



LIVELIHOODS

Act today for a better future

Submission of a Project idea Note

Version 2.0(March 2014)

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1. Introduction

Livelihoods Fund consists of 9 European investors from the private sector (Danone, Crédit Agricole, Schneider Electric, Hermès International, SAP, La Poste, Firmenich, Caisse des Dépôts Climat, Voyageurs du Monde) with a total size of €34m. To date, the Fund has invested in 6 large-scale carbone projects in reforestation, agroforestry and rural energy in Senegal, India, Indonesia, Kenya and Guatemala. The investments have resulted in the plantation of 150 million trees spanning 30,000 hectares with a positive impact on the revenues of more than 1,000,000 farmers and their families. The projects will result in the generation of nearly 8m carbon offsets that will be distributed among the investors.

The Livelihoods Fund aims to invest new projects to preserve and restore ecosystems that are crucial to the carbon cycle and food securities for the communities, in various locations .

Livelihoods projects are also intended to benefit local community farmers. Restoration and/or conservation will not only generate carbon benefits for the Livelihoods Fund, but will also secure ecosystem goods and services, which are essential for the livelihoods of the communities who live in these areas. The local communities will be offered the opportunity to become involved with conservation, sustainable agriculture management and ecosystem rebuilding operations.

In this respect, the Livelihoods Fund finances upfront a range of different activities including programs and activities developed by the Fund itself and programs and activities during 20years which are in line with the partnership's stated mission and objectives. Initial capital is entrusted to a local project developer who runs projects with small-holder farmers.

Importantly, the restoration and conservation programs financed by Livelihoods Fund must, once up and running, be ready to withstand scrutiny from one of the standards recognized by the international carbon offsetting community.

Livelihoods Venture as Livelihoods Fund advisor will select projects that are able to deliver carbon offsets and positive social and environmental impact while simultaneously providing revenue-generating goods and services. All projects aim at creating a symbiotic coalition among off-takers, local farmer communities and local authorities. The contribution of each of them under aligned targets (funding, labor, land, expertise, payments) is the key lever for project success.

Finally, Livelihoods-eligible projects should be financially sustainable. In other words, they must demonstrate that they are likely to provide an adequate flow of funds for project implementation and to achieve the anticipated climate, community and wetland impacts over the long-term.

2 .Project investment phases

Project investment is divided into three main phases and endorsed by Livelihoods' investment decision body:

- i) **Origination / preparation:** this phase is completed when (i) the project is selected, (ii) the community recognizes the role of the project developer and understands its duties and benefits under the project, (iii) the project scenario is understood and agreed by all parties and (iv) the project realization budget is fully secured .
- ii) **Investment decision:** the Livelihoods Investment Committee may either: approve the project proposal, request modifications, or refuse it. Furthermore, the committee has the prerogative to call a meeting at any point in time to examine a particular aspect of an ongoing project.
- iii) **Investment phase:** the investment phase is staircase-shaped. The first investment round is limited as a means to confirm the investment strategy while maintaining risks at a minimum level. The subsequent

rounds are larger, once the process is proven under control by the project manager and local communities. All investment rounds are split into several portions that correspond to specific milestones. The money is only released once each milestone has been reached.

- iv) **Monitoring and results-measurement phase:** at this point, the project starts a new phase in which its results and outcomes are carefully monitored and measured. The measurements are then compared to the baseline and other targets and serve as the basis for payments by the off-takers.

3. General conditions of eligibility of a project

Livelihoods is calling for investments in large scale ecosystem restoration or conservation projects which deliver tangible socio-economic benefits for poor farmers, and generate a significant amount of certified carbon credits for Livelihoods investors

3.1 The following main criteria are essential regarding the impact of the project

Sustainability on soil and agroforestry practices	Well-managed land-use and implementation of sustainable agroforestry practices will be set to create opportunities for local communities on -training, capacity and institutional building, transfer of techniques and tools to upgrade human capital and resilience. -production models to improve yields of both food and cash crops with positive effects on food security and economic activity.
Environmental impact on a watershed	The restored ecosystem is recognized by water users as necessary to maintain, to develop local activities in favor of water availability and/or quality of water i) The restored ecosystem brings a positive impact on the environment and on the biodiversity taking into consideration standard of the UICN and the Convention of RAMSAR, and main international standards (see references sources) ii) The projects will always have a net positive environmental impact (biodiversity, forest cover protection, fight against desertification, soil erosion etc...) that will be " <i>purchased</i> " by local or international agencies, nature trusts or foundations;
Improvement of the life of the farmers	The project has to be driven as broad impacted community-based farming project. The specific challenges to investing in small-holder agriculture: aggregating communities of thousands of farmers, properly assessing and mitigating local specific risks, structuring and implementing large scale projects, carrying out results-based program measurement, securing long-term management of the projects and aligning the objectives of all stakeholders and off-takers.
Generating added value	The project create jobs and value in rural area as well as conditions for improved nutrition, gender equality and overall poverty reduction. Marketable externalities can be generated by the project primarily focus on producing food and agricultural goods capable of attracting off-taker payments
Result driven project	This projects is guided by a cost and results-driven management approach
Partnership Cofinancing	The project will provide credible and affordable operational solutions for private and public off-takers interested in cofinancing or purchasing the externalities, goods and services generated by the projects or improving their operations and fulfilling their core objectives.
Geography	The project has to be driven in poor farmers areas and priority will be given to African countries

3.2 The Carbone criteria below are essential regarding the choice of the project:

Additionality	The recourse to the Livelihoods financing is accessible if ,and only if ,this financing makes the project possible, despite this financing the project could not be carried out. That it is in financial term: Livelihoods cannot finance actions a posteriori That it either ecological term: Livelihoods cannot engage a restoration which would take place in any case by natural regeneration.
Biodiversity	The restored ecosystem is recognized by the local communities as necessary to maintain, to develop their local activities in favor of food security. The restored ecosystem brings a positive impact on the environment and on the biodiversity taking into consideration standard of the UICN and the Convention of RAMSAR, and main international standards (see references sources)
Methodologies	The eligible activities to the Livelihoods financing correspond ing mainly to replantation of forest and land ecosystems on soil previously degraded either with an overexploitation of surfaces (pastoralism, crops...) and natural erosions natural or of the rural energy activities. All these activities being covered by approved methodologies CDM and/or VCS.
Anteriority	The case of restoration of a forest or a forest ecosystem, this one had to be realized on deforested plots before 2000
Sizing	Because of the fixed costs related to the carbon registration and the validation , the agro-forests projects require in 3 years period a minimum surface of 3000-5000ha (according to the biomass generated by the protocol of restoration) and of 100.000units installed for rural energy
Land usage	It's needed to identify the owner of carbon credits, and if the owner can reassign these credits as a counterpart of the upfront financing of Livelihoods taking in an account that the whole benefits coming from the activities of restoration of the ecosystems belong to the communities.

3.3 The following criteria are required concerning the choice of the project developer:

Processability	A pilot project is already implemented and makes it possible to qualify the capacity of mobilization and intervention of the project developer close to the communities. The pilot project made it possible to establish a process (technical and organizational sequences) potentially scalable.
Background	The project developer has already experiences, competences and networks of intervention supporting to the development of its activity either in the field of the Nature conservation, or in the economic development of the rural activities.
Temporality	Project actors commit themselves over the duration fixed by methodologies (10 years for the energy projects – 20 years for the other projects) bringing means for maintaining and monitoring of the ecosystems
National Size	The project developer is well recognized at the national level of its activities and benefits of an effective network for intervention (political, administrative, scientific)

Commitment	The quality of the leaders of the organization (mobilization, structuring...) is well recognized and they can share a medium-term vision of their project
Potentiality	The project developer and its organization have the capacity to grow in a period of 2 – 3 years to be autonomous to implement by themselves high scale projects of the dimension required by Livelihood.
Financial Viability	Because of financial governance of the majority of the eligible organizations (not-profit organizations), the organization must be solvable and provide the 3 years proof of financial balanced assessment .

4. The Livelihoods selection process

The project selection process includes the following steps.

☒ Step 1: Submission of project idea notes

The Livelihoods Fund will accept a carbon Project Idea Notes (PIN) either in response to a call for proposals or by invitation.

☒ Step 2: Review of project ideas

Each project idea note will be reviewed with respect to the eligibility criteria described in chapter 2 and submit recommendations by Livelihoods Venture.

☒ Step 3: Approval of project ideas : detailed project plan

Based on this review, Livelihoods Venture will propose to the Livelihoods Investment Committee on whether to approve a project idea and to support, as appropriate, a set of actions required to develop a detailed project plan.

☒ Step 4: Due diligence

Approved project ideas will then be subject to a rigorous due diligence review organized by livelihoods Venture including a site visit, consultations with relevant stakeholders and risk assessment (see procedure “25. Livelihood risk assessment tool”), and a detailed project plan will be set.

☒ Step 5: Submission of a detailed project plan

The detailed project plan will be submitted to the livelihoods investment committee for its approval, including:

- an executive summary
- the detailed business plan (provisional profit and loss account, projected treasury flows, risk analysis)
- Status and financial accounts of the project developer
- A technical and environmental expertise report
- Permits and/or licenses needed for the project development (land property, carbon credits cession..)

Step 6: Project implementation contract

Based on the detailed project plan, a project implementation contract will then be agreed between the project proponent and the Livelihoods Fund. This plan will include monitoring and evaluation of the project as required by the carbon markets.

5. Submission of a PIN

Please submit a PIN in confidence to:

JP Renaud

Livelihoods Venture

jprennaud@livelihoods-venture.com

+33 646315869

This section provides general guidance for the preparation of a Livelihoods carbon Project Idea Note (PIN) for consideration by the Livelihoods Fund. On the basis of the PIN, project proponents may be invited, and receive financial or technical support, to develop a detailed project plan.

The PIN should be no longer than 3pages in length and include the following sections:

1) WHO - Details of the project proponent(s)

- a) Contact details
- b) Summary information on the organization and organization structure
- c) Overview of relevant expertise and experience
- d) Short description of other project partners, if any

2) WHERE – Location and description of the ecosystem

- a) Type of ecosystem/watershed
- b) Location and size
- c) Current legal status of lands and ownership
- d) Current management and use of lands
- e) Ecosystem stakeholders

3) WHY – Status of the ecosystem

- a) Historical status as a functioning medium (at least for the last 10 years, and in case of VCS since 2000)
- b) Current degraded or threatened status of the ecosystem
- c) Direct and underlying, current and possible future threats, and causes of degradation
- d) Overview of any previous or on-going restoration initiatives, in addition to the planned project

4) WHAT - Expected project outcomes

- a) Goals, objectives and projected outcomes of the project in the following areas:

☐ Carbon impacts: e.g. expected emission profiles in the baseline and the project case, quantities of carbon credits over the lifetime of the project and choice of standard (how will marketable carbon be delivered)

☐ Community impacts, creation and /or capacity on farmers communities, including the distribution of benefits between stakeholders and project proponents

☐ Added value projected : creation pf jobs , improved nutrition, gender equality , marketable externalities generated by the project ,added value on supplychain and potential off-taker

☐ Environmental impacts: e.g. how will the project address ecosystem threats and what are the expected impacts on the provision of ecosystem good and services

- b) Major assumptions, risks and threats to achieving outcomes

5) HOW - Project description

- a) Project summary matrix
- b) Technical description of project activities
- c) Methods and technologies to be used
- d) Project schedule and milestones
- e) Project team
- f) Community participation and benefits

6) HOW MUCH – Project finance

- a) Description of total project value
- b) Estimate of total project cost
- c) Total Livelihoods investment sought
- d) Sources of co-financing, if any (both secured and under application)
- e) Financial analysis