

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

Regional. Proposal for Establishment of a Line of Activity Project for a Low-Emission  
Climate-Resilient Agriculture Risk Sharing Facility for Micro, Small and Medium  
Enterprises with the Green Climate Fund  
**(RG-O1656)**

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This document was prepared by: Gregory Watson (MIF/GRU), Gloria Visconti (CSD/CCS),  
Filippo Berardi (CSD/CCS), George Rogers (GCL/GCL), Matheus Francisco De Paula Oriolo  
(LEG/CLA), Daniel Hincapie Salazar (ORP/ORP).

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## ABBREVIATIONS

AE	GCF Accredited Entity
AMA	GCF Accreditation Master Agreement between Green Climate Fund and Inter-American Development Bank
C2F	Canadian Climate Fund for the Private Sector in the Americas
CSD	Climate Change and Sustainable Development Sector
CSD/CCS	Climate Change Division
CFT	Combating the Financing of Terrorism
CIF	Climate Investment Fund
COP	Conference of the Parties
FAA	Funded Activity Agreement
GCF	Green Climate Fund
GEF	Global Environment Line of Activity
GHG	Greenhouse gas
IDB	Inter-American Development Bank
LAC	Latin America and the Caribbean
LERA	Low-Emission Climate Resilient Agriculture
MDBs	Multilateral Development Banks
MIF	Multilateral Investment Fund
MSME	Micro, Small, and Medium-Sized Enterprises
NDA	National Designated Authority
ORP	Office of Outreach and Partnerships
ORP/GCM	Grants and Co-financing Management Unit
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar

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## **I. EXECUTIVE SUMMARY**

- 1.1 This proposal seeks authorization from the IDB Board of Executive Directors for Management to enter into certain agreements with the Green Climate Fund pursuant to the IDB-GCF accreditation master agreement signed in July 2017, so as to provide for the receipt and administration of US\$20,000,000 from the Green Climate Fund (GCF) to co-finance Multilateral Investment Fund (MIF) projects in Mexico and Guatemala. These GCF funds would be utilized in a line of activity composed of multiple non-reimbursable and reimbursable sub-projects (the “Line of Activity”). Non-reimbursable funding for sub-projects would be approved through delegation established by the IDB Board of Executive Directors.<sup>1</sup> This document also proposes that the Multilateral Investment Fund Donors Committee be granted the authority to approve reimbursable sub-projects under this proposed Line of Activity co-financed by the MIF, including investments in loans, guarantees and equity using these proposed GCF resources administered by the IDB.
- 1.2 The GCF was established at the UNFCCC Conference of the Parties (COP) 16 held in Cancun in 2010, as an operating entity of the Financial Mechanism of the Convention. The mandate of the GCF is to make a significant and ambitious contribution to combating climate change by promoting a paradigm shift towards low-emission and climate-resilient development pathways. GCF is intended by its founders to become the main global fund to catalyze climate finance at national, regional and international levels, and is already the largest specialized climate fund in operation.
- 1.3 The IDB has been actively involved with the GCF as an observer to the GCF since its inception. Moreover, between late 2015 and 2017, the IDB submitted and secured pre-approval by the GCF Board for five potential funding proposals worth around USD 500 million in grants and concessional finance resources.
- 1.4 On July 12, 2017 the IDB Board of Executive Directors authorized the IDB President to sign with the GCF the Accreditation Master Agreement (AMA)<sup>2</sup>. The AMA establishes the general terms and conditions for IDB to access the resources of the GCF, the rights and obligations of the parties, and the scope of the accreditation granted by the GCF to the IDB.
- 1.5 Under the AMA, the IDB and GCF have proceeded to prepare a template Funded Activity Agreement (FAA) to be used to channel financing to individual projects, such as the line of activity project proposed here. Once the FAA template is finalized it will serve as the basis for the negotiation of the specific rights and obligations of the IDB and the GCF for the project proposed herein.
- 1.6 This line of activity project proposal is designed to support Micro, Small and Medium-sized enterprises (MSMEs) in the agroforestry, agriculture, and landscape sectors in Mexico and Guatemala with reimbursable and non-reimbursable assistance. Individual projects under the line of activity fall within the MIF’s priority business area of Climate-smart Agriculture. The Line of Activity was developed with assistance of the Climate Change Division (CSD/CCS) and

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<sup>1</sup> GN-2752-4, “Proposal to Modify the Procedures for Approval of Nonreimbursable Operations” August 4, 2014, approved by Resolution DE-103-14.

<sup>2</sup> Approved by the IDB Board (GN-2895, Resolution DE-31/17)

the Office of Outreach and Partnerships (ORP), in a proposal presented to the GCF's 18<sup>th</sup> Board meeting on September 30 -October 2, 2017. The GCF Board approved the proposal at its meeting.<sup>3</sup> This proposal seeks to create a facility or "line of activity" composed of GCF resources to co-finance loan, equity, guarantee, and grant sub-projects, alongside MIF resources, for climate smart agricultural projects in Mexico and Guatemala--to be invested over a five year period.

- 1.7 This document provides information on the reasons for creating the proposed line of activity, the eligibility criteria for the selection of sub-projects, and the expected characteristics of the line of activity's portfolio.

## **II. OBJECTIVE OF THIS DOCUMENT**

- 2.1 The objective of this document is to request that the IDB Board of Executive Directors authorize:
- i. The President of the Bank, or such representative as he shall designate, to adopt any measures as may be necessary for the execution of the project proposal contained in this document to fund a facility with the Green Climate Fund for Low-Emission Climate-Resilient Agriculture Risk Sharing for Micro, Small and Medium Enterprises (the "Line of Activity") co-financed by the Multilateral Investment Fund ("MIF");
  - ii. The President of the Bank, or such representative as he shall designate, (i) to enter into such agreements as may be necessary to receive up to US\$20,000,000 from the Green Climate Fund ("GCF") pursuant to the Accreditation Master Agreement entered into between the Bank and the GCF on August 29, 2017; and (ii) to adopt any other measures as may be necessary to receive and administer such amount for the Line of Activity; and
  - iii. The Donors Committee of the MIF to approve individual reimbursable operations under the Line of Activity as described in paragraph [5.18] herein, including loans, guarantees and equity investments, when such resources of the GCF administered by the Bank are used to finance, in whole or part, MIF projects.

## **III. BACKGROUND AND RATIONALE**

### **A. Rationale for and Purpose of the Line of Activity**

- 3.1 Agriculture is one of the sectors most vulnerable to climate change and is at the same time a driver and mitigant of the underlying causes of climate change. Therefore, moving the needle on climate change in the LAC region means working in sustainable and low-carbon agricultural and forest landscapes. The concept and practice of Low-Emission Climate-Resilient Agriculture (LERA) offers a fitting toolbox to achieve mitigation and adaptation objectives in the agro-forestry sector in LAC.

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<sup>3</sup> [http://www.greenclimate.fund/documents/20182/820027/GCF\\_B.18\\_23\\_-\\_Decisions\\_of\\_the\\_Board\\_eighteenth\\_meeting\\_of\\_the\\_Board\\_30\\_September\\_2\\_October\\_2017.pdf/b55d8183-005c-4518-91dc-152113506766](http://www.greenclimate.fund/documents/20182/820027/GCF_B.18_23_-_Decisions_of_the_Board_eighteenth_meeting_of_the_Board_30_September_2_October_2017.pdf/b55d8183-005c-4518-91dc-152113506766).

- 3.2 LERA can be defined as a practice that “contributes to the achievement of sustainable development goals. It integrates the three dimensions of sustainable development (economic, social and environmental) by jointly addressing food security and climate challenges. It is composed of three main pillars: (i) sustainably increasing agricultural productivity and incomes, (ii) adapting and building resilience to climate change; and (iii) reducing and/or removing greenhouse gases emissions, where possible”
- 3.3 LERA projects in LAC often have difficulty securing financing for innovation or growth because the financial intermediaries that service this sector do not offer products tailored to the needs of agricultural producers experimenting with new processes or expanding from small, grant-funded pilots.
- 3.4 The proposed solution is the establishment of a risk sharing Line of Activity that will unlock innovative and scalable financial instruments to support LERA investments, targeting Mexico and Guatemala. The Line of Activity will leverage funding from counterparties including companies, financial service providers and equity funds. In conjunction with loans, equity, and/or grants from the MIF, the Line of Activity will provide guarantee funds, anchor equity investments, long term and low-cost debt funding and technical assistance grants to be channeled through these MIF counterparties into sub-projects.
- 3.5 The Line of Activity will target agricultural and agro-forestry enterprises that demonstrate innovative and environmentally sustainable practices; it will support them to engage financiers for longer-term loans and investments needed for climate smart agricultural investments. Sub-projects to be financed by the Line of Activity are tailored to national contexts and will be selected on a demand-basis based on country and farmer needs. Through a combination of increased access to capital and technical assistance, the projects under this Line of Activity will seek to improve farmer productivity and to implement mitigation activities such as energy efficiency, agroforestry systems, and reduction of pressure on forested land for agricultural use, along with adaptation activities such as drip irrigation systems, resistant seed substitution, diversification, and changes to agricultural cycles.
- 3.6 Although there may be significant private capital that can be deployed into Low-Emission Climate-Resilient Agriculture projects in LAC, the perceived risk of these investments requires public-sector long-term resources and guarantees. It is expected that with a limited amount of tailored financial resources, significant additional private capital can be channeled to sustainable land use mitigation and adaptation activities. By sharing with the IDB Group the risk of piloting early-stage, innovative financial mechanisms in the LERA space, GCF funding will allow the opportunity to demonstrate to national and regional financial institutions that LERA projects are viable and profitable, that perceived risks in this type of project can be understood and mitigated, ultimately increasing private sector confidence in the structuring and deploying ad-hoc financial instruments for this market segment.

#### IV. OBJECTIVE AND THEORY OF CHANGE OF LINE OF ACTIVITY

- 4.1 **Objective of the Line of Activity:** The solution proposed by this Project would fund a Line of Activity designed to catalyze and unlock private sector lending and investment consistent with individual country national climate strategies (Reduced Emissions from Land Degradation and Deforestation (REDD+) strategies, Nationally Appropriate Mitigation Action facilities, Country Intended Nationally

Determined Contributions commitments under the UNFCCC Paris agreement on Climate Change). The Line of Activity proposed here would consist of US\$20M from the Green Climate Fund, to be combined with US\$10M from the MIF, which would be deployed over 5 years through MIF individual project approval procedures.

- 4.2 **Description:** The GCF co-financing proposed herein will be used to create the risk sharing Line of Activity to complement and leverage funding from financial intermediaries and providers of financial services<sup>4</sup>, anchor companies, and equity funds. In conjunction with up to \$10M in loans, equity, and grants co-funded by the MIF over five years, and with substantial leverage of partner funds, the Line of Activity would provide diversified financial products such as liquidity instruments, subordinated debt, funding for long-term loans, guarantees, and equity for specialized LERA equity funds. Interventions would be undertaken in projects on an individual country and sector basis, diversified across a number of sub-sectors and best available LERA technologies. All sub-projects would contribute to measurable climate impacts and fit within relevant GCF focal areas, as listed above. The reflow period would be 15 years, so as to address the barrier of the limited availability of long-tenor funding instruments that the transactions targeted by the Line of Activity need to be financially viable. The sub-projects will also seek a gender perspective. A portion of the technical assistance non-reimbursable resources will be used to provide capacity development opportunities to women farmers on agricultural planning and climate data literacy, as well as on general financial and business management skills.
- 4.3 **Theory of Change:** Imperfect information and economies of scale limit the access to financial resources by agricultural MSMEs, resulting in underinvestment of the targeted beneficiaries in climate adaptation and mitigation technologies. This, coupled with the expected increased incidence of the impacts of climate variability, in terms of rainfall, temperatures, pests, water availability and frequency and intensity of extreme climate events, contributes to significantly increase the vulnerability of the targeted MSMEs to climatic changes.
- 4.4 The causal link between improved agro-forestry practices and climate impacts is clear for the following reasons. First, in the target countries, poor practices in commodity crop production (e.g. coffee, cocoa, avocado) are important drivers of deforestation. Unsustainable production, exacerbated by climate change, drives down productivity and results in increased forest conversion. Application of best management practices improves productivity, while certification and access to preferred markets can increase MSMEs' income. Increased access to low-cost capital and tailored technical assistance are key enabling conditions towards such outcomes.
- 4.5 Second, in most communities in the target countries, both forestry and agroforestry activities are important for community livelihoods as alternative income streams. To optimize avoided deforestation results, the project must work to both increase the economic logic of keeping the forest standing, while simultaneously working to reduce threats from poor commodity crop production. Third, agroforestry MSMEs that manage multiple value chains tend to be more resilient and competitive and are better able to produce more benefits for a wider group of stakeholders. Finally, by working in both forestry and agroforestry value

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<sup>4</sup> For example, banks, microfinance institutions, credit unions, insurance providers.

chains, impacts can be achieved at the landscape scale, which is especially important in areas where high forest blocks are fragmented.

- 4.6 The Line of Activity would provide targeted lending, investment and tailored technical assistance to agricultural MSMEs, with the aim of increasing resilience and productivity, improving income and generating livelihood alternatives to the conversion of standing forest. Annex I presents a diagrammatic representation of the problems the proposed intervention aims to address, in their relations with causes and main effects.
- 4.7 Following the causes-problems-effects analysis presented in the figure above, Annex II outlines the theory of change of the proposed intervention.

## V. STRUCTURE OF THE LINE OF ACTIVITY

### B. Use of Green Climate Fund Resources

- 5.1 This section presents an overview of the main financial mechanisms that are proposed to address the identified barriers, and which will be structured and deployed by the IDB's strategic counterparties, working across Mexico and Guatemala in their role of channeling agents and aggregation platforms. The blending of resources from the MIF, the GCF and the local counterparties will support the implementation of innovative financial instruments including the following ones to be used in sub-projects supported by the Line of Activity.
- 5.2 **Long term and low-cost debt funding.** Agroforestry and forestry investments often require long tenors from debt investors to account for the maturity cycle of trees and related crops. In addition, key sectors (such as coffee under shade) require significant funds for renovation, re-habilitation, and maintenance of the productive assets. In addition, low emission technologies (e.g. cook stoves, bio digesters and irrigation systems) are often perceived either as high-risk investments, or alternatively, are simply not considered as strengthening the long-term repayment capacity of the farm business in any meaningful way. They therefore do not provide any credit enhancement to the loan that would allow for cheaper pricing or longer repayment terms. Long term and low-cost loans will support intermediaries and corporates to provide appropriate financial products for agroforestry, forestry and new low emission and adaptation technologies for LERA in Latin America. The Line of Activity would be exposed to the credit risk of the counterparties/intermediaries, who would undergo relevant IDB due diligence procedures.
- 5.3 **Anchor equity investments.** In order to scale mitigation finance in land use, as well as support climate resiliency in business models, innovation by the capital markets and insurance industries is necessary. The proposed anchor equity investments will support selected partners in the design and launch of a scaled-up landscape restoration equity fund, as well as in the development of a regional re-insurance business model focused on MSME's catastrophic risk such as droughts, storms, frost and earthquake, and in so doing increase the adaptive capacity of agricultural MSMEs in the region. Any equity investment will be developed with a clear exit strategy and will be time limited.
- 5.4 **Credit Guarantees.** Financial intermediaries working as "climate-smart champions" in Latin America are facing important barriers to access private funding and increase the number of MSMEs receiving finance. Many funds and



financial institutions are simply unwilling to take the “farmer risk,” a catch-all category that generally refers to the risk of agricultural failure with a borrower with few non-productive assets and/or collaterals. Partial credit guarantee products allow financial intermediaries focused on supporting LERA models to increase the volume of funding to MSMEs and community based operations by lowering risk exposure in the lender’s agricultural portfolio. First loss partial credit guarantees allow financial intermediaries to increase their ability to raise capital and to finance more MSMEs on appropriate and financially sustainable terms.

- 5.5 **Grants.** Grants may be provided for five main purposes.
- 5.6 The majority of grant funds will be used to support Line of Activity clients with specialized LERA-related technical assistance. This component of the technical assistance package will be executed by the Line of Activity’s Executing Agencies for each sub-project, with the support and under the supervision of the IDB Group specialists. Technical assistance grants will be designed in the context of subprojects and will be co-financed by the Line of Activity, the MIF, and the specific implementing partner. Wherever possible, local extension agents/consultants will be used, and trainings will take place with agricultural cooperatives already active on the specific sub-project’s geography.
- 5.7 Specific activities to be funded may include: (i) agricultural extension services for MSME producers; (ii) training to increase productivity and incorporate climate-smart practices and technologies; (iii) feasibility studies for climate-smart interventions in the processing or warehousing of agricultural products; (iv) specialized financial product design by financial institutions; (v) linkage to high-value markets or to value chain actors; (vi) certification (such as Forest Stewardship Program (FSC), various “organic” certifications, etc); (vii) limited funds may be used to support capacity development for the installation of decentralized small scale renewable energy and efficiency generation systems and/or adaptation technologies such as more efficient irrigation systems.
- 5.8 A small portion of grants may be used for special or general support to the Line of Activity or Projects, such as:
- To provide each sub-project with assistance in mainstreaming gender-related activities and to implement a gender action plan for the Line of Activity.
  - To support environmental and social management systems. Considering the evolving landscape of GCF safeguard policies, and possible future policy updates, technical assistance resources will be tailored to address such specific needs of executing agencies in complying with GCF requirements.
  - For legal costs in structuring and documenting individual operations when those costs are large relative to the size of a transaction, or when the Borrower does not have the financial means to pay IDB or transaction counsel, where the costs or legal uncertainty weakens significantly the economic rationale of the transaction.

For knowledge activities, including (i) case studies; (ii) an impact evaluation, (iii) a final publication on the results of the Line of Activity; and (iv) infographics or presentations as needed to communicate the Line of Activity’s goals and achievements.

- 5.9 **Currency:** Financial products offered by the Line of Activity will be denominated in US dollars.
- 5.10 **Sub-project size:** GCF funds will constitute between US\$1.5M and US\$8.5M of the funding for each Sub-project.
- 5.11 **Sub-projects eligibility criteria:** Sub-projects must meet the following requirements:
- Directly benefit MSMEs with specific attention to gender-sensitive approaches, where possible;
  - Demonstrate contributions to addressing climate change adaptation; challenge, or result in mitigation of the drivers of climate change, including through the adoption of innovative technologies or management practices;
  - Show a potential for replicability and scalability;
  - Contribute to other IDB Group development priorities including improving local livelihoods;
  - Comply with IDB Environmental and Social safeguards and credit risk due diligence; and
  - Not be classified as Category “A” according to the IDB E&S risk categorization policies.
- 5.12 **Eligible activities** to be financed under this Line of Activity will include those aimed at reducing vulnerability to climate change and/or increasing the productivity of the MSME ultimate beneficiaries and incorporating adaptation and/or mitigation activities in relation to agriculture, forestry and land use. Eligible activities, which are aligned with the scope of the definition of agricultural climate finance as outlined in the 2015 Joint Report on Multilateral Development Banks' Climate Finance, will include the following types of intervention:<sup>5</sup>
- **Agricultural activities that improve existing carbon pools** (e.g. rangeland management, collection and use of bagasse, rice husks, or other agricultural waste, reduced tillage techniques that increase carbon contents of soil, rehabilitation of degraded lands, peatland restoration, etc.).
  - **Afforestation (plantations), reforestation, silvipastoral systems and sustainable forestry.**
  - **Livestock** or other agricultural activities that reduce methane or other GHG emissions (manure management with biodigesters, etc.).
  - **Supplemental and improved irrigation, multi-cropping systems, levelling** and other approaches and technologies that reduce risk of crop failures;
  - **Adoption of sustainable aquaculture** techniques to compensate for the reduction in local fish supplies;

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<sup>5</sup> 2015 Joint Report on Multilateral Development Banks' Climate Finance. Available at: <https://publications.iadb.org/handle/11319/7807>

- **Activities aimed at reducing climate variability risk** for agro-forestry MSMEs, including insurance against extreme and catastrophic climate events.

5.13 Projects must comply with applicable IDB policies, including as to Excluded Activities.

### **C. Governance and Delegation of Approvals**

5.14 GCF funding facilitated by this approval will be fully dedicated to the Line of Activity described herein, which shall be managed by the IDB through a multi-departmental team centered in the MIF. This Line of Activity will finance sub-projects developed by local executing agencies, primarily financial intermediaries with experience in the climate-smart agricultural business in the target countries. Prospective Executing Agencies will include private companies, financial institutions, equity funds, and insurance companies. It is expected that the Line of Activity will support approximately 5 to 8 Sub-projects.

5.15 The Line of Activity will be managed by a three person “steering team” responsible to develop pipeline origination, evaluation of proposals from Executing Entities and development/structuring individual sub-projects. The steering team will include one Investment Specialist from the MIF, one Climate Change Specialist from the IDB’s Climate Change Division and a Line of Activity Coordinator at the MIF. The Investment Specialist will oversee the financial evaluation of any proposed sub-project.

5.16 The Climate Change Specialist will confirm the assessment of the climate mitigation and/or adaptation potential of sub-projects. Project proposals that do not meet IDB policy or standards on financial or climate impact potential will be subject to recommendations for improvements to increase the prospects for financing.

5.17 A Line of Activity Coordinator will oversee the day-to-day activities for management of the Line of Activity and will validate that investments match the eligibility criteria. The Coordinator will liaise with Executing Entities to obtain information necessary to track sub-projects, verify the portfolio’s climate and social impacts, monitor the expected rate of return, and prepare portfolio management reviews and development effectiveness documents. The Line of Activity Coordinator will be selected through a competitive process, following IDB policies and will be funded from fees received from the GCF for this purpose.

5.18 The IDB, as an AE receiving funds from the GCF, will report to the GCF as per the AMA and the relevant FAA. MIF will develop individual sub-projects and will submit for approval, through normal MIF procedures, the sub-projects to be co-financed with Line of Activity resources. MIF will document the sub-project agreements such that Executing Agencies will be subject to compliance with the the relevant terms of the AMA and FAA agreed by IDB.

5.19 This document proposes that the MIF Donors Committee be delegated the authority to approve all reimbursable operations funded with the GCF resources approved for this Line of Activity (including loans, guarantees, equity and other

financial instruments permitted by the GCF).<sup>6</sup> Non-reimbursable technical cooperation grant operations funded with GCF resources approved for this Line of Activity would be approved by the President or under his delegation to Bank Management within approved delegation limitations.<sup>7</sup>

- 5.20 The office of the MIF will ensure that all applicable responsibilities and requirements established under the AMA and in the relevant FAA are met when resources from GCF are used in MIF operations. The MIF will actively collaborate and consult with the CSD/CCS, which is the technical focal point before the GCF, and with ORP/GCM.
- 5.21 The IDB Group has developed over the years vast experience in blended finance through the implementation of programs with other climate funds (e.g. GEF, CIF and C2F), and will resort to such expertise to ensure adequate and effective utilization of Line of Activity resources to promote investments with climate value. The structure of the proposed intervention is shown in the Figure 1, below.

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<sup>6</sup> This approval authority for reimbursable operations is in line with the authority that the Board of Executive Directors provided to the MIF Donors Committee for the approval of projects utilizing resources from the Clean Technology Fund and the Strategic Climate Fund. See GN-2674, "Proposal to amend Resolution DE-51/10 for the Clean Technology Fund and Resolution DE-9/11 for the Strategic Climate Fund" July 31, 2012, approved by Resolution DE-122/12. See also the authority to the MIF Donors Committee for projects funded by the Global Environmental Facility (GEF); GN-2304-6, "Bank's Access to the Global Environmental Facility (GEF) and Other GEF Operated/Administered Trust Funds" January 28, 2014, Par. 4.1-4.2, approved by Resolution DE-11/14.

<sup>7</sup> See the delegation to Bank Management under GN-2752-4, "Proposal to Modify the Procedures for Approval of Nonreimbursable Operations" August 4, 2014, approved by Resolution DE-103-14. The IDB Board of Executive Directors would approve any non-reimbursable grant operations for projects exceeding the \$3,000,000 limit of such delegation of authority. See *Id.*, footnote 9.

Figure 1. Flow of funds.

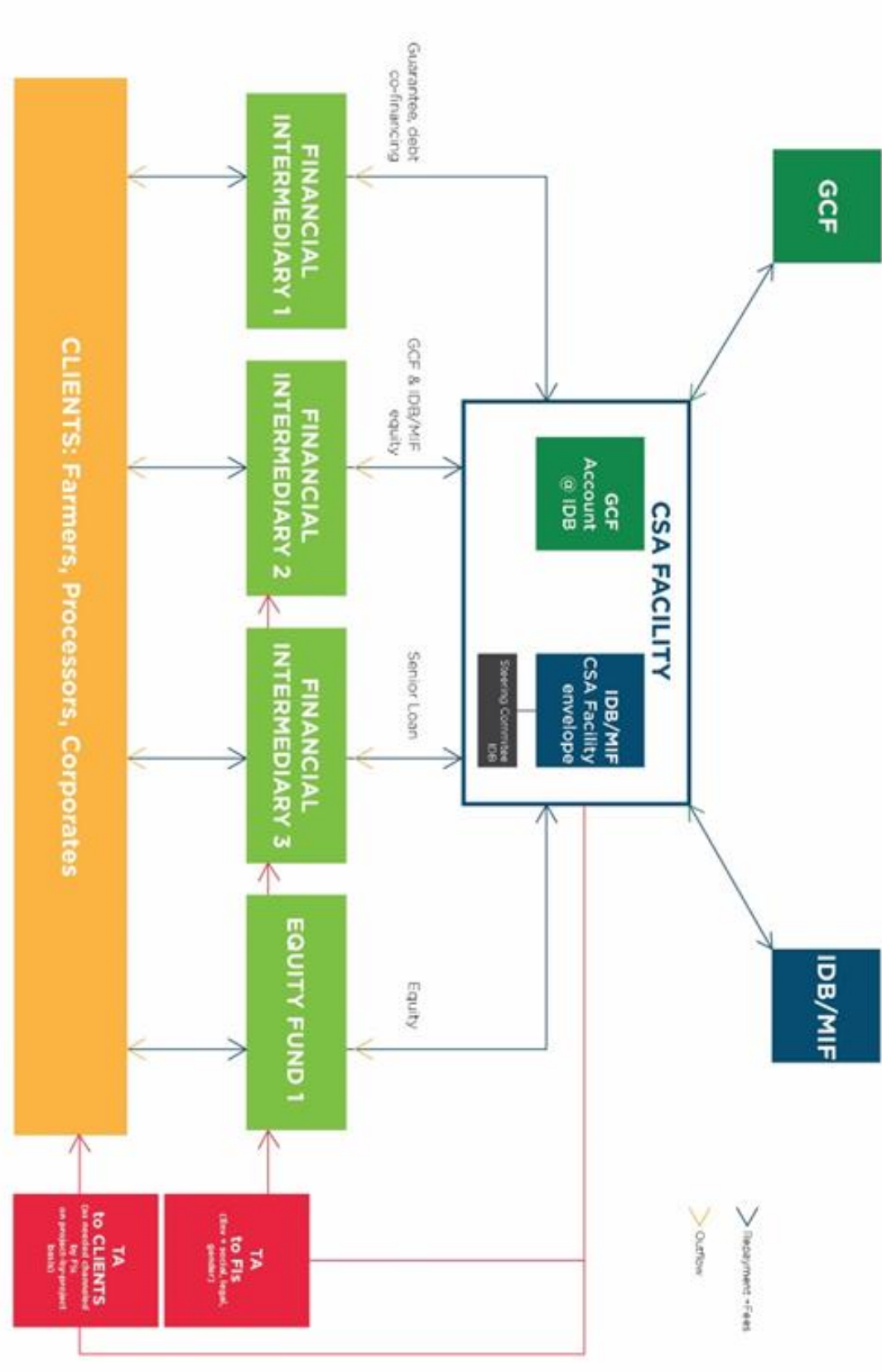


Figure 2. Expected timetable:

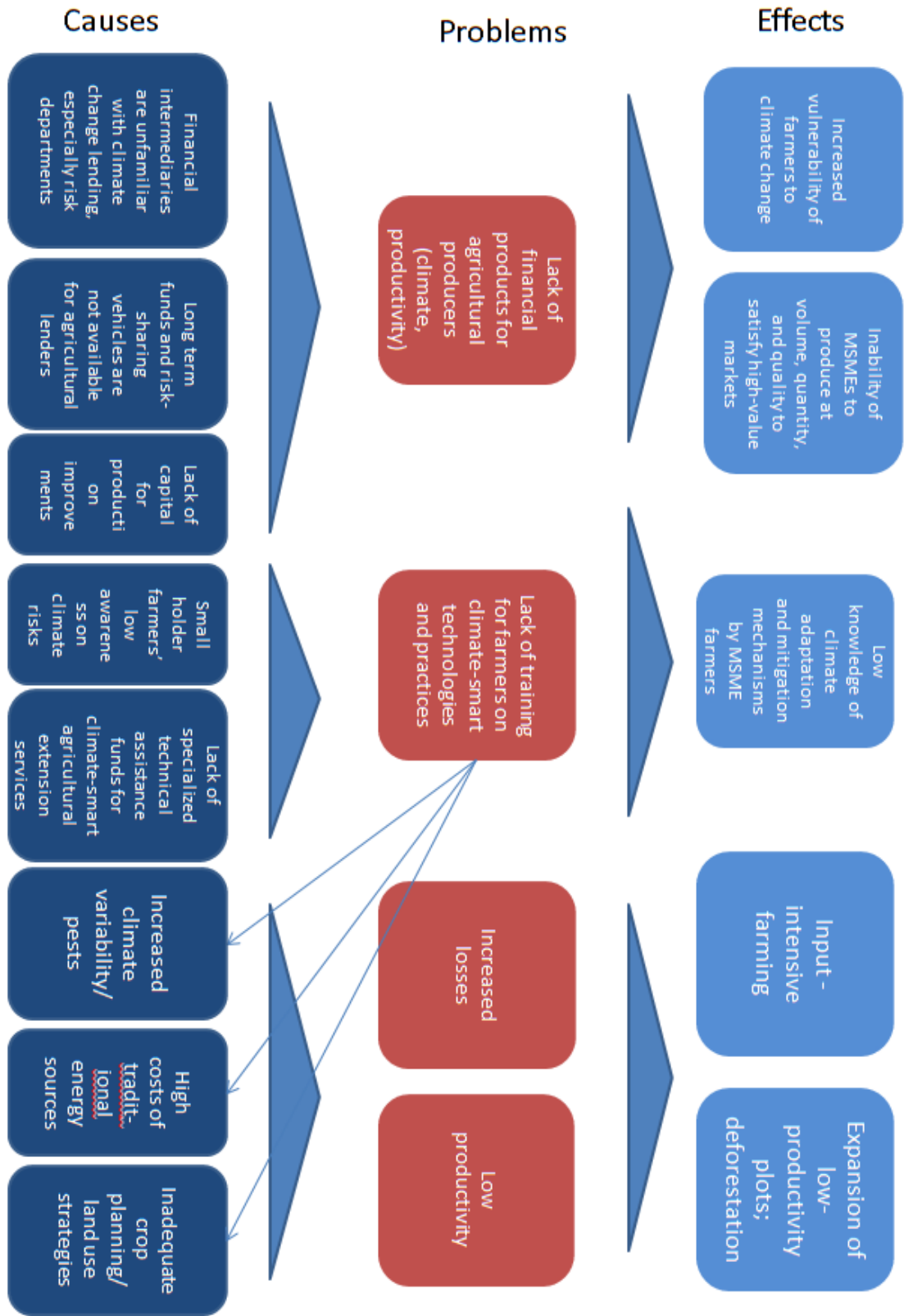
2018 H1	2018 H2 - 2030	2026-2033
<p>Set up Line of Activity in IDB Group.</p> <p>Engage financial intermediaries and agribusinesses.</p> <p>Initiate request of sub-project proposals from FIs (ongoing through investment period).</p>	<p>Investment Period.</p> <p>Reflows available in the Line of Activity may be reinvested in further sub-projects during this period. The amounts of principal repaid by the Executing Entities related to the GCF Portions and held in the GCF Account may be used by IDB during the Investment Period to finance new Loans, Guarantees or Equity Investments to the Executing Entities for the financing of Sub-projects that comply with the Facility's eligibility and credit criteria.</p>	<p>Repayment Period.</p> <p>Interest, fees, dividends and/or capital gains, if any, excluding repayment of principal, will be transferred to the GCF account at the IDB within 5 days from receipt and subsequently transferred to the GCF on semi-annual basis, within thirty (30) calendar days after March 31 and September 30 of each year. ‘</p> <p>Repayments of principal related to the GCF Portions (including Loans, Guarantees and Equity Investments) will be made by IDB in one single bullet payment at the end of year 15 as of the date of effectiveness of the FAA, by transfer of all the funds deposited in the GCF Account to the GCF, within 30 days after the end of the relevant year.</p>

The full details of the terms of the GCF financing are included in the attached term sheet, Annex III.

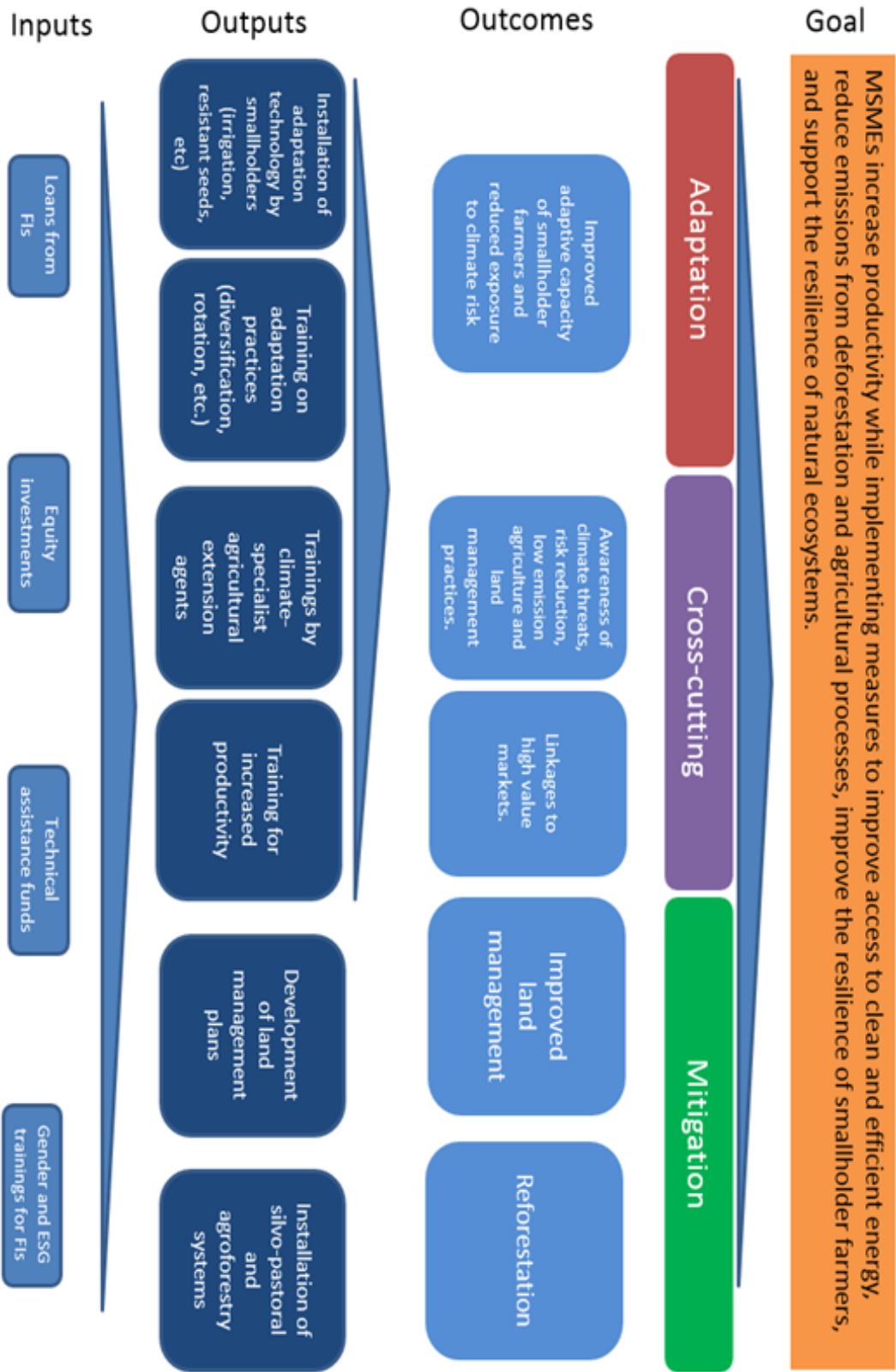
## VI. RECOMMENDATIONS

- 6.1 Management recommends that the Board of Executive Directors adopt the attached proposed resolution, authorizing:
- The President of the Bank, or such representative as he shall designate, to adopt any measures as may be necessary for the execution of the project proposal contained in this document to fund a facility with the Green Climate Fund for Low-Emission Climate-Resilient Agriculture Risk Sharing for Micro, Small and Medium Enterprises (the “Line of Activity”) co-financed by the Multilateral Investment Fund (“MIF”);
  - The President of the Bank, or such representative as he shall designate, (i) to enter into such agreements as may be necessary to receive up to US\$20,000,000 from the Green Climate Fund (“GCF”) pursuant to the Accreditation Master Agreement entered into between the Bank and the GCF on August 29, 2017; and (ii) to adopt any other measures as may be necessary to receive and administer such amount for the Line of Activity; and
  - The Donors Committee of the MIF to approve individual reimbursable operations under the Line of Activity as described in paragraph [5.18] herein, including loans, guarantees and equity investments, when such resources of the GCF administered by the Bank are used to finance, in whole or part, MIF projects.

Annex I: Problem Tree



Annex II: Theory of Change





DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-\_\_\_/18

Regional. Proposal for Establishment of a Line of Activity Project for a Low-Emission Climate-Resilient Agriculture Risk Sharing Facility for Micro, Small and Medium Enterprises with the Green Climate Fund

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

To acknowledge the establishment by the Inter-American Development Bank (the “Bank”) of a facility to be administered by the Bank with the Green Climate Fund in order to finance Low-Emission Climate-Resilient Agriculture Risk Sharing for Micro, Small and Medium Enterprises (the “Line of Activity”) with up to US\$20,000,000 from the Green Climate Fund for operations to be co-financed by the Multilateral Investment Fund (“MIF”) in accordance with the project proposal contained in document \_\_\_\_ - \_\_\_\_.

(Adopted on \_\_ \_\_\_\_\_ 2018)

[RG-O1656]

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/18

Regional. Proposal for Establishment of a Line of Activity Project for a Low-Emission Climate-Resilient Agriculture Risk Sharing Facility for Micro, Small and Medium Enterprises with the Green Climate Fund

The Board of Executive Directors

RESOLVES:

1. To authorize the President of the Bank, or such representative as he shall designate, to adopt any measures as may be necessary for the execution of the project proposal contained in document \_\_\_\_- \_\_\_\_ to fund a facility with the Green Climate Fund for Low-Emission Climate-Resilient Agriculture Risk Sharing for Micro, Small and Medium Enterprises (the “Line of Activity”) co-financed by the Multilateral Investment Fund (“MIF”).

2. To authorize the President of the Bank, or such representative as he shall designate, (i) to enter into such agreements as may be necessary to receive up to US\$20,000,000 from the Green Climate Fund (“GCF”) pursuant to the Accreditation Master Agreement entered into between the Bank and the GCF on August 29, 2017; and (ii) to adopt any other measures as may be necessary to receive and administer such amount for the Line of Activity.

3. To authorize the Donors Committee of the MIF to approve individual reimbursable operations under the Line of Activity, including loans, guarantees and equity investments, when such resources of the GCF administered by the Bank are used to finance, in whole or part, MIF projects.

(Adopted on \_\_\_\_ 2018)

(RG-O1656)