
**President's report on a proposed private sector
Global Environment Facility grant to BNP Paribas
under the Challenge Programme for Adaptation
Innovation**

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Action: The Executive Board is invited to approve the recommendation contained in paragraph 21.

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President's report on a proposed private sector Global Environment Facility grant to BNP Paribas under the Challenge Programme for Adaptation Innovation

I. Background and compliance with IFAD policies

1. The Global Environment Facility (GEF) runs a Challenge Programme for Adaptation Innovation that provides funding for initiatives designed to help countries most vulnerable to climate change cope with the worsening climate crisis. Concept notes from three private sector entities – BNP Paribas (BNPP), Grameen Crédit Agricole Foundation and Cropin Technologies – were submitted to the GEF Challenge Programme in September 2021. In November 2021, GEF invited these organizations to further elaborate their project concepts through the completion of GEF project identification forms (PIFs).¹ The GEF Challenge Programme mandates one of the 18 GEF implementation agencies to lead the selected projects. Due to its innovative nature and robust connection to smallholders' climate resilience, IFAD was recommended by GEF as implementing agency for these projects. IFAD's technical specialists and country teams collaborated with the three private sector entities to create PIFs, which were submitted to GEF in March 2022. GEF approved the PIFs in June 2022, and requests endorsed by the GEF Chief Executive Officer (CEO) were approved in May 2023.
2. In accordance with the IFAD Private Sector Engagement Strategy 2019–2024, the IFAD Regular Grants Policy, the IFAD supplementary fund guidelines and the Delegation of Authority Framework, all funds granted to private sector entities must be approved by the Executive Board.
3. This report presents the BNPP grant in support of the climate change adaptation (CCA) portfolios of inclusive rural financial service providers (IRFSPs) for the Scaling up Adaptation Finance for Smallholder Farmers Project. It is a digital data-driven pilot to certify the degree to which IRFSP portfolios of smallholder finance CCA loans attract blended finance from private and public sources. The project complements an IFAD GEF Challenge Programme grant with Grameen Crédit Agricole Foundation that will pilot an investment fund for IRFSPs lending to smallholders.²
4. **The Challenge Programme for Adaptation Innovation** emphasizes private sector engagement in addressing CCA, especially in developing and least developed countries. The Challenge Programme stimulates innovative ideas for building climate-resilient societies, supply chains, food systems and economies. It encourages new partnerships, supporting environmental goals and leveraging leading companies' expertise, financial institutions and technology. GEF selected BNPP as executing entity through a competitive selection process for medium-sized projects.
5. **In accordance with IFAD's review process for GEF proposals, comprehensive quality assurance was carried out.** During design, the PIF and project development proposal were assessed against GEF requirements and funding criteria by the Environment, Climate, Gender and Social Inclusion Division (ECG), the Operational Policy and Results Division, the Office of the General Counsel, the Financial Controller's Division and the Financial Management Services Division, cleared by directors of ECG and the Sustainable Production, Markets and Institutions Division and approved by the Associate Vice-Presidents of the Strategy

¹ 418 submissions were received in GEF's 2021 call for proposals. Ten were selected, including three with IFAD as implementing agency. Pre-selection criteria included: (a) project/programme quality; (b) equitable distribution among eligible countries and regions; (c) degree of innovation; (d) potential to catalyse private sector CCA at scale; and (e) support for priority sectors and themes.

² A GEF Challenge grant for Cropin Technologies was approved at the September 2023 session of the Executive Board.

and Knowledge Department and Programme Management Department. The fiduciary due diligence process was completed, which involved assessing the financial management risks inherent in the design and the capacity of the executing entity and reviewing its legal status. Financial crime due diligence of the entity was performed to identify and prevent any financial misdeeds such as fraud, money laundering and corruption. The availability of grant funds was confirmed through GEF's CEO approval letters.

6. The project aligns with IFAD's mission for inclusive, sustainable rural economic growth amid CCA challenges. It supports CCA investments, disseminates knowledge and contributes to sustainable livelihoods and food security for the vulnerable. Aligned with the goals and objectives of the IFAD Regular Grants Policy, the project strengthens country programmes by enhancing the capacity of government and non-governmental institutions to catalyse inclusive rural finance investments. Through improving CCA policy and investment, the project will catalyse agricultural sector funding.
7. The project is aligned with IFAD's Private Sector Engagement Strategy, including: (i) innovation for inclusive rural finance scaling; (ii) providing market demonstration effects; (iii) development impact at scale; (iv) leveraging IFAD programmes and private sector know-how and resources; (v) demonstrating smallholder CCA finance risk; and (vi) enhancing IFAD's private rural enterprise leadership. Through blended finance activities, the programme will foster private sector engagement and investments, and strengthen private sector capacities to employ CCA investment strategies while increasing smallholder agricultural productivity and resilience.
8. The project aligns with IFAD's Inclusive Rural Finance Policy, particularly: (i) supporting sustainable financing outcomes; (ii) addressing climate change; and (iii) supporting catalytic capital formation. The project aligns with IFAD's Information and Communication Technology for Development (ICT4D) Strategy, which seeks to promote scalable ICT4D solutions, partnerships and knowledge management/sharing. The project is aligned with IFAD's Data Governance Policy, safeguarding information integrity, quality, transparency, accountability and proportionality.

II. Proposed project

Certification of climate change adaptation portfolios of inclusive rural financial service providers for scaling up adaptation finance for smallholder farmers

9. The project seeks to boost investments in CCA by creating a data-driven certification system. This system evaluates how well an IRFSP's portfolio supports CCA for smallholders, providing accurate, standardized and transparent assessments for public and private sector investors. The project considers gender-specific factors to ensure an equitable distribution of investments.
10. The project focuses on sharing knowledge and building capacity, disseminating implementation insights to enhance sector understanding of CCA investments. It provides collaboration through a white paper and a virtual event, while training private and public investors, reinforcing IFAD's leadership in data-informed CCA finance. The project incorporates monitoring and evaluation (M&E) for accountability and evidence-based decision-making.
11. The goal of the project is to enhance smallholders' access to CCA finance. It will develop and pilot CCA certificates through IFAD-financed projects currently under implementation in Colombia, Morocco and Senegal. It will enable IRFSPs to transparently certify the extent to which portfolios support and raise funding for smallholder CCA lending. The CCA certificates system will be owned by the Climate and Biodiversity Inclusive Finance Institute (CBIFI), a newly formed not-for-profit supported by BNPP and provided on a not-for-profit basis to IRFSPs. The project

complements but does not overlap with an IFAD GEF Challenge Programme grant with Grameen Crédit Agricole Foundation to pilot a private sector investment product to finance IRFSPs lending to smallholders for CCA investments (to be ensured through clear descriptions of eligible expenditures in legal agreements, and monitoring and supervision of grants).

12. **Unique value propositions.** The project will create national CCA lending taxonomies, employing big data to assess IRFSPs' smallholder loan portfolios. This scalable approach will enable IRFSPs to adapt portfolios according to climate risk, delivering vital CCA information to farmers. By providing transparent and verifiable outcomes, the project will provide a valuable tool for IRFSPs seeking funding from investors. It will verify and certify CCA in up to 12 IRFSP portfolios.
13. The two-year project has two components:
 - (i) **Component 1.** Establishment of CCA certification scheme for IRFSPs to assess and certify the degree to which smallholder loan portfolios meet verifiable CCA standards, leading to increased smallholder CCA investments and improved smallholder incomes; and,
 - (ii) **Component 2.** Knowledge management and M&E activities to train private and public investors and donors on CCA portfolio certification, and IRFSP certification guidance to incentivize more smallholder CCA lending (including a gender focus) and to attract investor and donor capital.

III. Expected outcomes/outputs

14. The project will have the following outcomes/outputs:
15. **Outcome 1 – Increased IRFSP access to CCA finance** or other relevant, large programmatic investments:
 - (i) **Output 1.1** – CCA portfolio certification scheme established (certification process and tools manual; CCA taxonomy and standards paper; and IRFSP training module);
 - (ii) **Output 1.2** – CCA portfolio certification scheme piloted (portfolio analysis, verification and CCA certification in four IRFSPs; report on pilot lessons learned); and
 - (iii) **Output 1.3** – IRFSP CCA portfolio certification activities expanded (scaling up strategy report, portfolio verification and certification of up to 12 IRFSPs).
16. **Outcome 2 – Enhanced knowledge and capacity** improving country access CCA finance or other large-scale programmatic investments:
 - (i) **Output 2.1** – CCA certification scheme assessed and knowledge shared (CCA certification scheme investors paper; certification process and tools manual; CCA guidelines; IRFSP certification communications; and a stakeholder workshop).
 - (ii) **Output 2.2** – Capacity-building CCA portfolio certification delivered to private and public investors (investor training module and virtual training); and
 - (iii) **Output 2.3** – Project implementation supported by an M&E strategy (annual monitoring reports and project completion report).

IV. Implementation arrangements

17. BNPP will oversee project implementation, while IFAD will supervise the project in collaboration with participating country programme management units (PMUs). The project is linked to three IFAD-financed projects currently under implementation:
 - (i) Rural Youth Agripreneur Support Project (Agrijeunes Tekki Ndawñi), Senegal;
 - (ii) Taza Mountain Integrated Rural Development Project for the pre-Rif Region (PRODER-Taza), Morocco; and
 - (iii) Programme for Inclusion, Resilience and Peace,

Colombia. The PMUs for these projects, under the respective ministries and in coordination with BNPP, will support project monitoring. Joint supervision by PMUs and a single project implementation unit (PIU) of BNPP, IFAD and GEF will assess achievements, share lessons learned and ensure effective implementation.

18. BNPP will collaborate with the not-for-profit CBIFI for component 1. YAPU Solutions, a fintech based in Germany, will support CCA taxonomy and portfolio analysis. Independent local enumerators will validate digital taxonomy findings. Up to 12 IRFSPs will pilot the certification scheme. BNPP and CBIFI will collaborate on knowledge generation and lessons learned.
19. Based at BNPP's Paris headquarters, the PIU will oversee project financial management. The disbursement arrangements outlined in section 3.3 of the IFAD General Provisions will be applied and the project will submit certified statements of expenditure (SOEs) on a biannual basis. The project financial reporting will comply with the IFAD standard template. The recipient will account for project expenditures separately, based on a chart of accounts that allows for follow-up of expenditures by categories, components and sources of funds. BNPP will ensure the accounting software used for this project can generate financial information in line with IFAD requirements. The project SOEs concerning GEF grant expenditures will be audited annually by an external audit in line with the International Standards on Auditing. The recipient will formalize its contractual arrangements with implementing partners such as CBIFI and YAPU through performance-based memorandums of understanding, with payment schedules based on the delivery of acceptable financial and progress reports. Given the recipient's minimal experience with IFAD-funded projects and procedures, and the relative complexity of project implementation (e.g. multiple implementing partners) and extended geographical scope, the financial management risk at design is assessed as substantial. To mitigate risk, IFAD will provide training and support to the PIU throughout implementation. Disbursements will be made to the recipient only after GEF grant funds have been received by IFAD.

V. Indicative programme costs and financing

20. The resources mobilized for CCA certificates were identified in consultation with partners during the preparation of the PIFs and development of the CEO endorsement requests. To complement the GEF grant, additional in-kind and indirect support (aggregate value approximately US\$4,730,000) was mobilized in the form of US\$4,500,000 in indirect and in-kind contributions from IFAD-financed projects that are currently under implementation. This support will be largely through synergies in activities implemented by the ongoing Rural Youth Agripreneur Support Project (2019–2027) in Senegal, the Taza Mountain Integrated Rural Development Project for the pre-Rif Region (2019–2026) in Morocco, and the Programme for Inclusion, Resilience and Peace (2022–TBA) in Colombia; in addition, US\$230,000 will be provided in grant cofinancing by BNPP for investments in the CCA scheme, covering knowledge management and project management costs, partly in cash and partly in kind.

Table 1
Costs by component and financier
 (United States dollars)

<i>Components</i>	<i>In-kind / indirect contributions from IFAD-financed projects*</i>	<i>Contributions: grant + in kind (BNPP)</i>	<i>GEF financing</i>	<i>Total</i>
C1. CCA portfolio certification scheme	2 885 515	95 000	517 915	3 498 430
C2. Knowledge management and M&E	1 224 485	95 000	229 283	1 548 768
Programme management	390 000	40 000	74 720	504 720
Total	4 500 000	230 000	821 918	5 551 918

Table 2
Costs by expenditure category and financier
 (United States dollars)

<i>Expenditure category</i>	<i>In-kind / indirect contributions from IFAD-financed projects*</i>	<i>Contributions: grant + in kind (BNPP)</i>	<i>GEF financing</i>	<i>Total</i>
1. Consulting services	3 927 659	200 747	717 380	4 845 787
2. Travel	147 824	7 555	27 000	182 380
3. Workshops	221 399	11 316	40 438	273 154
4. Training	203 115	10 381	37 098	250 595
Total	4 500 000	230 000	821 918	5 551 918

* IFAD cofinancing consists of activities carried out by existing IFAD-funded projects in the target areas that synergize with and contribute to the objectives of this initiative. In-kind contributions are ongoing programme activities related to supporting smallholders, enterprises, and financial service providers involved in climate adaptation investments and activities.

VI. Recommendation

21. I recommend that the Executive Board approve the proposed GEF-funded grant to BNPP, for which IFAD will act as implementing agency, in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, the Challenge Programme for Adaptation Innovation, shall provide a grant of eight hundred and twenty-one thousand, nine hundred and eighteen United States dollars (US\$821,918) using Global Environment Facility resources to BNP Paribas upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Alvaro Lario
 President

Results-based logical framework

Outcomes	Outputs	Activities	Adaptation Benefits	Deliverables
Outcome1: Increased investments in Climate Change Adaptation	Output 1.1: Climate Change Adaptation portfolio Certification Scheme established	Activity 1.1.1: <i>Process and tools definition</i> Activity 1.1.2: <i>Definition of metric and scores</i> Activity 1.1.3: <i>Suggestions of framework for use of the certification</i>	AB1.1.1 Transparent processes and tools used will generate trust in the certification scheme and foster Climate Change adaptation finance. AB1.1.2 Clear metric and score will quantify the actual potential adaptation of each IFSPs / their portfolio AB1.1.3 Guidance on how to use the certification will support the various stakeholders' actions on how to optimize their intervention to generate climate resilience	D1.1.1: Manual with certification process and tools description D1.1.2: White paper on <i>Climate Change Adaptation</i> Taxonomy/standards for Inclusive Finance D1.1.3: Climate Change Adaptation Guideline, Training material.
	Output 1.2: Climate Change Adaptation portfolio Certification Scheme piloted	Activity 1.2.1 <i>Select 3 IFSPs</i> Activity 1.2.2 <i>Analyze Climate Change Adaptation portfolios</i> Activity 1.2.3 <i>Verify Climate Change Adaptation portfolios</i> Activity 1.2.4 <i>Draft Climate Change Adaptation certification</i> Activity 1.2.5 <i>Adjust and adapt Climate Change Adaptation certification scheme</i> Activity 2.1.6 <i>Finalize certification</i>	AB 1.2.1 A careful selection of 3 IFSPs will allow the best test of the certification scheme and hence easier scale up to many more IFSPs and hence faster Climate change adaptation finance allocation. AB 1.2.2 In depth analysis of the portfolio will test the methodology and adapt it to improve its capacity to assess climate change adaptation potential of IFSP portfolio. AB 1.2.3 Verification by third independent parties will guarantee soundness and transparency of the analysis. AB 1.2.4 A clear certification will facilitate sector understanding and hence scaling of adaptation finance AB 1.2.5 Learning from the first pilots will allow to bring to the market a tested methodology and include the lessons learnt. This will highly improve the capacity to foster adaptation finance. AB 2.1.6 Improved certification scheme will increase acceptance from all stakeholders and hence easier mainstreaming of adaptation finance	D1.2.1: Communication, presentation material, activities timeline D1.2.2: 3 Portfolio analysis reports D1.2.3: 3 Verification reports D1.2.4: 3 Portfolio <i>Climate Change Adaptation</i> Certifications (Draft) D1.2.5: Notes on suggested adaptation of the certificates D1.2.6: 3 Portfolio <i>Climate Change Adaptation</i> Certifications (Final)
	Output 1.3: Certifications of Climate change adaptation portfolio certification expanded to more institutions	Activity 1.3.1 <i>Preparation portfolio certification of up to 12 IFSPs</i> Activity 1.3.2 <i>Portfolio certification of up to 12 IFSPs</i>	AB 1.3.1 A careful definition of expansion strategy, stakeholders engagement, as well as careful selection of FSPs accordingly will ensure a sound implementation of the NbS portfolio certification, as well as the foundation for further expansion beyond the project AB 1.3.2 Portfolio certifications will generate the actual material opportunity for private and public finance to refinance and scale their portfolio for Climate change adaptation.	D1.3.1: Documented expansion strategy D1.3.2: <i>Climate Change Adaptation</i> portfolio Certifications for up to 12 IFSPs.

Outcomes	Outputs	Activities	Adaptation Benefits	Deliverables
Outcome 2: Knowledge management, monitoring and evaluation	Output 2.1: Climate Change Adaptation scheme assessed, and knowledge shared	<p>Activity 2.1.1 <i>Assess pilot</i></p> <p>Activity 2.1.2 <i>Assess public and private stakeholders' motivation to use the Climate Change Adaptation portfolio certification scheme for their investment decisions</i></p> <p>Activity 2.1.3 <i>Draft investor-facing white paper</i></p> <p>Activity 2.1.4 <i>Develop communication and certification material for certified Inclusive Financial Service Providers</i></p> <p>Activity 2.1.5 <i>Organize virtual event</i></p> <p>Activity 2.1.6 <i>Engage multistakeholders</i></p>	<p>AB 2.1.1 The assessment of the overall pilot will enhance potentiality for climate change adaptation finance during the scaling up phase.</p> <p>AB 2.1.2 Shaping the final certification scheme along with the actual motivation of stakeholders willing to use the certification will enhance their engagement and hence the actual inflow of finance for climate change adaptation.</p> <p>AB. 2.1.3 Reporting all the experience and the actual certification scheme on paper will allow further parties willing to finance climate change adaptation.</p> <p>AB 2.1.4 Stakeholder-facing communication material allows certified IFSPs to show visibility on their certification for climate change adaptation finance.</p> <p>AB2.1.5 The event will allow to share the experience and lessons learnt with the sector and to engage further actors and actual climate change adaptation finance for the scale up phase.</p> <p>AB2.2.6 Engaging interested stakeholders will leverage public and private finance for climate change adaptation</p>	<p>D2.1.1: Updated certification scheme</p> <p>D2.1.2: Updated <i>Climate Change Adaptation</i> S Portfolio Certification Guideline.</p> <p>D2.1.3: White paper on <i>Climate Change Adaptation</i> certification scheme for investors (public / private).</p> <p>D2.1.4: Communication material</p> <p>D2.1.5: Presentation material</p> <p>D2.2.6: Participant lists and manifestations of interest.</p>
	Output 2.2: Capacity building for inclusion of Climate Change portfolio certification delivered to private and public investors	<p>Activity 2.2.1 <i>Develop material for private and public investor training</i></p> <p>Activity 2.2.2 <i>Private and public investors will be trained on Climate Change Adaptation portfolio certification</i></p> <p>Activity 2.2.3 <i>Institutionalize Climate Change Adaptation portfolio certification within the product and services of a third party</i></p>	<p>AB 2.2.1 Training will enhance the sector capacity to finance climate change adaptation.</p> <p>AB 2.2.2 Ongoing training will generate capacity for the sector as well as awareness. This will foster climate change adaptation finance.</p> <p>AB 2.2.3 Inclusion of the NbS portfolio certification within an overall package of intervention for Climate change adaptation will support the actual positive outcomes of the certification scheme for Climate change adaptation</p>	<p>D2.2.1: Training material for investors</p> <p>D2.2.2: Communication material for investors</p> <p>D2.2.3: Concept paper on inclusion of <i>Climate Change Adaptation</i> portfolio certification schemes into package of intervention for Climate change adaptation</p>
	Output 2.3: Project implementation is supported by an	Activity 2.3.1: <i>monitoring and reporting of project progresses</i>	AB 2.3.1 monitoring and reporting will enhance transparency and capacity to act according to the project progress	D2.3.1: 6-monthly project reports

	M&E strategy (annual monitoring reports and project final evaluation)			
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