



# FIRST CONSOLIDATED ANNUAL REPORT OF THE CAFI FUND

**Report of the Administrative Agent of  
the CAFI Fund for the  
period 1 October – 31 December 2015**

CAFI 4<sup>th</sup> EXECUTIVE BOARD MEETING  
16 June 2016, Oslo, Norway

EB.2016.04

## The CAFI Fund

### Participating Organizations



United Nations Development Programme



Food and Agriculture Organization

### Implementing Organizations



United Nations Development Programme



Food and Agriculture Organization



The World Bank Group

### Participating and contributing donors



European Union



Germany



United Kingdom



France



Norway

Partner Countries



Cameroon



Central African Republic



Democratic Republic of the Congo



Equatorial Guinea



Gabon



Republic of Congo

The Multi-Partner Trust Fund (MPTF) Office serves as the Administrative Agent for the CAFI Fund.

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## 1. Executive Summary

The Central African Forest Initiative was launched during the UN General Assembly in New York on September 29, 2015 by the signature of the Joint Declaration<sup>1</sup>. The CAFI Trust Fund administered by the MPTF-O, was officially launched on the same occasion. A five year contribution agreement of up to 2,080,000,000 NOK was announced and signed between Norway and the MPTF.

During the last trimester of 2015, all high-forest cover Central African countries signed or were preparing to sign the Joint Declaration thus becoming eligible to apply for funding from CAFI. By COP21 in Paris in December, all original donor countries signed the Declaration and France made a pledge to contribute both to the CAFI Trust Fund and bilaterally.

Following the launch, the operational structure of the fund was set up, this included the organization of two Executive Board meetings that adopted the rules and procedures of the board, approved the terms of reference and budget of the fund's secretariat and the process and criteria for approving national investment frameworks.

By the end of the year, the portfolio development started and partner countries were making progress

- DRC – National Investment Framework submitted, reviewed, second reading during 2nd EB meeting
- Gabon – National Investment Framework submitted, first reading
- Republic of Congo – preparatory grant request to develop National Investment Framework submitted
- Central African Republic – preparatory grant request to develop National Investment Framework submitted
- Cameroon – pending signature of Joint Declaration
- Equatorial Guinea - pending signature of Joint Declaration

During this period, several key documents were drafted and negotiated, including a revised version of the fund's terms of reference, the monitoring and evaluation framework and the risk management framework.

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<sup>1</sup> [http://www.cafi.org/Joint\\_Declaration.aspx](http://www.cafi.org/Joint_Declaration.aspx)

## 2. Introduction

The Administrative Agent of the CAFI Fund is pleased to present the First Annual Progress Report - the 2015 Annual Report. The report summarizes the steps taken to establish the new Central Africa Forest Initiative during the last quarter of 2015.

The Central African Forest Initiative (CAFI) is a platform of coordination for like-minded partners that provides for substantially scaled-up international support to national REDD+/Low Emission Development investment frameworks. It includes a distinct CAFI Multi-Partner Trust Fund to ensure the coherence and efficiency of the Initiative. The latter offers harmonized approval, disbursement, and monitoring and reporting processes. Donors who are part of the Initiative can commit resources to the Fund or use, in a coordinated manner, bilateral channels to provide financial support.

CAFI is open to countries with high forest cover in the Congo Basin, namely: DRC, Republic of Congo, Cameroon, Gabon Central African Republic and Equatorial Guinea. The following donors signed the Joint Declaration of Intent: France, Norway, UK, European Union and Germany. Brazil signed it as a South-South partner.

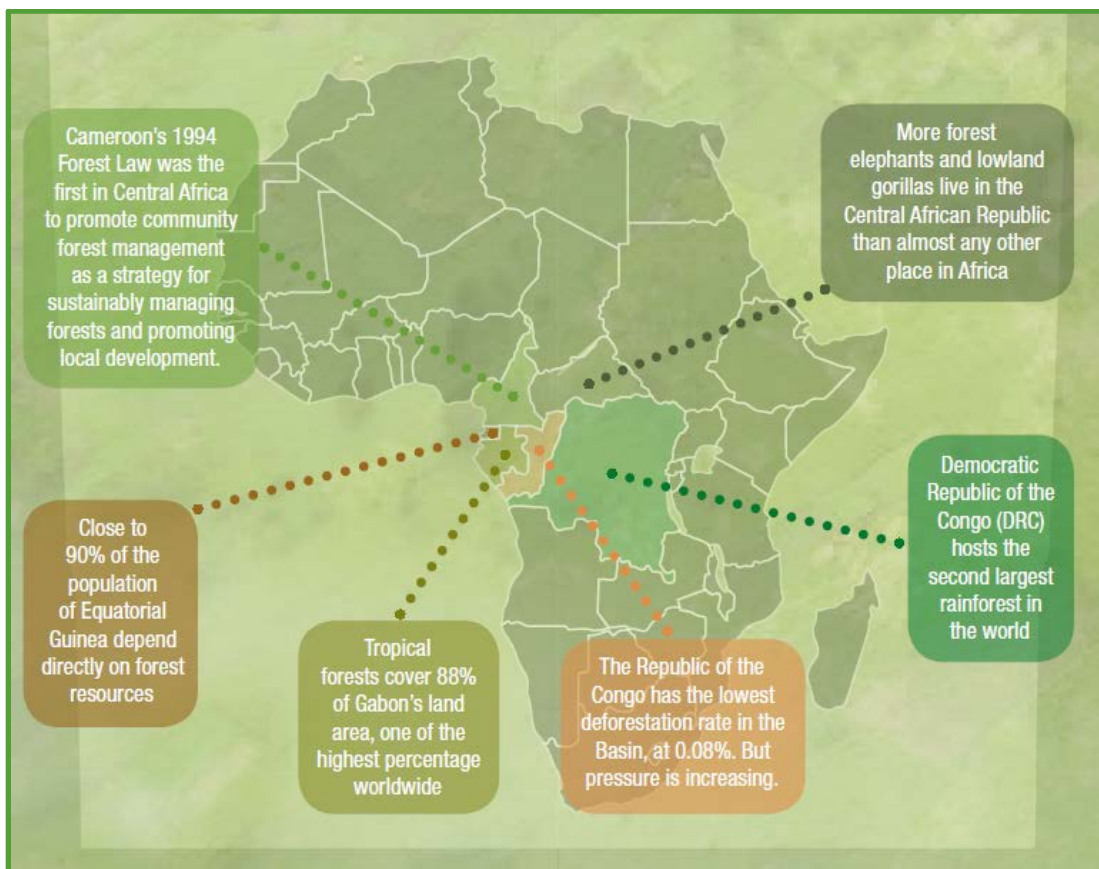


FIGURE 1: CAFI PARTNER COUNTRIES

The distinctive features of the CAFI Fund are:

- It will approve one investment framework per country that covers national reforms and measures addressing drivers of deforestation and forest degradation. The Fund will not receive project proposals from many different project developers. This way the Fund seeks to achieve a holistic and national approach and transformational change required to address the drivers of forest loss spanning across many different sectors of the economy.
- Investment frameworks will be submitted by highest political authorities (Prime Minister's Office or Presidency) to ensure the highest level buy-in and capacity to coordinate across different line ministries.

The expected fund capitalization is US\$ 500M. As of December 31, 2015, Norway signed a contribution agreement amounting to approximately US\$ 250M and France announced a direct contribution of 3M€ to the CAFI fund, to be complemented by bilateral support that in 2016 could reach up to 20M€, during the COP21 in Paris in December 2015.

The CAFI Fund uses a pass-through modality allowing for implementing organizations to use their own procedures under a common results and M&E framework. Implementing organizations include UN Organizations (UNDP and FAO), the World Bank and International Cooperation Agencies (including AFD, GIZ and others).

### 3. Scope of the Fund

The Congo Basin is home to the second biggest tropical rainforest in the world, while the forests in DRC alone store the equivalent of three years of global CO<sub>2</sub> emissions. Despite the importance of the forests of the Congo Basin, the African region in general has received the least amount of REDD+ finance (compared to Latin America and the Caribbean and Asia).

While annual deforestation rates have been low, the Central African rainforests are at a critical turning point. With population growth and globalization, the pressure on forests is increasing. Central African governments find themselves caught in the intertwined challenges of climate change, poverty reduction, food security and the conversion of tropical forests to new forms of industrial farming, mining concessions and infrastructure projects.

Numerous recent studies have identified the four main direct drivers and their dynamics in the Congo Basin: agriculture, wood energy, forestry and infrastructure/mining development. Historically, small scale deforestation phenomena are observed, corresponding to increasing slash-and-burn agricultural activities, artisanal timber logging, artisanal charcoal production, and firewood harvesting. Indirect drivers include weak governance, land use planning and land tenure arrangements, population growth and the lack of economic opportunities.

In addition to current drivers, CAFI seeks to address anticipated drivers as well. Forest loss is expected to increase in the region because of economic development, high population growth and the need to diversify the economy for oil producing nations. Not only forest loss will increase the dynamics behind the drivers are also expected to change with a much larger role to industrial, large scale activities such as commercial agriculture, mining and infrastructure development.

The CAFI Fund provides an opportunity for partner countries to address all direct and indirect drivers of forest loss as it aims to contribute to:

- **Sustainable agricultural** practices lead to less land conversion and increased food security;
- **Sustainable** alternatives to current **wood energy** practices are adopted;
- Forestry sector institutions have the capacity and the legal framework to promote, monitor and enforce **sustainable forest management**;
- Future **infrastructure and mining** projects minimize their overall footprint;
- **Land use planning** decisions ensure a balanced representation of sectoral interests and keep forests standing, **and better tenure security** does not incentivize conversion by individuals or communities;
- **Population growth and migration** to forests and forest fronts are slowed down;
- Better **inter-ministerial coordination and governance** resulting in permitting and fiscal regime of economic activities that do not push economic actors to forest conversion and illegal activities.

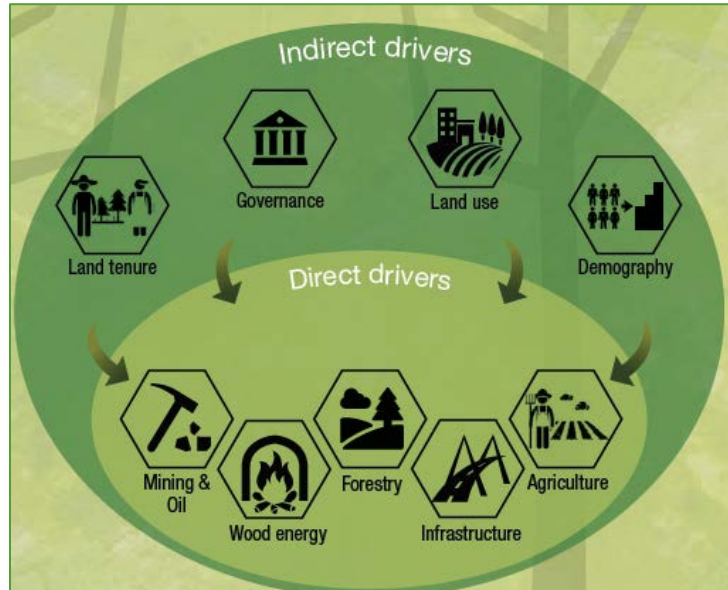


FIGURE 2: DIRECT AND INDIRECT DRIVERS OF DEFORESTATION AND FOREST DEGRADATION IN CENTRAL AFRICA

CAFI-funded programs can cover one driver over the entire national territory such as in the case of reform processes or focus on large territorial entities addressing all relevant local drivers in one program and providing feedback into national processes.

## 4. Summary of key meetings

### 4.1 The launch of the CAFI Fund

On September 29, 2015 a coalition of governments from Central Africa, willing donors and their multilateral and South-South partners launched the Central African Forest Initiative and its Multi-Donor Trust Fund.

They signed the Joint Declaration, which sets out the objectives of CAFI which are to recognize and preserve the value of the forests in the region to mitigate climate change, reduce poverty, and contribute to sustainable development. These goals will be attained through the implementation of country-led, national scale, holistic REDD+ and Low Emissions Development (LED) National Investment Frameworks (NIFs) which will include policy reforms and other tangible measures to address the drivers of deforestation and forest degradation and promote sustainable development.

In the Joint Declaration, Donors committed to ensuring better coordination and harmonization among themselves and to mobilizing resources for the implementation of national investment frameworks developed by Central Africa countries. Parts of the donor support will be channeled through a distinct financing mechanism managed by the UN Multi-Partner Trust Fund Office. Complementary contributions through other channels will also be



encouraged. The Initiative will be open to public and private donors. Norway was the first donor to sign a contribution agreement during the launch event of CAFI.

High-forest cover partner countries in Central Africa (the Central African Republic, DRC and Gabon) that choose to join the Initiative commit to developing and implementing national investment frameworks to drive national reforms and carry out various multi-sectorial programs aimed at transformational change to reduce emissions from deforestation and forest degradation and contribute to sustainable development. These national investment frameworks will be elaborated in a transparent and participatory manner, meet established environmental and social safeguards, and will tie in with the country's general planning cycle with links to the country's overall development vision and objectives. Brazil as a South- South partner expressed its interest in contributing particularly through capacity building and exchange of experiences and expertise in the implementation of policies that may contribute to fulfilling the objectives set by CAFI, as well as to address the drivers of deforestation and forest degradation.

<b>Speakers of the Launch Event</b>
<b>Welcome Remarks</b> by UNDP BPPS Director, Mr. Magdy Martinez-Soliman
<b>UNDP Administrator</b> , Ms. Helen Clark
<b>United Kingdom</b> Minister of State for International Development, Rt Hon Grant Shapps
<b>Democratic Republic of Congo</b> Minister of Finance, H.E. Mr. Yav Mulang
<b>FAO</b> Director General, Mr. José Graziano Da Silva
<b>Norway</b> Minister of Environment, H.E. Ms. Tine Sundtoft
<b>Gabon</b> Minister of Economy, H.E. Mr. Regis Immongault
<b>France</b> Minister of State for Development and Francophony, H.E. Ms. Annick Girardin
<b>Republic of Congo</b> Minister of Forest Economy and Sustainable Development, H.E. Henri Djombo
<b>Brazil</b> Ministry of External Relations H.E. Ambassador Mr. J.A. Marcondes de Carvalho
<b>European Commission</b> Director of International & Climate Strategy, Mr. Artur Runge-Metzger
<b>Central African Republic</b> Minister of Economy, H.E. Mrs. Florence Limbio
<b>World Bank</b> Senior Director, Environment and Natural Resources Global Practice, Ms. Paula Caballero
<b>Closure Remarks</b> by UNDP MPTF Office Executive Coordinator, Ms. Jennifer Topping

## 4.2 1<sup>st</sup> Executive Board Meeting

Geneva October 26, 2015. Key agenda items discussed.

### **Agenda Item 1: Opening, election of chairperson, approval of agenda**

The Board elects Norway to Chair the Meeting. Regarding participation in the EB Meeting, the Board noted that the EU and Germany had not signed the Declaration. But they have been invited to attend as their signature is impending.

### **Agenda item 2: Presentation and approval of the Executive Board Rules and Procedures (EB.2015.01)**

Decision on the Rules and Procedures of the Executive Board. The Board decided to adopt the document Rules and Procedures of the Executive Board of CAFI *EB.2015.01*<sup>2</sup>. These Rules and procedures might be modified to reflect eventual changes in the CAFI ToR.

**Agenda item 3: CAFI Terms of Reference (current status and procedure for amendments)**

The Executive Board agreed on the following process for the amendment of the TORs: EB Members and Observers to submit written comments. MPTF will address those comments and prepare a response matrix.

**Agenda item 5: Presentation and approval of CAFI Secretariat TORs and interim arrangements**

Decision of the Executive Board on the CAFI Secretariat Terms of Reference and budget, and the Interim Arrangements. The Board decided to adopt the document Terms of Reference of the Secretariat of CAFI *EB.2015.03*<sup>3</sup> with the budget presented therein. The Board decided to adopt the interim budget of CAFI *EB.2015.04*

**Agenda item 6: Presentation and approval of CAFI Review Procedures of National Investment Frameworks (EB.2015.02)**

Decision of the Executive Board on the Procedures for the review of national investment frameworks by CAFI. The Executive Board decided to adopt the document Procedures for the review of national investment frameworks by CAFI *EB.2015.02*.

**Agenda item 7: First presentation of DRC National Investment Framework**

DRC delegation (representatives of Ministry of Finance and Ministry of Environment and Sustainable Development) presented the DRC National Investment Framework. Summary of the National Investment Framework can be found under section 5.1.

The Executive Board congratulated DRC on its efforts, and requested the Interim Secretariat a timeline for comments, responses, independent review and next presentation of the DRC NIF.

**Agenda item 9: Preparatory grants and portfolio allocation**

Decision of the Executive Board on preparatory grants and portfolio allocation. The Executive Board invited the Republic of Congo and the Central African Republic to present a request for preparatory grants for the development of national investment frameworks with their selected implementing partners. It also requested the partner countries to explain how CAFI funding will complement other available and relevant preparatory funding (such as the FIP for example).

**Agenda item 10: Other business**

The Executive Board requested the Secretariat to draft a note on regional cooperation and on the concrete work/governance arrangements between CAFI and other instruments (CBFP, FCPF, FIP, etc.).

## 4.3 2<sup>nd</sup> Executive Board Meeting

Paris, December 7, 2015, Key agenda items discussed.

**Agenda item 2: Letters of Intent**

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<sup>2</sup><http://www.cafi.org/~media/Files/Projects/CAFI/English%20Documents/01%20CAFI%20EB%20Rules%20of%20Pr ocedure.pdf>

<sup>3</sup><http://www.cafi.org/~media/Files/Projects/CAFI/English%20Documents/03%20CAFI%20Secretariat%20Terms%2 0of%20Reference%20ss%20budget.pdf>

The Executive Board requests the Secretariat to draft a decision and circulate with the following elements:  
on one verification of milestones, two tranches (one committed, the second after verification), flexible date for verification of milestones.

**Agenda item 4: Cooperation with other initiatives**

The Executive Board requests the Secretariat to map potential partners that could be involved in the CAFI and propose ways to involve them including: involvement in the country sessions, involvement at national level vs. regional level, involvement in annual forums, better outreach and communications.

Based on these discussions and inputs the EB will make a decision by changing the CAFI TORs and EB Rules and procedures if necessary.

A specific proposal was tabled to allow the CBFP facilitator and the COMIFAC's Executive Secretary to attend as permanent observers the country sessions of the EB meetings

**Agenda items 7-13: Country sessions**

DRC and Gabon presented their national investment frameworks while Republic of Congo and the Central African Republic presented a preparatory grant request.

The Executive Board decides to pursue three parallel tracks at the same in DRC: Consultation plan and its implementation, Negotiation on the milestones in the LOI, and support the operationalization of the National Fund.

Country information can be found in section 5

## 4.4 Side event during COP21

Paris, December 8, 2015

The side event had a high level segment with interventions from Ministers from Norway, Germany (video), EC (through representative of Commissioner), France, DRC, Gabon, Republic of Congo, CAR. The second half of the event consisted of questions and answers from the floor. The objective of the side event was to inform COP21 participants of CAFI, demonstrate the engagement of partner countries in the region through the participation of Ministers, reconfirm commitment made by donors having already signed the Joint Declaration and announce new signatures and financial commitments. During the presentations, the following was announced:

- Donor governments having already signed the CAFI Joint Declaration reconfirmed their support
- EC on behalf of the EU signed the Joint Declaration
- Germany signed the Joint Declaration
- France announced a direct contribution of 3M€ to the CAFI fund, to be complemented by bilateral support which in 2016 could reach up to 20M€

## 5. Country updates

### 5.1 Democratic Republic of the Congo

As of December 31, 2015, the Democratic Republic of the Congo presented its National Investment Framework and requested a contribution of US\$ 250M from CAFI. The NIF underwent several readings by the Executive Board and independent assessments by two experts commissioned by the CAFI Secretariat. The NIF was updated to address the comments from both the members of the Executive Board and the independent experts. Based on the NIF, the Executive Board decided to pursue discussions with the DRC government to enter into a letter of intent.

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#### THE DRC NATIONAL INVESTMENT FRAMEWORK

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**Period covered:** 2015 – 2020

**Overall budget:** US\$ 1 billion

Of which requested **CAFI contribution:** US\$ 250M

Strategic document: **National REDD+ Strategy** adopted in 2012 based on the Head of State's long-term green growth vision, which combines forest conservation with fighting climate change, and ensuring sustainable economic and human development.

Expected **Impacts:** emissions reduction and co-benefits in terms of development and poverty alleviation.

**Outcomes: corresponding to the drivers of deforestation:**

1. agriculture,
2. fuelwood,
3. forestry,
4. petroleum resources and infrastructure,
5. land use planning,
6. land tenure,
7. demography and
8. governance.

**Program framework corresponding to response measures to the drivers:**

- **Sectoral activities** addressing direct causes of deforestation and forest degradation (agriculture, fuelwood, forestry etc.).
- **Enabling activities** to create favorable conditions for the implementation of sectoral activities and address both the underlying and the direct causes of deforestation, thus contribution to sustaining emissions reduction.
- **Integrated programs** tackle drivers of deforestation and forest degradation across sectors and economic activities, at various levels of government, and involving different stakeholders who can contribute to changing the trends of land use and forest loss.

**National ownership:** NIF piloted by Ministry of Finance and Ministry of Environment, Nature Conservation, Tourism and Sustainable Development. Buy-in from relevant line ministries, civil society and development partners

## 5.2 Gabon

Gabon presented its National Investment Framework during the 2<sup>nd</sup> meeting of the Executive Board of CAFI. The members of the Executive Board provided comments and questions and requested the government of Gabon to address them before submitting the NIF to independent assessment and making a decision.

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### THE GABON NATIONAL INVESTMENT FRAMEWORK

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**Period covered:** 5 years

**Overall budget:** US\$ 15M

Of which requested **CAFI contribution:** US\$ 15M

Strategic documents: **Strategic Plan for Emerging Gabon, Gabon Green Plan, Gabon Climate Plan and INDC.**

Expected **Impacts:** facilitate Gabon's sustainable and green development, conservation, and climate change mitigation

**Outcomes: to tackle the anticipated drivers and causes of future deforestation through a holistic approach to Land Use planning and Land Use and Land Use Change Monitoring the drivers of deforestation, namely:**

1. Optimal land use planning
2. Monitoring of land use and land use change

**Program framework corresponding to response measures to the drivers:**

- Land use planning program
- Forest and natural resource monitoring program

**National ownership:** Climate Council will be responsible for piloting the CAFI Program. The Climate Council is an inter-ministerial body, chaired by the President.

## 5.3 Republic of Congo

The Republic of Congo presented a request for a preparatory grant to support the design of its NIF during the 2nd meeting of the Executive Board. The members of the Executive Board provided comments and questions and requested the government of Congo to address them before making a decision.

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### THE ROC PREPARATORY GRANT REQUEST

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CAFI preparation funds will complement and feed the cost-benefit analysis and the FIP preparatory work on specific programs into the broader NIF to meet the expectations of both CAFI and the FIP, produce sector-specific studies where necessary, and enable broad buy-in into ROC's strategic REDD+ documents through deepened consultations. The combination of these activities would allow the government to produce a single, comprehensive NIF.

1. **Producing and consolidating a single REDD+ National Investment Framework** that bases itself on the ongoing development of the National REDD+ Strategy, and integrates the ongoing work on the development of a cost-benefit analysis taking stock of the existing REDD+ documentation (including the National REDD+ Strategy, the work conducted by the consultants preparing FIP investment ideas, the UN-REDD-supported cost-benefit analysis, the SESA, the FCPF Mid-Term Report, etc.).
2. Consolidating and complementing **analytical studies** on strategic options to address key drivers of deforestation and forest degradation taking into account the final set of strategic options in the National REDD+ Strategy and, where possible, extend the sectoral economic analyses the UN-REDD-funded cost-benefit analysis is conducting. As it stands, these analyses will not cover the full set of strategic options that the final Strategy will include, resulting in potential gaps to be filled. Likely pre-identified sectors include industrial agriculture and mining, but other sectors could be included depending on the final set of strategic options.
3. **Facilitating cross-sectoral coordination** and building a broad multi-sectoral consensus to support the REDD+ National Investment Framework, ensuring its alignment with the National REDD+ Strategy, and its adoption by the government. This would primarily involve CONA-REDD, with a view to involving all key ministries with a stake in the NIF (including, but not limited to, the Ministries of Finance, Budget and Public Portfolio; Planning; Land Use Planning and Large Works; Forest Economy and Sustainable Development; Agriculture and Livestock; Mining and Geology; Tenure and Public Domain; Energy and Hydrocarbons, the Presidency etc.).
4. Refining and implementing the indicative **consultation plan** on the NIF to ensure an inclusive dialogue with a large range of stakeholders, including private sector, civil society organizations, local communities and indigenous peoples, with linkages with the FIP's Dedicated Grant Mechanism for Indigenous Peoples and Local Communities.
5. **Designing the institutional arrangements** to support the execution, supervision, monitoring and evaluation of the REDD+ National Investment Framework with an emphasis on transparent decision-making and inclusive participation.
6. Ensuring **communication and visibility** for broad support of the REDD+ National Strategy and REDD+ National Investment Framework.
7. Supporting management, including technical, advisory guidance and supervision, multi-sectoral donor coordination, knowledge creation and dissemination, fiduciary supervision, financial reporting, fund administration and audit, and contingencies.

Development partner: World Bank.

## 5.4 Central African Republic

The Central African Republic presented a request for a preparatory grant to support the design of its National Investment Framework during the 2<sup>nd</sup> meeting of the Executive Board. The members of the Executive Board provided comments and questions and requested the government of CAR to address them before making a decision.

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### THE CAR PREPARATORY GRANT REQUEST

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The CAFI preparation funds would be used to assist the Government of CAR prepare a National Investment Framework in complement to existing financing that will be used to prepare a National REDD+ Strategy. The CAFI preparation funds would support activities executed by the Government of CAR and by the World Bank, and would include:

1. **Identifying priority investments and reforms in various sectors** identified in the National REDD+ Strategy;
2. **Facilitating multi-sector coordination** and support for a National REDD+ Strategy and National Investment Framework to enable adoption by the government;
3. **Consolidating and complementing analytical studies** on key drivers of deforestation and forest degradation;
4. **Conducting consultations with key stakeholders** at the national and sub-national levels on REDD+ investment priorities;
5. **Designing and reinforcing institutional arrangements** to support the execution, supervision, monitoring and evaluation of the National Investment Framework with an emphasis on transparent decision-making and inclusive participation;
6. Strengthening a **sustainable consultation framework** that fosters inclusive dialogue among a broad range of stakeholders, including private sector, national and international civil society organizations, local communities and Indigenous Peoples on issues related to REDD+;
7. **Promoting knowledge sharing and communication** to increase awareness of and support for the National REDD+ Strategy and National Investment Frameworks, including internationally, to share lessons and identify additional financing sources for REDD+ investments;
8. Supporting implementation and quality enhancement through the provision of **technical and advisory guidance** multi-sector donor coordination, knowledge creation and dissemination, fiduciary supervision and financial reporting, fund administration and auditing.

Development partner: World Bank.

## 6. Financial information

This chapter presents financial data and analysis of the CAFI Fund using the pass-through funding modality as of 31 December **2015**. Financial information for this Fund is also available on the MPTF Office GATEWAY, at the following address: <http://mptf.undp.org/factsheet/fund/AFI00>

### Sources and use of funds

As of 31 December **2015**, **1** contributor have deposited US\$ **9,389,671** in contributions and US\$ **2,910** has been earned in interest, bringing the cumulative source of funds to US\$ **9,392,582**. Of this amount, US\$ **1,740,000** has been transferred to **UNDP as a direct cost for the CAFI secretariat budget**, of which US\$ **330,801** has been reported as expenditure. The Administrative Agent fee has been charged at the approved rate of 1% on deposits and amounts to US\$ **93,897**. Table 1 provides an overview of the overall sources, uses, and balance of the CAFI Fund as of 31 December **2015**.

**Table 1. Financial Overview, as of 31 December 2015 (in US Dollars)**

	Annual 2014	Annual 2015	Cumulative
<b>Sources of Funds</b>			
Gross Contributions		9,389,671	9,389,671
Fund Earned Interest and Investment Income		2,910	2,910
Interest Income received from Participating Organizations		-	-
Refunds by Administrative Agent to Contributors		-	-
Fund balance transferred to another MDTF		-	-
Other Revenues		-	-
<b>Total: Sources of Funds</b>		<b>9,392,582</b>	<b>9,392,582</b>
<b>Use of Funds</b>			
Transfers to Participating Organizations		-	-
Refunds received from Participating Organizations		-	-
<b>Net Funded Amount to Participating Organizations</b>		<b>-</b>	<b>-</b>
Administrative Agent Fees		93,897	93,897
Direct Costs: (Steering Committee, Secretariat...etc.)		1,740,000	1,740,000
Bank Charges		84	84
Other Expenditures		-	-
<b>Total: Uses of Funds</b>		<b>1,833,981</b>	<b>1,833,981</b>
<b>Change in Fund cash balance with Administrative Agent</b>		<b>7,558,601</b>	<b>7,558,601</b>
Opening Fund balance (1 January)		-	-
<b>Closing Fund balance (31 December)</b>		<b>7,558,601</b>	<b>7,558,601</b>
Net Funded Amount to Participating Organizations		-	-
Participating Organizations' Expenditure		-	-
<b>Balance of Funds with Participating Organizations</b>			<b>-</b>



## Partner contributions

Table 2 provides information on cumulative contributions received from all contributors to this Fund as of 31 December **2015**.

**Table 5.2.1 Contributions**

Contributors	Commitment	Deposit Current Year	Total
	2015-2020	Jan-Dec-2015	
NORWAY, Government of	2,080,000,000 NOK	9,389,671	9,389,671
<b>Grand Total</b>		<b>9,389,671</b>	<b>9,389,671</b>

## Interest earned

Interest income is earned in two ways: 1) on the balance of funds held by the Administrative Agent ('Fund earned interest'), and 2) on the balance of funds held by the Participating Organizations ('Agency earned interest') where their Financial Regulations and Rules allow return of interest to the AA. As of 31 December **2015**, Fund earned interest amounts to US\$ 2,0910 and interest received from Participating Organizations amounts to US\$ **0**, bringing the cumulative interest received to US\$ **2,910**. Details are provided in the table below.

**Table 5.3.1 Sources of Interest & Investment Income**

Interest Earned	Prior Years as of 31-Dec-2014	Current Year Jan-Dec-2015	Total
<b>Administrative Agent</b>			
Fund Earned Interest and Investment Income		2,910	2,910
<b>Total: Fund Earned Interest</b>		<b>2,910</b>	<b>2,910</b>
<b>Participating Organization</b>			
<b>Total: Agency earned interest</b>			
<b>Grand Total</b>		<b>2,910</b>	<b>2,910</b>

## Transfer of funds

Allocations to Participating Organizations are approved by the Steering Committee and disbursed by the Administrative Agent. As of 31 December **2015**, the AA has transferred US\$ **0** to **0** Participating Organizations (see list below).

Table 4 provides additional information on the refunds received by the MPTF Office, and the net funded amount for each of the Participating Organizations.

**Table 4. Transfer, Refund, and Net Funded Amount by Participating Organization, as of 31 December 2015 (in US Dollars)**

Participating Organization	Prior Years as of 31-Dec-2014			Current Year Jan-Dec-2015			Total		
	Transfers	Refunds	Net Funded	Transfers	Refunds	Net Funded	Transfers	Refunds	Net Funded
<b>Grand Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Expenditure and financial delivery rates

No expenditures were reported for the year **2015**.

**Table 5. Net Funded Amount, Reported Expenditure, and Financial Delivery by Participating Organization, as of 31 December 2015 (in US Dollars)**

Participating Organization	Approved Amount	Net Funded Amount	Expenditure			Delivery Rate %
			Prior Years as of 31-Dec-2014	Current Year Jan-Dec-2015	Cumulative	
<b>Grand Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Cost recovery

Cost recovery policies for the Fund are guided by the applicable provisions of the Terms of Reference, the MOU concluded between the Administrative Agent and Participating Organizations, and the SAAs concluded between the Administrative Agent and Contributors, based on rates approved by UNDG.

The policies in place, as of 31 December **2015**, were as follows:

- **The Administrative Agent (AA) fee:** 1% is charged at the time of contributor deposit and covers services provided on that contribution for the entire duration of the Fund. In the reporting period US\$ **93,897** was deducted in AA-fees.
- **Indirect Costs of Participating Organizations:** Participating Organizations may charge 7% indirect costs. In the current reporting period US\$ **0** was deducted in indirect costs by Participating Organizations. Cumulatively, indirect costs amount to US\$ **0** as of 31 December **2015**.

## Accountability and transparency

In order to effectively provide fund administration services and facilitate monitoring and reporting to the UN system and its partners, the MPTF Office has developed a public website, the MPTF Office Gateway (<http://mptf.undp.org>). Refreshed in real time every two hours from an internal enterprise resource planning system, the MPTF Office Gateway has become a standard setter for providing transparent and accountable trust fund administration services.

The Gateway provides financial information including: contributor commitments and deposits, approved programme budgets, transfers to and expenditures reported by Participating Organizations, interest income and

other expenses. In addition, the Gateway provides an overview of the MPTF Office portfolio and extensive information on individual Funds, including their purpose, governance structure and key documents. By providing easy access to the growing number of narrative and financial reports, as well as related project documents, the Gateway collects and preserves important institutional knowledge and facilitates knowledge sharing and management among UN Organizations and their development partners, thereby contributing to UN coherence and development effectiveness.

### Direct costs

The Fund governance mechanism may approve an allocation to a Participating Organization to cover costs associated with Secretariat services and overall coordination, as well as Fund level reviews and evaluations. These allocations are referred to as 'direct costs'.

In **2015**, direct costs amounting to US\$ 1,740,000 were charged to the Fund and transfer to UNDP to cover the budget of the Secretariat for 2015-2016 as approved during the First Executive Board.

UNDP reported \$330,801 of expenditures representing the logistics of the events organized such as the launch event, the first two Executive Board meetings and the side event during COP21. It also covered the costs of the interim Secretariat staff provided by the UNDP REDD+ team. With these funds the following results have been achieved:

- Development and approval of the Terms of Reference of the Fund
- Signature of the Joint Declaration by DRC, Gabon, CAR and ROC; Brazil and all the donor countries
- Development and approval of rules and procedures of the Executive Board
- Development and approval of the terms of reference of the CAFE Secretariat
- Development and approval of the independent review process
- Development of the risk management dash board
- Development of the M&E
- Independent assessments of the DRC NIF
- Portfolio management including the two readings of the DRC NIF, the presentation of the Gabon NIF, the presentation of the ROC and CAR preparatory grant requests

## 7. Looking Ahead – Strategic Issues and Opportunities

The CAFI Trust Fund is the only fund that

- addresses all the direct and indirect drivers of forest loss thus offering a holistic approach in the region
- combines the comparative advantages of different development partners in the region by giving them access on pass-through basis i.e. without imposing rules and procedures
- helps measure progress on the *national level* based on a common results framework and M&E framework thus reducing double-counting of efforts
- supports Central African governments in their efforts to coordinate donor support across relevant sectors
- offers international visibility to donors to showcase support, commitments and results
- offers earmarking to specific countries and outcomes (a driver of forest loss such agriculture or land use planning) to align with each donor's strategic priorities
- allows implementation by donors' own bilateral cooperation agency

In order to achieve its ambitious targets, further funds will need to be mobilized to offer large enough incentives for governments to undertake reforms that are often complicated and politically sensitive. In addition, the Joint Declaration sets US\$ 500M as the capitalization target of the Fund.

The Fund was created very fast and became operational in a matter of weeks. A long wait and great expectations preceded its establishment. The timing was optimal since the launch and the announcement of further commitments took place during the General Assembly of the UN and the historic Paris COP21. As a result, both donor countries and partner governments signed off on the documents at very short notice and Central African Governments aided by development partners presented their funding requests. The operational structures of CAFI (such as the Secretariat and the Executive Board) were created without delays and could deal with the increasing amount requests and documents to treat. This momentum will need to be maintained by sorting out operational modalities and legal issues between the implementing agencies and the Trustee, refining some of the methodological documents such as the monitoring and evaluation framework, setting up the permanent secretariat of the fund, creating synergies between the CAFI secretariat and the secretariat of the DRC National Fund, enlarging the focus of CAFI to dedicate sufficient funding and support to countries beyond DRC.

Accordingly, to be on track with the commitments made in the Joint Declaration, in 2016:

- the letter of intent with the DRC would need to be negotiated to agree on the amount allocated and the expected commitments in exchange
- the Gabon investment plan would need to be finalized and the negotiation of the letter of intent should commence
- the preparatory grant requests to CAR and ROC should be approved so that the development of their national investment frameworks can begin
- Cameroon and Equatorial Guinea would need to sign the Joint declaration and express their interest in mobilizing funding from CAFI
- The role of Brazil as a South-South partner should be clarified
- CAFI progress at COP22 will be showcased, as a contribution to accelerated pre-2020 action during a COP organized on the African continent.

## 8. Definitions

### **Allocation**

Amount approved by the Executive Board for a project/programme.

### **Approved Project/Programme**

A project/programme including budget, etc., that is approved by the Executive for fund allocation purposes.

### **Contributor Commitment**

Amount(s) committed by a donor to a Fund in a signed Standard Administrative Arrangement with the UNDP Multi-Partner Trust Fund Office (MPTF Office), in its capacity as the Administrative Agent. A commitment may be paid or pending payment.

### **Contributor Deposit**

Cash deposit received by the MPTF Office for the Fund from a contributor in accordance with a signed Standard Administrative Arrangement.

### **Delivery Rate**

The percentage of funds that have been utilized, calculated by comparing expenditures reported by a Participating Organization against the 'net funded amount'.

### **Implementing Organizations**

The Fund will be implemented through three types of Implementing Organizations, namely the Participating UN Organisations, the World Bank Group, and the eligible International Cooperation Agencies (ICAs).

### **Indirect Support Costs**

A general cost that cannot be directly related to any particular programme or activity of the Participating Organizations. UNDG policy establishes a fixed indirect cost rate of seven per cent of programmable costs.

### **Net Funded Amount**

Amount transferred to a Participating Organization less any refunds transferred back to the MPTF Office by a Participating Organization.

### **Net Transferred Amount**

Net Amount transferred to a Participating Organization as approved by the Steering Committee and disbursed by the Administrative Agent.

**Participating UN Organization**

A UN Organization or other inter-governmental Organization that is an implementing partner in a Fund, as represented by signing a Memorandum of Understanding (MOU) with the MPTF Office for a particular Fund. For the CAFI Fund, FAO and UNDP are the Participating UN Organizations.

**Project/Programme Document**

An annual work plan or a programme/project document, etc., which is approved by the Executive Board for fund allocation purposes.

**Project Expenditure**

The sum of expenses and/or expenditure reported by all Participating Organizations for a Fund irrespective of which basis of accounting each Participating Organization follows for donor reporting.

**Project Financial Closure**

A project or programme is considered financially closed when all financial obligations of an operationally completed project or programme have been settled, and no further financial charges may be incurred.

**Project Operational Closure**

A project or programme is considered operationally closed when all programmatic activities for which Participating Organization(s) received funding have been completed.

**Project Start Date**

Date of transfer of first instalment from the MPTF Office to the Participating Organization.

**Total Approved Amount**

This represents the cumulative amount of allocations approved by the Executive Board.

## 10. Abbreviations and Acronyms

**AFD** Agence française de développement

**CAFI** Central African Forest Initiative

**CAR** Central African Republic

**CBFP** Congo Basin Forest Partnership

**COMIFAC** Commission of Central African Forests

**COP21** 21st yearly session of the Conference of the Parties (COP) to the 1992 United Nations Framework Convention on Climate Change, also known as the 2015 United Nations Climate Change Conference or the 2015 Paris Climate Conference

**DRC** Democratic Republic of the Congo

**EB** Executive Board

**EC** European Commission

**EU** European Union

**FAO** Food and Agriculture Organization of the United Nations

**FCPF** Forest Carbon Partnership Facility

**FIP** Forest Investment Program

**GHG** Greenhouse gases

**GIZ** German Academy for International Cooperation

**GEF** Global Environment Facility

**KfW** Kreditanstalt für Wiederaufbau, a German government-owned development bank

**LED** Low emission development

**LOI** Letter of Intent

**M&E** Monitoring and Evaluation

**MPTF** Multi-Partner Trust Fund

**MRV** Measurement, Reporting and Verification

**NFMS** National Forest-Monitoring System

**NIF** National Investment Framework

**REDD+** Reducing Emissions from Deforestation and Forest Degradation in Developing Countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries

**REL** Reference Emission Level

**ROC** Republic of Congo

**R-PP** Readiness Preparation Proposal

**SES** Social and Environmental Standards

**SIS** Safeguards information system

**ToR** Terms of Reference

**UK** United Kingdom

**UNDP** United Nations Development Programme

**UN** United Nations





Web site: [www.cafi.org](http://www.cafi.org)

Twitter: Follow the hashtag #CAFI