

INTER-AMERICAN DEVELOPMENT BANK

IDB LAB

REGIONAL

GUATEMALA, HONDURAS AND PERU

**ECOMICRO - CARBON, CLIMATE AND COFFEE: MOVING THE NEEDLE FROM
COOL FARMS TO SOIL CARBON PREMIUMS**

RG-T3464

ECOMICRO PROGRAM FACILITY (RG-O1649)

DOCUMENT FOR PROJECT APPROVAL

PROJECT DOCUMENT

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PROJECT SUMMARY

EcoMicro – Carbon, Climate and Coffee: Moving the Needle from Cool Farms to Soil Carbon Premiums RG-T3464

Industrial agricultural is a primary contributor of total greenhouse gas emissions worldwide. But while industrial farming is a big part of the problem, small-scale, organic coffee farmers can be a significant part of the solution to current, global, climate-change challenges. Organic coffee plots, managed as agroforestry systems, imitate forest habitats that sustain plant and animal species and can stock and maintain high levels of soil organic carbon (SOC). In order to mitigate anthropogenic climate change in the coffee industry and to support the livelihoods of small-scale, organic, coffee-farming families around the world, farmers need greater access to technical and financial resources that would allow them to transform their fields into soil-carbon sequestering ecosystems.

Through this pilot project, the know-how and experience of coffee companies and their supply chain, certification organizations, scientific and industry research, data systems experts and development organizations will be combined to support coffee farmers' capacity to: track and understand the environmental impact of their farming system; promote best organic practices for climate resiliency and improved crop health and productivity; and acknowledge the environmental service. Successful, regenerative organic coffee farmers will be provided with a "carbon premium" paid in relation to the calculated amounts of net carbon sequestration. This will be achieved through a robust partnership between MayaCert (the Executing Agency), and a network of organizations and partners across the coffee production, certification and export value chain. This partnership includes six cooperative producer organizations whose members comprise small holder coffee farmers in Guatemala, Honduras and Peru; and five leading global partners that will each provide unique expertise and technical tools to support the execution of this project (see details in section VI).

The Cool Farm Tool brought by the Cool Farm Alliance, will help to identify the environmental impact of an individual farmer's choices in land-use management – including the type and density of their plantings, fertilization practices, the management of bio-mass residues, water use, on farm energy use for processing or handling, and transportation.

The project is expected to directly benefit 250 small-scale coffee farmers, community trainers and producers and their immediate technical support representatives, and, through their cooperative structures, benefit more than 2,500 farmers through outreach, replication and eventual climate resiliency investments.

This project is well-aligned with the overall IDB Group's goals on addressing climate change and environmental sustainability as well as the IDBG Institutional Strategy (2010-2020) whose policy objective is to accelerate economic and social development in a sustainable way, through increasing productivity and innovation.

The project is also aligned to the IDB Country Strategies for the three (3) participating countries, including the IDB Country Strategy for Guatemala 2017-2020, the IDB Country Strategy for Honduras 2019-2022, and the IDB Country Strategy for Peru 2017-2021, which among the strategic objectives include to promote climate change adaptation and the use of environmentally sustainable agricultural practices.

ANNEXES

ANNEX I	Results Matrix
ANNEX II	Draft Milestones Table

AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF IDB LAB PROJECT INFORMATION SYSTEM

ANNEX III	<u>Diagnostic of Executing Agency Needs (DNA)</u> [includes Integrity Due Diligence Analysis]
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ACRONYMS AND ABBREVIATIONS

CBA	Country Office in Barbados
CCC	Coop Coffees Canada
CGU	Country Office in Guatemala
CHO	Country Office in Honduras
CID	Country Department Central America
COMSA	Café Orgánica Marcala
CPE	Country Office in Peru
CSC	Country Department Southern Cone
CSD	Climate Change and Sustainability Division
DNA	Diagnostic of Executing Agency Needs
EA	Executing Agency
EE	Energy Efficiency
FI	Financial Institution
GAC	Global Affairs Canada
GHG	Greenhouse Gas
IDB	Inter-American Development Bank
IDBG	Inter-American Development Bank Group
IDB Invest	Inter-America Investment Corporation
IDB Lab	Multilateral Investment Fund
LAC	Latin America and the Caribbean
MSME	Micro, Small and Medium Enterprise
NDF	Nordic Development Fund
PC	Project Coordinator
PEA	Project Execution Agreement
PEC	Project Execution Committee
PM	Project Manager
PSG	Project Specific Grant
PSR	Project Status Report
RC	Root Capital
RE	Renewable Energy
SFL	Sustainable Food Lab
SOC	Soil Organic Carbon
TCC	The Chain Collaborative

PROJECT INFORMATION

Country and Geographic Location:	Guatemala, Honduras and Perú (Regional)		
Executing Agency:	MayaCert S.A. Guatemala		
Project Partners:	CoopCoffees Canada; Sustainable Food Lab, Cool Farm Alliance; Root Capital The Chain Collaborative; Manos Campesinas (Guatemala); Café Orgánico Marcala (Honduras); Sol y Café (Perú); CENFROCAFE (Perú); Norandino (Perú); CAC Pangoa (Perú)		
Focus Area:	Climate Smart Agriculture (CSA)		
Coordination with Other Donors / Bank Operations:	This project comprises part of RG-O1649, which expanded to the Caribbean the EcoMicro Program RG-M1205 / RG-X1131. It will be financed through resources from the Nordic Development Fund (NDF), managed under RG-X1131 ATN/NV-13162-RG. The project will be executed in coordination with relevant activities of the IDB Climate Change and Sustainability Division (CSD) in Latin America. Potential synergies with IDB Invest will be explored for scale on completion of the pilot.		
Project Beneficiaries:	The project is expected to directly benefit 250 small-scale coffee farmers, community trainers and producers and their immediate technical support representatives, and, through their cooperative structures, benefit more than 2,500 farmers through outreach, replication and eventual climate resiliency investments.		
	Counterpart (cash and in-kind):	US\$310,000	32%
	Co-financing from Nordic Development Fund (NDF), via the EcoMicro Program (RG-O1649):	US\$666,000	68%
	TOTAL PROJECT BUDGET:	US\$ 976,000	100%
Execution and Disbursement Period:	30 months of execution and 36 months of disbursement.		
Special Contractual Conditions:	Special conditions precedent to first disbursement will be: (i) the appointment of the Project Coordinator; and the (ii) appointment of the Project Execution Committee		
Environmental and Social Impact Review	This operation was screened and classified as required by the IDB's safeguard policy (OP-703) on July 30, 2019. Given the limited impacts and risks, the proposed category for the project is C.		
Unit responsible for disbursements	UDR CID/CGU – which shall retain responsibility for disbursements. The project will be supervised by the EcoMicro Team Leader (DIS) with support from the EcoMicro Coordination Team based in CCB/CBA, in coordination with the IDB Lab consultant in CID/CGU.		

I. INTRODUCTION

- 1.1. **The EcoMicro Program:** The “Green Finance for MSMEs and Low-Income Households: The EcoMicro Program” (EcoMicro) is a US\$ 17 million facility established to pilot green finance for MSMEs (including small farmers) and low-income households in Latin America and the Caribbean (LAC). The goal of the Program is to facilitate green finance as a means to increase access to Renewable Energy/Energy Efficiency (RE/EE) products, and to assist in adaptation to climate change. The purpose of the facility is to support Financial Institutions (FIs) in partnership with key actors in the broader ecosystem to provide new finance instruments to capitalize on opportunities in green financing, while adjusting their risk management models to climate change risk and incorporating climate impact assessment into their internal policies and operations.
- 1.2. The Program is currently financed with funds from IDB Lab, co-financed by the Nordic Development Fund (NDF) and Global Affairs Canada (GAC) through Project Specific Grants (PSGs), and local counterpart funds. It is executed by IDB Lab. It was originally approved on September 20, 2011¹, and was subsequently amended² in 2015 to increase contributions from the IDB Lab and NDF. In 2016, GAC made an additional contribution to increase the outreach of the original program specifically in the Caribbean Region³. GAC-funded Caribbean Projects follow the prescribed modular approach of the EcoMicro Program, which is centered on the execution of three mutually reinforcing and interlocking components⁴. The EcoMicro modular approach was originally approved by the IDB Lab Donor’s Committee by Resolution MIF/DE-33/11 on September 20, 2011 (MIF/AT-1143-2) and forms the basis of the Administrative Agreement with GAC for the Caribbean EcoMicro Program, signed on March 21, 2016. In August 2018, the disbursement deadline of the Program was extended until November 30th, 2022.
- 1.3. This is the **twenty-second EcoMicro project**, the first regional project under the facility, and the eighth to be funded with co-financing from the NDF, via the EcoMicro Program Facility (EcoMicro RG-O1649), through the Operation ATN/NV-13162-RG.
- 1.4. **Delegation of Authority to IDB Lab Management for Project Approvals:** The Donors delegated authority to the IDB Lab General Manager for the approval of projects under the EcoMicro Program (MIF-AT-1143-2).

II. THE PROBLEM

A. Problem Description

- 2.1 Industrial agricultural is a primary contributor of total greenhouse gas (GHG) emissions worldwide. But while industrial farming is a big part of the problem, small-scale, organic coffee farmers can be a significant part of the solution to current global climate-change challenges. Organic coffee plots, managed as agroforestry systems, imitate forest habitats that sustain plant and animal species and can stock and maintain high levels of soil organic carbon (SOC). In order to mitigate anthropogenic climate change in the coffee industry

¹ Resolution MIF/DE-33/11 (MIF/AT-1143-2)

² Resolutions DE-89/15 and MIF/DE-38/15 (MIF/AT-2243-3)

³ Resolutions DE-46/16 and MIF/DE-43/16 (MIF/AT-1143-4 and MIF/AT-1143-5 respectively)

⁴ The three intervention areas approved by the IDB Lab Donors Committee and GAC are: (a) design and implementation of the green finance product; (ii) assessment of the institution’s loan portfolio vulnerability to climate change; and, (iii) greening the FI through development of environmental guidelines and policies.

and to support the livelihoods of small-scale, organic coffee-farming families around the world, farmers need greater access to technical and financial resources that would allow them to transform their fields into soil-carbon sequestering ecosystems.

- 2.2 Despite their increasingly urgent need to act, many small-scale coffee farmers still lack adequate finance and tools to help diagnose the environmental impact of their production practices, and to make informed decisions on adaptation strategies that could lead to lowering their carbon footprint, while increasing their productivity. Meanwhile, even the most engaged coffee roasters lack the real time information that could help communicate to a broader consumer base the role of regenerative, small-scale coffee farmers in the fight against global climate change and our collective responsibility to support their efforts.
- 2.3 MayaCert S.A. Guatemala seeks — in close collaboration with Coop Coffees Canada (CCC), the Sustainable Food Lab (SFL) and Cool Farm Alliance (CFA), Root Capital (RC), The Chain Collaborative (TCC), and select farmer partners in Guatemala, Honduras and Northern Peru — to facilitate a series of cascading learning opportunities and field applications (described below) that would contribute towards bridging these gaps.

B. Project Beneficiaries

- 2.4 The direct beneficiaries of this project are **250 small-scale, organic, coffee farmer families and their respective coffee growing communities** from the following coffee farmer cooperatives: Manos Campesinas in Guatemala, COMSA in Honduras, and Sol y Café, CENFROCAFE, Norandino and CAC Pangoa in Peru. These farmer organizations collectively comprise more than 12,500 small-scale, organic coffee farmer families and their respective coffee growing communities. The average land-holdings of these family farms range between 1 hectare (in Guatemala and Honduras) and 3 hectares (in Peru).
- 2.5 For all participating farmer organizations, coffee remains the primary income generator for families and, in many cases, the sole source of family income. Through community-based training and capacity building workshops, farmers will improve their understanding of the positive impact that regenerative, carbon-sequestering organic practices (enhanced composting, encouraging proper cover crops or mulching, replicating agroforestry models in their coffee plantations, etc.) and best management of organic wastes (coffee pulp, pruning and weeding residue, water runoff, etc.) can bring to the health and productivity of their fields. In addition, given that the project will be able to effectively track and report on farmer progress in these areas through use of the Cool Farm Tool⁵ and related data assessment processes, farmer partner organizations will be able to showcase their top performers as “climate-resiliency” innovators, and encourage further investment in their efforts as “carbon-smart” farmers.
- 2.6 The project is expected to benefit the **6 participating cooperatives and their organizational staff**, each of whom have a small but growing financial services arm that will be strengthened as part of the project and with whom the line of credit and associated policies/regulations will be developed.
- 2.7 These 6 organizations were selected because of their internal capacity for project management and farmer member mobilization; Coop Coffees’ long-standing relationship

⁵ The Cool Farm Tool is an online greenhouse gas, water, and biodiversity calculator for farmers. It is offered free of cost to farmers by the Cool Farm Alliance whose mission is to *enable millions of growers globally to make more informed on-farm decisions that reduce their environmental impact*.

with each of them built upon trust, compliance and the steady, reliable communication channels built over the years; and their capacity to extend credit and much needed investments at the farm level, all critical elements for the success of this pilot project and the work that would follow.

III. THE INNOVATION PROPOSAL

Project Description

- 3.1 The objective of this project is to design a carbon premium line of credit for coffee farmers that implement regenerative, organic coffee farming and achieve targeted carbon sequestering “CO2 scores” as a leading strategy for greater climate resiliency. It is expected that this will allow participating coffee farmers to gain a greater understanding of the use and potential of the Cool Farm Tool, and to encourage the uptake of holistic, regenerative agricultural practices and resource management to achieve greater climate resiliency and more productive farms. It will also allow participating coffee traders and roasters to gain greater understanding of the environmental service that regenerative, organic farmers provide, and be encouraged to support direct payments of a “carbon premium” to farmer organizations. The combination of these two critical aspects will unlock much needed finance for farmers to adopt sustainable practices and technologies that will make their farms more resilient and sustainable.
- 3.2 **Innovation.** While strengthening the partnership between MayaCert S.A. and CoopCoffees, the Sustainable Food Lab, Root Capital and The Chain Collaborative, the project will introduce The Cool Farm Tool as an organizational support tool for farmer partners’ technical teams. The introduction of this innovative tool will enhance their capacity to diagnose, plan, train, and track their progress in applied regenerative, organic practices at the farm level. In addition, within the current framework of Coop Coffees initiative [Carbon Climate and Coffee](#), they will establish clear mechanisms to channel a portion of existing project funds from their own internal “carbon tax” directly to coffee farmers as a “carbon premium” -- in order to incentivize this important work in regenerating soils. The quick and reliable data output that the Cool Farm Tool provides, would significantly enhance the capacity at CoopCoffees to channel carbon premiums to partners with confidence. Furthermore, a successful pilot project focused on the use and application of this tool would facilitate replication on a significantly larger scale. This marks both innovation and added value for market actors across the supply chain, which could even be replicated to other crops.
- 3.3 **Knowledge.** The project will serve as an important case study, generating real evidence and best practices on how carbon sequestration practices can result in better financial and market access conditions for small farmers and their organizations. As part of the EcoMicro Program facility, this project will benefit from knowledge derived from other EcoMicro projects communicated via periodic [Newsletters](#), as well as have access to multiple tools and knowledge products generated across all projects resident in the [EcoMicro Library](#).
- 3.4 **Gender.** Female participation at the cooperative and farmer organization level is important at both the leadership and membership levels. The Gender Analysis to be conducted at the inception of this project - using the [Toolkit for Mainstreaming Gender in MIF Projects](#) - will establish whether specific measures will be needed to address possible gender inequalities during execution and ensure equitable benefits to both women and men.

- 3.5 To support farmer access to quick and reliable diagnostic tools for assessing the environmental impact of field practices and resource management, and to promote regenerative, organic agriculture as a leading strategy for greater climate resiliency, the project will include the following three basic components.

Component 1: Implementation and Adaptation of Data Tools

- 3.6 **Data assessment.** The project will initially work on a data tool assessment which will be two-pronged. On the one hand the project will assess the existing general farmer data management tools being promoted and currently utilized by the producer organizations to facilitate and organize basic farmer information. This initial evaluation has the intention of avoiding redundant data gathering and entry efforts, and of seeking synchronicity and data management efficiencies. The project will also assess the current Cool Farm Tool (CFT) enhancements already underway or on the CFT active list for next generation improvements to the Perennials Applications, an application focused on perennial fruits, vegetables and cereals.
- 3.7 **Regional Workshops.** This Component will include “Training the Trainers” workshops to support coop technical staff and farmer representatives in the use of the Cool Farm Tool and to reinforce farmer knowledge around best, climate-resiliency field practices. These workshops will be conducted in collaboration between the project partners, with each focusing their respective area of expertise. The Cool Farm Tool is a farm practices and resource management calculator that allows farmers to measure their environmental impact (positive or negative) and illustrate a variety of practical options that could improve the farmer’s environmental footprint and overall farm management “score.” The tool is applied through tablets or smart phones, which makes it simple to digitize data. Trainings will demonstrate the practical applications of the tool in the field, and the over-arching planning potential for promoting an optimal mix of best organic practices. The reports from the tool and the score will in turn allow for farmers to be potentially rewarded with environmental service payments and for their organizations to conduct accurate climate risk management – in turn facilitating cooperative access to environmentally targeted lines of credit for resiliency lending (and also based on the reports generated by the Cool Farm Tool and climate risk assessments).
- 3.8 **Local Workshops.** Replicating the regional workshops, participants will bring this knowledge to their respective communities. Local technical teams from each of the participating farmer organizations will develop and lead a series of follow-up trainings with farmer members in close collaboration with local, support teams, in order to achieve: uniform application of the Cool Farm Tool, a standardized and efficient data gathering plan; and, clear strategies for farmers to implement the most appropriate field practices for improved levels of climate resiliency.
- 3.9 **Data Collection and Verification.** Following the local workshops, Root Capital together with farmer partners will activate the teams of local “data collectors” from within each cooperative organization, in order to gather the information from individual producers, and conduct assessments of the data to confirm farmers’ current carbon footprint. The design of the data collection process will take into consideration the existing and highly functional “internal inspection teams” that each one of the participating cooperative partners has developed. This is intended to maintain and strengthen farmer oversight in their respective, organic inspection preparatory work and guarantee most accurate results. The field assessments and verification of this data will be a mix of voluntary reporting and

cross-check validation, similar to what is customary of Participative Guarantee Systems and Organic Certification, with oversight from MayaCert.

Component 2: Carbon Premiums and Knowledge Management

- 3.10 **Carbon Premium:** Based on the outcomes of the above component and given the analysis of collected data, CoopCoffees will capitalize and pilot a financial “**carbon premium**” payment awarded to farmers for achieving targeted carbon sequestering “CO2 scores” as part of CoopCoffees’ “*Carbon, Climate and Coffee*” initiative. The specific methodology for calculating and issuing carbon premium payments will be developed under the project. The tracking and management of these carbon premiums will be the responsibility of each respective participating producer organization - based on the training received under Component 1 - and negotiated directly with CoopCoffees. With the combination of “best case scenario” carbon footprint, carbon premiums and the enhanced production performance on farm – the project expects to create an incentivized pathway for organization-wide interest in additional climate resiliency investments.
- 3.11 **Climate Risk Assessments:** Building on the data generated under Component 1, the Executing Agency and Root Capital with funding from the project, will build a process for climate risk assessment that will be integrated into the general practices for risk assessment and due diligence of the six participating producer organizations. The analysis will include a map of climate change risks (determined based on existing publicly available information and activities under the project), and their specific impact on clients. At the end of this process the project will produce the following outcomes: (i) climate risk assessments of 250 farms; (ii) an organizational assessment and investment plan for enhanced climate resiliency for each of the 6 Co-operatives; (iii) climate risk assessment tool tailored to loan approval operational process, that integrates climate risk in the loan approval process and proposes adaptive measures tailored to the client’s needs for each of the 6 Co-operatives
- 3.12 **Training on use of Climate Risk Assessment Tool and related processes.** The Executing Agency and Root Capital will deliver training to managerial and technical staff within each of the six participating producer organizations on use of the climate risk assessment tool and related processes that will facilitate monitoring climate change impact for future loans.
- 3.13 **Knowledge Management & Dissemination:** The Executing Agency and partners will capture, synthesize and disseminate the knowledge generated at the project level, including: lessons learned, best practices, and key factors of success for individual farmers as well as the organizational successes. One of the main components of the EcoMicro program is directly related to the systematization, documentation and dissemination of the knowledge generated by each of the individual projects under the facility. Project leaders and producer representatives will participate in knowledge sharing events with other EcoMicro project partners, as well as in industry and climate change and sustainable development forums, in order to share their experiences and lessons learned. Knowledge products developed through the project will also be disseminated via the EcoMicro Program website and events. Demonstrating the impact of successful field management will be crucial to creating the momentum and enthusiasm for replication. In addition, this component will generate strategic knowledge for private and financial sector adoption to ensure scalability of this intervention.

Plan for Scale: EcoMicro pilot projects are designed to be scaled post-pilot either through own-resources, private investment or a combination. The potential to scale this pilot will be assessed under the project, subsequently informing the development of a scale strategy post-pilot (integrated into the Final Report on results). It is expected that the Cool Farm Tool will help to demonstrate how and where farmers can most readily improve their carbon footprints and enhance climate resiliency, while the potential for carbon premiums paid to top performing carbon sequestering farmers are together, highly motivating incentives for scale. A key scale strategy will be to leverage the climate risk assessment tool and ability to establish the climate resiliency “investment readiness” of individual smallholder farmers, to mobilize resources from the balance sheet of each of the six producer organizations to establish six **Climate Resiliency Lines of Credit**. These lines of credit will finance climate resiliency investments in order to improve their individual coffee farmer members’ and their collective organizations’ capacity to perform under increasingly unpredictable climatic conditions. The steps to building a solid framework for these Climate Resiliency Investments will be a mix of learning activities, application of the Cool Farm Tool itself, and a series of climate risk assessments applied to both the participating farmers, and their respective cooperative organizations as a whole.

Component 3: Monitoring and Evaluation

- 3.14 The Monitoring and Evaluation (M&E) Plan would be led by TCC in collaboration with all project partners – and would be designed to assess project implementation and impact and comply with donor requirements. In line with the four components of the proposal, TCC proposes both remote and face-to-face activities, such as farmer and organization interviews, focus groups and review of activity plans and reports -- which together would allow the project partners to collect the data necessary in order to create complete and accurate quarterly, mid-term and annual data reports and a Final Report (that integrates analysis for scale and a scale strategy) requested by IDB as part of this project. With the project Results Matrix (see Annex 1) as an outline, TCC will guide the process with a series of example baseline assessments, questionnaires, and information-gathering guidelines to support this process.

B. Project Results, Measurement, Monitoring and Evaluation

- 3.15 **Project Results.** By the end of this project, the following results are expected: (i) 250 farmer families and representative organizational staff trained by way of two regional “training-of-trainers” workshops and a series of local, community-based farmer trainings; (ii) 250 farmers receive premium and or financial incentive for carbon sequestration; and (iii) at least \$400,000 in financing for adaptation strategies in the pilot phase.
- 3.16 Using the Cool Farm Tool as one of the primary didactic approaches, the project expects to improve farmer understanding of the positive impact that regenerative, carbon-sequestering organic practices (enhanced composting, encouraging proper cover crops or mulching, replicating agroforestry models in their coffee plantations, etc.) and best management of organic wastes (coffee pulp, pruning and weeding residue, water runoff, etc.) can bring to the health and productivity of their fields. The Cool Farm Tool also serves to identify and validate the environmental impact of many “down to earth solutions for climate change” which can speak to farmers and buyers alike. Meanwhile, being able to effectively track and report on farmer progress in these areas through use of the Cool Farm Tool and the data assessment processes, will allow farmer partner organizations to

showcase their top performers as “climate-resiliency” innovators, and encourage further investment in their efforts as “carbon-smart” farmers.

- 3.17 **Market access:** Market forces are already aligning to reward regenerative, organic practices. As the impacts of climate change become increasingly dramatic, the value of “environmental services” rendered through regenerative, organic practices are also becoming increasingly evident. Meanwhile, CO2 emission tracking is beginning to take into consideration the carbon footprint at product origin – and the emission offset responsibilities being attributed via “consumption-based CO2 accounting” and thereby making importing agencies more aware of the CO2 equivalencies on their products. Some coffee producer organizations are already exploring mechanisms to comply with pending legislation in the European Market seeking to track the environmental footprint on products and potentially setting carbon tariffs on imports. Facilitating coffee farmers’ capacity to position themselves in the marketplace as providing a product that is both “excellent quality and compliant with pending environmental regulations” would only increase the value of their coffee and enhance market access in the foreseeable future.
- 3.18 In summary, the project will provide the following outcomes: (i) a reliable baseline of farmers’ current CO2 footprint that will be available to the farmers themselves, their cooperative organizations, and coffee buyers; (ii) improved general understanding of the mix of best-organic practices and residue processing that increases carbon sequestration in soils and biomass, and improves crop productivity in the field; (iii) data-driven evidence of the environmental service provided by organic farmers who are already implementing carbon-smart agricultural practices; (iv) the baseline for launching “carbon premiums” linked to the environmental services provided by organic farmers and to incentive continual improvement; (v) with the increased farmer and cooperative awareness of specific practices that lead to carbon-neutrality, this lays the groundwork for future investments to encourage low-carbon production systems, on-farm renewable energy, and other CO2 reduction technologies and practices; and (vi) a “carbon premium line of credit” embedded within the cooperatives to provide critical finance to farmers who have achieved carbon premiums. It is expected that 250 farmers will benefit directly from the project and at least 12,500 indirectly representing those farmers from the cooperatives who will eventually also start tracking carbon sequestration or emissions and/or who could benefit from an environmental “green” line of credit.
- 3.19 Increased awareness of the premiums will create the pathway for farmer and farmer-organization initiatives to link-up with the Climate Finance Facilities. As pilot projects successfully conclude, the cooperatives would be well positioned to assess their climate resiliency potential and needs, and to seek investment credits in order to support larger-scale projects such as: farmer-level or community-wide renewable energy systems to replace existing diesel engines for processing and remote energy generation; support field renovation to achieve optimal agroforestry systems; construct centralized composting centers; and other initiatives that could lead to improved, total-farm sustainability.
- 3.20 Meanwhile, the strengthened relationships between MayaCert with CoopCoffees, Sustainable Food Lab, Root Capital and The Chain Collaborative will leverage strategies for best “next steps” and outreach to continue expanding this network of collaboration between traders/buyers, cooperative producer partner organizations, and a growing number of interested, like-minded organizations.
- 3.21 **Measurement.** Following the local workshops, Root Capital together with farmer partners will enlist teams of “data collectors” to gather the information from individual producers,

and conduct assessments of the data to confirm farmers' current carbon footprint. The field assessments will be a mix of voluntary reporting and cross-check validation.

- 3.22 Working closely with the cooperative's respective internal inspection teams, the oversight team led by MayaCert, will review the collected and aggregated data provided by each of the participating organizations. Together with the support of SFL/CFA, the project will ensure that data capture systems satisfy reporting requirements under the project and results matrix. Where necessary, additional monitoring and evaluation systems will be developed to generate high quality data for the project. These results may be rolled-up at the programmatic level by the EcoMicro team to allow for donor reporting, in accordance with donor requirements. The data results may be presented either as individual farmer and farmer family portraits, or aggregated to demonstrate the impacts on regional, cooperative-wide, or the entire target population of this project – as necessary.
- 3.23 **Monitoring and Evaluation.** The baseline will be verified during the start of the project with inputs from key assessments conducted by the partners. The existing internal inspection teams from each of the participating producer cooperatives will play a key role here in coordination with the oversight and guidance from the MayaCert verification team. Information gathered will include historical baseline data from existing field practices, levels of field productivity and a baseline soil analysis. Based on the initial and subsequent impact of best practices adopted in the field, TCC will coordinate with the Project Execution Committee (PEC), (see details below), and EA/ Partner Agencies to support the project producer partners with individual and collective climate risk evaluations, which will serve as a basis for longer-term climate mitigation investments.
- 3.24 The compilation of their findings, analyzing the results obtained across all components with both written and audio-visual evidence of beneficiaries, technology installations, enhanced on-farm practices/methodologies will support the resulting climate mitigation investment strategies. This report will serve as a key input to the scale plan to be developed following this pilot experience.. Scale data will include: the number of additional producer cooperative organizations and industry partners to be incorporated; expected funds to be mobilized as "carbon premiums" to successful carbon-sequestering farmers; and the estimated credit funds to be invested in individual farmer and organization-wide climate mitigation practices. And finally, the scaling strategy would include governance planning that allows for inclusion, transparency and democratic process that would allow for the healthy growth in the post-pilot phase of this network of strategic partnerships and engagement across broader climate action and finance ecosystems.
- 3.25 **Reports.** The EA in close collaboration with the project producer partners will be responsible for presenting Project Status Reports (PSRs) on a quarterly basis, or as determined by the IDB Lab. The PSR will contain information on the progress of project execution, achievement of milestones, and completion of project objectives as stated in the results matrix and other operational tools. The PSR will also describe issues encountered during the execution and outline possible solutions. Within ninety (90) days after the end of the execution term, the Coordinating Team will submit a Final PSR to the IDB Lab, which will highlight results achieved, project sustainability, evaluation findings, and lessons learned. These reports are necessary to comply with the Program Evaluation Plan that requires annual reports to the Donor's Committee describing the progress, performance and all recorded results.
- 3.26 **Midterm Evaluation.** A midterm evaluation will be carried out to assess the impact of the carbon premium and Cool Farm Tool with regards to realizing soil-carbon sequestering

ecosystems in the coffee sector of targeted communities. It will include the identification of key factors needed to build a sustainable business case for green financing (both in the form of direct “carbon premiums” for environmental services provided, and in extended climate credit lending) in order to build sustainable climate resiliency amongst small-scale coffee farmers and in the agricultural sector at large, as they face the increasingly dramatic impacts of climate change across Latin America. Furthermore, the evaluation will include the following aspects: (i) analysis of the experience, impact (including through a gender lens), lessons learned and best practice relating to the new financial product piloted under this project; (ii) an initial assessment of potential scale within the next phase of this work; and (iii) recommendations for enhanced engagements within and across broader climate finance ecosystems necessary, in order to achieve greater scale in the post-pilot phase of this work.

- 3.27 One of the questions the project hopes to answer by the end of this pilot project is how to systematically identify the best practices in any given producer region for best final results in transforming coffee farms from carbon sources or net zero carbon footprint⁶ into intentional carbon sinks – as production systems that provide sustainable carbon sequestration – while enhancing the health and productivity of the farm.

IV. ALIGNMENT WITH IDB GROUP, SCALABILITY, AND RISKS

Alignment with IDB Group

- 4.1 This project is aligned with the IDBG Institutional Strategy (2010-2020) policy objective of accelerating economic and social development in a sustainable way, through increasing productivity and innovation. The project relates directly with the objective to support expansion of new and more sophisticated SMEs - through the facilitation of enhanced use of technology, with the goal to stabilize climate change. It is also directly linked with climate change and environmental sustainability, a cross-cutting issue defined in the Update to the Institutional Strategy 2016-2019.
- 4.2 The project is aligned to the IDB Climate Change Action Plan, approved in December 2017, which calls for the development of innovative financial models and promotion of new technologies to address climate change in the private sector.
- 4.3 According to the 2015 Joint Report on Multilateral Development Banks' Climate Finance tracking, 100% of total funding for this project is invested in climate change mitigation/adaptation activities aimed at encouraging MSMEs to adopt climate change mitigation/adaptation technologies or practices. This contributes to the IDBG's climate finance goal of 30% of operational approvals by year's end 2020.
- 4.4 The project is also in line with IIC (IDB Invest) Business Plan 2017-2019, in particular, the goal to expand access to finance in partnership with FIs to increase investments in MSMEs and green companies, and its broader commitment to help clients build their climate resilience. The EcoMicro Program team within the IDB Lab will work closely with IDB Invest to identify potential partnerships with successful pilot projects for further scale with financing from IDB Invest.

⁶ The carbon footprint is calculated by subtracting the sequestration from the emissions. A negative carbon footprint therefore means that the farm acts as a carbon sink, removing more carbon from the air than is emitted during production.

- 4.5 The project is also aligned to the IDB Country Strategies for the three (3) participating countries, including the IDB Country Strategy for Guatemala 2017-2020, the IDB Country Strategy for Honduras 2019-2022, and the IDB Country Strategy for Peru 2017-2021, which among the strategic objectives include to promote climate change adaptation and the use of environmentally sustainable agricultural practices.
- 4.6 The project complements the United Nations Sustainability Goals, centered on achieving economic resilience, while ensuring environmental sustainability and sustaining strong social services and basic rights. Horizon 2030 specifically recognizes the importance of driving growth of sustainable agricultural production, increasing access to finance for farmers and promoting investments in agricultural technology. In addition, the project supports the ultimate goals of sequestering or facilitating the offset of GHG emissions, while building climate resilience, sustainable management of natural capital and improving agricultural production and efficiency through sustainable and climate-smart best practices.

Scalability

- 4.7 As the project begins to get results from the initial rounds of the pilot assessments, members of the PEC will play a key role in fostering scale through the dissemination of knowledge on best practices and lessons learned to his or her respective networks. Meanwhile, the project will actively seek formal opportunities to present the initial results of this work to industry, climate change mitigation and sustainable development forums. This represents an important opportunity for individual members of the PEC and the participating producer organizations to position themselves as change agents and with a proven concept – that is offered to potential industry and development partners and financial service organizations working in coffee communities and beyond. This will encourage others to learn from these experiences and to collaborate and/or replicate this work within their own supply-chains. To achieve this goal the PEC recognizes the need to participate actively in these promotional spaces.
- 4.8 During year two of the project, the PEC members (detailed in VI below) will be in a better position to develop a clearer outreach and marketing strategy, based on the verifiable results of the first year's work. The marketing strategy will incorporate events and PR materials to facilitate a broad-based launch – challenging industry actors to engage. Once the pilot has successfully concluded, the EcoMicro Program could support efforts to scale by linking the project partner with IDB Invest and other relevant micro-finance funds for potential financing for scale.
- 4.9 The Executing Agency and the Bank shall organize a *workshop on sustainability and scale* in which they will jointly evaluate the results achieved, determine the additional tasks required to ensure the sustainability of the activities financed by the Project, and identify lessons learned.

Project and Institutional Risks

- 4.10 **Market and Participation Risks:** the current precarious situation within coffee farmer organizations, given the current record-low price conditions in the International Coffee Market, could distract focus from future facing projects -- such as this. Competitive tendencies within the industry outweigh the benefits of collaboration. Both these risks will be mitigated by the leadership of the partner organizations implementing the project and

by actively communicating with all participating cooperatives the advances of the project. The tool will also demonstrate very rapid response and use by providing real time reports and information that can be used by the cooperatives for their financial and risk management capabilities.

V. INSTRUMENT AND BUDGET PROPOSAL

- 5.1 The project has a total cost of US\$910,000, of which US\$666,000 (68%) will be provided by NDF, via the EcoMicro Program Facility (EcoMicro RG-O1649) and US\$310,000 (32%) by the counterpart consisting of cash and in-kind contributions. The expected execution period for this Project is 30 months and the disbursement period is 36 months.
- 5.2 This project falls under the EcoMicro Program Facility (RG-O1649). The instrument to be used is non-reimbursable, given that most of the knowledge generated by this project is considered a public good.

Table 1: Project Budget

Project Categories	NDF	Counterpart			Total
		Cash	In kind	Total	
Component 1: Implementation and Adaptation of Data Tools	343,000	77,000	76,000	153,000	496,000
Component 2: Carbon Premiums and Knowledge Management	174,000	30,000	40,000	70,000	244,000
Component 3: Monitoring and Evaluation	60,000	11,000	11,000	22,000	82,000
Project Administration	89,000	53,000	12,000	65,000	154,000
Grand Total	666,000	171,000	139,000	310,000	976,000
% of Financing	68%			32%	100%

VI. EXECUTING AGENCY (EA) AND IMPLEMENTATION STRUCTURE

A. Executing Agency Description

- 6.1 **MayaCert S.A. Guatemala:** MayaCert S.A. was founded in 1997 as a response to the necessities of the national and international market, founded by the engineer Noé Rivera in Guatemala, and was quickly extended over the years in Latin America and United States of America.
- 6.2 MayaCert S.A. has its headquarters in Guatemala 18 calle 7-25 zona 11, Colonia Mariscal, Guatemala City, Guatemala. And is accredited by the entities DAkkS Deutsche Akkreditierungsstelle GmbH (German Accreditation Body) that supervises the Standard (CE) 834/2007 and (CE) 889/2008 from the European Union, and the ISO 17065; National Organic Program/United States Department of Agriculture (NOP/USDA). MayaCert S.A. is duly registered in Escritura Pública No. 6, inscrita en el libro 155, folio 326, No. 61680 from the Registro Mercantil del Ministerio de Economía de la República de Guatemala.

6.3 MayaCert S.A. will serve as the executing agency for this project and sign the legal agreement with IDB. With 20 years of experience in the field and with compliance and accreditation under the strictest of international criteria, MayaCert S.A. is renowned for professional service, innovative spirit and impeccable track-record in the world of organic certification, training and development.

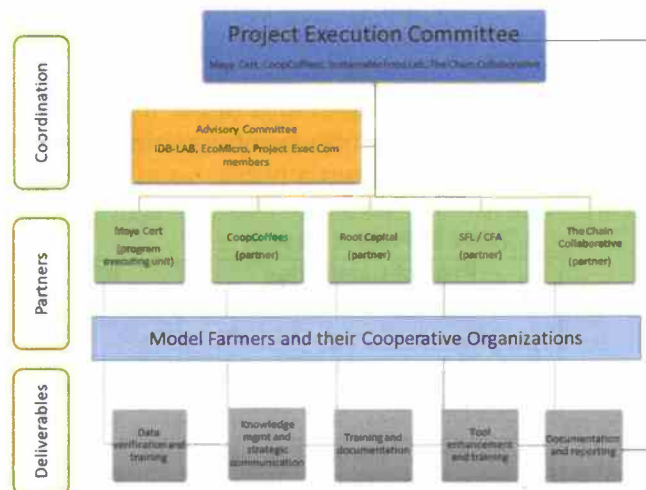
6.4 MayaCert S.A. is familiar with the Cool Farm Tool, having performed early pilot testing and is well connected in the networks of expertise dealing with organic agricultural systems, and with systems approaches to verification.

B. Implementation Structure

6.5 The implementation structure of this project serves to link the Executing Agency with a network of organizations and partners across the coffee production, certification and export value chain.

6.6 Participating Cooperative Organizations:

Each of the six cooperative participating producer organizations has a small but growing financial services arm that will be strengthened as part of the project and with whom the line of credit and associated climate risk tool will be developed. Together they represent organic coffee farmer families and their respective coffee growing communities – the project beneficiaries.



6.6.1 **Manos Campesinas (Guatemala)** - Manos Campesinas, founded in 1997, is an umbrella organization that works with 8 grassroots organizations of four different geographic departments: San Marcos, Quetzaltenango, Retalhuleu and Sololá. Overall, Manos Campesinas represents 1,073 individual members, all of them small coffee producers. The main goal of the organization is the commercialization of the product of its members, preferably through the exportation to the international market. Manos Campesinas is registered in the [FLO-International Coffee Register](#), a global certifier for Fair Trade, which allows it to export all of its coffee under fair and sustainable practices.

6.6.2 **Café Orgánica Marcala (COMSA) (Honduras)** – COMSA is an association of small-scale organic coffee producers located in the La Paz region of western Honduras. It was founded as a co-operative in 2000 by 45 community-minded farmers who were members of a community bank scheme that provided loans to local people. With support from a rural business development organization, COMSA was formally registered as a limited company in 2001 with a membership of 65 farmers. Members of COMSA grow high quality certified organic coffee on small farms averaging 3.8 hectares. Many also grow fruit and vegetables, raise cattle, pigs and poultry and keep fish in ponds. Their coffee crop is purchased by COMSA who carry out primary processing then buy in milling, packing and export services. COMSA also purchases coffee from non-member farmers. In 2011/12 COMSA produced and sold 90,000 quintals (approximately 4,100 tons) of coffee, of which two thirds was sold to Fairtrade buyers.

- 6.6.3 **Sol y Café (Perú)** - Sol y Café, founded in 2005 by 27 small-scale coffee producers, is a cooperative of over a thousand members in the north-western part of Peru. They quickly moved to acquire the necessary organic and sustainable trading certificates to sell into North America and Europe and grew from their initial 27 clusters of producer base groups to more than 60 producer associations bringing together some 1,000 farmer families.
- 6.6.4 **CENFROCAFE (Peru)** - CENFROCAFE was founded in 1999 with 220 small-scale coffee farmers in eleven community-based associations. Nearly fifteen years after their founding, CENFROCAFE, now based out of Jaen, serves more than 2,000 farmer members in local associations spanning across twelve districts within the lush Cajamarca region. From technical assistance and quality control workshops for their farmers, to economic and leadership training for the young people in their rural communities, CENFROCAFE works not only to support the commercial endeavors of its members – but also to facilitate the development of their communities as a whole. The CENFROCAFE financial team provides short-term credit that help farmers cover the front-end costs of the harvest and materials in the coffee production.
- 6.6.5 **Norandino (Perú)** - Norandino (formerly known as CEPICAFE) was founded in March 1995 with 200 members. Today the group has grown into a second level non-profit organization which represents coffee and sugar cane producers of the Peruvian mountains of northeastern Peru. Norandino's primary objectives are to sell 100% of their coffee to the specialty market, to strengthen their organization, and to establish respectful and collaborative commercial alliances with their international network of buyers. Through the consolidation of member organizations under the Norandino umbrella, producers are now active and respected agents for sustainable development in their region. They have worked collectively to improve quality and overall production under certified organic practices and have increased their exports from 550 qq of coffee in 1997 to nearly 40,000 qq into specialty markets in North America, Europe and Asia.
- 6.6.6 **CAC Pangoa (Perú)** - CAC Pangoa was founded in 1977 by 50 farmers from the town of San Martin de Pangoa. In the early 1980s, Pangoa grew to nearly 1,700 members. In 2002, Pangoa was granted its first organic certification. Today, a majority of its members are either in transition or fully certified organic.

6.7 **Project Partners**

The project brings together the following five leading global partners that each provide technical expertise in areas including the development and piloting of innovative financial incentives, tools for tracking CO2 emissions and climate risk assessments, data verification, knowledge management, training and capacity building. The five partners will each be contracted by the Executing Agency to deliver specific services to the project aligned to their respective area of expertise, and for which they will be *sole selected*.

- 6.7.1 **CoopCoffees Canada (CCC)**: CoopCoffees is a green coffee importing cooperative committed to supporting and partnering with small-scale coffee farmers and their exporting cooperatives. By importing directly from partner-farmers, they do business in a way that creates a fairer, more transparent and sustainable system of coffee trade that directly benefits farmers, and their families and communities.

Founded in 1999, the cooperative has grown to include 23 roaster/owners from across Canada and the USA -- committed to sourcing sustainably grown coffees and to partnering closely with the farmers involved and their exporting organizations. This roaster network understands and has fully internalized the belief that by working together, cooperatively, across their supply chain, they can more readily impact and multiply the positive effects of their selective coffee purchasing, while simultaneously stabilizing their own supply of consistent and high-quality coffee. As the development arm of CoopCoffees, CCC is responsible for producer support, outreach and development work.

Led by the Director of Sustainability, CCC will be the convening organization for the regional "training-of-trainers" workshops on the use and application of the Cool Farm Tool and facilitating the learning exchanges around successful climate mitigation field practices. CCC will be responsible for bringing the distinct producer organizations to the table and will be the primary facilitator for communication and follow-up with producer groups and for updates to all stakeholders during the regional workshops. CCC will also be instrumental in conducting mid-term evaluations and in preparing and supporting the public and industry outreach and in the process for project scaling.

- 6.7.2 **Sustainable Food Lab (SFL):** The Sustainable Food Lab (SFL) was launched in 2004 as a non-profit organization to create a sustainable food system by helping organizations turn ideas into action. The SFL staff steers initiatives and pre-competitive collaborations through the complexity of global supply chains to develop and implement innovative approaches. Their expertise lies in fostering "unlikely partnerships" within and between businesses and farming systems to create outcomes that improve the whole system. SFL provides skilled facilitation, deep knowledge of global food supply chains, and tools that ensure real world impacts. Cool Farm Alliance (CFA): The Cool Farm Alliance is a flagship project of SFL. The CFA brings together farmers, NGOs, multinational food suppliers and retailers to promote agricultural practices that mitigate greenhouse gas emissions, in order to enable farmers to make more informed on-farm decisions that reduce their environmental impact. Focusing initially on tracking greenhouse gases, the CFA has developed the Cool Farm Tool as a quantified decision support tool that is both credible and standardized. The project will apply the extended modules focused on perennials and capable of measuring water use and land impact of biodiversity. The Cool Farm Tool provides scientifically robust quantification methods that are sensitive to farm and field scale management choices. The Tool works by providing growers with the ability to plug in their farm characteristics and practices and get immediate results with real-time feedback on the impact of different farming management options, thereby using "what-if" scenarios, or "exploratory diagnostics." In this sense the CFA serves as both a knowledge platform and a GHG calculating and sustainability tools development forum.

One or the other SFL or CFA will be responsible for evaluation and upgrades of the perennials tracking tools as well as designing didactic materials and trainings. The project will rely on the collaboration and coordination with SLF and CFA for both the planning and implementation of the regional farmer training and other learning activities related to use of the Cool Farm Tool, and the co-production of workshop Visual Aides and "How-To" Guidelines.

- 6.7.3 **Root Capital (RC):** Founded in 1999, Root Capital works in Latin America, sub-Saharan Africa, and Southeast Asia -- supplying agricultural businesses with financial capital and training to help them grow. Their successful track record, has generated successful outcomes with more than 700 clients, representing some 1.3 million

farmers and their families and \$4.6 billion in economic activity. For the past 10 years, Root Capital has become increasingly engaged in capacity building with their borrowing partners in areas such as financial literacy and governance, and more recently in building centralized data management systems and climate change resiliency strategies as an integral part of their Global Advisory Program.

Root Capital will work closely with the CFA data programmers to synchronize data management and the communication between their two data systems. Root Capital will also be instrumental in the supporting the follow-up local workshops and assuring accurate data inputs at the farmer and farmer cooperative levels, while building a process for climate risk assessments into their general practices for risk assessment and due diligence.

- 6.7.3 **The Chain Collaborative (TCC):** The mission of The Chain Collaborative is to invest in the capacity of Change Leaders in coffee growing regions and accompany them as they drive grassroots, sustainable development in their own communities, according to their own visions for change. As a highly collaborative organization, TCC specializes in providing services that support organizations in the development and coffee industries, such as: program planning and development; project management; proposal and grant writing; monitoring and evaluation; and organizational development.

TCC will support this project in developing oversight and reporting systems, data collection and gender equity assessments; and will contribute to progress updates and final report writing. TCC will also support outreach about the initiative and on farm results to the coffee industry and beyond.

6.8 **The Project Execution Committee:**

- 6.8.1 Together, the group of collaborating organizations will form the PEC, which will take the technical lead on the project and assure the effective planning, communication, implementation and administration of all activities, funds, and record-keeping duties.
- 6.8.2 The PEC will also be responsible for the planning and implementation of the project at the level of their respective implication and project responsibilities. Regular PEC meetings and bi-lateral meetings on an as-needed basis will be conducted to ensure effective coordination of all logistics as well as overall project administration and record keeping. This will involve coordination with internal team members, preparation of field logistics, facilitation of engagement with local stakeholders, and mobilization of counterpart resources and facilities to support smooth and successful execution in the field. The PEC will be guided and structured according to a Project Execution Agreement, (outlining the roles and responsibilities of members, quorum, voting and other details) to be signed by all partners (see Milestone M.1 for reporting timeframe details).
- 6.8.3 Under the PEC, there will be a Project Coordinator (PC) within the EA who will support project coordination/execution. This will involve overseeing the work and assuring that the project advances according to the planned global objectives.. The PC will therefore have a strategic role in facilitating engagement with local stakeholders, and mobilization of counterpart resources and facilities to support contract execution - key interlocutor for contractors, responsible for preparation of reports to the IDB Lab, facilitation of meetings, workshops and trainings, administration and processing of payments, general overview of the project etc.

- 6.8.4 The PC will review and ensure quality control of all reports and deliverables prior to submission to the EA. The EA will have the responsibility for approval of all final reports and deliverables to IDB.

VII. COMPLIANCE WITH MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 7.1. **Disbursement by Results and Project Supervision.** The EA will adhere to the standard IDB Lab disbursement by results as established in the "Operational Guidelines for Management of Milestones and Financial Supervision for IDB Lab and PES Technical Cooperation Projects" (updated in 2019). Monitoring will be undertaken in accordance with the performance and risk management policies (fulfilment of milestones) established in these Operational Guidelines and knowledge sharing requirements of The EcoMicro Program. Project disbursements will be contingent upon verification of the achievement of milestones. These milestones will be verified using their means of verification, which will be agreed upon between the EA and the IDB Lab. Achievement of milestones does not exempt the EA from the responsibility of reaching the logical framework indicators and the project objectives.
- 7.2. **Project Supervision.** The project will be supervised by the EcoMicro Program Team Leader (DIS) supported by the EcoMicro Coordination Team based in CCB/CBA, in coordination with the IDB Lab consultant in the Country Office CID/CGU and with the IDB Lab teams in CID/CHO and CSC/CPE.
- 7.3. **Procurement.** The Executing Agency shall have a procurement policy in place to ensure that Project-related procurement is done at competitive market prices. It shall also prepare a procurement plan (the "Procurement Plan") acceptable to the Bank, that describes the contracts for goods and services required to carry out the Project, including the estimated cost of each contract, and the proposed methods for acquisition of its goods and services, including consultants' services. The Bank may request annual reports on execution of the Procurement Plan by the Executing Agency. Implementation of the procurement policies, terms of reference, and contracts for the acquisition of goods and services, as well as the Procurement Plan and fulfillment thereof may be subject to ex ante review or ex post supervision by the Bank, at its discretion.
- 7.4. **Financial Management:** Disbursements will be made in accordance with the Financial Management Guidelines for IDB-Financed Projects (OP-273-12) July 2, 2019 or future updates. The Executing Agency shall maintain *financial data and internal accounting and administrative control systems acceptable to the Bank* so as to provide the necessary documentation to permit verification by the Bank of the procurement and expenditures for the Project and facilitate the timely preparation of financial statements, budgets, and reports. The Bank reserves the right to audit all financial statements, internal controls, procurement, or other aspects of the Project.
- 7.5. **Financial Statements.** The Executing Agency shall prepare and make available for the Bank its annual financial statements, which must be certified by an external auditor acceptable to the Bank and include a note on the use of the Contribution and Counterpart Resources for the Project. The financial statements must be submitted to the Bank within 90 calendar days of the close of each fiscal year. Together with its annual financial statements, the Executing Agency must submit to the Bank a certification of integrity, transparency and use of funds in the format to be outlined in the Technical Cooperation Agreement.

- 7.6. **Ex-Post Reviews and Financial Statements:** The IDB Lab may contract independent auditors to carry out ex-post fiduciary reviews of this project. Ex-post fiduciary reviews may include a review of fiduciary records relating to both project funds and also counterpart funds. Given that 100% of the disbursements will be reviewed on an **ex-ante basis** (as defined in 7.3 above), the EA is not required to prepare annual or final Financial Statements for this project.
- 7.7. Prior conditions to the **first disbursement** will include: (i) the appointment of the Project Coordinator; and the (ii) appointment of the Project Execution Committee.
- 7.8. **Subsequent disbursements** will be made in accordance with Bank financial management guidelines, and in accordance with the milestone table.

VIII. INFORMATION DISCLOSURE AND INTELLECTUAL PROPERTY

- 8.1. **Information Disclosure.** This project is classified as public for the purpose of the Bank's information disclosure policy.
- 8.2. **Intellectual Property.** The knowledge products and materials produced with the funds disbursed under the project remain the property of the Inter-American Development Bank.

IX. RECOMMENDATION

- 9.1. The Chief of Unit, Discovery Unit, Cesar Buenadicha, recommends the approval of this operation by the IDB Lab General Manager, under the Delegation of Authority granted by the Donors Committee by Resolution MIF/DE-33/11 adopted on September 20th, 2011 and the use of resources from the NDF EcoMicro allocation (ATN/NV-13162-RG) to the EcoMicro Program (RG-O1649), totaling up to US\$666,000 in order to finance the corresponding project.

X. APPROVAL

- 10.1. I hereby approve, according to the Delegation of Authority provided by the President of the Bank according with the facility approved by the Donors Committee by Resolution MIF/DE-33-11 adopted on September 20th, 2011 (MIF/AT-1143-2), up to US\$666,000 for the financing of the project "EcoMicro – Carbon, Climate and Coffee: moving the needle from Cool Farms to Soil Carbon Premiums" RG-T3464, the "Project," to be considered as part of the EcoMicro Facility.
- 10.2. That the resources of the project shall be utilized to finance the activities described and budgeted in this document chargeable to the resources of the IDB Lab under the EcoMicro Program (RG-M1205) on a non-reimbursable basis.

- 10.3. The commitment and disbursement of these resources shall be made only by the Bank in US\$. The same currency shall be used to stipulate the remuneration and payment to the consultant, except in the case of local consultants working in their own Borrowing Member Countries who shall have their remuneration defined and paid in the currency of such country.
- 10.4. No resources of the Program shall be made available to cover amounts greater than the amount certified herein above for the implementation of this Technical Cooperation Brief.

Approved