseases, traffic and transportation impacts, visual impacts, site security) and that adequate mitigation measures are developed, including the implementation of a grievance mechanism.

46. **ESS5: Land acquisition and involuntary resettlement**. The ESMS includes land acquisition and involuntary resettlement as part of the ESG screening checklist that will be used to assess all the activities of portfolio companies seeking grants. The due diligence process that follows the screening requires that the different types of displacements be identified (e.g. physical and economic displacement), and a resettlement/livelihood restoration plan be proposed, as well as that clarity is provided on the compensation and benefits for displaced communities, as required. The programme will also look at the land-use strategy foreseen by the company, including the land-use rights arrangements for the implementation of the activities.

47. **ESS6: Biodiversity conservation and sustainable management of living natural resources**. The programme will be targeting highly diverse rainforest landscapes with biodiversity conservation and sustainable management of natural resources as one of the related programme outcomes. Nevertheless, the implementation of EBBs has environmental risks related to use of natural resources beyond theirs sustainable renewal and potential adverse impacts as regards increased liquid and solid waste generated as a result of the implementation of the activities. To this effect, subprojects requesting funding will be assessed during the screening and due diligence processes to ensure that planned activities have very limited or no impact on biodiversity. The ESMS of subprojects is expected to identify risks and impacts and propose mitigation measures, particularly as regards impacts on biodiversity and ecosystem services, focusing on habitat loss, degradation and fragmentation and potential introduction of invasive species.

48. **GCF Indigenous Peoples Policy and ESS7: Indigenous peoples**. The Facility is committed to building a democratic and peaceful coexistence and promoting the recognition of cultural diversity. The Facility's portfolio companies must demonstrate an intercultural approach through the incorporation of measures to protect the different cultures and needs of indigenous or native populations through the recognition of their right to self-determination, their lands, resources and territories, traditional life and culture. To achieve this goal the ESMS provides an indigenous peoples planning framework (IPPF), which is a set of strategic guidelines based on the GCF Indigenous Peoples Policy, so that the companies in the portfolio can ensure the participation of local communities that are part of an indigenous or native people. The specific objectives of the IPPF are:

(a) Provide a framework that allows the timely identification of indigenous peoples located within the scope of the project, as well as possible impacts on their rights;

(b) Establish the guidelines to guarantee the free and informed consent of the indigenous peoples located in the project's sphere of influence; and

(c) Ensure the permanent participation of indigenous peoples located in the project's sphere of influence, through accessible and pertinent mechanisms.

49. It is not clear how indigenous peoples will be able to be involved in EBB business which is a concern as the criteria for selecting incubators/accelerators to provide specialized support to Peruvian EBBs in Tables 2 and 3 will be challenging for indigenous peoples and their

organizations (e.g. 20% co-financing, sales for at least USD 60,000 during the previous 12 months).

50. **ESS7: Cultural heritage**. The due diligence process of the Facility recognizes the importance of cultural heritage for communities. The ESMS requires companies to identify cultural heritage sites, assess potential impacts and propose appropriate mitigation measures. When applicable, companies are expected to put in place "chance find" procedures.

51. **Sexual exploitation, sexual abuse, and sexual harassment (SEAH) safeguarding.** The AE has taken a structural approach to ensure SEAH risks and impacts are assessed and addressed in the projects funded by the Facility. More specifically, the programme's ESMS has incorporated zero tolerance for all forms of SEAH and preventing and responding effectively to SEAH in a survivor-centred and gender-responsive way as the principles to be followed by the Facility and likewise reflected in the ESMS operational guidelines applies at both the portfolio company level and at the Facility level. SEAH considerations as regards complaints mechanism to address SEAH incidents, records of SEAH perpetration, and policies and procedures to ensure assistance and support to SEAH survivors, are included in the ESG screening questionnaire; detailed compliance requirements of related E&S safeguards on organization and governance, labor conditions, and community health, safety and security; and listing activities related to all forms of SEAH in the programme's Exclusion List. The ESMS also requires SEAH risks and impacts and corresponding mitigation measures and special GRM procedures in the project level ESMP and the ESMS for portfolio companies. Mitigation measures and activities taken by portfolio companies to prevent, address and eliminate SEAH are also required as part of the social monitoring template that requires reporting annually. Specific steps for SEAH allegations aligned with SEAH procedure for GRM are included in the Stakeholder Engagement Plan prepared by the AE separately from the ESMS. The programme's Gender Action Plan also includes actions to prevent and attend SEAH as part of the trainings on gender approach for the specialists of the PMU and other management units involved in the Facility and designates responsibilities of programme SEAH safeguarding to the social and gender specialist. Resources and training for SEAH safeguarding and monitoring are ensured as part of the programming and budget for the implementation of the Facility's ESMS.

52. **Institutional arrangements and capacity-building**. The ESMS indicates that a Facility management unit will be established, tasked with maintaining the Facility's ESMS to assess, oversee and support the management of ESG matters by the portfolio companies. In addition, a PIU will be responsible for coordinating and overseeing the assessment of ESG matters of each portfolio company. Regarding environmental and social risk reporting, the Project Administration Council is designed to report on the activities of the Facility on a regular basis. ESG issues and indicators will likewise be published through the AE's annual Sustainability Report and to the GCF through the annual performance report. ESG key performance indicators will also be reported regularly. Periodic evaluations will be conducted to assess the replicability of these initiatives in other Latin American countries. As part of the activities under the programme, stakeholders' capacities to implement REDD-plus safeguards will also be strengthened through training, and through dissemination of guidelines and communication materials to various participants and key stakeholder groups, including indigenous peoples, regional governments and the private sector.

53. **Stakeholder engagement**. The programme has been consulted on and developed with MINAM and approved by the national designated authority. Since the EBBs and the target communities and beneficiaries that will be involved in the programme have not yet been selected, further consultations will be carried out once the selection of the EBBs have been carried out in accordance with the developed stakeholder involvement plan. Consultations and validation meetings with civil society, non-government organizations, and public and private stakeholders (from grassroots to local and national government level) will likewise be undertaken. The stakeholder involvement plan is aimed at providing strategic guidelines to

guarantee the participation and involvement of the various stakeholders throughout the phases of the programme and to allow for ensuring the sustainability of its operations.

54. **Grievance and redress mechanism (GRM).** The Facility will require that a GRM will be established at the portfolio company level, which will be introduced to affected communities and will be culturally appropriate and easily accessible. The mechanism will facilitate the resolution of complaints regarding environmental and social risk issues and concerns, with indicated timelines. Complaints will be resolved at the portfolio company level in the first instance and then, if necessary, at the PIU level. This mechanism will be in addition to the GCF's Independent Redress Mechanism and that of the AE, which allows for groups or individuals affected or potentially affected by GCF-financed activities to seek redress. Monitoring and evaluation of the functioning of the mechanisms will be reviewed periodically to assess their effectiveness.

4.2 Gender policy

55. The AE has provided a gender assessment and gender action plan and therefore complies with the requirements of the GCF Updated Gender Policy.

56. The gender assessment provides the context of the enabling environment for the pursuit of gender equity, including Ministry of the Environment's Gender and Climate Change Plan, that seeks to guide the actions of government entities to simultaneously achieve climate change adaptation and mitigation as well as to reduce gender inequality in the country. The Constitution of Peru recognizes the right to equality and non-discrimination for reasons of sex and guaranteeing the participation of women in decision-making bodies. Peru is also a signatory to a number of international conventions related to women's rights, including the Committee on the Elimination of Discrimination against Women.

57. The gender assessment was completed based on a desk review, with the commitment to carry out stakeholder consultations with women, indigenous peoples, and vulnerable groups to be held at the initial phases of the identification of EBBFs investments. The gender analysis indicates there is a significant lack of sex disaggregated data across the country and across the various sectors, including that of forestry. Women have less access to resources and inputs in the agricultural sector and, consequently, often realize less productivity and benefit from agriculture activities. Their access to employment and compensation in the formal economy is far less than that of men. Violence against women is also a prevalent issue across the country and focal areas of the project. Analysis of the forestry sector indicates that women benefit and participate less than their male counterparts owing to the existence of customary laws and social norms that prevent women from accessing crucial resources such as land, land tenure rights, finance and income generating activities. In addition, their access rights to forest and trees are insecure as a result of their exclusion from decision making processes. Women have a minor role in the formal forest sector and in formal activities that generate income. Formal forestry management is dominated by men and even when women are employed in the forestry sector they tend to earn lower wages and to suffer from bad working conditions. Women's roles are generally confined to the collection of forest products for subsistence use; relying on forests for products such as firewood, fodder and non-timber items such as honey or medicinal herbs for household consumption and going towards the wellbeing of the household and fulfilling household needs. Women also have limited engagement and involvement in forest user groups and in forest related consultative processes. Female headed households are generally even more affected by the changes in forest cover and overall forest health due to higher poverty levels, vulnerability and reliance on natural resources for survival.

58. The AE has provided a gender action plan and therefore complies with the requirement of the gender policy of the fund. The gender action plan provides activities that address

challenges faced by women and includes baseline, indicators, targets, timelines and budgets. The project will include a social and gender specialist to ensure gender issues are integrated throughout the project, including gender expertise in the Facility Management Unit. The AE will – through the gender action plan- require that each Eco-Bio-Businesses supported by the project develop their own gender assessments and gender action plans as part of the screening process, to ensure equal opportunities are going to be provided to women and men. The project will also be training the leadership and members of decision making bodies of the project in gender mainstreaming, so as to integrate gender throughout all aspects of the project. Gender-disaggregated indicators and targets will be used to track progress and demonstrate the differentiated impact on men, women and traditionally marginalized groups, as well as, women owned and run groups and businesses. The AE will develop a grievance mechanism and protocol to provide easy and safe access for the reporting and redress of incidents of gender based violence.

59. Gender is generally well mainstreamed throughout the various project components including decision making, capacity building, monitoring and evaluation along with appropriate financial and technical resources. The AE is encouraged to ensure that appropriate level of financial resources is dedicated to project level gender analyses and action plans.

4.3 Risks

4.3.1. Overall programme assessment (medium risk)

60. The GCF is requested to provide a grant of USD 8.97 million. The AE is co-financing a grant of USD 1 million and the Government of Peru is providing in-kind contribution of USD 0.03 million. With GCF resources, the AE will set up the EBBF, which will mainly invest in EBBs, thus supporting sustainable management and conservation of Peruvian forests.

61. Peru has an investment grade credit rating (i.e. rated A3 by Moody's) and its fiscal situation may allow the use of concessional debt from GCF. The AE has requested grant financing from GCF on the basis of the non-bankable nature of the greenfield projects due to its large upfront investments and the long periods before real returns. The AE has proposed a revolving fund structure for the EBBF. The GCF grant will be invested in the form of seed capital repayable into EBBF and technical assistance to EBBs via EBBF.

4.3.2. Accredited entity/executing entity capability to execute the current programme (medium risk)

62. The AE, Profonanpe, has over 28 years of experience in obtaining seed capital and financing conservation activities in natural protected areas in Peru. The AE will be also a co-EE for component 2 and will manage the EBBF.

63. MINAM will be the other co-EE that will execute component 1. While MINAM will carry out activities under component 1, Profonanpe will be responsible for the financial management of the component, such as procurement of goods, works and consulting services on behalf of MINAM.

4.3.3. Project-specific execution risks (medium risk)

64. **Climate impact risk:** the project has an estimated impact potential of 3.48 $MtCO_2eq$ to be reduced or avoided over 20 years. The AE has clarified that EBBs will not be able to explore opportunities in voluntary carbon markets throughout the duration of the subproject – only after that, as part of its exit strategy. This set-up avoids double counting the climate impact achieved by GCF intervention.

65. **Co-financing risk:** it is expected that the EBBF will not be a sole investor but will invest along with other financiers including EBBs themselves. The selection criteria include a cash collateral from the EBBs; however, this is not included as co-financing in the funding proposal. It is recommended that the term sheet include a clause contractually requiring contributions by the EBBs so that the AE can ensure EBBs meet the selection criteria.

66. **EBB business continuity:** The EBBF is expected to be replenished by attracting other investors, such as impact investors, and private and public investors seeking direct exposure to sustainable forest-based projects. The success of the project will also depend on the ability of the EBBs to continue their businesses and attract investors. Their business continuity will depend on the market demand for timber and non-timber products, applicable laws and regulations, natural disaster/pests and additional investment. The funding proposal states that REDD-plus RBP proceeds (estimated at USD 750,000-800,000 every four years) may be earmarked to EBBF. However, none of the additional financing can be committed at this stage.

67. **Economic analysis and viability:** the analysis focuses on the cash flows and viability of the EBBF throughout its 20-year lifetime. It assumes an 8 per cent probability of default, with a repayable portion between 25 per cent and 65 per cent based on the strength of the grantee EBB. Repaid capital will be reinvested in new EBBs. The analysis also considers two scenarios with and without the REDD-plus RBP resource from the Government of Peru. With GCF resources alone (without REDD-plus RBP), the EBBF has the potential of reaching up to 80 EBBs based on the model. EBBF will depend on the REDD-plus financial mechanism for additional resources, for which Profonanpe is the national managing agency.

4.3.4. GCF portfolio concentration risk (low)

68. In case of approval, the impact of this proposal on the GCF portfolio risk remains non-material and within the risk appetite in terms of concentration level, results area or single proposal.

4.3.5. Compliance risk (medium)

69. The beneficiary country, Peru, is not subject to United Nations Security Council restrictive measures.

70. The AE and MINAM will act as the EEs for this project. However, the AE will be solely responsible for the financial management, project implementation and oversight activities. The Office of Risk Management Compliance (ORMC)/Compliance Team notes that the AE has not identified any red flags with respect to its implementing partner.

71. The AE assessed the anti-money-laundering and countering the financing of terrorism (AML/CFT) and prohibited practices risks and deemed them to be of low probability and medium impact. To mitigate the risks, the AE intends to implement its regular policies on AML/CFT and prohibited practices.

72. The ORMC/Compliance Team have conducted a review of the project in accordance with relevant GCF Board approved policies and, based on available information for this funding proposal, have determined a risk rating of “medium” and have no objection to this request proceeding to the next steps for processing.

4.3.6. Recommendations

73. It is recommended that the Board consider the above factors in its decision.

Summary risk assessment	
Overall programme	Medium
Accredited entity/executing entity capability to implement this programme	Medium
Project-specific execution	Medium
GCF portfolio concentration	Low
Compliance	Medium

4.4 Fiduciary

74. Profonanpe, as the AE, will oversee the project administration, monitor the project implementation, and ensure project compliance with Profonanpe policies. The project will be executed by MINAM and Profonanpe, with MINAM (as the steward of REDD-plus) managing the activities of component 1, while Profonanpe manages the Amazon EBBF.

75. Profonanpe will be responsible for the fiduciary aspects and is accountable for all financial and investment activities. Profonanpe will open a ring-fenced bank account, in United States dollars, for the establishment and management of the Amazon EBBF. Under the EBBF, the PIU will be responsible for identifying, reviewing, screening and clearing project proposals based on eligibility and prioritization criteria. In addition, the PIU will oversee the day-to-day management of the EBBF and implementation of activities, including procurement of consultants/service providers, financial management, monitoring and evaluation, overall quality assurance, and safeguards compliance.

76. The investment process of Amazon EBBF will be managed by Profonanpe's team. The team will also perform the technical due diligence internally. Profonanpe aims to work with a recurring panel of external service providers procured on well-defined terms of references, competitive rates, monitoring and control of service delivery, and evaluation for future assignments.

77. Profonanpe will convene and attend the external auditing process in accordance with internationally recognized auditing standards. In addition, the administrative staff of Profonanpe will be responsible for periodic and spot-check reviews of the programme's and each project's accounting and financing procedures. The purpose of these reviews is to verify the accuracy of the documents and to ensure that agreed activities have been implemented using internal regulations as defined in the AMA.

4.5 Results monitoring and reporting

78. As a mitigation project, the intervention is expected to result in overall GHG emissions reductions amounting to 3,806,936 tCO_2eq over 20 years, as per the metrics of the integrated results management framework core indicator 1. The GHG accounting methodology available in annex 22 of the funding proposal has been greatly improved, as it uses conservative assumptions about the impact of five different EBB types on deforestation in nearby forested areas, and references studies and strategies conducted by the Amazon Regional Commonwealth, the Governors and Climate Task Force and the national Geobosques database. The economic co-benefits are foreseen to result in a total of 550 new green jobs, as reported under the corresponding co-benefit indicator in section E.5 of the funding proposal.

79. The theory of change properly depicts how the results chain will cascade from the goal statement to the project activities and clearly articulates the relevant interlinkages between logic levels, barriers and risks. The "if, then, because" logic is adequately formulated and the proposed outputs and outcomes are defined in a manner that are adequately supportive of meeting the ultimate project goal.

80. The logical framework is assessed by the Secretariat to have applied results measurements against the requirements of the integrated results management framework requirements sufficiently for quality at entry considerations. Sections E3 and E.5 of the funding proposal include a proper setting of means of verification, assumptions and targets, which the AE confirmed are not dependent on the RBP flows scenarios but depend only on GCF grants.

81. The monitoring and evaluation plan in annex 11 of the funding proposal has been found to follow the appropriate requirements, as it includes the entire list of the project-integrated results management framework indicators while ensuring consistency between the data/sources and set means of verification. The monitoring and evaluation budget accounts for about 4 per cent of the total project budget, ensuring compliance with the GCF Evaluation Policy recommendations.

4.6 Legal assessment

82. The original Accreditation Master Agreement ("**AMA**") was signed with the AE on 19 July 2016, and it became effective on 10 October 2016. The AE's first term of accreditation expired on 9 October 2021. The AE was reaccredited by the Board pursuant to Decision B.31/12. The first amendment and restatement agreement amending and restating the AMA was signed on 15 September 2022 and is not yet effective.

83. The AE has provided the legal opinion confirming that it has obtained all internal approvals and it has the capacity and authority to implement the project.

84. The proposed project will be implemented in Peru, a country in which GCF is not provided with privileges and immunities. This means that, among other things, GCF is not protected against litigation or expropriation in this country, which risks need to be further assessed. The GCF is currently negotiating an agreement on privileges and immunities with the Government of Peru. On 2 July 2019, the Secretariat provided a note and response regarding amendments to the draft agreement, with the Government acknowledging receipt.

85. The Heads of the Independent Redress Mechanism and Independent Integrity Unit have both expressed that it would not be legally feasible to undertake their redress activities and/or investigations, as appropriate, in countries where the GCF is not provided with relevant privileges and immunities. Therefore, it is recommended that disbursements by the GCF are made only after the GCF has obtained satisfactory protection against litigation and expropriation in the country, or has been provided with appropriate privileges and immunities.

4.7 List of proposed conditions (including legal)

86. In order to mitigate risk, it is recommended that any approval by the Board is made subject to the following conditions:

(a) Signature of the funded activity agreement in a form and substance satisfactory to the GCF Secretariat within 180 days from the date of Board approval, or the date the AE has provided a certificate or legal opinion confirming that it has obtained all final internal approvals, or the date of effectiveness of the amended and restated AMA, whichever is later;

(b) Effectiveness of the amended and restated AMA; and

(c) Completion of the legal due diligence to the satisfaction of the GCF Secretariat.

Independent Technical Advisory Panel's assessment of FP193

Proposal name:	Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)
Accredited entity:	Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE)
Country/(ies):	Peru
Project/programme size:	Micro

I. Assessment of the independent Technical Advisory Panel

1.1 Impact potential *Scale: N/A*

1. The Peruvian Amazon faces serious climate risks exacerbated by three main practices identified by the National Strategy for Forests and Climate Change of Peru: (i) the expansion of infrastructure and extractive industries, (ii) illegal timber extraction and (iii) smallholder agriculture. These practices are the principal drivers of deforestation in the Eco Bio Business Facility (EBBF) target regions of Amazonas, Cusco, Loreto, Madre de Dios, Puno and San Martin.

2. All of these practices are driving higher deforestation rates and increasing greenhouse gas (GHG) emissions. Between 2008 and 2017, the deforestation of the Peruvian Amazon, which includes about 95 per cent of the country's forests, occurred at an average rate of 147,198 hectares (ha) per year (ha/yr) – an increase of 56 per cent compared to the average annual deforestation of 94,021 ha/yr measured between 2000 and 2007. Forest-dependent communities are particularly affected and, at the same time, are those developing unsustainable practices to ensure their daily livelihoods. The project proposes to address the barriers that fuel unsustainable practices in order to shift the current development pathway towards a more sustainable use of forest resources and reduce deforestation.

3. The project presented as an enhancing direct access (EDA) proposal, contributing to the GCF mitigation results area of reduced emissions from forestry and land use. EDA projects hinge their design on establishing or supporting existing financial vehicles (trust funds, funding facilities, country financing mechanisms, etc.) that can provide finance to subprojects at the national and/or local levels.

4. The project was submitted for B.30 almost a year ago but was not endorsed by the independent Technical Advisory Panel (TAP), on the basis of several aspects explained in the past assessment. Some of the concerns have been solved in the current funding proposal, but there are some aspects pending, as explained in this assessment.

5. The Amazon EBBF project involves two components:

(a) Component 1, will strengthen technical and institutional capacities to design, implement and monitor eco bio businesses (EBBs) towards nesting the EBBF under the national REDD+ framework. This component will be implemented by Profonanpe, piloting the "nesting" of small-scale interventions under the national REDD+ institutional framework. The EBBF will provide specialized technical assistance and backstopping to: (i) strengthening technical capacity of the local, regional and national governments to

monitor and prevent deforestation by strengthening the Forest Cover Monitoring Module; (ii) operationalizing the forest degradation submodule; (iii) developing the Forest Reference Emissions Level/Forest Reference Level (FREL/FRL) for REDD+ activities; (iv) designing and operationalizing the National Strategy for Climate Change; and (v) improving forest-based stakeholder capacity and access to report and monitor Cancun safeguards.

(b) Component 2 proposes to create EBBF as an open-ended fund that will be capitalized with GCF resources to invest in eco bio businesses in the Peruvian Amazon, specifically in the Amazon areas of Amazonas, San Martin, Cusco, Puno, Loreto and Madre de Dios. The proponents intend to use the GCF project to establish, operationalize and establish the replenishment of the Amazon EBBF. The EBBF will provide technical assistance and seed capital grant funding on a demand-driven basis to EBBs to crowd in private investments and generate lessons learned. The proponents explain that EBBF's sustainability will depend on grant repayments, resources from possible additional investors and possibly REDD+ results-based payments (RBP) earmarked to the EBBF.

6. The EBBF is expecting to have two windows: window 1 will provide specialized technical assistance to around 40 Peruvian EBBs in an early stage of development through the Nonprofit Enterprise and Self-sustainability Team (NESsT) as an innovation partner, and window 2 will provide seed capital to a minimum of 55 EBBs during the first ten years of operation with an average grant volume of USD 90,000 awarded, implemented, monitored, and reported. It is recognized by the independent TAP that the number of EBBs has increased from the first funding proposal that had initially 30 EBBs with average grant volume of USD 117,000 awarded. The rationale for this component is to provide demand-led technical assistance and seed capital to Peruvian EBBs to increase the contribution of the sustainable forest economy to Peru's gross domestic product (GDP) and contribute to climate change mitigation efforts. The manner in which an EBB may transition from window 1 to window 2 is not well presented in the proposal, nor in the answers to the questions of the independent TAP in the first funding proposal and has not been further explained in the current proposal.

7. The feasibility study presents the definition of EBBs according to the Ministerio del Ambiente/Ministry of Environment (MINAM) Ministerial Resolution 046-2020-MINAM as "enterprises offering goods or services that contribute to the protection of the environment". The Ministerial Resolution provides basic social, environmental and economic criteria to verify if a project fits the EBB category. However, these categories are not aligned with GCF investment criteria and indicate a range of business types that is much broader than forest-based bio-businesses. In the funding proposal a newly drafted figure 2 presents the main value chains of the biodiversity-friendly EBBs, as per the Ministerial Resolution, including cacao, coffee and derivatives as a category with more EBBs, followed by fresh and frozen foods and vegetables, functional foods, ecotourism and textiles.

8. To the independent TAP's comment in relation to the mainly environmental nature of EBBs, as defined by MINAM, and the need to ensure that EBBs receiving support through the GCF-financed EBBF have a clear climate impact potential, the proponents have explained that the definition of EBB is provided as a reference to understand what businesses comprise EBBs in Peru, although not all EBBs will be eligible to apply for funding from the EBBF.

9. By way of example, in the funding proposal table 4 shows four key value chains, including products and services, that might be eligible for EBBF support: (i) agroforestry; (ii) non-timber forest use; (iii) ecotourism; and (iv) afforestation, reforestation and restoration, and presents the correlation between the value chains (column b) and the specific typology of REDD+ eligible activities (column d) and also the alignment with the five specific REDD+ actions and the contribution in mitigation (column e).

10. In developing its national REDD+ results-based implementation and financing mechanism, MINAM has enacted further regulations to identify and categorize REDD+ actions to be considered under the national performance in the context of REDD+ results-based financing. These regulations include aspects related to monitoring and estimation of mitigation outcomes, social and environmental performance vis-à-vis Cancun Safeguards and Peru's country approach, as well as aspects related to ownership of carbon units to be considered in the context of voluntary markets and overall national greenhouse gases accounting for the purposes of achieving Peru's NDC objectives. The funding proposal presents the criteria to identify, categorize and/or design, and implement a REDD+ action under the national REDD+ framework.

11. The proponents present initial eligibility and prioritization criteria for the selection and approval of EBBs, in which they use three main criteria for selecting EBBs with mitigation potential:

(a) There must be a significant difference between forest emissions in the baseline scenario and those in the EBB scenario, and preferably a cost per ton of carbon avoided that does not exceed the current average market rate of approximately USD 20 per ton. EBBs engaging in activities that will generate greater emissions reductions per dollar invested should be prioritized, particularly projects in deforestation frontier areas or EBBs engaging in agroforestry, which are predicted to have greater emissions benefits. Projects must not contribute to additional deforestation;

(b) Forest carbon stock enhancement potential. There must be a significant difference between removals in the baseline scenario and the EBB scenario, and preferably a cost per ton of carbon removed that does not exceed the current average market rate of approximately USD 20 per ton. EBBs engaging in activities that will generate greater removals per dollar invested should be prioritized; and

(c) Potential contribution and alignment with the national REDD+ framework (preferred: alignment with the typology for REDD+ actions and location in areas with high risk of deforestation).

12. The proponents further present screening criteria for social integrity and sustainability and gender equity, financial sustainability and operating capacity.

13. In annex 22b, the proponents present the methodology for estimating GHG mitigation potential. They first selected five EBB types according to some REDD+ actions: agroforestry, forest use for timber purposes, use of forest products other than wood, ecotourism, wildlife management. The emission reduction estimate is using data and approaches from Peru's FREL methodology. Peru's FREL has estimated the total deforestation (in hectares) in the period 2001–2014 for each of the ecozones within the regions where the EBBF will operate (see table 2). The deforestation rate for the period between 2015 and 2019 was calculated with support from MINAM using data from Geobosques, Peru's Monitoring Platform on Forest Cover Change. By dividing the total emissions by the total deforestation, they estimated an emissions factor (EF) that is representative for the area where the EBBF will operate and represents the weighted historic deforestation in the different ecozones. Based on this calculation, an EF of 442.56 tCO_2eq ha-1 was estimated.

14. According to the categorization, an average area in hectares for each type of EBB was then calculated based on MINAM's databases. The proportion of EBBs that fell under each type was also estimated. Assuming that there will be 55 unique EBBs in window 2, an extrapolation was made in terms of the number of hectares in the programme, estimated in 162,929 ha, as shown in table 1 below.

Table 1. Expected area to be covered by eco bio business types

EBB Types	Average area by category in ha	Number of EBBs	Total area in ha
Agroforestry	714	8	5,847
Forest use for timber purposes	47,741	1	19,738
Use of forest products other than wood	2,388	29	69,854
Ecotourism	3,373	6	11,624
Wildlife management	1,104	11	55,867
Total		**55**	**162,929**

15. The independent TAP believes that the number of hectares per category seems very large for businesses receiving a grant of around USD 90,000, which could typically be expected to be a small business.

16. The proponents further considered that the agroforestry EBBs will be in frontier forest and the rest within the forest. To estimate the deforestation rates without EBBs, for agroforestry EBBs it was calculated that for every hectare that shifts from traditional slash-and-burn agriculture to an EBB agroforestry system, one hectare of forest is conserved over 20 years. In contrast, for the EBB activities that occur within forests, it is assumed that only a certain proportion of the forest where the EBB activities are taking place would have been deforested without the EBB activities.

17. The proponents accounted for the spatial variations in deforestation rates across the Peruvian Amazon, grouping them in areas with high historical deforestation rates, which were assumed to also be areas with high risk of future deforestation, and areas with low historical deforestation rates, which were assumed to be areas with low risk of future deforestation. Furthermore, they selected the provinces in which the project will work and developed a further analysis of re-grouping the potential deforestation rates. Based on this assessment, the weighted average deforestation rate of 0.088 per cent for all areas with deforestation rates of less than or equal to 0.25 per cent was selected as the rate for areas with low deforestation risk. These low deforestation risk areas represent 89.1 per cent of the total area of interest. For high-risk areas, in the frontier forest, the estimate was 0.505 per cent. It is assumed that the project will avoid deforestation for at least the lifetime of the GCF project (20 years). Therefore, using the estimated weighted emission factor (442.56 tCO_2e ha-1), the final number of expected project mitigation impacts, was calculated and is presented in table 2, with an estimated cost per tCO_2eq of USD 2.63/ tCO_2eq.

Table 2. Expected project mitigation impacts

Type of EBB	Avoided emissions over project lifetime (tCO_2-eq)
Agroforestry	2,587,720
Forest use for timber production	433,621
Use of non-timber forest products	542,179
Ecotourism	153,199
Wildlife management	90,217
Total	**3,806,936**

18. While the methodology used is not wrong, the assumptions for these calculations are not accurate, especially in terms of the exaggerated size of the areas of EBBs, since forest and agriculture small and medium-sized enterprises (SMEs) in the Amazon are mostly small. Also, the project proponents are assuming that one hectare of EBB will avoid deforestation of one hectare of forest, since the EBBs represent best agricultural practices and without the project, the beneficiaries would most likely have to deforest larger areas to obtain similar livelihood benefits. Moreover, the assumption that the business owners in agroforestry systems would

have expanded into virgin forest, if they had not received funding to sustainably intensify production on their existing land and/or expand onto already transformed land, is not logical. The independent TAP has expressed the view that there are too many assumptions and the direct access entity's (DAE) responses on this have not been convincing thus far. Depending on the regional circumstances, idle non-forested areas could be used for growing crops without implying additional deforestation.

19. The independent TAP understands that the GHG reduction potential can only be accurately determined at subproject level, but the initial assumptions should be more realistic. The proponents explain that only EBBs that demonstrate a statistically significant reduction in emissions or increase in removals will be considered for the EBBF, particularly prioritizing those focusing on agroforestry or in frontier areas of deforestation. EBBs will be screened to determine their relevance to climate change mitigation impact before funding is granted, including an analysis of priority value chains as regards their mitigation potential. To enable this, the project proponents should design and implement a monitoring, reporting and verification (MRV)system and support the EBBs in complying with monitoring reductions in emissions or increase in removals.

20. In the former proposal the proponents estimated that the funding window will lead to the creation of 4,148 new jobs. However, considering the size of SMEs, the new estimates decreased to 550 formal jobs. Moreover, the number of indirect beneficiaries previously estimated at 43,686 decreased to 2,200 people. Finally, in terms of the five selected categories, it is unclear why "forest use for timber purposes" was included. It is very difficult to understand how a forest concession will reduce emissions from deforestation and forest degradation. In particular, extracting timber will, by definition, induce forest degradation. In the view of the independent TAP, there should be a category to support forest plantations in frontier forests, instead of giving forest logging concessions, that will create forest emissions. Moreover, the category of wildlife management seems difficult to understand, especially in relation to the REDD+ performance. When asked about this category by the independent TAP the proponents explained that conserving wildlife in forested areas for non-consumptive use is more associated with ecotourism facilities, where the forest is the natural habitat of wildlife and must be protected for the sake of the business. Therefore, the two categories should be integrated in one. The proponents were not able to provide examples of projects and most of the economic assumptions were based on cacao and coffee value chains, which does not provide a realistic picture. The independent TAP is worried that the EBBF will end up financing only agroforestry projects in frontier forests, on the basis of avoided deforestation. If this is the case, then the project should really provide technical assistance to the cacao, coffee and other commodity sectors to ensure that they shift their production model to one that is carbon positive.

21. Overall, the independent TAP believes that to drive greater impact in the Amazon, the investments could be tied to conservation agreements, ensuring that the proponents are committed to actually saving portions of the Amazon rainforest as well as avoiding expansion of their direct plantations/projects into the Amazon. Emission reductions occur to a large extent only if the EBBF ensures that large tracts of natural forest are kept standing (including the connection of fragmented forests) and are effectively protected from destructive land uses. Where possible, such conservation agreements could add to the expected area size of the EBBs, offering true potential for reducing emissions Moreover, in the case of agroforestry systems, avoiding deforestation is the minimum objective. These systems should account for carbon capture and sequestration and ensure a transition from degenerative to regenerative production systems.

1.2 Paradigm shift potential *Scale: N/A*

1.2.1. Innovation

22. The GCF EDA guidelines are clear in the type of projects that could be financed, indicating that it is advisable that EDA projects have two components:

(a) Component 1, which is oriented to providing technical assistance and capacity-building to strengthen the capacities of local actors in the origination, implementation and reporting of the subprojects financed by the EDA facility, by transferring to them the needed knowledge and skills in project planning, implementation, monitoring and reporting in order to maximize the impact of the climate finance provided by GCF though the EDA modality; and

(b) Component 2, which relates to the establishment of the EDA facility itself as a financial vehicle.

23. In both cases, the paradigm shift of an EDA project relies on the innovations to support technical assistance to maximize impact of the funding channelled to subprojects by the EDA facility, the type of projects selected and the way the financial vehicle is structured.

24. However, in the proposed project, the proponents are using Component 1 to strengthen Peru's safeguard information system, the forest monitoring system, and improved measurement, reporting and verification to comply with the Warsaw Framework to support REDD+. While it is important to support the REDD regulatory framework in Peru – and the REDD+ RBP system could be a long-term funding source for EBBF – the choice to focus on the wider REDD+ enabling environment neglects the need to develop a strong technical assistance programme to directly support the EBBs. Even though the new budget has reduced the amount dedicated to Component 1, it is important to ensure that the technical support given to EBBs will improve the knowledge and objectives of the REDD+ approach, specially in understanding if the categories are well defined and able to prove emissions reductions.

25. In Component 2, the independent TAP had a question in the previous assessment relating to the lower amount of resources given to technical assistance. The proponents increased the amount from USD 400,000 to USD700,000, and provided a description of the methodology that the Nonprofit Enterprise and Self-sustainability Team (NESsT), as an external entity supporting the project, will use to support the selected EBBs.

26. In Component 2, the EBBF as described in the funding proposal, is not providing elements of innovation to ensure climate impact. Most of the Amazon countries, including Peru, have entities and funds providing technical assistance and loans to environmental SMEs. What is lacking is more targeted technical assistance and financial efforts to finance climate change driven projects, ensuring that proponents understand the ways to effectively mitigate emissions while ensuring that the efforts lead to conserving and regenerating the Amazon rainforest. Moreover, the new trend is to support projects that sequester and ensure carbon capture. This is especially true in agroforestry projects which, as explained in the previous section, should aim to shift their productive models to more regenerative ones that are better for climate impacts.

27. The proponents have provided a list of impact investors in the feasibility analysis, including NESsT. They also did some outreach to seek financial support from some relevant stakeholders that could support by crowding in private investments. Moreover, the proponents expect to develop investor roundtables in which the investors and proponents can meet in discussions and then continue possible investment negotiations bilaterally. The independent TAP believes that it will be difficult to ensure investments for 55 EBBs through individual negotiations, and that there is a risk GCF would end up being the sole investor in the EBBF, undermining sustainability of the facility.

28. The proponents expect that Components 1 and 2 will have clear self-reinforcing links whereby a growing number of successful EBBs will support the mobilization of REDD+ RBP which, in turn, will replenish the Amazon EBBF, allowing support for an increased number of

eligible EBBs and the leveraging of more private investments for mitigation actions. However, the expected outcomes from the consultations on safeguards by MINAM will take time; according to the proponents, at least two years. It is important to have a clear understanding of when the REDD+ scheme will be functional, and how MINAM's work will end up directly supporting the selected EBBs to ensure RBP.

29. The impact paradigm shift of the theory of change states that "IF the governance and institutional regulatory system are strengthened and the EBBF is established, THEN GHG emissions will be reduced and green jobs opportunities will be created, BECAUSE EBBs will have financing to improve land use management and use forest resources sustainably and will be able to increase their size and productivity." This will only be true if the EBB categories are well analysed as expressed in the impact section and if there is a clear MRV system to prove the connections between the EBBs and their climate impacts.

1.2.2. Potential for knowledge and learning

30. According to the GCF EDA guidelines, given the importance of local stakeholders in EDA projects, it is recommended that technical assistance and capacity-building is provided as a specific outcome or component (Component 1, for example) of the EDA project. The objective of this particular component would be to strengthen the capacities of local actors in the origination, implementation and reporting of the subprojects financed by the EDA facility, by transferring to them the needed knowledge and skills in project planning, implementation, monitoring and reporting.

31. Even though the current proposal has increased the amount given to NESsT as an innovation partner, there is a lack of clarity on how they will ensure transferring capacity to Profonanpe´s team, so they can effectively continue to support selected EBBs. Moreover, other institutions could possibly be able to provide investment and capacity-building as part of their main roles, and would be interested in engaging with and supporting the EBBs. Limiting support to the capacity of NESsT alone could restrict growth of the EBBF.

1.2.3. Scalability and replicability

32. The scalability and replicability will depend on the ability of the facility to prove the model and to attract further finance. As stated previously, attracting private investors will be very challenging, particularly when the resources that could be channelled to the EBBF once the REDD+ scheme is in place are not yet secured.

1.3 Sustainable development potential *Scale: N/A*

1.3.1. Environmental co-benefits

33. Depending on the type of EBBs, they could reduce the pressure on forests and could potentially increase forest cover, which will in turn improve ecosystem services in the selected Amazonian provinces. These services include improving the quality of the soil, reducing soil erosion, increasing water availability, regulating hydrological cycles and increasing biodiversity.

34. Although there are five project categories, the proponents should further elaborate on the indicators to prove the REDD+ objectives as well as to ensure carbon capture of the agroforestry models and additional co-benefits. In the absence of specific selection criteria, it is difficult to judge effective environmental co-benefits. The criteria, for example, could look into whether native species were used in the restoration of tree cover and forest plantings; if exotic and potentially invasive species were avoided; and if plantations were established with a mix of tree species to increase resilience and protect against pests and diseases.

35. Through the use of carefully designed selection criteria, EBBF should prioritize reforestation and restoration activities that provide carbon sinks while generating sustainable income from non-timber forest products and ecotourism as well as carbon-intensive production of sustainable timber and agroforestry on already degraded land. Moreover, selected projects and EBBs should ensure ecological connectivity at the landscape level, especially along altitudinal gradients and where forest remnants are still available. These forest remnants should become the object of conservation agreements signed by the EBBs in exchange for project support.

36. The EBB selection criteria should include the correct indicators and incentives to prove the hypothesis that a successful EBB, which sustainably uses the resources and services provided by the tropical forest, will reduce the socioeconomic (and cultural) pressure to replace these ecosystems with extractive and unsustainable land-use practices. Otherwise, there is a chance that the incentives for the creation of EBBs will eventually create more pressure on forest resources from farmers expanding the agricultural frontier.

37. While EBBs could prove to be sustainable business models in the Amazon region, the project should prioritize actions that are not only profitable but also contribute to controlling deforestation and restoring degraded areas with the activities envisaged in Component 1 of the proposal. It is critical in this regard that upstream linkages in the value chain (such as suppliers of raw materials, producers of fruits and other plant material used in cosmetics and nutritional products) apply sustainable extraction practices supervised and possibly certified by independent entities.

38. The investment criteria should also look at investments in the context of their respective value chains – with backward linkages in the value chain (such as suppliers of raw material for arts and crafts, natural ingredients for cosmetics and nutritional products) and forward linkages in the value chain (such as markets and distribution of products obtained from natural ingredients and fruits) – ensuring that their carbon and water footprint is minimal and that they apply sustainable extraction and production methods.

39. These agreements will ensure that all actors involved understand the importance of restoring degraded areas but also that they commit to conserving the standing forest in adjacent areas for their own benefit. These conservation agreements need to be closely monitored, which requires considerable technical resources and financial assistance from the project proponents together with MINAM. To this end, there should be better provisions in linking the two components of the funding proposal.

1.3.2. Economic co-benefits

40. Successful EBBs will certainly ensure job creation. The proponents have now estimated correct average numbers of people involved and micro and small enterprises, having around 550 direct beneficiaries with new jobs.

41. Formalization of forest and food system businesses will lead to formal employment with social benefits. The new proposal explains that MINAM estimates the percentage of micro eco and bio businesses to be around 44 per cent, and small enterprises around 31 per cent. Peruvian regulations state that the number of employees in micro enterprises is between 2 and 9 people and in small enterprises is between 10 and 50 people. Therefore, the project estimates that if the EBBF supports 55 EBBs, it will contribute to the creation of 550 jobs and staff training. Also, considering the indirect impact on the employee's households (550x4), 2200 people will be impacted indirectly by the project.

42. However, given the diversity and complexities of Amazon ecosystems, these EBBs will need to take into consideration external risks that need to be further assessed, as they will need to: (i) compete with illegal economies; (ii) address difficult security concerns; (iii) meet difficult

transportation challenges; (iv) tackle economy of scale and quality control issues; and (v) deal with scarce financial and human resources. Therefore, the project facility will need to take these factors into consideration when assessing the projects and address risk factors in loan conditions and expected returns.

1.3.3. Social co-benefits

43. Diversified economic opportunities may be generated for forest-dependent communities, which are often poor and vulnerable and disproportionately affected by climate variabilities.

44. There could be capacity enhancement of communities that will have opportunities to gain skills and knowledge in developing their jobs and in understanding the importance of developing sustainable EBBs. However, in the absence of a more robust capacity-building component, it is difficult to say that communities will be able to develop enhanced capacities.

45. If the project promotes conservation agreements, the mechanisms to achieve them will reinforce community development and social cohesion to support common goods, involving relevant stakeholders related to the selected EBBs.

1.3.4. Gender-sensitive development

46. The project presents an assessment of the situation of women in Peru, including relevant policies and the main challenges they face in the forestry and agricultural sectors.

47. According to the proponents, Profonanpe will endeavour to ensure that the social and economic benefits that stakeholder groups derive from the EBBs are equally shared by men and women. The EBBF will contribute to 550 beneficiaries, of which at least 40 per cent are women.

48. The project presents a gender assessment and action plan with five measures, including: providing technical assistance and monitoring the development of gender evaluations in the selected EBBs; monitoring of access to project benefits by women; developing a system to prevent gender-based violence; addressing complaints, claims and suggestions from a gender perspective; strengthening capacities of the Management Unit as regards a gender approach and design; and follow-up and implementation of a monitoring system. However, the proposal should support EBBs in strengthening their capacities to deliver the gender action plans with a more profound technical capacity component to understand climate change.

1.4 Needs of the recipient *Scale: N/A*

1.4.1. Vulnerability of the country and vulnerable groups

49. According to the World Bank,[1] the corona virus disease (COVID-19) pandemic has had a devastating impact on Peru. A strict and prolonged quarantine led to a decline in GDP of 11.1 per cent in 2020. Employment fell an average of 20 per cent between April and December. Poverty rates rose to around 27 per cent in 2020, pushing almost two million people into poverty.

50. Moreover, according to the most recent World Bank outlook for the country, after a strong recession in 2020, real GDP grew 13.3 per cent in 2021, reaching its pre-pandemic level. The recovery was led by domestic demand, supported by the expansion of both public and private expenditure. Mainly driven by the rebound in GDP, poverty declined by an estimated 4.6 percentage points in 2021, reaching 28.3 per cent, still well above its level in 2019. The

[1] See https://www.worldbank.org/en/country/peru/overview

economy is expected to expand by about 3.4 per cent in 2022, mainly driven by higher export volumes (mostly mining), while domestic demand will gradually decelerate. The challenge for the Peruvian economy lies in accelerating GDP growth, promoting shared prosperity, and providing citizens with protection against shocks, both generalized and individual.[2]

51. Under this country scenario, the Peruvian Amazon represents a hard reality, often made up of poor and vulnerable communities of indigenous peoples and farmers that arrived as settlers in the Amazon. This vast region that accounts for 60 per cent of Peru has seen the transformation of its landscape together with society.

52. Deforestation, caused by migration from highlands and unsustainable land use practices in the high and lowland Amazon, is driven by a lack of clearly defined tenure rights – over 40 per cent of deforestation occurs on unassigned land – and exacerbated by agricultural frontier and rural infrastructure expansion and land speculation, as well as the presence of illicit logging, coca cultivation and mining. Inequality remains high and poverty is concentrated among rural, indigenous populations who are also the most affected by climate change.

53. While Peru has taken important steps to develop environmental institutions – such as its decentralization process and the creation of a series of agencies for environmental policy and enforcement – the Organisation for Economic Co-operation and Development (OECD) Environmental Performance Assessment cites three important needs for strengthened environmental governance that will be directly addressed by this project: (i) the need for increased and equitable social participation; (ii) increased effectiveness in environmental legal enforcement; and (iii) enhanced inter-institutional cooperation for policy development and implementation.

54. Peru's rural population is largely dependent on subsistence agriculture and natural resources for their livelihoods. The Amazon needs new sustainable business models not only to improve livelihoods but also to shift the trend of illegal businesses that are threatening the survival of the Amazon rainforest. Channelling private sector investments to EBBs is needed, together with better governance mechanisms to ensure efficient policies to control deforestation and technological transfer to boost innovation to promote business alternatives based on the standing forest and its rich biodiversity.

55. The independent TAP believes that while there is a great need to support communities and sustainable businesses in the Amazon, there is a need to do it thoughtfully to ensure that the EBB models promote viable economies, ensure climate change mitigation and adaptation impacts and prove that they shift deforestation tendencies with more innovative alternatives. For this the technical capacity component of the project is of paramount importance.

1.5 Country ownership *Scale: N/A*

1.5.1. Alignment with national climate strategy

56. Peru established its original National Climate Change Strategy in 2015, which was a framework document that established the importance of climate change actions and established the country's nationally determined contribution (NDC). In 2018, Peru passed the Framework Law for Climate Change and in 2019, this regulation provided further detail on the roles of MINAM and other ministries for NDC development, update and implementation.

57. The project is aligned with the National Strategy for Forests and Climate Change (ENBCC in Spanish) and is consistent with the national regulatory framework for eco and bio businesses. The ENBCC constitutes Peru's national REDD+ policy framework and defines a cross-sectoral

[2] See https://www.worldbank.org/en/country/peru/overview

and multilevel policy framework to transform the land-use sector through integrated and sustainable forest landscapes, strengthened local governance and thriving and sustainable local livelihoods and agricultural practices.

58. The project is supporting enabling conditions to incentivize sustainable forest management and agricultural production, including opening markets for sustainable value chains, developing or revising regulations, as well as developing local and institutional capacities, while ensuring an inclusive and gender-responsive investment process.

59. The project is also aligned with the ambition of the Government of Peru to ensure the REDD+ results-based implementation and financing mechanism. MINAM has enacted further regulations to identify and categorize REDD+ actions to be considered under the national performance in the context of REDD+ results-based financing. These regulations address issues related to monitoring and estimating mitigation outcomes, social and environmental performance vis-à-vis Cancun Safeguards and Peru's country approach, as well as issues related to ownership of carbon units to be considered in the context of voluntary markets and overall national GHG accounting for the purposes of achieving Peru's NDC objectives.

60. In addition to climate change legislation, the proposed project is also aligned with economic development strategies such as the Biocommerce National Strategy and Action Plan 2025. The project proposal refers to several planning and strategy documents targeting EBBs, including the national green growth strategy. The proposal also refers to other funds created or operating in Peru to support business innovation like INNOVATE Peru, ACUMEN, Eco Enterprises fund and Kiva which involves sustainability dimensions. However, the proposal did not make any specific references to the possible arrangements that could be foreseen with these types of entities.

1.5.2. Capacity of accredited entities and executing entities to deliver

61. Profonanpe, as the DAE and recipient of GCF grant funding, will be responsible for the overall implementation, supervision and monitoring of the project and ensure project compliance with Profonanpe's own policies.

62. In the new funding proposal, MINAM will not be an executing entity as in the previous proposal, and the proponents have reduced the 32 consultants they had proposed to work within MINAM, to 19 consultants in specific roles during the first 4 years to support REDD+ development.

63. The EBBF will be implemented by the Facility Management Unit (FMU), under the strategic direction of the Board of the REDD+ Financial Mechanism. Profonanpe is the administrator of this mechanism and plays the role of Technical and Financial Secretariat. The REDD+ National Financial Mechanism is conceived as the instrument through which the country channels, administers and manages resources from different non-public sources for the implementation of initiatives, programmes and/or projects that correspond to each of the three phases of REDD+.

64. The Financial Mechanism Board is the decision-making body in charge of dictating the strategic guidelines for execution and ensuring that the REDD+ resources are used for the established purposes. It is composed of eight members: (a) Ministry of the Environment (MINAM); (b) Ministry of Agrarian Development and Irrigation; (c) Ministry of Economy and Finance; (d) Ministry of Culture; (e) a representative of the Amazon Regional Association; (f) a representative of the organizations representing the Amazonian indigenous peoples; (g) a representative of the private sector; and (h) a representative of the donors. Its main roles are to:

(a) Approve the procedures for the execution of the Implementation Plan and other complementary REDD+ mechanisms such as the Operations Manual and its subsequent modifications;

(b) Prioritize the themes and/or strategic actions that guide the implementation of the programmes, projects and/or activities in the prioritized areas;

(c) Approve the general criteria for the financing of projects; and

(d) Approve the list of selected projects that request resources under the REDD+ Financial Mechanism.

65. To the independent TAP's question about the need to ensure that the Board is not distracted with the REDD+ functionality instead of the overall EBBF functionality, the proponents responded that in order to ensure the attention of the Board in the project activities there will be an "investment committee" designated by the Board and with specific members to oversee the project. The members will carry out reviews and make recommendations to the Board of the Financial Mechanism. The proponents further explain that this will provide a guarantee that project issues are reviewed by members specialized in bio business and finance issues. However, the independent TAP believes that the proponents should clarify this relation and ensure that in the investment committee there are candidates with sound knowledge of climate change impacts.

66. While Profonanpe has passed the GCF screening process as an AE, and has managed several projects in Peru, the most important example is their role in the first GCF funding proposal awarded to Profonanpe, namely funding proposal FP001 titled "Building the Resilience of Wetlands in the Province of Datem del Marañón" that started implementation in 2017, and in which Component 3 of the proposal involved commercial bio businesses of non-timber forest products. To the independent TAP's questions about the results of the project and lessons learned, the proponents replied that FP001 has achieved important results regarding building resilience through sustainable bio businesses. The project was expected to end in May 2022, however, due to the negative impact of COVID-19, the proponents requested a no-cost extension until December 2023.

67. The proponents detailed several lessons learned and provided some impacts. According to them, by 2021, 418,722 hectares are managed in the project's area of influence with a carbon stock of 234,106,975 tCO_2eq. As of 2021, the project has benefited 10,200 people in the province, belonging to 88 indigenous communities and annexes. It is important to highlight these results, according to the proponents, as they cannot be attributed solely to the project but also to other public and/or private interventions that are contributing to the reduction of emissions, thus ensuring complementarity of efforts.

68. The project is expecting to hire NESsT as an innovation partner. According to Profonanpe, NESsT is an organization with outstanding experience investing in impact companies that generate decent jobs and income for people in a situation of vulnerability. NESsT has supported 14,000 organizations in 55 countries to assess, identify and develop sustainable business models.

69. This partner will provide the technical assistance service to EBBs in window 1, including concept evaluation and validation, business planning and support, market assessment, engineering and analytical services, and demand-led capacity-building such as network development and research support.

70. The proponents had further conversations with NESsT to understand their organization's model and relationship to the present project. NESsT is already active throughout the region, using a similar incubation model to is the one described in this proposal. Typically, the support provided to enterprises through NESsT's programmes is designed in such a way that it will help the recipients be in a strong position to access financing through the NESsT fund, which provides loans to social enterprises. An estimated 15-20 per cent of these receive financing through the NESsT fund. Furthermore, where the NESsT fund does not appear to be the most appropriate partner for financing, NESsT leverages its relationships with other public

and private entities and supports its partners in accessing finance. An estimated 80 per cent of enterprises receive financing from NESsT or another source. This information was not adequately captured in the first draft of the previous funding proposal.

71. What is not clear is why the proponents have selected NESsT compared to others (without an open call for proposals) and what will be the relation between the EBBF and the NESsT fund. NESst will be contracted for USD 742,293 during the first four years. The independent TAP believes that there is a need to ensure that Profonanpe learns from the innovation partner and is able to continue supporting EBBs after the first four years, during the remaining six years of project implementation.

72. Profonanpe is expecting to have a facility management unit and a project implementation unit. Since they are proposing a 10-year project, they have included in the budget a constant sum for 10 years of USD 174,898 per year, accounting for a large share of the overall budget.

73. Commenting on the previous proposal, the independent TAP expressed the view that Profonanpe should rethink the duration of the project, since Component 1 will end in the first five years. This would allow for a scaled-down approach in terms of Profonanpe´s role in the facility, assuming that there will be efficiencies of scale. In the last answers to TAP's questions, the proponents argue that it is important to note that the establishment of this unit is not business-as-usual for Profonanpe and goes above and beyond their usual activities. They further expressed that this unit will also support other projects like the Adaptation Fund and Puna Resilient Facility developed with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). In this regard, and as explained in the section on Efficiency and Effectiveness, there is a risk that GCF will end up subsidizing the functioning of Profonanpe to be able to manage other funding facilities during the 10 years.

74. Overall, the independent TAP believes that the proponents should ensure that the EBBF is not just a small project under the umbrella of the REDD+ Board and that there is a clear division of roles between the Investment Committee and the REDD+ Board, in which the latter respects the decisions of the Investment Committee when approving the EBBs. Moreover, there should be complementarities among all the funds available in Peru to support EBBs.

1.5.3. Engagement with civil society organizations and other relevant stakeholders

75. Following the independent TAP's previous assessment, the proponents contracted Winrock to support in developing stakeholder consultations and to assist Profonanpe in strengthening the funding proposal submitted to GCF. Winrock established a team of experts from the following four organizations: Winrock Solutions (Winrock); Climate Law and Policy; Earth Innovation Institute; and Climate Analytics.

76. As defined in the GCF EDA Guidelines, the design of the Eco Bio Business Facility should guarantee potential EBB beneficiaries have a voice in guiding the Facility and its operations, thereby fostering community-driven EBBs. In the last review by the independent TAP, it was pointed out that potential end-beneficiaries of the Facility and other relevant interest groups should be engaged in the design stage of the EBBF funding proposal to ensure their views and needs are considered during the revision of the proposal and its Operational Manual.

77. The proponents included a new annex (28), explaining the engagement process, in which the consultancy team of Winrock supported and facilitated two virtual meetings with relevant key informants, including 18 participants in the first one and 13 in the second one. The objective of the first working session, was to gather strategic and high-level views and inputs to inform revisions in relation to: (i) capacity-building needs of EBB beneficiaries to navigate the EBB grant-making cycle, including coherence and complementarity with the national REDD+ process; (ii) the proposed social and environmental eligibility and prioritization criteria for the

selection and approval of EBBs, including beneficiary profile; and (iii) the revised EBBF governance mechanism.

78. The second virtual meeting involved the views from private sector stakeholders in relation to the opportunities, needs and challenges to support and invest in EBBs, and their sustainability, from the demand side. The proponents explained that they had refined the proposal based on the inputs from these two meetings. However, the independent TAP believes that more consultations should be developed and that the stakeholder engagement should preferably be done by Profonanpe and the Peruvian partners directly in the country and in the selected regions, maintaining a direct relationship in implementation of the project.

79. The proponents presented a stakeholder engagement plan with some guidelines on how to develop this engagement during project implementation.

80. The DAE should ensure that relevant local actors are allocated functions in the origination, appraisal, implementation, further management and monitoring of subprojects. This will not only lead to climate impact at the community level but will also result in longer term empowerment of local community-based organizations and indigenous peoples' associations through their role in the EDA facility.

81. Overall, even though the virtual meetings supported the design of the project, the independent TAP believes that there is room for improvement in ensuring country and regional ownership of the facility, engaging the relevant stakeholders in the Amazon region.

1.6 Efficiency and effectiveness *Scale: N/A*

1.6.1. Cost-effectiveness and efficiency

82. The overall project amount is USD 10,000,000, of which the requested GCF amount is USD 8,972,400. Profonanpe will co-finance USD 1,000,000 (25 per cent in kind) and MINAM will co-finance USD 27,600 with in-kind resources.

83. In terms of the budget breakdown, USD 880,950 will be allocated to Component 1 and USD 8,669,650 to Component 2. The current budget for Component 1 was reduced compared to the former proposal, but will still deliver its objectives in supporting MINAM to strengthen technical and institutional capacities to monitor and prevent deforestation and access to report and monitor Cancun safeguards in the REDD+ framework, through consultancies and workshops.

84. In terms of Component 2, more resources were allocated from the GCF budget to support 55 EBBs (previously numbering 30), to a total of USD 4.601.158 in addition to the allocation of USD 750,000 from Profonanpe, allocating more than 50 per cent of the total budget to this support.

85. The budget for capacity-building through a consultancy with the innovation partner NESsT was increased from USD 400,000 to USD 742,293. However, even though the current proposal explains better the methodology to support EBBs, it is still not clear why there is only one innovation partner and what will happen with the capacity-building activities after year 4, when NESsT will no longer be part of the project consultants.

86. The rest of the resources (around 30 per cent) are distributed across the establishment and management of the facility by Profonanpe, including awarding and implementing grants during the lifetime of the project. From these resources, Profonanpe is expecting to use USD 174,898 annually for 10 years as staff costs of the project management unit (PMU), which includes the project manager, an environmental specialist, a gender specialist, an administrative assistant and a monitoring specialist. This will account for USD 1,748,989 or 17 per cent of the facility's resources over a period of 10 years, which seems too high. Even though the

independent TAP advised the proponents to lower these costs in the previous assessment, the budget remains the same in the current funding proposal.

87. In replying to the independent TAP, Profonanpe argued that establishing the unit goes above and beyond their usual activities. Furthermore, that if additional projects in Profonanpe are funded (as is expected in the next three years), such as an EDA Facility with the Adaptation Fund and Puna Resilient Facility developed with GIZ, Profonanpe may benefit from economies of scale by splitting administrative costs of the various facilities. In that scenario, they expect to redistribute some resources previously allocated to administration of the EBBF grant facility to instead increase the number of grants made. Profonanpe should thus revise the staff costs of the PMU at regular intervals, accounting for economies of scale with other relevant projects they are managing.

88. It is also noted that the budget does not include any resources to deliver an MRV system, which should be a critical part of the project to ensure the monitoring of climate benefits.

89. According to the financial analysis provided in annex 3 to the funding proposal, EBBF is expecting to invest USD 4,601,158 with resources from GCF for 10 years, with an average amount awarded of USD 90,000. The economic model expects to fund 88 EBBs in a 20-year framework, with a repayment rate of 20 per cent. The model also assumes that no resources are expected from the results-based payments scheme through REDD+. Therefore, 68 per cent of the sources of funds in a 20-year period will come from GCF resources and 32 per cent from grant repayments after year 4.

90. In annex 3A of the financial model, the proponents make different assumptions based on insights of cases from coffee, cacao and Brazil nuts. To the independent TAP's questions about the selection of these commodities (mostly high-value crops) to deliver the financial models, though they do not necessarily represent other selected EBBs, the proponents responded that these three value chains were analysed because they are the most common EBBs in Peru. However, to make the analysis more comprehensive, EBBs representing different stages of maturation, namely early, medium and advanced, were modelled for the three commodities. They further explain that the Brazil nut sector was included in the financial model to show a less profitable business taking advantage of repayable grants. However, the independent TAP believes that these crops do not represent the other types of EBBs like ecotourism, forest concessions or wildlife management, that are of a very different nature. Moreover, the agroforestry crops should account for a reconversion model to prove not only higher yields but carbon sequestration and capture, which might imply initial costs.

91. The independent TAP believes that there should be an option to use the REDD+ facility, enabling some EBBs to access RBP, if and when this is set up. In this regard, there should be a capacity-building component and a link to MINAM's efforts to ensure that they effectively take advantage of the REDD+ scheme when it is effectively established in Peru, which might take some years.

92. The proposal expects that the GCF investment will help EBBF realize investments in the form of repayable seed capital grants to serve as first-loss buffers to leverage additional investments from private and public investors. To this end, the EBBF PMU is proposing to establish and maintain an investors' roundtable (IR) composed of a broad base of national and international investors. The IR will serve as a platform for connecting investors and EBBs, developing relationships and identifying investment opportunities and collaborations. According to the funding proposal, the IR will gather investment executives from national and international investment institutions and will hold one IR each year to motivate them to support individual EBBs. The EBBF PMU shall maintain the IR by organizing meetings, sharing project data rooms and facilitating connections. The eligibility criteria for the investment institutions that participate in the IRs should include a reasonable financial return and

social/environmental returns and, when possible, the ability to accompany and strengthen capacities in impact-generating organizations.

93. The proponents included a table to exemplify the possible partnerships between the EBBF and the GCF-sponsored Amazon Bioeconomy Fund (ABF) as well as the Inter-American Development Bank -sponsored Biobusiness Program (both operated in large part by the Corporacion Financiera de Desarrollo (COFIDE) in Peru). The table includes a short explanation of how these partnerships may be structured and what the expected benefits are.

94. The proposal involves a commitment letter (annex 29) from Permian Global, as a potential co-investor to the Facility, with USD 20 million in the form of direct equity investments as well as credit lines and small grants that could be deployed on a case-by-case basis.

95. Finally, the project needs a more robust economic and financial analysis to understand the viability of EBBs in each of the five selected categories, ensuring that they are economically viable and that the estimates of carbon emissions are developed in a more realistic manner to effectively ensure climate change impacts through overall conservation of the Amazon.

II. Overall remarks from the independent Technical Advisory Panel

96. The independent TAP understands that it is of paramount importance to support the pilot EDA scheme, and that the overall intention of the funding proposal is positive. The proponents submitted this project for the thirtieth meeting of the Board (B.30) that was not endorsed by the independent TAP on the basis of several aspects explained in the past assessment. Even though some of the concerns have been solved in the current funding proposal, this assessment highlights several areas that the proponents need to revise and to strengthen, in order to address the risk of the project not fulfilling its full potential in contributing to climate change mitigation.

97. More specifically, the independent TAP recommends that the proponents should:

(a) Have a strong Impact Committee able to review potential investments, with clear links to the Board of the REDD+ Financial Mechanism and clear roles and responsibilities defined for both bodies;

(b) Ensure further engagement and consultation with potential beneficiaries and relevant stakeholders in the selected regions;

(c) Begin discussions immediately to crowd in impact investors and funds to the EBBF;

(d) Revise the financial and economic models to include specific analysis in the five selected categories and not only in the coffee, cacao and Brazil nut value chains; and

(e) Revise the staff costs of the PMU on a regular basis, accounting for economies of scale with other relevant projects managed by Profonanpe.

98. Most importantly, the project proponents need to better define the criteria for selecting EBBs in each of the selected five categories, namely agroforestry, forest use for timber purposes, use of forest products other than wood, ecotourism and wildlife management. They should also design an MRV system to account for the effective climate impacts of the EBBs. Having a screening process and an MRV system in place will lessen both the risk of the project not reaching its full mitigation impact potential, and the risk of being unable to track its impact over time.

99. In this context, the independent TAP endorses this project with the following condition – that, prior to the second disbursement of the project, the accredited entity shall submit to the

Secretariat a revised operations manual for the project, in a form and substance satisfactory to the Secretariat, which contains:

(a) A detailed screening process to guide the EBBF investment committee in analysing grant applications and selecting which eco-bio businesses will receive grants under Window 2 of the Eco Bio Business Facility, with a detailed set of screening questions for each of the five value chain categories (agroforestry, forest use for timber purposes, non-timber forest use, ecotourism, wildlife management); and

(b) A measurement, reporting and verification system to monitor the greenhouse gas emissions reductions of the Eco Bio Business Facility during the implementation period of the project.

Response from the accredited entity to the independent Technical Advisory Panel's assessment (FP193)

Proposal name:	Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)
Accredited entity:	Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE)
Country/(ies):	Peru
Project/programme size:	Micro

Impact potential

Profonanpe thanks the iTAP recommendation to establish conservation agreements. This will be considered under the grant agreements with the beneficiaries.

The five categories presented in the FP have been grouped from the information of the *"Guidelines for the identification and classification of REDD+ actions"* developed by the competent authority, the Ministry of Environment, which is intended to contribute to robust carbon accounting for NDC compliance and REDD+ actions.

Regarding activities under component 1, specifically Outcome 1.1. *"Strengthened technical and institutional capacities to monitor and prevent deforestation and forest degradation"* to support MINAM in the REDD+ enabling environment, this outcome will allow the Facility and EBBs to use the Forest Monitoring Cover System as a tool to monitor forest cover and forest loss, in their areas. Also, the *operationalization of the forest degradation sub-module* will provide on the **use of degradation data and tools for monitoring** and will allow EBBs located in non-frontier areas **to improve their eligibility potential** to the EBBF, as there will be a better approach available to estimate avoided emissions from degradation. And finally, the s*upport to advance the development of FREL/FRL for REDD+ activities of conservation and sustainable management of forests,* **will provide a methodological framework that allows for consistency in the data reported on emissions reductions generated by these activities for the EBBs.**

As described, these activities are necessary to achieve the results of EBBF in Component 2 and mitigation indicators. Furthermore, it will allow the adequate monitoring of deforestation, forest degradation and carbon stock conservation of the EBBs.

Together with the activities described under Component 1, Profonanpe will ensure the implementation of a monitoring, reporting and verification (MRV) system and support the eco-bio-businesses (EBBs) in complying with monitoring reductions in emissions or increase in removals.

Profonanpe will ensure that EBBs achieve emissions reductions, since dedicated eligibility criteria have been developed in three main aspects: i) Climate change mitigation potential and reduced deforestation, ii) Environmental integrity and sustainability, iii) Social integrity and sustainability & gender equity, iv) Paradigm shift potential and replicability and v) Financial Sustainability and Operating Capacity.

Technical assistance and financial efforts to finance climate change driven projects are addressed under Window 1, where the EBBs will receive capacity building on:

- Concept evaluation and validation
- Business planning and support including personalized consultations on an as-needed basis
- Market assessment and clean tech verification
- Engineering and analytical services
- Capacity building for EBBs on REDD+ regulations, monitoring and safeguards as well as network development.

Profonanpe staff will shadow NESsT in all its activities under Window 1 which will enable Profonanpe to enhance its internal capacities on incubating EBBs in order to keep delivering the technical assistance to EBBs once NESsT exits.

Finally, several potential investors were engaged during the development of the Funding Proposal, (as seen in Annex 2, Table 3). Many of these investors expressed interest in the project concept and in investing in EBBs as they are currently invested in EBBs in other areas of the country and sectors. The strategic objectives of the investors are in alignment with the goals of the EBBF. Furthermore, are interested in entering into different types of partnerships, when the EBBF go forward. It is important to note the participation of PERMIAN GLOBAL, with a commitment letter as a potential co-investor to the Facility with US$ 20 million in the form of direct equity investments as well as credit lines and small grants that could be deployed on a case-by-case basis.

Paradigm shift potential

Profonanpe thanks the iTAP recommendation on improving technical assistance, including a better innovation approach for deliver the technical assistance.

Technical assistance and capacity-building to strengthen the capacities of local actors in the origination, implementation and reporting of the subprojects are addressed in Component 1; since the Output 1.2 will strengthened technical and institutional capacities to monitor and report on the environmental and social safeguards, integrity, and sustainability of the EBBs. And also, in Window 1 of Component 2, EBBs will receive capacity building and technical assistance across key capacity gaps identified in the market assessment, including financial, managerial and access to market barriers between others.

As indicated above, Profonanpe staff will shadow NESsT in all its activities under Window 1, enabling Profonanpe to enhance its internal capacities on incubating EBBs in order to keep delivering the technical assistance to EBBs once NESsT finish their participation.

Profonanpe will take into consideration the issue raised regarding the risk on bilateral negotiations and will develop a strategy to ensure sustainability of the facility.

Sustainable development potential

Profonanpe appreciates the recommendations on this issue. Profonanpe will develop indicators to prove the hypothesis that a successful EBB, which sustainably uses the resources and services provided by the tropical forest, will reduce the socioeconomic pressure to replace these ecosystems with extractive and unsustainable land-use practices. Furthermore, the implementation of conservation agreements will contribute to avoid the pressure on forest resources, for instance, from farmers expanding the agricultural frontier.

The EBBF will provide economic co-benefits and alternative livelihoods through formal employment creation in green jobs for women and men. It will also generate crowd-in investments in EBBs that will be able to attract other investors, such as impact, private, and public investors seeking direct exposure to sustainable forest-based projects. Also, it is expected to promote EBBs led by women.

Therefore, Profonanpe will identify and support EBBs that will be will be both economically/financially viable and reduce emissions. According to a recent study developed by MINAM under the "Bioinvest project", 860 viable companies have the potential for impact investments. In addition, linkages with the Amazon Bioeconomy Fund are described in the FP (table 7), including data sharing for the identification of EBBs.

As described in Figure 2 of the FP, the value chains of coffee, cocoa and derivates represent 316 EBBs, ecotourism and non-timber forest products represent 170 EBBs. These value chains fall into the 5 categories grouped from the information of the "*Guidelines for the identification and classification of REDD+ actions".* Thus, this is the first pool of EBBs that can be eligible for the Facility.

Needs of the recipient

Profonanpe appreciates the recommendations on this issue. Profonanpe will enhance its internal capacities in incubating EBBs with the help of the innovator partner in order to keep supporting the EBBs during the whole implementation period.

This proposal responds to the establishment of an effective mechanism for the transfer of funds to projects of small EBBs without access to traditional financing, with clear investment criteria and in line with those of GCF.

Also, the proposed project will make a significant contribution to improving the conditions of the rural communities located within the project areas primarily by providing formal employment opportunities. Providing formal employment will also enable beneficiaries to access healthcare and vocational education services as well as pension and social security systems, thereby lifting them out of poverty.

By implementing capacities on social and environmental safeguards for REDD+ activities, MINAM and EBBs will increase transparency and reinforce equitable representation for vulnerable populations and women in environmental decision-making. Increased accurate deforestation information and implementation at the subnational level will also improve available data for potential private investors, thereby helping enable further funding.

Country ownership

Profonanpe appreciates the recommendations on this issue. Besides the two consultations workshops held with stakeholders, the consultations with the Amazonian governments will take place with the new authorities after elections due in October: Input from these stakeholders is not required at this moment for project design and will take place after project approval. We will ensure country ownership in the main stages and processes of the project.

As indicated above, Profonanpe staff will shadow NESsT in all its activities under Window 1, enabling Profonanpe to enhance its internal capacities on incubating EBBs in order to keep delivering the technical assistance to EBBs once NESsT finish their participation.

Efficiency and effectiveness
Profonanpe appreciates the recommendations on this issue. The activities developed by the EBBs are directly related to and eligible for the REDD+ Mechanism in order to access RBP. Whereas Component 1 develops technical assistance to build technical capacities to ensure EBBs adherence with relevant REDD+ and EBB safeguards with a view to their eligibility to REDD+ RBP. In its role as the financial manager for the national REDD+ financial mechanism, Profonanpe is uniquely positioned to support MINAM, as the national authority on climate change and the EBBs to develop and strengthen technical and institutional capacities, including through tools, training, and technical backstopping. In doing so, the EBBF aims to contribute to addressing the remaining gaps to enable the implementation, monitoring, and reporting of small-scale REDD+ interventions through EBBs. The viability of the EBBs will be assessed through the criteria selection presented in the proposal. These include the following: i) the project has a feasibility study already completed or in progress (which could be in the way of a financial or business model, breakeven point analysis or a Minimum Viable Product), ii) repayment capacity sustained by the project feasibility study, credit history or accumulated sales or co-financing from a third party of private financier, iii) verifiable credit history in good standing or unmodified audited financial statements for the past year, iv) expected impact of the investment, and v) a minimum of accumulated sales equal to the value of the repayable grant to be given in the last 12 months.
Overall remarks from the independent Technical Advisory Panel:
Profonanpe appreciates the overall remarks and recommendations for the Proposal, and commit to submit a revised operation manual including the items requested. Also, Profonanpe will endeavour to implement the recommendations made throughout iTAP's assessment.

GENDER ASSESSMENT AND ACTION PLAN

Peruvian Amazon Eco Bio Business Facility

Profonanpe

Content

I. INTRODUCTION

Profonanpe is in charge of attracting, managing and channeling financial resources for the execution of initiatives to conserve biodiversity, and mitigate and adapt to climate change. Profonanpe's Amazon Eco Bio Business Facility (the ¨Facility¨) aligns its instruments and activities with the National Policy on Gender Equality. Profananpe's efforts are part of the Ministry of the Environment's Gender and Climate Change Plan, which that seeks to guide the actions of government entities to simultaneously achieve climate change adaptation and mitigation as well as to reduce gender inequality in the country. Profonanpe recognizes that climate change has the potential to exacerbate gender inequalities and increase women's vulnerabilities.

The EBBF fully adopts Profonanpe's Environmental, Social and Gender Policies (PAS) that aims to prevent and mitigate possible environmental and social risks that may arise during the operation of its Portfolio Companies. These are implemented in all the projects executed by the EBBF.

The Plan presented below is part of a commitment to the GCF, and offers a conceptual and methodological framework to integrate the gender approach in the EBBF. It is organized into two sections: in the first, the main gaps faced by women in the sector are identified, based on the analysis of the main variables associated with the project theme, while in the second, the main measures to mitigate its possible risks and impacts, and thus take advantage of the potential of the project to contribute to reducing gender gaps.

II. OBJECTIVES AND PRINCIPLES

II.1. General purpose

Provide the guidelines that allow addressing and mitigating the possible risks and impacts of the project in relations between men and women, contributing to mainstream the gender approach in the project activities and helping to reduce the gender gaps.

II.2. Specific objectives

i. Identify the main risks and impacts posed by the implementation of the EBBF for the inclusion of women in its spheres of influence.
ii. Develop mitigation measures to reduce risks and impacts, and create the conditions to contribute to equality between women and men.
iii. Incorporate the gender approach in the project activities.

II.3. Principles

The principles on which the Action Plan is based are those of equality and non-discrimination, transparency and participation, a gender-sensitive approach, human rights, and respect for the diversity of indigenous peoples, in consistency with the United Nations Framework Convention on Climate Change and REDD+ Safeguards.

III. SECTOR ANALYSIS

This section presents an analysis of the main problems faced by women in the sector associated with eco and bio businesses, as well as the status of the main gender indicators. With this, it seeks to identify the main risks and vulnerabilities associated with gender, as well as the possible impacts that the project could generate in relations between men and women and in gender relations.

Based on this, a set of measures are presented that aim to mitigate the possible risks and negative impacts identified, thereby generating the conditions to take advantage of the opportunities that the project offers in the search for equality between men and women.

III.1. Methodology

The present analysis was conducted on the basis of GCF "Gender Analysis/Assessment and Gender Social Inclusion Action Plan"[1]. The assessment draws from Profonanpe's Environmental, Social and Gender Policy[2] and the Guide for Mainstreaming Gender in Biodiversity Conservation and Climate Change Programs and Projects developed in June 2020[3]. The analysis included the review of quantitative and qualitative studies, including:

- CIF (2017): Gender and sustainable forest management. Entry points for design and implementation[4];
- CIFOR (2012): Forests, trees and agroforests. A strategy for gender-responsive research and action[5];
- CIFOR (2012): Women, men and forest research. A review of approaches, resources and methods for addressing gender[6];
- FAO Gender and Land Rights Database[7];
- FAO (2011): Governing Land for Women and Men. Gender and Voluntary Guidelines on Responsible Governance of Tenure of Land and Other Natural Resources[8];
- FAO (2013): Forests, food security and gender: linkages, disparities and priorities for action[9];

[1] https://www.greenclimate.fund/document/gender-assessment-and-action-plan-annex-8-funding-proposals

[2] http://www.profonanpe.org.pe/sites/default/files/2017-11/PAS%20PROFONANPE%20BOCETO%20ESPANOL_FINAL.pdf

[3] *Guía para transversalizar el enfoque de igualdad de género en programas y proyectos de conservación de la biodiversidad y cambio climático* (June 2020).

[4] https://www.climateinvestmentfunds.org/sites/cif_enc/files/knowledge-documents/gender_and_sustainable_forest_management.pdf

[5] http://www.cifor.org/fileadmin/subsites/crp/CRP6-Gender-strategy.pdf

[6] https://www.cifor.org/knowledge/publication/3893/

[7] http://www.fao.org/gender-landrights-database/en/

[8] http://www.fao.org/3/a-i3114e.pdf

[9] http://www.fao.org/docrep/018/mg488e/mg488e.pdf

- FAO (2013): Governing Land for Women and Men. A Technical Guide to Support the Achievement of Responsible Gender-Equitable Governance Land Tenure[10];
- FAO (2014): State of the World's Forests. Enhancing the socioeconomic benefits from forests[11];
- FAO (2016): How to mainstream gender in forestry. A practical field guide[12]; and
- World Bank Development Indicators Database.
- Databases and indicators of the National Institute of Statistics and Informatics.
- Specialized studies on gender gaps and participation of women in the labor market.

III.2. Institutional framework

Among the main regulatory institutions aimed at guaranteeing legal equality between men and women, as well as promoting the mainstreaming of the gender approach in the policies and administrative processes of the States, we have the following:

III.2.1. International framework

- *Convention on the Elimination of All Forms of Discrimination Against Women – CEDAW (1979)*

The States that ratify this Convention must adopt legislative and administrative policies that seek to eliminate all forms of discrimination against women, incorporating the principle of legal equality between men and women.

- *United Nations Framework Convention on Climate Change - UNFCCC (1994)*

Although its objective is to stabilize the concentrations of greenhouse effect gases in the atmosphere, it has included among its initiatives different Decisions related to gender equality in the context of climate change, referring to the promotion of the participation of women in spaces deliberations of the States parties, and the Lima Work Program on Gender, installed in 2014 in order to carry out a review and develop capacities among the delegates in matters of gender.

- *Sustainable Development Goals - SDG (2015)*

It is one of the main agendas of the United Nations Organization to achieve ecological balance, overcome poverty and overcome different forms of discrimination and inequality. Among its objectives are gender equality and the empowerment of women and girls.

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[10] http://www.fao.org/3/a-i3114e.pdf

[11] http://www.fao.org/3/a-i3710e.pdf

[12] http://www.fao.org/3/a-i6610e.pdf

- *GCF Gender Policy (2018)*

It is the main guiding instrument for the incorporation of the gender approach in the projects promoted by the Green Climate Fund, and part of the principle that better results and positive impacts will be achieved if resilience is built in men and women to address change climate.

III.2.2. National framework

- *Political Constitution of Peru (1993)*

It recognizes the right to equality and non-discrimination for reasons of sex, and in reforms subsequent to its enactment, representation quotas by gender have been included, thus guaranteeing the participation of women in decision-making bodies.

- *National Agreement (2002)*

It is a space for dialogue and agreement between the State and civil society, where policy guidelines are agreed that should guide public action, and among which is the objective of development with equity and social justice, from which The State assumes the fight against all forms of discrimination, promoting the active participation of women as social and political actors, and promoting equitable access to productive employment.

- *Law No. 28983, Law on equal opportunities between women and men (2007)*

It establishes the mainstreaming of the gender approach between the executive branch bodies and subnational governments, so that all sectors and levels of government adopt policies, plans and programs that promote equality between women and men.

- *Action Plan on Gender and Climate Change (2016)*

It is a policy instrument, which aims to incorporate the gender approach in management instruments that address the adverse effects of greenhouse gas emissions, and to take advantage of the opportunities presented by climate change.

- *National Strategy on Forests and Climate Change (2016)*

Its main objective is to reduce the loss and degradation of forests in Peru, through greenhouse gas emissions and the resilience of the forest landscape and the population linked to these ecosystems, from a gender perspective and intercultural, reducing vulnerability to climate change. Specifically, its sixth transversal action "Communication", related to participatory processes, the dissemination and information on the impacts of climate change, and the involvement of actors, has among its lines of implementation those of strengthening information spaces and improving decision-making from a gender perspective, that is, considering the participation of women and promoting their leadership in decision-making bodies.

- *National Gender Equality Policy (2019)*

It is one of the main guiding instruments that the State has in gender matters, whose objectives seek to promote from the State the reduction of violence against women, overcome institutional barriers that hinder equality between women, promote access to health services reproductive capacity of women, as well as guaranteeing their social and economic rights, their participation in decision-making spaces, and reducing discriminatory patterns among the population.

- *Profonanpe's environmental, social and gender policies*

They are a management tool that contains the set of guidelines that seek to avoid, mitigate and manage the possible environmental and social impacts and risks that may occur during the implementation of projects financed by the Fund, thereby optimizing the benefits and opportunities for local populations, involved, and generating equal opportunities and more equitable relationships between men and women.

III.2.3. Articulation with the Nationally Determined Contributions (NDC) and the Action Plan on Gender and Climate Change (PAGCC)

To promote coordinated climate action, the Peruvian State created a temporary Multisector Working Group in charge of generating technical information to guide the implementation of Nationally Determined Contributions (GTM-NDC). The Nationally determined contributions presented in the final report of this working group incorporates cross-cutting gender, intercultural and intergenerational approaches.

More specifically, the Action Plan on Gender and Climate Change (PAGCC) develops Peru's main guidelines on climate change and gender inequalities, understanding that the former exacerbates the latter. Thus, from the analysis of different indicators such as illiteracy, health coverage, participation in the labor market, access to basic services, and dedication to domestic work, it is concluded that populations living in poverty have a lower capacity response to the effects of climate change, and that such a situation especially impacts women, since they are in a situation of greater economic vulnerability and institutional lack of protection.

Additionally, the PAGCC identifies women as one of the groups most closely linked to certain resources such as forestry, as occurs in the collection of firewood, fruits and medicinal plants for domestic use. According to the PAGCC, despite this link with forests, Amazonian areas, which are the ones with the greatest abundance of forest resources, present the greatest gender inequalities, less participation of women in decision-making spaces, a situation that is reinforced, among other reasons, because the female population speaks the least Spanish. Faced with this, the PAGCC proposes 5 specific objectives, which are detailed below:

Specific goals	Results
Information management	1. There is differentiated information on the participation of men and women in the access,

	management and use of forest and wildlife resources in relation to the implications of climate change.
	2. Ancestral and local knowledge and practices of forest and wildlife management of women and men, contribute to the mitigation and adaptation to climate change.
Capacity building	3. SINAFOR public entities with strengthened capacities to incorporate the gender perspective in policies and management instruments to face climate change.
	4. ANP management committees, forest management committees, Regional Environmental Committees and others with strengthened capacities in forest management, climate change and gender.
Management policies and instruments	5. The normative management instruments on access, management and use of forest and wildlife resources that contribute to the reduction of GHG emissions and adaptation to climate change, incorporate the gender perspective.
Adaptation and mitigation measures	6. Increase in forestry and wildlife management projects that contribute to the reduction of GHG emissions in which women participate.

This document is articulated with the main policies on gender and climate change, both in the search for a greater representation of women in decision-making spaces, as well as in the generation of information, capacity building, production of instruments that incorporate the gender approach, and mainly, that of promoting forest management projects in which women participate. As can be seen in section IV "Mitigation Measures", the measures proposed to incorporate the gender approach maintain the same guidelines as the IND and the PAGCC, but adapting them to the specific characteristics and objectives of the EBBF.

III.3. Main trends in the sector

The forest sector suffers from a significant lack of gender disaggregated data. FAO and CIFOR analysis shed some light on the main gender issues affecting the forestry sector. However, they assessment is mostly based on qualitative observations and, as reported by FAO (2016) "There is a major lack of sex-disaggregated and socioeconomic data in the forestry sector – only some employment data exist for the formal forestry sector. Moreover, women's activities in the forestry sector are often concentrated in the informal sector, particularly those related to wood energy,

SMEs, and NWFP value chains (…) the gap in sex-disaggregated data has posed a significant challenge to policy planning".

Table 1: Identified Gender Issues in Forestry

1	Informal economies and markets are the dominant source of livelihoods in rural areas; the engagement in forestry value chains is often crucial for rural women's livelihoods and the well-being of their household
2	Women employed in the forestry sector tend to earn lower wages and to suffer from bad working conditions
3	Formal forestry management is dominated by men
4	Women tend to prefer flexible working conditions that do not clash with their day-to-day household responsibilities
5	Women's time poverty and physical safety concerns limit their access to and use of forest resources and related activities
6	Women play a minor role in the formal forest sector and in informal activities that generate income; their role is confined to the collection of forest products for subsistence use; typically, rural women rely on forests for products such as firewood, fodder and non-timber items such as honey or medicinal herbs for household consumption, while men generally view forests as a source of timber for construction or trade
7	Changes in tree cover and loss of community access to forests can have a disproportionately adverse impact on women, with indirect impacts on households and consequently on the livelihoods of five to ten times as many people
8	Women's access and property rights to forest, tree and land resources are insecure, e.g. by exclusion from decision making
9	(Customary) law and socio-cultural norms prevent women from accessing resources and land, having control and ownership rights and restrict their participation in decision-making processes; lack of tenure rights limits women's access to financial resources and income-generating opportunities
10	Customary law represents a challenge to women's land ownership, which is of particular concern in forest restoration and plantation settings, and agroforestry systems; men remain the principal landowners, limiting women's land and tree ownership
11	In agroforestry systems, women only rare share ownership of trees and have little authority over high-value tree products; processing, marketing and many high-value woody goods are considered male domains; men tend to control the use of income generated from tree sales
12	Women lack formal education, employment and personal networks
13	Sex-disaggregated employment statistics for the forestry sector are not always available
14	Non-participatory approaches might not address the specific local constraints of women effectively
15	Women often have highly specialized knowledge of trees and forests in terms of their species diversity, management and uses for various purposes, and conservation practices; women often have a strong body of knowledge and expertise that can be used in climate change mitigation, disaster reduction and adaptation
16	High illiteracy rates among women limit their participation in capacity programmes; technical or written communication or the use of non-native languages can hinder women's understanding
17	Inappropriate gender advocacy, such as confrontations, will hamper the support of men for gender mainstreaming

Source: FAO (2016)[13], CIFOR (2012)[14]

Women rarely formally own land or trees. Women are generally underrepresented in forest user groups, such as village forest committees or community forest associations. Women's participation in stakeholder consultations is often nominal (see country analysis) and women tend to be enlisted for decision making only when resources are degraded. In rural areas women tend to mostly engage in subsistence activities such as cultivating food crops and collecting fuel wood and non-wood products from natural forests. Women tend to disproportionately bear the costs of subsistence tree and forest management – yet realize only a fraction of the benefits. Climate change, deforestation and loss of community access to forests can have a disproportionately adverse impact on women, with indirect impacts on female-headed households and their extended members. Women represent nearly 50% of the world's population, yet they account for only about 41% of the formal workforce. In forestry, this share is much lower; forestry is often perceived as a male sector. Formal female employment in the forestry sector is low and comparable to other land use sectors such as agriculture or mining, ranging from 9% to 27%, with the lowest values in Sub-Saharan Africa (9%) and Latin America (17%).

Table 2: Female employment in the forestry sector as a proportion of total employment (%)[15]

Africa	9	42
Asia	27	39
Europe	20	46
North America	20	47
LAC	17	40
World	24	41

Soure: http://www.fao.org/3/a-i3114e.pdf

III.4. Main trends in Peru

III.4.1. Women in the agricultural sector

Much of the food security of households and the management of the country's biodiversity are in charge of women who work in agriculture. It has even been found that when land and other assets are controlled by women, they are more likely to be used for food production. However, they carry out this activity with little technology and in small plots, participating to a lesser extent than men in the commercialization of agricultural products on a large scale, with their sales being more frequently destined for domestic consumption. Also, in a trend similar to that of other productive

[13] http://www.fao.org/3/a-i6610e.pdf

[14] http://www.cifor.org/fileadmin/subsites/crp/CRP6-Gender-strategy.pdf

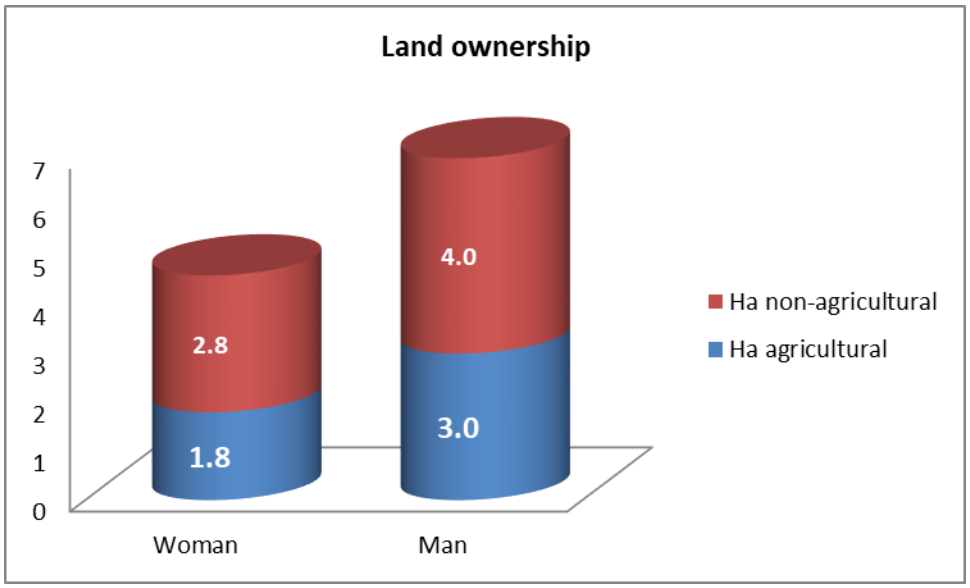
[15] http://www.fao.org/3/a-i3114e.pdf

sectors, women farmers are mostly taking care of their children and other people in the household, being in many cases, increasingly, heads of household[16].

There is an increase in the presence of women in group activities, as observed in the IV National Agricultural Census of 2012, where they came to represent 30.8% (691,921 women), compared to the 20.3% that they represented in 1994, a increase that supposes the doubling of the population of women farmers due to the slower growth rate that men had in that same period[17].

However, there is still little access to agricultural and productive land, and by 2012 agricultural producers owned an average of 1.8 ha of agricultural land, while men had 3 ha, a situation that is replicated in the case of land non-agricultural, whose average for women is 2.8 ha, while for men it reaches 4 ha.

Graph N° 01: Average of agricultural and non-agricultural area owned by agricultural producers, by sex



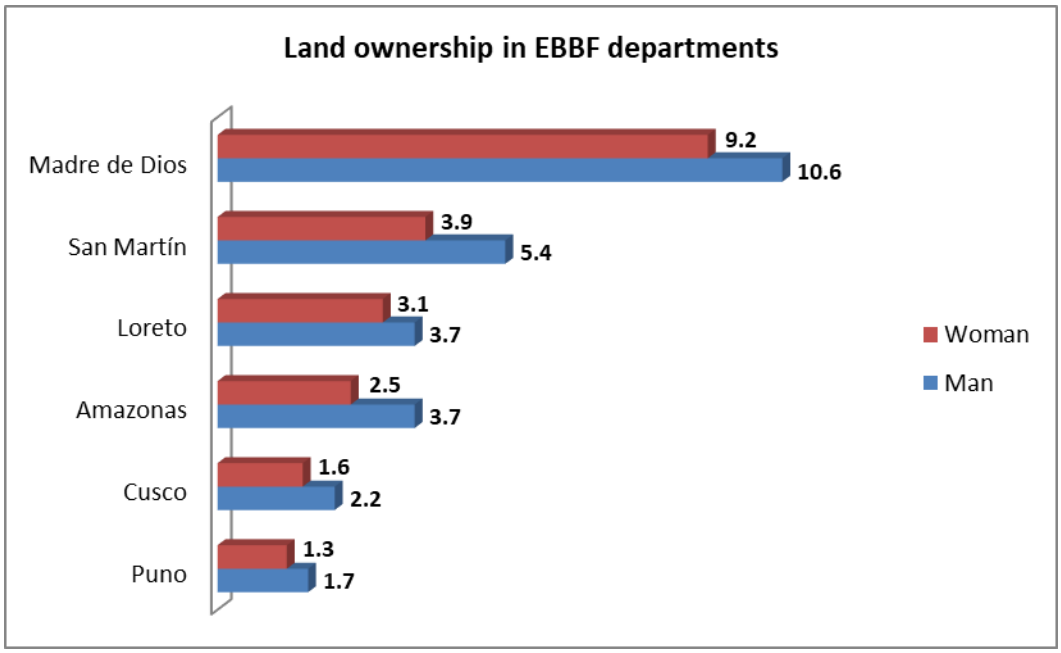
Source: INEI (2019). *Perú: Brechas de género 2019. Avances hacia la igualdad de mujeres y hombres*. Lima: INEI.

In the case of the EBBF departments, it is observed that in Madre de Dios women are above the average, with 9.2 ha, an amount greater even than the national average of land in men. In a similar situation, although in smaller quantities, are San Martín (3.9 ha) and Loreto (ha), with Cusco and Puno being the departments prioritized by the EBBF where the average land area is lower than the national one, with 1.6 ha and 1.3 ha, respectively.

[16] INEI (2019). Perú: *Brechas de género 2019. Avances hacia la igualdad de mujeres y hombres*. Lima: INEI, p.121.

[17] INEI (2019), p. 122.

Graph N° 02: Average of agricultural and non-agricultural area owned by agricultural producers, according to departments within the EBBF area



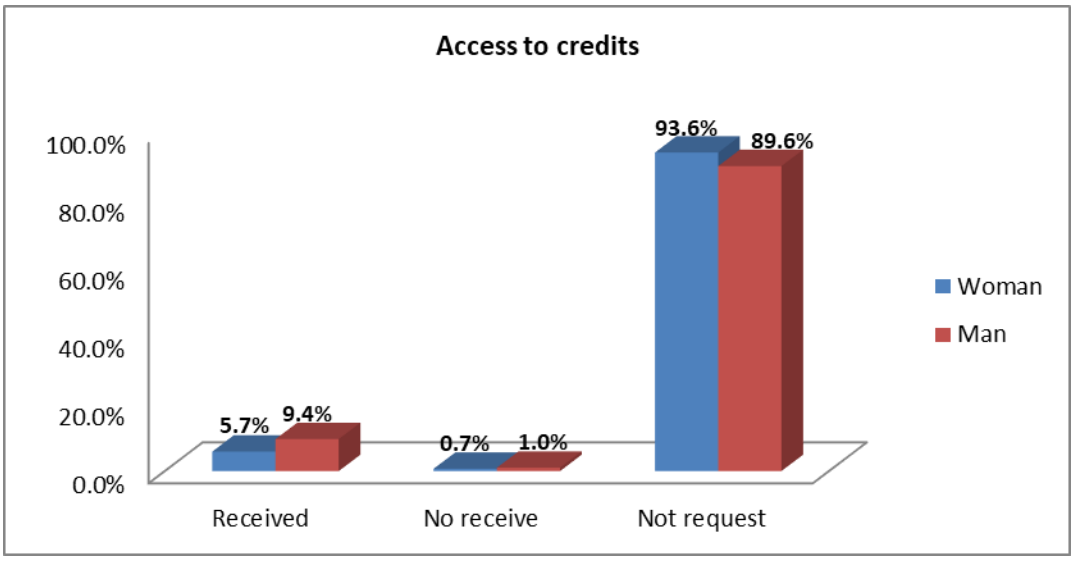
Source: INEI (2019). *Perú: Brechas de género 2019. Avances hacia la igualdad de mujeres y hombres*. Lima: INEI.

One of the factors associated with improving the productivity of the agricultural sector is related to access to financial resources, such as credit, which allows you to expand and diversify your production, improve quality, among other values that affect the quality of life of the producers. In this regard, similar situations were found in the case of men and women, with a certain advantage on the part of men in accessing credit collection (9.4% compared to 5.7% of women), although it is observed that both in women as well as men, a majority group does not apply for loans.

Among the main reasons why agricultural producers do not manage loans, it has to be considered that the interest is very high (30% of women and 28% of men), and 15% of women and 18.1% of men consider that it does not have sufficient guarantees to access a loan granted by a formal financial institution. Also, although in values that are below 10% in both sexes, there are those who think that they will not be able to access a loan, and those who affirm that the procedures are too cumbersome[18].

[18] INEI (2019), p. 125.

Graph N° 03: Agricultural producers / s that requested a loan, by sex



Source: INEI (2019). *Perú: Brechas de género 2019. Avances hacia la igualdad de mujeres y hombres*. Lima: INEI.

Regarding the participation of women in eco and bio businesses, it was found that of the 84 registered in the catalog of the Ministry of the Environment, 50% are in charge of men and 50% have women as representatives, which shows an important presence of women in this sector. Similarly, it was observed that the main areas in which women work are sustainable fashion (16 EBB), food (12 EBB) and resource efficiency (9 EBB).

Table N° 03: EBB according to sex of company representative and departments within the EBBF area

Features	Man	Woman
Company representative (National)	**42**	**42**
Heading		
Fedding	16	12
Cosmetic/wellness	-	3
Ecoturism	3	2
Resource efficiency	15	9
Sustainable fashion	8	16
Company representative (Departaments within the EBBF area)		
Amazonas	-	-
Cusco	2	1
Loreto	-	-
Madre de Dios	1	1
Puno	-	-
San Martín	3	1

Source: MINAM. Lista de emprendimientos EBB.

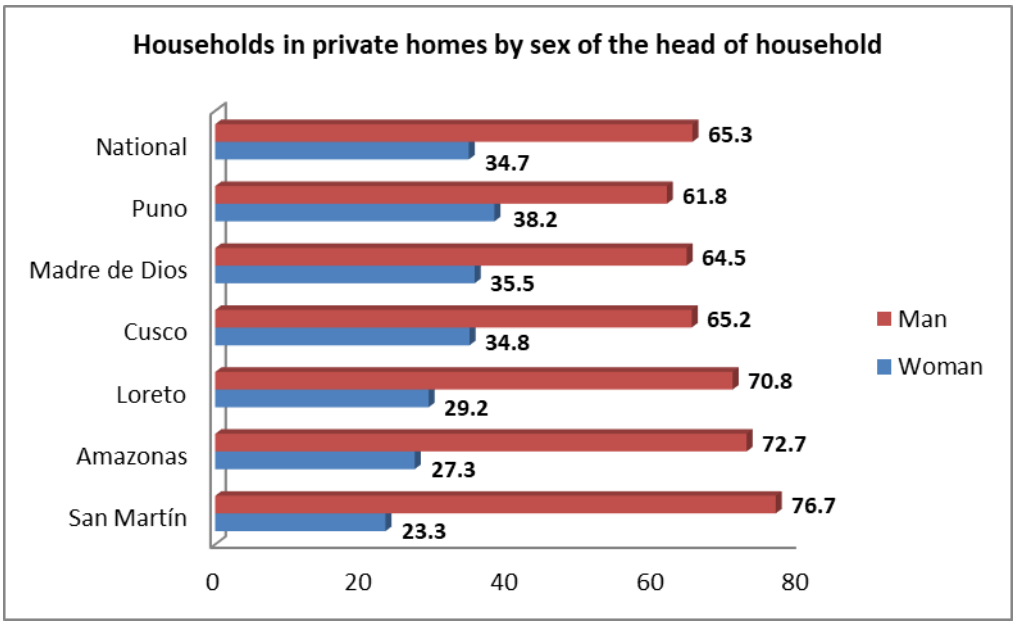
III.4.2. Women heads of household

The head of the household refers to the recognition that the group of people who occupy all or part of the home, related or not, make one of the members of the household because they are the one who provides the greatest economic income to meet basic needs common[19]. Given that gender inequities occur in the home[20], it is necessary to know the characteristics of households headed by women, since they can help to better understand the restrictions that domestic life poses to the participation of women in the labor market.

Thus, of the 8,252,284 households that exist in the country, 65.3% are led by men and 34.7% by women, although if an intercensal period is considered (2007-2017), households with female heads increased 49.1%, with an annual rate of 4.1% (94,472 households)[21], and if the last two decades (from 2001 to 2018) are taken into account, the growth of households headed by women was 127%, while in the same period households headed by men only increased by 35%[22].

On the other hand, among the departments considered in the scope of the EBBF, a trend similar to the national one was found, being Puno the one that more significantly exceeds the households headed by women (38.2%), while in a contrary situation it is San Martin, which has only 23.3% of households headed by women.

Graph N° 04: Sex of the head of household, according to departments within the EBBF area



Source: INEI (2018). Perú: Perfil sociodemográfico. Informe nacional Censos Nacionales 2017. Lima: INEI.

[19] JARAMILLO M. y ÑOPO H. (2020). *Impacto de la pandemia del coronavirus en el trabajo de las mujeres en el Perú*. Lima: GRADE, p.19.

[20] Ídem.

[21] INEI (2018a). *Perú: Perfil sociodemográfico. Informe nacional Censos Nacionales 2017*. Lima: INEI, p.368.

[22] JARAMILLO M. y ÑOPO H. (2020), p.20.

The upward trend in households headed by women can also be observed in rural areas, where these showed a growth from 23.2% to 27.6% in an intercensal period (2007-2017), an increase that is mainly concentrated in the group of age 60 to over, which went from representing 34.5% to 35.7% of rural households headed by women[23]. Likewise, households headed by women tend to be single-parent, a trend that has been growing in the last decade, and to have fewer members in the household, finding that biparental households headed by men with five or more members have shown a decrease[24].

If we consider the current situation generated by Covid 19, during which remote work was implemented in many cases, and with it the need to have specific assets and services such as a computer and the internet, we have that households with female heads have limited access to the internet (28%), cable television (35%) and mobile telephony (87%), in addition to showing lower values than households with male heads of household. Similarly, they have less ownership of important assets such as computers or laptop (30%), refrigerator or freezer (52%), radio set (46%), washing machine (28%), car or truck (6%)[25].

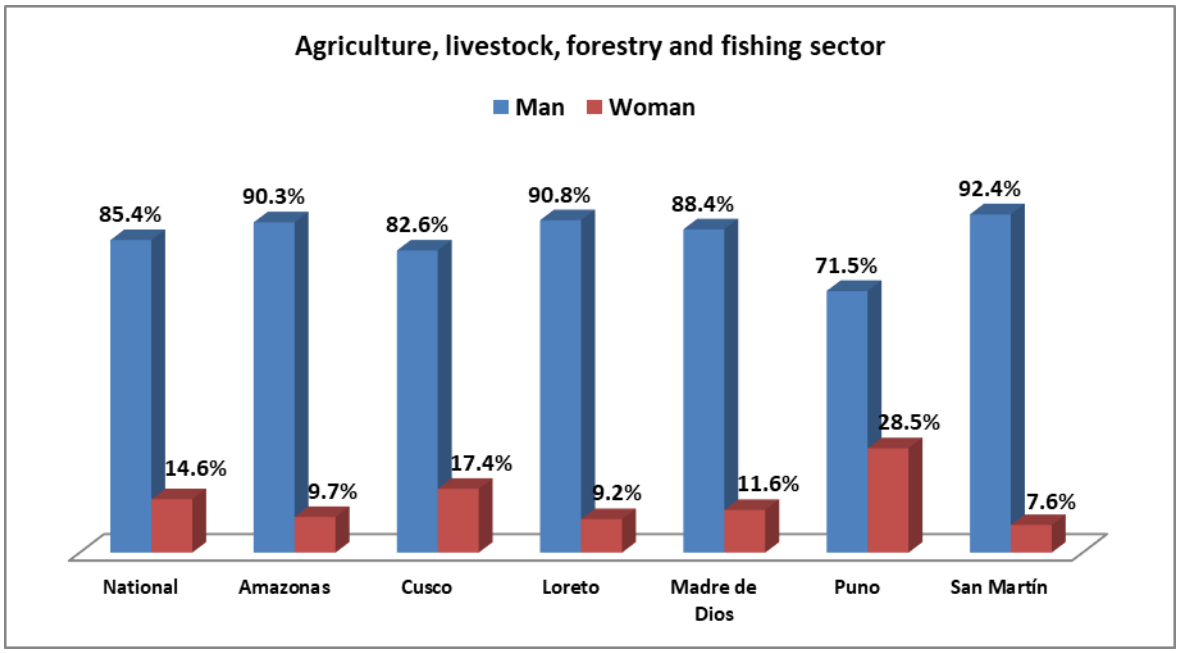
Regarding the participation in the agriculture, livestock, forestry and fishing sectors, according to the heads of households, there is a greater participation of men both at the national level and in each of the regions prioritized by the program. Among the latter, it is the Andean regions that present a greater presence of women heads of households, with 28% of women heads of households in Puno working in the sector, followed by Cusco with 17%, while in the case Of the Amazonian regions, only Madre de Dios is close to the national average with 11.6%.

[23] INEI (2018a), p.371.

[24] JARAMILLO M. y ÑOPO H. (2020), p.21.

[25] JARAMILLO M. y ÑOPO H. (2020), pp.22-23.

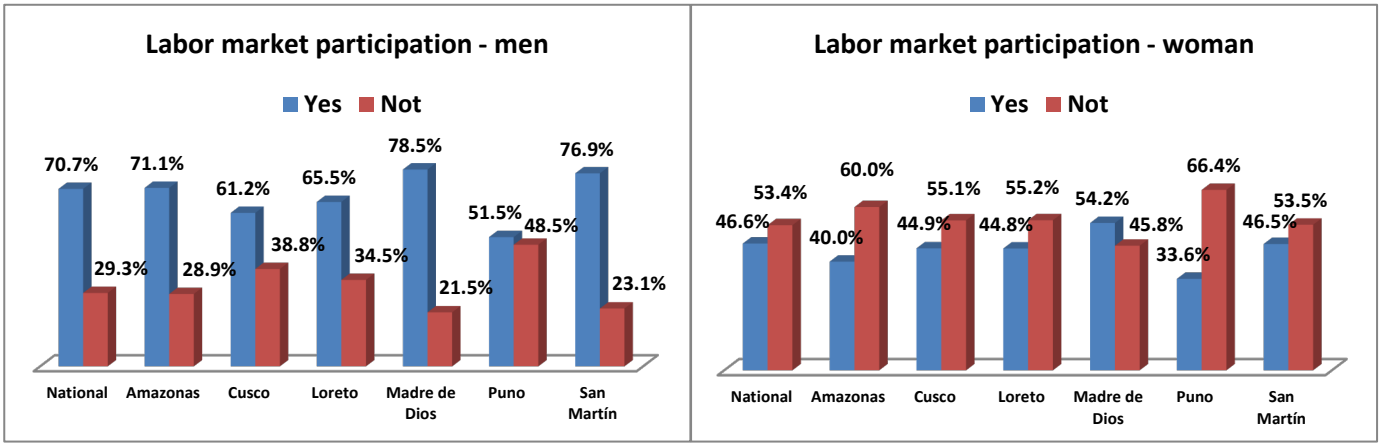
Graph N ° 05: Participation of household heads in the "agriculture, livestock, forestry and fishing" sector, by sex and departments within the EBBF



Source: INEI (2018). Perú Fuente: Censos Nacionales de Población y Vivienda 2017. Lima: INEI.

Also, it can be seen that women heads of household have a lower participation in the labor market. Thus, when consulting whether the previous week he carried out any remunerated activity, it was obtained that the national average of male heads of household who did work reached 70.7%, while that of women was 46.6%. A similar trend followed the regions prioritized by the program, with the exception of Madre de Dios, where the majority of female heads of household is more than half, reaching 54.2%, a percentage that is well below the male average. This could be an indicator that women heads of households, although they have the responsibility of supporting the family economy, are not completely free from the care of dependent people, mainly children, the elderly and the sick.

Graph N ° 06: Participation in the labor market of heads of household, according to sex and departments within the EBBF area



Source: INEI (2018). Perú Fuente: Censos Nacionales de Población y Vivienda 2017. Lima: INEI.

In this way, it can be seen that both at the national level and in the regions prioritized by the program, male heads of household work as employers or employers, in a more significant proportion than women (75.5% men and 24.5% women), and the same occurs with the other labor categories, with the exception of domestic workers, where the trend is dramatically reversed, finding that 96.4% of the national average of female heads of household is dedicated to the household, while only the 3.6% of male heads of household carry out the same activity.

In this sense, it is not surprising that female-headed households are the least prepared for the pandemic situation, both to financially support their families in a context of crisis, but to support the new demands of schooling and virtual employment, as seen at the beginning of this section. Also, it is likely that the family burden has increased as a result of this same dynamic, which may be leaving a more significant group of women without job opportunities.

Table N ° 04: Work performed by heads of household, according to sex and departments within the EBBF area

Departaments	Employer		Self-employed or self-employed worker		Empleyee		Worker		Worker in a family member's business		Domestic worker	
	M	W	M	W	M	H	M	W	M	W	M	W
National	**75.5%**	**24.5%**	**75.8%**	**24.2%**	**64.1%**	**35.9%**	**87.4%**	**12.6%**	**58.9%**	**41.1%**	**3.6%**	**96.4%**
Amazonas	82.1%	17.9%	85.7%	14.3%	63.5%	36.5%	90.3%	9.7%	68.2%	31.8%	7.6%	92.4%
Cusco	71.8%	28.2%	74.6%	25.4%	61.6%	38.4%	87.9%	12.1%	57.9%	42.1%	7.4%	92.6%
Loreto	75.3%	24.7%	81.0%	19.0%	66.2%	33.8%	91.5%	8.5%	63.4%	36.6%	7.5%	92.5%
Madre de Dios	69.1%	30.9%	72.1%	27.9%	57.5%	42.5%	91.7%	8.3%	56.4%	43.6%	4.9%	95.1%
Puno	70.0%	30.0%	68.9%	31.1%	65.3%	34.7%	86.2%	13.8%	52.1%	47.9%	6.9%	93.1%
San Martín	84.3%	15.7%	87.1%	12.9%	68.6%	31.4%	92.4%	7.6%	69.9%	30.1%	3.8%	96.2%

Source: INEI (2018). Perú Fuente: Censos Nacionales de Población y Vivienda 2017. Lima: INEI.

Regarding the level of education achieved by heads of household, it is found that the majority of these populations without any level of education at the national level are women (61.6%), being also those with the least secondary education and complete university higher education they have (30.5% and 33.4%, respectively). Among the regions prioritized by the EBBF, it is observed that only in the cases of Loreto and San Martín do female heads of household have a lower representation in the group with no educational level (40.6% compared to 59.4%, and 45.8% compared to 54.2%, respectively), although in both regions the same trend is maintained in the other groups, even observing that even Loreto is the second region with the lowest proportion of female heads of household with completed university studies (29.4%).

Table N ° 05: Level of education attained by heads of household, according to sex and departments within the EBBF area

Region	No level		Initial		Primary		High School		Incomplete non-university superior		Complete non-university superior		Incomplete university superior		Cpmplete university superior	
	H	M	H	M	H	M	H	M	H	M	H	M	H	M	H	M
National	**38.4%**	**61.6%**	**54.2%**	**45.8%**	**64.9%**	**35.1%**	**69.5%**	**30.5%**	**63.6%**	**36.4%**	**63.2%**	**36.8%**	**65.7%**	**34.3%**	**66.6%**	**33.4%**
Amazonas	46.0%	54.0%	64.7%	35.3%	75.7%	24.3%	78.6%	21.4%	67.4%	32.6%	66.5%	33.5%	54.2%	45.8%	68.8%	31.2%
Cusco	37.3%	62.7%	58.0%	42.0%	69.2%	30.8%	72.0%	28.0%	61.1%	38.9%	62.5%	37.5%	57.8%	42.2%	66.2%	33.8%
Loreto	59.4%	40.6%	62.0%	38.0%	71.7%	28.3%	71.7%	28.3%	70.6%	29.4%	69.0%	31.0%	67.3%	32.7%	70.6%	29.4%
Madre de Dios	40.4%	59.6%	49.6%	50.4%	59.5%	40.5%	68.2%	31.8%	63.9%	36.1%	63.1%	36.9%	60.0%	40.0%	65.3%	34.7%
Puno	29.7%	70.3%	41.9%	58.1%	58.9%	41.1%	70.2%	29.8%	66.8%	33.2%	67.7%	32.3%	56.2%	43.8%	69.6%	30.4%
San Martín	54.2%	45.8%	73.6%	26.4%	79.2%	20.8%	79.4%	20.6%	69.7%	30.3%	70.8%	29.2%	59.3%	40.7%	74.9%	25.1%

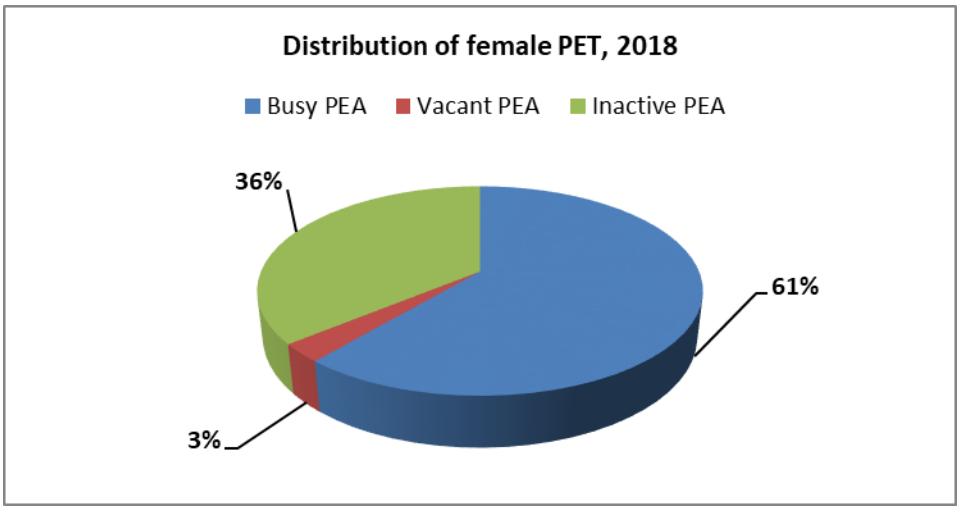
Source: INEI (2018). Perú Fuente: Censos Nacionales de Población y Vivienda 2017. Lima: INEI.

III.4.3. Participation of women in the labor market

One of the fundamental aspects for economic autonomy is to achieve the participation of women in the labor market, as wage earners or leading broad sectors of the economy. In this regard, the female working age population (WAP) amounted to 12,126,950 people, among which 7,766,929 (64%) women make up the economically active population (EAP), and 4,360,021 (36%) women the economically inactive population (PEI), that is, they do not have a job or are actively looking for one (fully inactive), or wanting to look for one, they consider that they have a deficit that prevents them from entering the labor market, so they stop actively seeking employment (hidden unemployment).

Within the EAP, we have a group that is developing some economic activity (EAP employed) and those who do not have a job but aspire to rejoin the labor market (EAP unemployed). In the first group, it was found that 7,421,616 (61%) women are employed, while 345,313 (3%) were terminated or still cannot find work. In this sense, it is observed that although full employment is not achieved, one of the main problems of women's participation in the labor market would be their inactivity, which is related to the development of domestic activities.

Graph N° 07: Population of women of working age, according to activity status



Source: MTPE (2019). *Informe anual de la mujer en el mercado laboral 2018*. Lima: MTPE.

If we consider the EAP according to age groups, the most vulnerable group is that of young women between 15 and 29 years old, who have an occupation of 26.2%, compared to the group of adult women between 30 and 59 years old, whose occupancy reaches 62%[26]. Within the first group of young women, there are also other factors that also influence wages, such as indigenous or Afro-Peruvian self-identification[27].

Regarding the working conditions of female employment, only 39.6% of employed women have a salaried job, a rate lower than that of men, which reaches 51.7%. Also, a higher rate of vulnerable employment was observed, that is, one that is developed as independent work or as an unpaid family worker[28], which reaches 53%, a percentage significantly higher than that of men, which reaches 43%.

In the same sense, the Ministry of Labor and Employment Promotion has been implementing the Employment Quality Index (ICE), developed on the basis of the ILO proposal that considers dimensions such as income, contracting modality, affiliation to the social security and working hours.

From this measurement, it was found that 73.9% of female workers have jobs of poor or very poor quality, that is, with low remuneration levels, without job stability or recognition of social protection benefits, and with excessive working hours. At the other extreme, only 14.9% and 11.2% of women

[26]Ministerio de Trabajo y Promoción del Empleo (2019). *Informe anual de la mujer en el mercado laboral 2018*. Lima: Ministerio de Trabajo y Promoción del Empleo, p.11.

[27] Ídem.

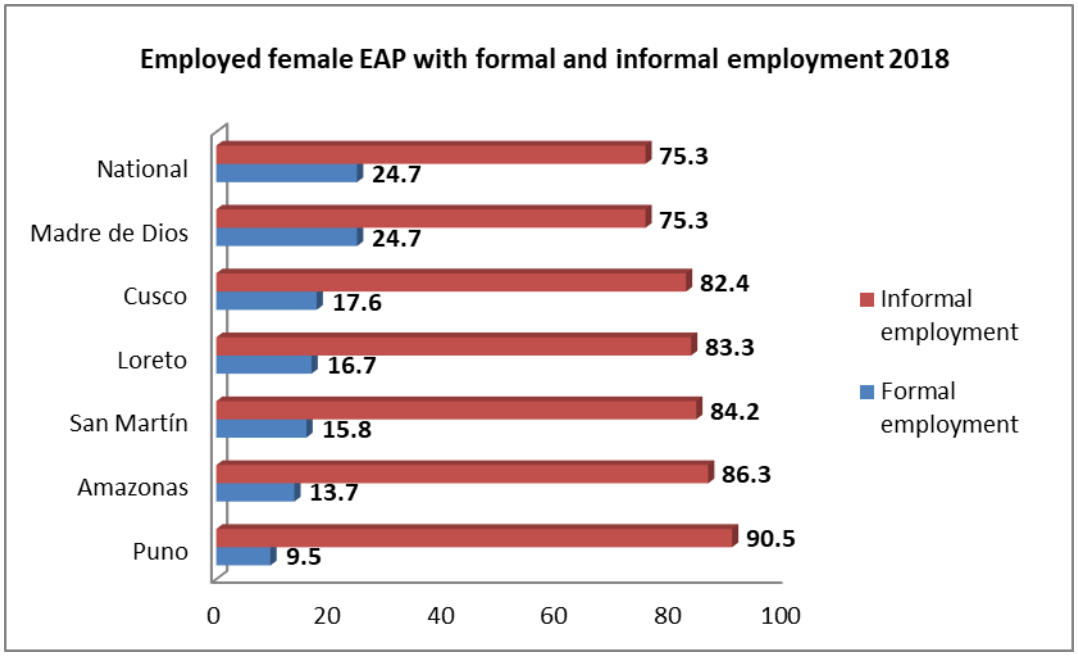
[28] OFICINA INTERNACIONAL DEL TRABAJO (2009). *Guía sobre los nuevos indicadores de empleo de los Objetivos de Desarrollo del Milenio, incluido el conjunto completo de indicadores de trabajo decente*. OIT: Ginebra, p.27. These groups are considered within the category of vulnerable employment, because in comparison with other occupational categories, they tend to receive low incomes, they have difficulty in accessing social protection programs, and there is a greater probability that they carry out their activities in informal conditions.

were in very good or good quality jobs, respectively. In the case of the departments that are within the scope of the EBBF (Amazonas, Cusco, Loreto, Madre de Dios, Puno and San Martín), it was observed that in all cases female employment is located in the low quality range of job[29].

Regarding the informal employment rate of women, in the period from 2008 to 2018, it consistently exceeded 70% in each of the years, reaching 2018 with an informal employment rate of 75.3%, for above the 70.1% that was found in men's employment[30]. Among the occupational groups that presented the greatest informality in employment are that of women farmers, ranchers and fisherwomen (97.8%), followed by that of domestic workers (92.8%). In addition, it should be considered that for 2018, 37.6% of women worked as unskilled independent workers, and 15.4% as unpaid family workers, and when they obtained jobs as private sector workers, they did so mainly in small companies from 2 to 10 workers[31].

Regarding the informal employment rate in the departments within the EBBF area (Amazonas, Cusco, Loreto, Madre de Dios, Puno and San Martín), in which a similar trend is seen at the national level, having that in all cases except In Madre de Dios, informal employment levels are exceeded, reaching 90.5% in the case of Puno[32].

Graph N° 08: Informal employment rate among women, according to departments within the EBBF area



Source: MTPE (2019). *Informe anual de la mujer en el mercado laboral 2018*. Lima: MTPE.

[29] Ministerio de Trabajo y Promoción del Empleo (2019), p.15.

[30] Ministerio de Trabajo y Promoción del Empleo (2019), p.36.

[31] Ministerio de Trabajo y Promoción del Empleo (2019), p.16.

[32] Ministerio de Trabajo y Promoción del Empleo (2019), pp.25-28.

Regarding the average monthly income gaps of women and men, it was found that these were greater in the branches of activity such as industry (S/878 soles) and commerce (S/767 soles), being lower in the industry sectors (S/908 soles) extractive (S/428 soles), the latter includes agriculture, livestock and fishing. For its part, it was identified that the average monthly salary is higher in the construction (S/2,315 soles) and services (S/1,414 soles) branches, and lower in the industrial (S/908 soles) and extractive (S/542 soles).

One aspect to take into account regarding the amounts of wages received by women, as well as their inequality with respect to the wages received by men, is the impact of the number of children. Thus, while the labor income of a woman without children is S / 1,368 soles, that of a woman with a child is reduced to S / 1,185 soles, and so on according to the increase in the number of children[33].A similar situation is observed in access to formal employment, where 70.2% of women between 18 and 45 years of age have an informal job, a rate that increases to 86.3% for those who have three children or more, and on the contrary , is reduced to 64.7% (lower rate than the average for the period 2008-2018) when female workers do not have children[34].

The female PEI, meanwhile, is made up of 96.8% of fully inactive women, that is, they had no interest in looking for a job or were unable to do one. Within this group, it was found that the main dedication of inactive women was housework (57.7%), a figure significantly higher than the 17.8% of men dedicated to the same activity. As for young women, the rate that neither studies nor looks for work (NEET) is higher among women from the poorest quintiles (36.1%) and who have at least one child (36.9%)[35].

III.4.4. Violence against women

This section presents some forms of gender-based violence against women, produced by an infringement of their human rights in the public or private spheres, based on behaviors that seek to produce physical, psychological, sexual (including Sexual Exploitation, Sexual Abuse and Sexual Harassment), labor, patrimonial, family abuse or of another nature, being the sex and gender roles of the victim factors that increase their vulnerability. In this sense, variables of feminicide and physical violence against women are presented.

In the first case, feminicide is considered as the final episode of a series of violent and discriminatory acts against women, which may be intimate, when the alleged perpetrator is a partner, ex-partner or relative of the victim, or non-intimate feminicide, when the alleged perpetrator is a stranger, frequently the neighbor, friend, client, or a perpetrator of sexual violence seeking to cover up the crime[36].

[33] Ídem.

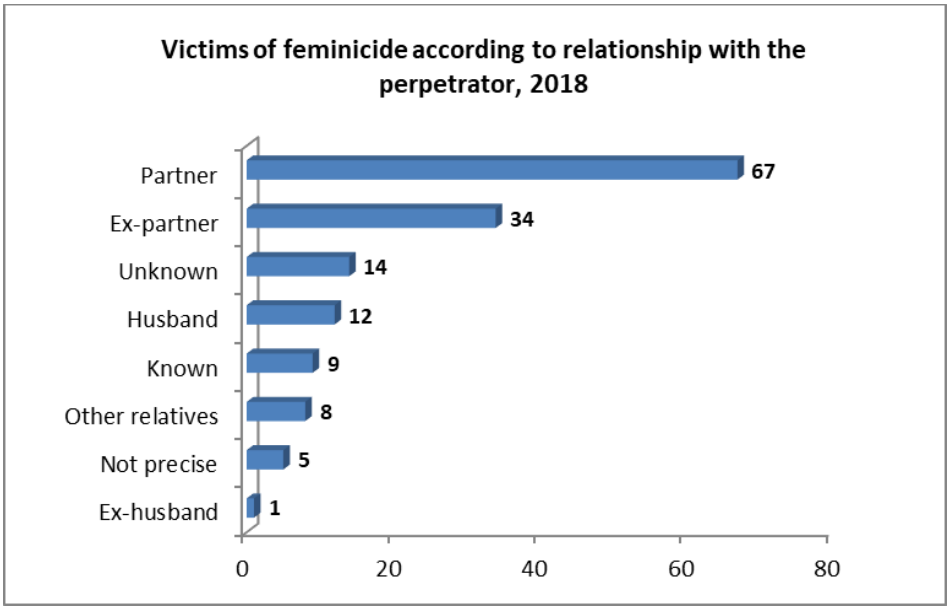
[34] Ministerio de Trabajo y Promoción del Empleo (2019), p.36.

[35] Ministerio de Trabajo y Promoción del Empleo (2019), p.36.

[36] INEI (2019), p.24.

In this sense, for 2018 a total of 150 cases of feminicide were reported, the most frequent modality being intimate feminicide, which also shows couples or partners as the most likely to be perpetrators (45%), followed by former partners or former partners (23%), while in the non-intimate feminicide modality, unknown perpetrators are more frequent (9%). Among the victims, it stands out that 84.7% were in the age group of 15 to 44 years at the time of being murdered, a range that coincides with their insertion and subsequent consolidation in the labor market[37].

Graph N° 09: N ° of cases of feminicide, according to kinship of the perpetrator



Source: INEI (2019). *Perú: Brechas de género 2019. Avances hacia la igualdad de mujeres y hombres*. Lima: INEI.

For its part, we will understand by physical violence the intentional use of physical force through the use of one's own body, firearms, sharp objects, or the throwing of objects, and whose consequences may be to cause damage, disability, or even death[38].

By 2018, 30.7% of women of childbearing age have suffered physical violence from their partners, with this rate rising to 31.1% of women in urban areas, while in rural areas it reaches 29.4%. Among the group of women who suffered violence, it is found that those women with higher education have a lower risk of suffering episodes of violence (25.3%), compared to those who do not have any level of education (37.8%). Similarly, the low and middle quintiles are the socioeconomic groups that show the most cases of violence (34.6% and 33.9% respectively), while the highest quintile is the one with the fewest cases of physical violence (22.4%)[39].

Regarding the departments included in the EBBF, it is observed that in three of them the national average of women who have suffered physical violence is exceeded, including Cusco (45.7%) and Puno (42.3%), both as those that more cases present and exceed 40% of female victims, and San

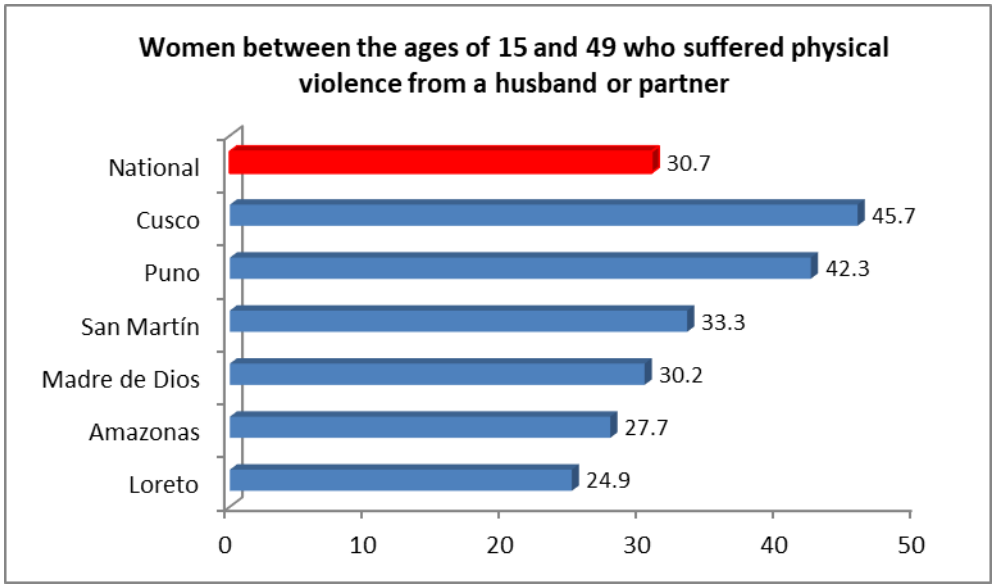
[37] INEI (2019), p.24-25.

[38] INEI (2019), p.116.

[39] Ídem.

Martin with 33.3%. On the other hand, Loreto is among the departments with fewer women who have suffered physical violence with 24.9%, a rate lower than the national average, and only above Cajamarca and Lambayeque[40].

Graph N° 10: Women between the ages of 15 and 49 who have ever suffered physical violence by their husband or partner, according to departments within the EBBF area



Source: INEI (2019). *Perú: Brechas de género 2019. Avances hacia la igualdad de mujeres y hombres*. Lima: INEI.

III.4.5. Empowerment

Empowerment has been approached from the conditions that make women's autonomy possible, as well as the possibility that they can be part of the highest level deliberative spaces, and from there establish new rules of the game that put institutions in question that reproduce inequity and inequality of opportunities between men and women[41]. In this sense, the level of education attained by women will be considered as variables, with special emphasis on secondary and higher education, since they are the levels that are most related to the possibility of obtaining employment and economic autonomy, as well as the participation of women in decision and deliberation instances.

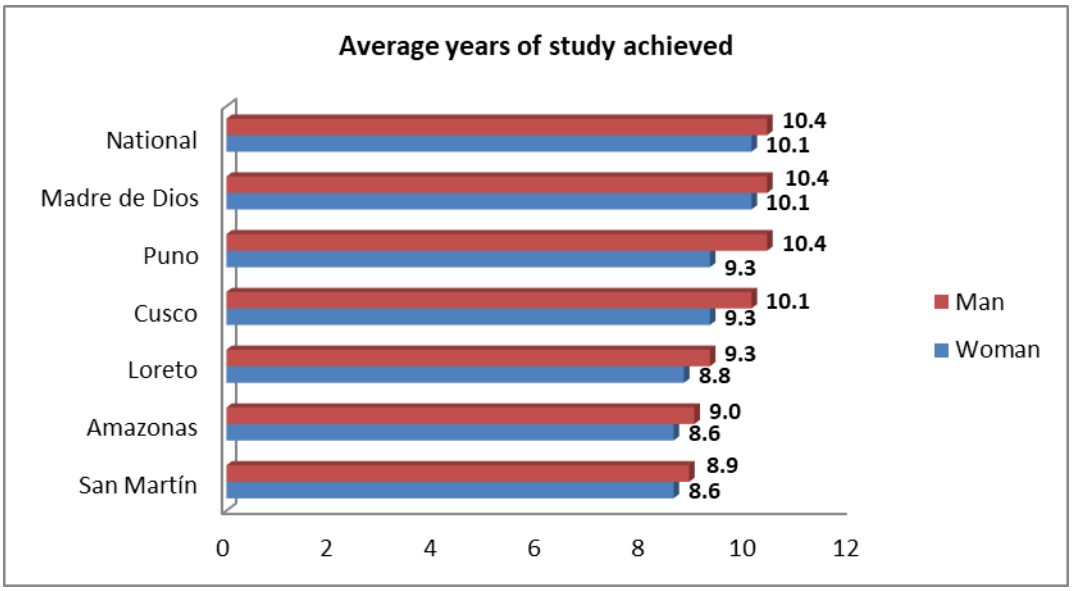
Regarding the educational level achieved by women, it is found that those 15 years of age or older managed to study an average of 10.1 years, that is, a time equivalent to the beginning of the fifth year of secondary school, while men from the same age group age they managed to study an average of 10.4 years of study, which corresponds to the course of the fifth year. In the case of the

[40] INEI (2019), p.117.

[41] RUIZ-BRAVO P., VARGAS S. Y CLAUSEN J. (2018). *Empoderar para incluir: Análisis de las múltiples dimensiones y factores asociados al empoderamiento de las mujeres en el Perú a partir del uso de una aproximación de metodologías mixtas*. Lima: INEI, p.19.

departments included in the EBBF, both Madre de Dios and Puno are close to the national average, with 10.1 and 9.3 years of studies, respectively.

Graph N ° 11: Average years of study achieved by women and men, according to departments within the EBBF area



Source: INEI (2019). *Perú: Brechas de género 2019. Avances hacia la igualdad de mujeres y hombres*. Lima: INEI.

At the national level, a performance of the average number of years achieved is important in the path towards equality between men and women in access to basic education, with the growth in female schooling being the one with the highest growth in recent years, although leaving gaps in access to higher education, mainly university, are still pending[42]. In this regard, it was found that 14.4% of women accessed non-university higher education, a rate higher than the 13.4% of men who obtained this degree of instruction, while in the higher university level it shows a different trend, having the 17.9% of men achieved this level of education, a figure that drops to 14.5% in the case of women[43].

Regarding illiteracy, a rate of 8.3% was identified among Peruvian women aged 15 and over who could not read or write, a figure higher than 2.9% of men in this situation, the same rate that is worse in the groups of age 50 to 59 years and 60 and over, where illiterate women represent 12.4% and 25.9%, respectively, compared to 3.6% and 7.2% of men in the same age ranges[44].

There are discriminatory factors that affect the illiteracy rate of women, and that pose greater adversity to those who possess certain sociocultural characteristics. This is what happens with women who have a mother tongue other than Spanish, who triple the illiteracy rate of the national average, reaching 24.6%, a figure that decreases in urban areas to 18.6%, but increases significantly

[42] INEI (2019), p.76.

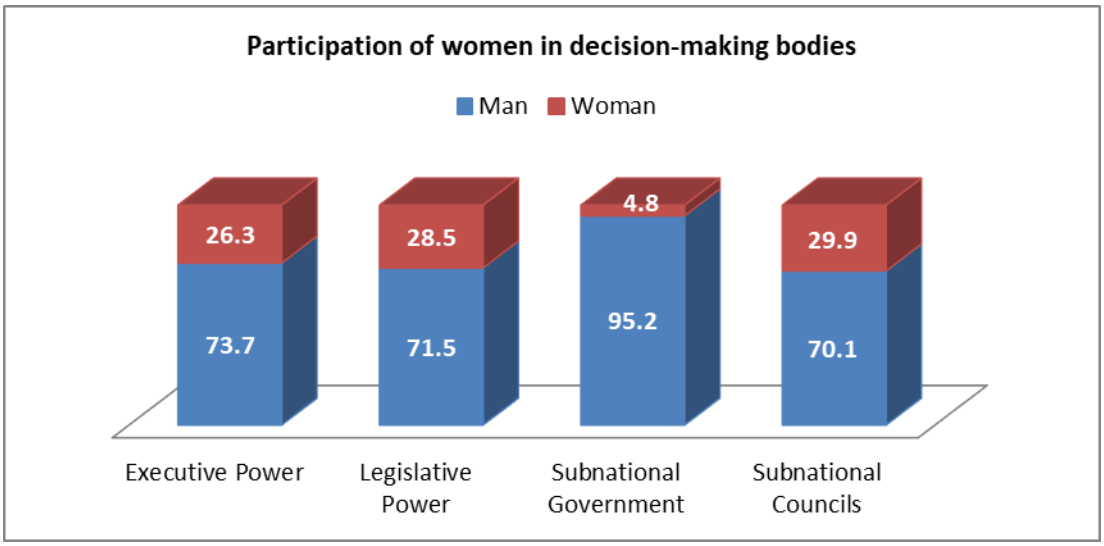
[43] INEI (2018b). *Perú: Indicadores de educación por departamentos, 2007-2017*. Lima: INEI, p.21.

[44] INEI (2019), pp.78-80.

in rural areas, where they constitute 33.0% of women, a figure well above the highest rate of illiterate men[45].

The participation of women in deliberative instances is still far below the male representation in the main decision-making levels, observing that the main gap is found in the sub-national levels of government, with local authorities still being in a overwhelming majority men (95.2%), a situation that contrasts with the municipal councils, curiously another local instance, where the participation of women is the most important in decision-making spaces, reaching 29.9%.

Graph N° 12: Participation of women in decision-making bodies as of 2019, by sex



Source: INEI (2019). *Perú: Brechas de género 2019. Avances hacia la igualdad de mujeres y hombres*. Lima: INEI.

IV. MITIGATION MEASURES

This section presents the mitigation measures that arise from the diagnosis of the sector presented in the previous section, from which some of the risks and impacts that could be generated in the situation of women in the sector were identified. Thus, among the main risks and impacts identified are the following:

a. Little information on the situation of women in the forestry sector and in the EBBs, which makes it difficult to make decisions and design differentiated actions.
b. Concentration of power and representation functions in decision-making bodies by men, which discourages the participation of women and the identification of their needs.
c. Difficulties for women to integrate into the labor market under adequate and equal conditions, which will generate an unequal use of the benefits of the project.

[45] INEI (2019), p.81.

d. Problems in identifying the concerns of the project's beneficiaries and the actors within their sphere of influence, as well as the possibility of neglecting cases of violence against women, which can generate difficulties in relations with local actors.
e. The gender approach will not be incorporated due to insufficient capacities developed in the project management units.
f. The goals of the plan will not be achieved due to a delayed and disjointed reaction to the problems posed by the implementation of the GAP, which causes higher costs and loss of reputation with investors.

Based on this, the mitigation measures are presented, which will serve as guidelines to face the potential effects of the project, having the following:

Mitigation Measure 1: Prepare a gender assessment and gender-specific action plans

The companies in the portfolio must prepare a specific evaluation of the situation and main needs of women associated with the local project, understanding the gaps they have in access to resources, the activities they carry out and the limitations they face. This evaluation will make it possible to identify the main gaps, and on that basis, define and schedule the activities to be carried out so that the project contributes to equal opportunities between men and women.

For this, the EBBF Management Unit must prepare an operational document that indicates the specific methodology that each portfolio company must follow to prepare gender plans, and will provide the necessary technical assistance to the companies that are selected during the diligence phase due[46]. If the company already has a gender management instrument, it must be adequate to the requirements of the project's operational document.

The gender action plans at the project level are part of the legal documentation that the participating companies must present. These must include clear deadlines and responsibilities, as well as solutions in case of non-compliance, and will be incorporated into the action plan and gender evaluation, so progress in this regard will be reported as part of the EBBF impact report that is sent to the GCF and other investors.

This measure will be addressed with the following indicators:

- Number of gender evaluations.
- Number of gender action plans.

Mitigation Measure 2: Strengthen the participation of women in decision-making

The participation of women should be included in the local information and information gathering spaces for the plans that are prepared as part of the EBBF, showing the advantages that the intervention will have for women, among other relevant aspects that promote their active presence

[46] A proposed outline of a Gender evaluation and action plan is presented in Annex 1.

in the project. For this, a record of the participation of the presence of women in said spaces must be kept. In case the information event is held to communities belonging to an indigenous people, the relationship protocols established by the EBBF Management Unit must be followed, which must be relevant to the socio-cultural characteristics of the community.

Likewise, the leadership of women in eco and bio businesses should be promoted, through quotas for the eligibility of enterprises led by women, and through the presence and active representation of women in the spaces for dialogue and coordination that are established. with local stakeholders during the implementation of the EBBF.

On the other hand, according to stakeholder engagement plan it is planned to hold consultations with women, indigenous peoples and other vulnerable groups that are directly or indirectly affected by the EBB. These consultations, have the purpose of incorporating the perspectives of the populations that are involved in the execution of the EBB, improving their design, execution and control of the risks as well as setting collaboration between parts. The consultations will be developed once the EBB is selected and before the sign of the grant agreement.

The consultations that will be carried out, will have as main characteristics, the following:

- Flexible processes that adapt and respond to context and local conditions.
- The information must be presented in an understandable and culturally appropriate way.
- Both parties should be able to listen, exchange views and their concerns addressed.
- Women and members of indigenous people must be taken into account in decision-making processes.
- Free from coercion and manipulation.
- Meetings, in person or virtual, must be documented, so that it is possible to follow up on agreements, commitments.
- The consultation processes with indigenous population in which the free, prior and informed consent must be ensured.

Among the challenges faced in carrying out the consultation processes with the participation of women, indigenous peoples and other vulnerable groups, are, for example, gender roles, as well as the social norms of the communities, in which participation of women is not common or even not part of social and cultural norms. In these cases, a prior dialogue will be held with the community authorities to explain the nature of the project and its stakes regarding the equitable participation of men and women in the project and its benefits, as one of the conditions for the implementation of the EBB. Once the presence of women in the consultation meetings is ensured, they will be carried out respecting the uses and customs of the communities and under equal conditions.

In relation to the measures that will be taken into account to prevent the spread of COVID 19, bio-security protocols will be implemented such as social distancing, the use of masks, holding meetings outdoors or in ventilated places. Likewise, in the cases in which it is possible to guarantee adequate

consultation processes through virtual means, these will be implemented as long as the participation of all the groups involved will be ensured.

The mitigation measure 2 will be addressed with the following indicators:

- Number of women participating in informative workshops.
- Number of women participating in spaces for dialogue and/or coordination with local actors including the consultations process.

Mitigation Measure 3: Facilitate equitable access to project benefits

Project management must ensure that women can access, on equal terms with men, the benefits of the EBBF, both at the level of enterprises developed by women, as in their hiring as workers and their participation in programs to strengthen their capabilities that are realized as part of the project implementation. Also, considering the risk factors identified for the project such as external natural shocks that affects in different way to women.

A strategy that must be adopted in the case of eco and bio businesses is the continuous monitoring of enterprises that are run by women or women's associations, in order to guarantee that the decisions taken are made by the companies. Women members, guaranteeing their autonomy with respect to possible interferences that may exist on the part of couples or authorities or community leaders. In this sense, it is essential that, in cases where associations of women producers participate, procedures are drawn up in the internal regulations that guarantee that women will make the decisions.

Similarly, women's access to jobs generated by the EBBF must be guaranteed, under the same salary conditions as men when it comes to the same job, as well as to capacity development programs, technical assistance and tools that develop the project's eco and bio business incubator. In the case of training programs, the particular needs of the women participating in the project will be met, as well as their availability of schedules, learning modes, considering the need for interpreters and / or translators, for which they must develop relevant methodologies according to each case.

This measure will be addressed with the following indicators:

- Number of eco and bio businesses benefited, disaggregated by gender of the person in charge.
- Number of people employed by eco and bio businesses, disaggregated by gender.
- Number of direct and indirect beneficiaries (households of beneficiaries), disaggregated by gender.
- Number of eco and bio businesses run by women who were benefited by the innovation partner.

Mitigation measure 4: Implement a system to address complaints, claims, suggestions and complaints from a gender perspective

The companies in the portfolio must develop and implement a system to deal with complaints, claims, suggestions and complaints, which will include a gender component, through which it will activate a timely service channel, depending on the facts that are reported. For its preparation during the due diligence phase, the Project Management Unit will provide an operational document that guides the design of said mechanism, as well as the protocols for internal attention, and for articulation with specialized entities, when appropriate require, ensuring the protection of the identity and integrity of the victim. This protocol will include specific procedures for Sexual Exploitation, Sexual Abuse and Sexual Harassment – SEAH.

The operational document must specify the protocol that must be activated, when the reported complaint or claim is related to an event that involves violence against women or sexual violence (including Sexual Exploitation, Sexual Abuse and Sexual Harassment), establishing a procedure for referral and follow-up to the joint action mechanisms promoted by the Ministry of Women and Vulnerable Populations from the Women's Emergency Centers. In all cases in which this protocol is activated, care must be recorded as a case of violence against women or sexual violence, as appropriate.

To this end, the Facility Management Unit will provide, through its gender specialist, the necessary technical assistance and the required awareness and prevention actions, with special emphasis on the procedures and protocols that apply to cases of violence against women and sexual violence (including Sexual Exploitation, Sexual Abuse and Sexual Harassment). Also, the dissemination of the mechanism should be included in the information meetings, in the dissemination actions of the project, and in the spaces for dialogue and / or coordination with local actors The mechanism will include confidential reporting with safe and ethical documenting of such cases, that indicate when and where to report incidents, and what follow-up actions will be undertaken.

This measure will be addressed with the following indicators:

- Number of complaints, claims and suggestions mechanisms developed and implemented.
- % of requests attended in a timely manner.

Mitigation measure 5: Strengthen the gender approach in the project management unit

Both the Project Management Unit, as well as the management units involved with its implementation and the representatives of the companies in the portfolio, should strengthen their capacities in the gender perspective, through the holding of training workshops and the generation of information that makes visible the impact that EBBF has on women.

This measure will be addressed with the following indicators:

- Number of training actions on the gender perspective or approach aimed at the project management units.
- Number of indicators and variables of the reports, which present data disaggregated by gender.

Mitigation Measure 6: Track and monitor the GAP

The Project Management Unit must develop a follow-up and monitoring system in order to timely manage incidents that arise in the implementation of the project, and efficiently direct the resources to achieve the goals of this plan.

For such purposes, the Management Unit, through its social and / or gender specialist, must periodically report on the situation status of the project indicators, identifying the main problems that arise in their achievement, and providing recommendations for the achievement of results. Likewise, the Management Unit will provide those responsible for information in portfolio companies with the training and technical assistance necessary for the preparation of reports and the exchange of information related to the plan indicators.

This measure will be addressed with the following indicators:

- Tracking and monitoring system designed.
- Follow-up and monitoring system implemented.
- Number of reports prepared.

V. GENDER ANALYSIS/ASSESSMENT AND GENDER AND SOCIAL INCLUSION ACTION PLAN

<table>
<tr><td></td><td colspan="5">Impact statement:
Reduced emissions from land use, reduced deforestation and sustainable forest management and conservation and enhancement of forest carbon stocks (M4.0):

1. Improved management of land or forest areas contributing to emissions reductions in local communities, including women through provision of formal employment opportunities in eco bio businesses and related value chains and decreased dependence on climate sensitive subsistence practices.

Outcome statement:
● In the EBBF´s Portfolio Companies, female members enjoy effective participation in decision making.
● The EBBF contributes to 550 beneficiaries, of which at least 40% are women.</td></tr>
<tr><td colspan="6">Output statement 1: Gender evaluations and plans prepared for each area of influence of the portfolio companies.</td></tr>
<tr><th>Activities</th><th>Indicators and targets</th><th>Baseline</th><th>Timeline</th><th>Responsibilities</th><th>Costs</th></tr>
<tr><td>i. Provide technical assistance and monitor the development of</td><td>Indicators:
● Number of gender evaluations developed</td><td>0</td><td>Since the selection of EBBs in the first call for proposals (second year) to the end of</td><td>Social and gender specialist and Portfolio Companies</td><td>US$278,800(1)</td></tr>
</table>

gender evaluations in the selected EBBs. ii. Provide technical assistance and monitor the development of gender plans in the selected EBBs	● Number of gender action plans developed. **Target:** ● 55 gender evaluations and action plans developed for each company in the portfolio.		the implementation period		
Output statement 2: Monitoring of access to project benefits by women.					
Activities	**Indicators and targets**	**Baseline**	**Timeline**	**Responsibilities**	**Costs**
i. Monitoring the access to project benefits by women, through requests for information and/or on-site visits ii. Elaboration of the revised gender action plan including information of portfolio companies.	**Indicator:** ● Number of eco and bio businesses benefited by the grant and the innovation partner, disaggregated by gender of the person in charge. ● Number of people employed by eco and bio businesses, disaggregated by gender. **Target:** ● At least 40% of the EBBs selected are led by women, including women from indigenous people. ● Number of women employed by the EBB including women of indigenous peoples.	0	Across the project implementation period	Social and gender specialist	US$358,588.20
Output statement 3: System to prevent GBV, address complaints, claims and suggestions from a gender perspective implemented.					
Activities	**Indicators and targets**	**Baseline**	**Timeline**	**Responsibilities**	**Costs**
i. Provide accessible information on gender-based violence prevention. ii. Design the operating document of the complaint mechanism.	**Indicators:** ● Information on prevention of gender violence disseminated. ● Number of mechanisms complaints implemented. ● % of requests attended in a timely manner. **Targets:**	0	Across the project implementation period (year 10)	Social and gender specialist	Considered in the costs of the PIU team

iii. Monitoring and supervision the resolution of cases.	● A complaint mechanism implemented with gender perspective. ● 100% of registration and closing cases. ● At least one transfer of information on prevention of gender violence to each EBB once a year.				
Output statement 4: Strengthened capacities of the Management Unit in the gender approach.					
Activities	**Indicators and targets**	**Baseline**	**Timeline**	**Responsibilities**	**Costs**
i. Trainings on gender approach for the specialists of the Project Management Unit and other management units involved in the EBBF, including actions to prevent and attend SEAH.	**Indicators:** ● Number of members of the PMU trained. ● Number of training on gender perspective at the project management units. **Targets:** ● At least 10 members of the project management units have strengthened their gender capacities. ● 01 training per year		Across the project implementation period	Social and gender specialist	US$10,420
Output statement 5: Design, follow-up and monitoring system implemented.					
Activities	**Indicators and targets**	**Baseline**	**Timeline**	**Responsibilities**	**Costs**
i. Design of the monitoring system. ii. Elaboration of the monitoring reports of the GAP.	**Indicators:** ● Number of monitoring system implemented ● Number of reports prepared annually. **Targets:** ● One monitoring system implemented. ● Monitoring reports prepared annually. ●		Across the project implementation period	Social and gender specialist	US$2,500.00 The monitoring reports is included in the cost of the PIU Team

(1) Includes consultations with stakeholders of each EBBs and budget for technical capacities to ensure EBBs adherence with relevant REDD+ and EBB safeguards. See Annex 11 of Annex 6 ESMS.

VI. Social and gender specialist responsibilities

The social and gender specialist will be in charge of the following responsibilities:

- Implementation of the Social Management System (ESMS).
- Implementation of the ESG eligibility, screening and due diligence processes.
- Provide technical assistance to the FMU and the portfolio projects regarding gender and indigenous people policies.
  Provide training and technical assistance to EBBF´s Portfolio Companies to conduct the gender assessment, the gender action plan and in the areas where indigenous people are involving, the Indigenous peoples plan.
  Provide training and technical assistance to EBBF´s Portfolio Companies to compliance the activities of gender action plan and in the areas where indigenous people are involving, the Indigenous peoples plan.
- Monitoring, reporting, review and evaluation processes of the safeguard policies including gender and indigenous people policies.
- Elaborating the annual report regarding status of fulfillment safeguard policies gender and indigenous people policies, including actions against SEAH.

VII. Annexes

Annex 1 Proposed outline of a Gender evaluation and action plan

1. Introduction

2. Key concepts

3. Legal and regulatory framework on gender

4. Sphere of action

5. Social relations and codes of conduct in the sphere of action

6. Gender relations in the sphere of action

7. Gender characteristics

    7.1 Sexual division of labor