PROGRAMME DOCUMENT REVISION FEBRUARY 2024

Program Title: Forest Performance Bond Design **Start Date:** 01/01/2023 **End Date:** 31/12/2024 **Total duration (in months):** *24 months*	**CAFI Implementing Organization(s):** United Nations Capital Development Fund
Implementing Organization Contact: **UNCDF:** Mr. Pierre Bardoux-Chesneau Director Nature Assets Team United Nations Capital Development Fund	**Program Partner(s):** Green Climate Fund Development Finance Institutions
Program Country: DRC, Cameroon, Gabon, CAR, Congo, Equatorial Guinea	**Program Location (provinces or priority areas):** Regional
Programme Document Revision submitted to the CAFI Trust Fund – February 2024: The scope of the initial project document is reduced to include only the development cost (Outcome 3) of the Forest Performance Bond Series studies and CAFI bankable pipeline development. See changes to the Result Framework and Budget.	

Program Description: Despite being the world's largest remaining carbon sink, which absorbs 4% of global CO2 emissions every year, the Congo Basin has come under increasing threat due to the accelerating frequency and mutually reinforcing nature of climate change, deforestation and forest degradation. Without significant investment at scale, the interplay between climate change and forest loss in the region will further accelerate GHG emissions, threaten food supplies and livelihoods for over 80 million people, reduce adaptive capacities and entrench economic disparities. To reduce the financing gap, the proposed programme will design a **Forest Performance Bond series** deploy through a jurisdictionally tailored blended finance investment approach that (1) adequately de-risks and mobilises investment in forest-positive assets, and (2) builds pipelines of bankable projects with forest positive benefits.	**Total Programme Cost for the CAFI Trust** **UNCDF:** $1,813,650
Name of Representative: Mr. Pradeep Kurukulasuriya Executive Secretary a.i United Nations Capital Development Fund Signature: **Date:**	

CAFI OUTCOMES to which the programme contributes.	Overall program cost (Amount in USD)	CAFI co-financing (Amount in USD)
Sustainable agricultural practices lead to less land conversion and increased food security;	TBC during the design phase	TBC during the design phase
Sustainable alternatives to current **wood energy** practices are adopted;	TBC during the design phase	TBC during the design phase
Forestry sector and protected areas institutions and stakeholders have the capacity and the legal framework to promote, monitor, and enforce sustainable management of forests;	TBC during the design phase	TBC during the design phase
☐ 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 and **a business climate** favorable to forest-friendly investments		

On behalf of the CAFI Executive Board Name: Ms. Berta Pesti Signature: [redacted] 03-Jun-2024 Head of CAFI Secretariat EB decision approving program document:	

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I. Executive Summary

Critical Global Social and Environmental Issue

Tropical forests are biodiversity hotspots that moderate water supply and quality, sustain millions of livelihoods, and are massive stores and potential sinks of carbon that are key to slowing climate change. Tropical forests play a vital role in the global carbon cycle: the 1.2 billion ha of tropical forests constitute the largest above ground terrestrial component of the global carbon budget[1].

Deforestation, including below-ground biomass and drainage of peat forests, is a major driver of climate change: it is the second largest anthropogenic source of carbon dioxide emissions[2]. Deforestation creates the compounded challenges of massive GHG emissions while also undoing forests' role as a sink and store of carbon. A quarter of global CO_2 emissions are associated with agriculture, forestry and other land uses (AFOLU)[3].

The loss of trees and other vegetation leads to desertification; soil erosion; reduced water retention and flooding; decreased soil productivity and progressive deterioration of agro-ecosystems. These effects are compounded when higher atmospheric CO_2 concentrations lead to contraction of plant stomata and reduced evapotranspiration from tropical forests and disruption to the local hydrological cycle.

Specific Context & Needs

Stretching from the coast of the Gulf of Guinea to the mountains of the Albertine Rift, the 200 million hectares of forests comprising the Congo Basin represent the last significant land-based tropical carbon sink in the world. It is estimated that the region contains 8.1 billion metric tons of irrecoverable carbon, equivalent to more than 20 times Africa's annual emissions, and has some of the highest concentrations of irrecoverable carbon, globally. The region also contains 30% of the world's tropical peatland carbon, which is now recognized as one of the most essential ecosystems for global climate security4. Further, the live aboveground biomass in intact African tropical forests has remained stable over the past three decades, in stark contrast with the Amazonian forests, which have experienced a long-term decline and have since transformed into a net-emitter of CO25. The high-value Congo Basin forests absorb 1.5 billion tons of CO2e from the atmosphere annually, representing approximately 4% of the world's emissions every year6. The forests therefore play a significant role in mitigating global

[1] Ordway, E. M., & Asner, G. P. (2020). Carbon declines along tropical forest edges correspond to heterogeneous effects on canopy structure and function. Proceedings of the National Academy of Sciences, 117(14), 7863-7870

[2] U.S. Energy Information Administration. 2018. U.S. energy-related CO2 emissions expected to rise slightly in 2018, remain flat in 2019

[3] Smith, P., Bustamante, M., Ahammad, H., Clark, H., Dong, H., Elsiddig, E. A. & Masera, O. (2014). Agriculture, forestry and other land use (AFOLU). Climate change 2014: mitigation of climate change. Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change. Chapter, 11, 811-922.

[4] Goldstein et al., 2020

[5] Hubau et al., 2020

[6] CAFI, 2022

GHG emissions and stabilizing Earth's climate.

However, the Congo Basin remains increasingly vulnerable to the impacts of climate change, with erratic and extreme weather events disrupting the availability of resources and hindering the livelihoods of local populations. If the current and projected tendency of extreme and erratic weather events – heat waves, intense rains, prolonged dry seasons, droughts, and floods – continues, the region will see increased soil erosion, less productive agricultural land, and destruction of critical infrastructure. These climatic changes will further exacerbate ongoing concerns related to social vulnerability, extreme poverty, political instability, and food insecurity, with impacts felt most acutely by the urban poor and small-scale farmers.

As the largest and most populous country in the region, DRC is especially vulnerable to climate and environmental shocks, ranking 178 out of 182 countries in the 2020 ND-GAIN Index7. Over the past 20 years, DRC has experienced the greatest tree cover loss (8.6% decrease) and resultant CO2e emissions (10.5Gt) of all the CBFP countries8. Yet, DRC is still considered the most important carbon absorber on the continent – with the potential to absorb up to 2/3 of African carbon emissions every year9 – and therefore represents an urgent and strategic jurisdictional priority for investing in forest positive solutions.

At the same time, food supplies and prices in the region are highly susceptible to climate change, with an average decline between 5-20% in food security following each flood or drought10. Already more than 35 million people across West and Central Africa are experiencing severe food insecurity and this number is expected to rise to a record high of 48 million by mid-202311. To produce greater yields and compensate for limited access to affordable agricultural inputs, small-scale farmers utilise slash-and-burn agriculture techniques, while large-scale producers rely on pesticides and chemical fertilizers, exacerbating forest degradation and progressive deterioration of agro-ecosystems. As the required expansion of agricultural production ensues, due to natural growth in populations and exogenous shocks to crops, pressure on the forests and land holdings of the Congo Basin will amplify.

It is expected that in the coming decade, the growing local, regional and international demand for food supply will become a major driver and will increase the role of Agro-business and commercial agriculture on deforestation and forests degradation in all central Africa countries. This economic growth will be driven by private local, regional and international investment aiming to expand and create new commodity supply chains. To access the deforestation free regulated market of the EU12, US and UK, the models will need to be sustainable, regulated and nature positive solutions

7 Notre Dame Global Adaptation Initiative, 2020

8 Global Forest Watch, 2021

9 IMF, 2022

10 IMF, 2022

11 UN, 2022

12 EU regulation on deforestation free supply chains

demonstrated, promoted and financed at scale now.

The cutting and burning of timber for charcoal is also a major contributor to GHG emissions13. In DRC, more than 90% of the population rely on charcoal or fuelwood logging for cooking, household energy, and for powering the daily operations of businesses and street vendors14. As energy access fails to meet the growing needs of local populations, the demand for charcoal will continue to increase, resulting in higher residential emissions and forest loss across the region.

Project Main Objective

The proposed programme will address root causes of deforestation in the region by:

(1) Accelerating the energy sector transition by improving access to renewable energy, thereby reducing emissions and forest loss associated with unsustainable fuelwood extraction, charcoal production and dependence on large diesel generators to power the agroindustry;
(2) Scaling-up investment in inclusive, sustainable, and deforestation-free commodity supply chains and transformative agroindustry, thereby reducing deforestation driven by agricultural production and improving the adaptive capacities of regional food systems; and
(3) Accelerating the growth of forest-positive SMEs that provide diversified and sustainable livelihoods for local populations and drive climate-smart innovations with the potential for replication.

Strategy and Expected Impact

Impact Potential:

(1) Agriculture and food security: The project facilitates transformation towards climate resilient, low emission and zero-deforestation agriculture, scaling-up investment in agribusinesses that enhance climate resilience of local farmers and enable food systems adaptation.
(2) Livelihoods of people and communities (Benefit >8M million forest-dependent people): The project generates livelihood opportunities for local people, promotes collaborative and inclusive decision-making with forest-dependent stakeholders, and training and capacity building.
(3) Energy generation and access: Green energy projects to be financed will aim to provide renewable sources of energy to drive production while at the same time supporting alternatives to charcoal needed to meet the basic energy needs of the population with the potential to be scaled in the medium-long term. This will reduce residential emissions by up to 50% and avoid emissions from deforestation and forest degradation in selected priority landscape.
(4) Ecosystems and ecosystem services: To secure the resilience and functionality of ecosystem services provided by the Congo Basin forests, the project improves forest-management practices and scales up the resilience and adaptive capacities of local farmers, producers, and communities at large. The PES programme will be an important mechanism to promote inclusive growth by transferring needed cash resources directly to impoverished groups.
(5) Forests and land use: The project addresses leading drivers of deforestation, notably in agriculture and implements a cross-sectoral, landscape approach to reducing deforestation and forest degradation. Expected investment lifetime impact over the programme promises significant GHG reductions and removals per dollar invested.

13 CAFI, 2021

14 WRI, 2021

Paradigm Shift: Most of the environmental benefits of intact forest are unpriced externalities, and it is much more attractive for landowners to convert forests into agricultural land to produce tradable commodities, particularly where strong demand is increasing market prices. The result is a market mispricing of forest assets and a disincentive to sustainable production that is expected to intensify without a paradigm shift changing the way that financial markets engage with forests. To facilitate this transformative shift, the proposed programme will structure concrete market pathways that offer a more efficient and seamless incorporation of forest-positive assets as legitimate, impactful and result-oriented types of investments. By building financing instruments and solutions anchored to nature assets, market participants are incentivized to fund interventions that reduce drivers of forest degradation of more prosperous biodiversity with associated gains in value.

As part of the transformation needed to achieve the targets laid out in the Kunming-Montréal Global Biodiversity Framework, this programme provides the first dedicated solution for Central Africa to unlock critical new sources of funds and increase long-term flows of innovative and blended finance to protect the Congo Basin forests in perpetuity. The innovative partnership, consisting of diverse actors from International Cooperation Agencies, UN, GCF, CBFP, Member States, and financial sectors, lends the expertise and resources needed to implement forest-positive transformation and resilience for the region at scale.

This proposal has the potential to create a wider demonstration effect, encouraging more public and private actors to finance forest positive and adaptive food systems solutions, more entrepreneurs, and innovators to adapt their existing tools to offer these solutions, and more investors to finance them.

Sustainable Development: The project will contribute directly to the following Sustainable Development Goals:

- SDG 1. Poverty reduction: The project will create more job opportunities for local people by financing large-scale zero-deforestation solutions whilst supporting small-scale farmers to increase production and generate income;
- SDG 2. Zero Hunger: The project will aim to improve agricultural yields in a sustainable manner and increase access for smallholder farmers to catalytic finance;
- SDG 12. Responsible Consumption and Production: The project will promote consumption and production of sustainable agricultural products nationally and internationally;
- SDG 13. Climate Action: The project will leverage the mitigation and adaptation potential of will help reduce GHG emissions caused by deforestation;
- SDG 15. Life on Earth: The project will contribute to the protection, restoration and promotion of the sustainable use of terrestrial ecosystems, and to the sustainable management of forests.

Budget Summary for CAFI Co-financed Activities

The preparatory cost to structure the Forest Performance Bond series is estimated at USD 1 million over two years (subject to structuring performance); critical research and development work to define the terms of the underlying portfolio and developed the accelerator estimated at USD 695K; and the

mandatory 7% general management fee.

II. Description of Overall Program

1. Situational Analysis

The 200 million hectares of forests in the Congo Basin represent the last significant land-based tropical carbon sink in the world, making the forests critically important in the global fight against climate change. It is one of the last few regions on the planet that absorbs more carbon than emitted. Aside from its critical role in mitigating the climate crisis, these forests harbour 10,000 species of plants, trees and wildlife- underscoring the richness of biodiversity and importance for conservation. These forests further are an essential source food, shelter, energy and spirituality for the 40 million people comprising forest dependent communities.

The Congo Basin has great carbon sink capabilities and carbon market potential. It contains 8.1 billion metric tons of irrecoverable carbon – equivalent to more than 20 times Africa's annual emissions – and has some of the highest concentrations of irrecoverable carbon worldwide. The Congo Basin also contains 30% of the world's tropical peatland carbon, now known to be among Earth's most irreplaceable ecosystems for global climate security. The carbon sink in live aboveground biomass in intact African tropical forests has been stable for the three decades, in contrast to the long-term decline in Amazonian forests. Annually, these forests absorb 1.5 billion tons of CO2eq from the atmosphere representing 4% of the world's emissions.

The different programmes and studies supported by CAFI confirm that deforestation and degradation, estimated at half a million hectares per years in DRC between 2014-2018 (CAFI programmatic note) are currently mainly due to slash-and-burn agriculture, wood energy production for cooking, artisanal logging and the development of infrastructures which open access for forest and land exploitation (Four main drivers Agriculture, Wood energy, Forestry, Infrastructure development). Industrial agriculture, which was previously identified as a major concern in Cameroon and Gabon but very limited in the DRC, is now observed to be an increasing direct driver of deforestation across the Central Africa region. Smallholders are also increasingly involved in commercial agriculture and increasingly involved in bigger players' supply chains through outgrower schemes. This expansion of agroindustry aims to meet rising local and global demand for food and commodities. This is in turn driven by rising local and global populations and increasing incomes. The reasons for tree cover loss vary between countries in the region (see individual country deforestation profiles in Table #1 below).

Most of the environmental benefits of intact forest are unpriced externalities, and it is much more attractive for landowners to convert forest into agricultural land to produce tradable commodities, particularly where strong demand is increasing market prices. The result is a **market mispricing of natural forest assets and a disincentive to sustainable production**. This problem is expected to worsen without a paradigm shift changing how land is managed and how agricultural commodities are produced.

Table 1: Deforestation profiles in target countries

Country	Country Profile	Impacts
Cameroon	Cameroon has 20 million ha of natural forest, covering approximately 43% of the country's area.[15]	**Current deforestation:** Since 1990 more than three million hectares of Cameroon's forest have been cleared – an area approximately the size of Belgium[16]. From 2001 to 2021, Cameroon lost 1.70Mha of tree cover, a 5.4% decrease[17]. **Key driver(s) of deforestation**: Cameroon's forests are under pressure from foreign investment in mining, agriculture and associated infrastructure development. Shifting agriculture is the dominant driver (at around 98%), but this includes cocoa and coffee, which are commodity driven agriculture.
Democratic Republic of Congo. (DRC)	The Democratic Republic of the Congo (DRC) is the 2nd largest country in Africa (spanning 2.3 million square km) and home to large swaths of arable land, vast quantities of natural resources and minerals, and critical habitats supporting rich biodiversity. In 2010, DRC had 198 million hectares of natural forest, making up a significant portion of the forests within the Congo Basin. Forests are a valuable natural resource for DRC for both the products extracted and for the services provided.	**Current deforestation:** Deforestation within the Congo Basin has been linked to a potential drying over the basin as well as changes in precipitation over the Sahel, Ethiopian highlands and Guinean coast.[18] In 2020, the DRC's deforestation rate was second only to Brazil.[19] The release of greenhouse gases due to deforestation and forest degradation are the country's principal emissions source. **Key driver(s) of deforestation:** The primary drivers for deforestation and forest degradation in the country are subsistence agriculture, logging and road and urban infrastructure.

[15] World Bank database. Cameroon – forest area. Available at https://data.worldbank.org/indicator/AG.LND.FRST.ZS?locations=CM

[16] https://www.rainforestfoundationuk.org/cameroon#:~:text=Forest%20cover&text=Approximately%2040%20per%20cent%20of,approximately%20the%20size%20of%20Belgium.

[17] Global Forest Watch dashboard for Cameroon: https://www.globalforestwatch.org/dashboards/country/CMR

[18] USAID (2018). Climate Risk Profile - DRC. URL: https://www.climatelinks.org/resources/climate-risk-profile-democratic-republic-congo

[19] Weisse, M. and Goldman, L. (2021). Primary Rainforest Destruction Increased 12% from 2019 to 2020. Global Forest Watch. URL: https://blog.globalforestwatch.org/data-and-research/global-tree-cover-loss-data-2020/

		Shifting agriculture is by far the largest driver of tree loss: in 2019 1.21 million hectares were lost and agriculture accounted for 1.2 million (~99%).[20]
Gabon	The vast majority of Gabon's land area is forest – approximately 20 million of the country's 22.68 million hectares.[21] After petroleum and mining, agriculture and forestry sectors are the two largest in the country, with agriculture alone employing 20% of the population. Forestry is a major source of national revenue and the exploitation of timber is viewed as central to economic development, with logging increasing significantly.	**Current deforestation:** Deforestation rates have remained steadily around 25,000-30,000 hectares of loss annually over the last 5 years.[22] **Key driver(s) of deforestation:** The vast majority (> 99%) of deforestation is caused by shifting agriculture. In 2019, of 26,700 hectares of forest loss, 26,600 hectares were caused by shifting agriculture.[23]
Central African Republic	Central African Republic has 5.2 million hectares of dense tropical forest, and over 90% of the population relies on fuelwood for energy.[24] Forest covers 223,030 square kilometres in Central African Republic, accounting for approximately 36% of land area.[25]	**Current deforestation:** Over the last two decades, Central African Republic has lost 189,000 hectares of humid primary forest, accounting for 22% of total tree cover loss.[26] In 2021, the country lost 67,200 hectares of tree cover, equivalent to 35.7 Mt of CO2 emissions.[27] **Key driver(s) of deforestation:** More than 99% of the deforestation results from shifting agriculture.[28]

[20] Global Forest Watch. 2020. Democratic Republic of Congo – Annual tree cover loss by dominant driver. Available at: https://gfw.global/3lnF1HX

[21] The Rainforest Foundation. 2020. Gabon Profile. Available at: https://www.rainforestfoundationuk.org/gabon

[22] Global Forest Watch. 2020. Gabon – Tree cover loss. Available at: https://gfw.global/32MKr92

[23] Ibid

[24] CAFI. 2022. https://www.cafi.org/countries/central-african-republic#:~:text=The%20Central%20African%20Republic's%20dense,some%20are%20endangered%20or%20vulnerable.

[25] World Bank database. 2022. Forest area (% of land area) – Central African Republic. Available at https://data.worldbank.org/indicator/AG.LND.FRST.ZS?locations=CF

[26] Ibid.

[27] Ibid.

[28] Ibid.

Equatorial Guinea	Equatorial Guinea is one of the few countries where forest covers the vast majority of land. Approximately 87% of the land area, 24,484 square kilometres, is forest.[29] The country has become one of the most important African exporters of timber to China.	**Current deforestation:** In 2000, forests accounted for 93% of land area.[30] Total area of humid primary forest in Equatorial Guinea decreased by 2.9% in the period 2002-2020. In 2021, the country lost 8.91kha of tree cover, equivalent to 6.17Mt of CO_2 emissions.[31] Recent years have experienced a significant increase in deforestation and forest degradation, from around 0.2% annually between 2004-2014 to 1.2% annually between 2014-2018.[32] **Key driver(s) of deforestation:** Deforestation in Equatorial Guinea is primarily a result of shifting agriculture.[33]
Republic of Congo	The Congo Basin is one of the most important wilderness areas in the world, with the Congo Forest the second largest tropical rainforest behind the Amazon. In Republic of Congo, forest covers about 64 percent of the country's area[34] and plays a major ecological and socio-economic role. 74% of the country's forest area is allocated to logging concessions, which is a major driver of forest degradation.	**Current deforestation:** Over 900kha of tree cover has been lost since 2001.[35] **Key driver(s) of deforestation:** The vast majority of tree cover loss throughout the country is caused by shifting agriculture. In 2021, of the 57.4 kha lost, shifting agriculture accounted for 56.8 kha, with commodity driven deforestation responsible for an additional 447ha.[36]

Economic Growth Acceleration - A New Threat for High Value Forests

In the coming decade, the growing local, regional and international demand for food supply and energy will become a major driver and will **increase the role of agro-business and commercial agriculture** on deforestation and forest degradation in all central Africa countries. This **economic growth** will be driven by private local, regional and international investment, to be sustainable it will

[29] World Bank database. 2022. Forest area (% of land area) – Equatorial Guinea.

[30] Ibid.

[31] Global Forest Watch. 2022. Equatorial Guinea. Available at https://gfw.global/3TqZ2fm

[32] CAFI. 2021. Countries: Equatorial Guinea. Available at https://www.cafi.org/countries/equatorial-guinea

[33] Global Forest Watch. 2022. Equatorial Guinea. Available at https://gfw.global/3TqZ2fm

[34] World Bank data. 2022. Forest area (% of land area) – Republic of Congo. Available at https://data.worldbank.org/indicator/AG.LND.FRST.ZS?locations=CG

[35] Global Forest Watch. 2022. Republic of Congo. Available at: https://www.globalforestwatch.org/dashboards/country/COG

[36] Ibid.

need to be regulated and nature positive solutions demonstrated, promoted and financed at scale.

During the first phase of investments 2016-2021, CAFI has anticipated the negative impact that large scale agro-development projects in the pipeline might generate if sustainable commodity supply chain initiatives are not developed and certain areas are not barred from (large-scale) agricultural development, including through support to land-use planning from the local to national levels.

However, past CAFI Investments did not promote enough the role that the private sector can have in low emission investments combined with lack of inter-ministerial coordination and governance. Incentivized fiscal regime for economic activities that do not push economic actors to forest conversion and illegal activities were missing as well as promoting access to green finance capital market. Efforts are now made to embrace a zero-deforestation ambition, a low emission economic growth pathway is now fully reflected in the respective Government vision and in the respective CAFI letters of Intent high-level principles and milestones.

2. Program rationale

The need for large scale financing through public-private investments leading toward a sustainable zero-deforestation economy that promotes the valuation of the Congo Basin unique nature assets potential.

The World Economic Forum estimates that more than half of the world's total GDP is moderately or highly dependent on nature and its services and is therefore highly exposed to biodiversity loss. However, the existing global financial system is fundamentally tilted against nature, with the financial flows devoted to enhancing ecosystem services dwarfed by investments that exploit nature assets.

Green bonds represented only 5.8% of total bonds issued globally in 2021, with emerging markets representing only 21% of the green bond issuance, mostly from China. While sovereign green bond issuance experienced triple digit growth of 111%, and now contributes 10% to cumulative volumes, there were no sovereign green bonds from Africa in 2021. Only three issuers from the region came to the market, giving Africa share of only 0.077% of the total 2021 green bond issuance.

The path to close the green financing divide and significantly scale up international support in the region can only be by moving away from piece meal traditional development projects to leverage and transform the potential of green capital markets. The financial gap is so important and the barriers so complex that only a comprehensive multi partners approach through a blended finance demonstration initiative can succeed and open the path for the Region.

A key principle of the CAFI LOIs is the inclusion of the private sector in implementation approaches with a view to ensuring the sustainability over time of REDD+ interventions and their results. As well as a payment for ecosystem services modality based on progress made towards attaining the agreed objectives, which provide strong ground for the design of innovative public private partnerships.

At the essence of this green economy transformation should be a strategic shift from viewing nature as a resource to treating nature as an asset. According to the OECD, "natural assets" are assets of the natural environment, consisting of biological assets (produced or wild), forest, land and water areas with their ecosystems, subsoil assets and air. This represents a very different view to natural resource

investing wherein nature is commoditized for short term gain, while its long run economic and nature-based value is not taken into consideration. By building financing instruments and solutions anchored to nature assets, market participants are incentivized to fund interventions reducing drivers of forest degradation of more prosperous biodiversity with associated gains in value.

Through this proposal, UNCDF will apply its multidimensional capital mandate to mobilize further public and private, international and domestic finance in Central African Countries through concessional and commercial capital deployment, financial advisory and support for the establishment of financing mechanisms and systems that promotes the valuation of the Congo Basin unique nature assets potential.

Overcoming Investment Barriers

In a low-carbon, climate-resilient scenario, agri-commodity and wood producers, smallholder farmers, government agencies and other stakeholders would identify these climate challenges and invest the time and resources required to shift to more sustainable production systems that are less vulnerable to climate impacts. Unfortunately, there are multiple interconnected barriers that prevent a spontaneous response:

Limited capital flows due to high-risk perception by impact investors

There is insufficient investment in sustainable commodity production and forest protection. Investment in commodity production such as palm oil, soy and beef is estimated globally at USD 1.4 trillion and the annual value of trade in these commodities is USD 135 billion – several orders of magnitude higher than (predominantly public and private philanthropic) investment in forest protection (around USD 6 billion).

Very few investors consider investing in the sustainable, long-term transformation of these sectors especially in Central Africa. The lack of co-investors is due to mainstream investors' risk perception of financing the transformational pathways that these sectors and jurisdictions require. These are challenging sectors for international investors who are concerned about reputational risk, and who do not have the internal knowledge to properly assess credit risk for land-use investments in emerging markets.

CAFI through its various programs can serve as a "first-mover" in this space, managing risks of perceived barriers and creating a blueprint for commercially viable and financially attractive no-deforestation investments that commercial investors can initially participate in, then replicate and scale to transformative levels.

Market distortions undervalue standing forests and induce deforestation

Many of the benefits of standing forests, while critical to ecosystem health and local livelihoods, are difficult to capture and monetize. Producers expect and achieve far greater financial return from a hectare of soybeans than products harvested from standing forests. Payment-for-ecosystem-services mechanisms are incipient or non-existent in most jurisdictions, making it difficult to earn money for carbon storage or biodiversity. Similarly, a forest reserve in many cases cannot be used as collateral for an agricultural loan. As a result, relatively little value is attached to standing forests.

Most of the environmental benefits of intact forests are unpriced externalities, and it is much more

attractive for landowners to convert forest into agricultural land to produce tradable commodities, particularly where strong demand is increasing market prices. The result is a market mispricing natural forest assets and a disincentive to sustainable production, meaning that deforestation remains economically rational. This problem is expected to worsen without a paradigm shift changing how land is managed and how agricultural commodities are produced.

In farm areas where forests are largely already cleared, the costs associated with preserving the remaining forest and reforesting cleared areas are high. Existing laws aimed to prevent deforestation are often either weak or rarely enforced, so forest protection and restoration are uncommon. Meanwhile, there are significant financial benefits from clearing forests. Extensive production (i.e., expanding the production frontier into new lands) requires less capital investment than agricultural intensification (i.e., growing more on the same hectare of land), despite the greater environmental impacts of forest clearing. Tighter credit conditions, such as those that occurred with the onset of the COVID-19 pandemic and the current ensuing environment of increasing borrowing rates globally, further increase the relative attractiveness of forest-clearing activities.

Limited local access to knowledge and technology for no-deforestation production

No-deforestation production methods often require producers to modify their systems and processes, to switch to new crops and varieties, and/or to adopt new production techniques (e.g. agroforestry), often as part of multi-year transformations. Unfamiliar approaches translate to higher perceived risk and less willingness to embrace change. As noted above, market distortions and capital and lender constraints can render this a financially unattractive proposition not offered by commercial lenders. Producers face an equally daunting challenge obtaining locally appropriate information, knowledge and technology to implement these changes. In many cases, the information and technology has not been employed widely in the country or region, while in others it has not been packaged in a way that is accessible.

Inaccessible or poorly presented information on climate hazards and adaptive measures

Reducing climate-related losses can go hand-in-hand with sustainably intensifying agricultural production. Relevant climate and weather data is often produced by government agencies, along with case studies on climate resilient production techniques. However, this information is often not shared directly with agri-commodity businesses and the communities that supply or depend upon them. In other cases, the information is available only in a highly technical, undigested form that cannot be absorbed by producers, converted into knowledge and put into action. Also, there are few examples available to producers that demonstrate feasibility and viability of these new models at scale / with mainstream agri-commodity companies.

Insufficient regulatory or policy conditions that support sustainable practices and environmental impact

In regions with significant forest resources, it is necessary for local authorities to be committed to the prevention of deforestation and the protection of valuable ecosystems, and to actively work with the private sector, communities and civil society to achieve this. However, only a minority of local governments in key regions have developed (or have the resources to develop / enforce) regulations that promote protection of forest resources, together with increased production and inclusive

management at a landscape level. Sustainable land use is not yet incentivized by the policy and stakeholder environment.

Existing regulations in most cases do not incentivise or support shifting towards sustainable development of the agricultural sector, nor do they recognize the potential tax benefits and job creation opportunities from such a move. Insufficiently developed or unclear regulatory environments creates the potential for land use conflicts in situations where land use practices, land rights and future plans are not transparent or agreed upon.

3. Program Goal and Expected Impact

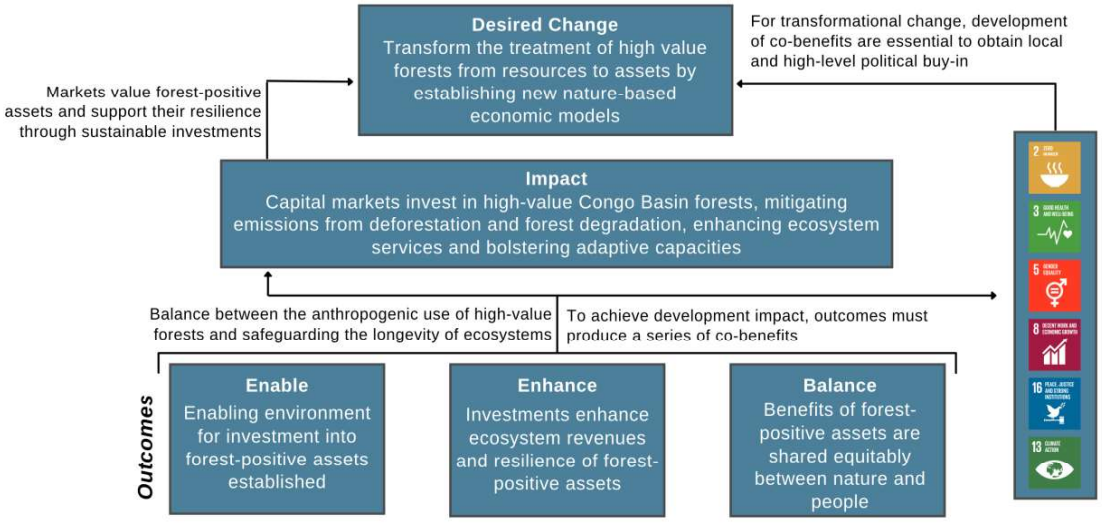
Through a coalition of partners, this proposal will apply a multidimensional capital development approach to mobilize further public and private, international and domestic finance in Central African Countries. It will be achieved by deploying concessional capital deployment, financial advisory and support for the establishment of financing mechanisms and systems that promotes the valuation of the Congo Basin's unique mitigation and adaptation potential.

The Forest Performance Bonds and Project Development Facilities work in conjunction to transform the treatment of high-value forests by incentivizing market players to achieve and demonstrate forest-positive impact while also shifting markets toward enhanced valuation of critical forest assets. This model has the potential to create a demonstration effect - encouraging more public and private actors to use forest-positive solutions, more entrepreneurs and innovators to adapt their existing tools to offer these solutions (or to develop new ones), and more investors to finance them – building a track record for replication by regional financial institutions and governments in the region. By combining the market mechanics of green bonds with the performance-based model of impact bonds, the FPBs will link payments directly with the achievement of specific zero-deforestation outcomes. As more regulations are placed on commodities to prevent deforestation and forest degradation, including by the EU, the FPBs serve as a mechanism to enhance system transparency and traceability for zero-deforestation outcomes, while the Project Development facility catalyses growth capital in forest-positive businesses and mainstreams disruptive economic action.

While critical large-scale interrelated blended finance accelerators are being piloted for example by &Green and the Sub-national Climate Fund, this proposal offers a unique complementary model that enables greater financial inclusion of the missing middle and orients itself toward accelerating solutions at the forefront of adaptation – to bridge gaps, drive forest-positive innovation across the value chain and target development resources where they are needed most acutely.

This desired change can be brought about by three outcomes – enable, enhance and balance. These outcomes can create the foundation for a new natural capital market that mitigates regional challenges and barriers by building pathways to invest in integrated forest-positive solutions. The wide range of intended impacts from achieving the three outcomes will include climate resilience, forest conservation, sustainable economic development and activation of capital markets for the long-term protection of the Congo Basin region. This strategy will also bring several co-benefits to the local communities and strengthen sustainable livelihoods.

Theory of change



This Theory of change and vision is fully in line with the plans, processes and political commitments made by Congo Basin countries in the context of the Central African Forest Initiative (CAFI), Commission des Forêts d'Afrique Centrale (COMIFAC) and the CBFP. The activities to be financed by the project are a core component of the programmes to achieve the milestones in the Letter of Intent signed with CAFI in DRC (2015 and 2020), the Republic of Congo (2019) and Gabon (2020). The CAFI Agreements demonstrate the importance of special economic investment plans with innovative financial models to attract capital as well as engage the private sector for the growth and transformation toward a climate resilient economy.

Main root causes (social, gender, fiscal, regulatory, technological, financial, ecological, institutional, etc.) that need to be addressed :

Social & Gender: Across the Congo Basin, extreme poverty, inequality, conflict and regional insecurity are compounded by climate change, leading to increasing levels of malnutrition, food insecurity and population displacement. Most of the region's poorest people are farmers who face difficulties producing and selling their goods on the market due to a lack access to markets, roads, storage and transformation facilities. Barriers to economic participation are also highly gendered, given that women make up 70% of the agricultural workforce in many parts of the region but lack control over land and exercise limited decision-making authority over resources. Women, particularly pregnant women, and children are also highly exposed to the health impacts of climate change and malnutrition - an estimated 2.8 million children under five and 2.2 million pregnant and breastfeeding mothers are suffering from acute malnutrition in DRC alone37.

37 WFP, 2023

Ecological: While the Congo Basin forests present a unique ecological opportunity to mitigate and adapt to climate change, the progression of deforestation fronts in the region disrupts ecosystem integrity, leading to soil erosion, reduced fertility and increased vulnerability to floods and droughts. The Degradation of soils, lack of quality seeds and fertilizers limit agricultural yields in the region. Further, the shift from traditional agricultural techniques (agroforestry, intercropping, crop rotation, organic composting, integrated crop-animal farming) to unsustainable practices (e.g., slash-and-burn agriculture, indiscriminate use of chemical fertilizers, overgrazing, etc.) threatens tropical rainforest ecosystems and effects soil health and salinity, temperature regulation, availability of clean water, presence of pollinators, prevalence of pathogens, and forage quality. The biodiversity loss undermines crop diversity and nutritious balance for local populations, causing diets to become increasingly homogenous.

Institutional: The region's immense agricultural and extractive value, paired with a legacy of poorly managed governance structures and institutions, have resulted in an insecure land tenure systems and limited capacity to control and regulate deforestation. Similarly, faced with demographic surges, the growing need for arable land for local populations has exerted strong pressure on management authorities and forest conservation agencies, hindering management of the forests and leaving them exposed to systematic encroachment, poaching, illegal mining and bushfires. Institutional adaptive capacity is currently low and requires the development of effective linkages and coordination mechanisms to build networks with forest-dependent stakeholders38 at jurisdictional/landscape level.

Fiscal & Regulatory: The region has a history of weak governance and high levels of corruption, which make it difficult to enforce regulations and promote transparency in fiscal management of large-scale commodity projects. Illegal trade in wildlife, timber, and minerals is a major challenge, which when compounded by a lack of control over the implementation of Environmental and Social Safeguards, undermines efforts to promote sustainable and inclusive resource management. This has caused issues related to land grabs, displacement, and exclusion of Indigenous peoples, women, and youth from natural resource management.

Technological: Subsistence farmers – for whom sale of agricultural produce accounts for 97% of income - face many constraints to producing and commercializing their crops, including poor transport, storage and transformation infrastructures, high cost of transport, and lack of negotiating power with intermediaries. Consequently, a large share of farmers in the region are unable to receive adequate income from their production and have no resources to invest back into their farms to provide a stable supply chain for transformation by small and medium industries. A lack of sufficient raw materials and production facilities further limits affordable access to organic fertilizers, for which local farmers will need to increase their application by around tenfold to maximize yields per acre39. Improved seed, storage (including cold-chain investments for horticulture or animal products), and irrigation technologies will also be necessary. However, insufficient energy supply remains a major hurdle to addressing mitigation and adaptation needs, with only 28.4% of the total population, and

38 Brown et al., 2014

39 World Economic Forum, 2023

4.9% of rural residents, having access to electricity in Central Africa, driving demand for charcoal40.

Financial: The deepened reliance on few primary commodities, inadequate access to capital and lack of strong market systems continue to hinder the potential for bridging the climate funding gap for adaptation and mitigation, estimated at USD 30 billion – USD 50 billion/year for Sub-Saharan Africa41. While there is a growing need for private investment, there are several barriers that hinder private capital deployment into the Congo Basin. These barriers are created by the breadth of investors' mandates (e.g., country limits, regional limits, rating requirements, etc.) and mean that their internal operating models and incentive structures tend to be geared to larger, more stable markets. This is reflected in larger minimum ticket sizes; limited in-country presence where networks and relationships matter most; and a transaction-by-transaction origination model, missing opportunities to maximise portfolio returns through a more coherent, strategic investment approach. If such trends continue, projects with the potential for transformational impact may continue to fall 'below the radar' of DFIs and other public and private investors. A comprehensive, multi-partner approach through a blended finance demonstration initiative, as described in this proposal, can serve to de-risk private investment and mainstream zero-deforestation business models.

The Congo Basin region is a higher-risk market for investors, the project will therefore need to overcome the following risks:

- Only few investors will consider investing in the FPB, the capacity to properly assess credit risk for land-use investments in central Africa is extremely limited. The multi-level de-risking structure of the Bond will be a critical aspect to build confidence in the model or the solidity of a zero-deforestation portfolio;
- Only few specialized investment managers are active in the region for this type of market. The programme will partner with existing initiatives supported by DFIs, but also local and regional banks able to source investment opportunities;
- There are limited business partners with the knowledge and technology to develop zero-deforestation production. The programme through targeted sector-based technical assistance will develop blueprint business models.

40 Africa Energy Portal, 2019

41 IMF, 2020

4. Program Description, Outcome, Outputs and Activities

The UNCDF Nature Assets Team is proposing to design and launch a series of Forest Performance Bonds (FPBs or FPB Series) to help protect, conserve and enhance the Congo basin forests. The desired long-run change is to transform the treatment of high-value forests by shifting the existing market models and economic drivers that depend on exploitation of forests as resources and instead treat forests as nature assets. This change will create new economic models that treat forests as quantifiable assets that need to be supported and nourished to further increase their economic, social and environmental value. Protection of these "forest assets," while building an equitable and sustainable "forest-positive" economy contributing to food security in the region, is the primary goal of the FPBs.

The proposed Congo Basin FPB Series aims to mobilize private capital for financing businesses that will create a new forest-positive economic system and simultaneously enhance climate resilient ecosystem management and preservation of high-value forests in the Congo Basin region.

The USD 1 billion FPB Series will comprise a series of FPBs launched over a period of 10 years. The FPBs will combine the market mechanics of green bonds with the performance-based model of Impact bonds. Similar to green bonds, the FPBs will be issued to investors in conventional bond markets, or as debenture notes and will make coupon payments and principal repayments until their retirement. The bond proceeds will be used to disburse loans to an underlying portfolio of forest positive businesses (zero deforestation agro-industry, clean energy, water, sustainable forest management, etc.). Additionally, like impact bonds, the underlying portfolio will also receive payments for forest positive outcomes achieved. The premium payments will be distributed to businesses and local forest-dependent communities to support their sustainable transition to forest-positive models. These businesses will also receive support with development costs in the form of technical assistance and acceleration support. Thus, this bond could be innovative on two levels – unique bond design with support that lowers the cost of issuance and passing these cost savings to the underlying portfolio while also de-risking the disbursement of loans from the bond proceeds.

UNCDF the Nature Assets Team is proposing to structure a unique partnership with CAFI UN MPTF, CBFP, GCF, Sida, DFC and other interested DFIs to further integrate and mobilize action for the urgent cause of forest conservation in the Congo basin region. CAFI and CBFP are critical partners with deep policy, programmatic and forest conservation experience, whose combined engagements span each Central African country. Leveraging CAFI and CBFP expertise, the FPB project can gain the political commitment needed to deploy integrated regional solutions that benefit all countries in the Congo Basin region through innovative and replicable Public/Private financial instruments.

Design Outcome: Private Investment mobilized at scale to reduce deforestation, meet food security needs and legitimate industrial development aspirations of the Congo Basin Region

Output 1.1: Forest Performance Bond designed with the support of strong coalition of arranging party for bond issuance.

Activity 1.1.1: Studies to detail the bond structuring and design

- Understanding the advantages of issuing sovereign and non-sovereign bonds
- Appetite for partners countries to set-up an SPV and the advantages of such model for replication, country ownership and flexibility

- Could financial institutions potentially issue the bonds and if these institutions have local branches that can lead as asset manager. Financial advisors and underwriters that can be approached for pricing this model
- Estimate the fees to manage the SPV, fees to structure and issue the bonds, and obtain indicative pricing for various bond maturities

Activity 1.1.2: Studies to determine the best approach to bond issuance and credit enhancement

- Explore various modalities of issuing bonds
- Analyze the impact of GCF's guarantee on the bonds' credit ratings and other DFIs support
- Consider other credit enhancement mechanisms that can be implemented at various stages of development

Activity 1.1.3: Identify and mitigate market risks, and explore suitable exchanges

- Evaluate the impacts of currency risk and interest-rate risk
- Understand which exchanges are ideal for the issuance of the bonds

This output is implemented directly by UNCDF through a combination of in-house expertise and specialized firm to carry out the studies. Activities are foreseen to be implemented in the course of two years for a budget of USD 500k annually. The year 2 budget will be subject to performance and progress made in structuring the bond.

Output 1.2: Research and Development for Technical investment models at the regional level in the key commodity supply chains

Activity 1.2.1: Conduct a multi-criteria mapping exercise of soil adaptability to identify suitable sites for key commodities including but not limited to palm oil, coffee, cocoa, and rubber with the introduction of the irrigation option in the savanna region (in addition to the studies already carried out in the past).

Activity 1.2.2: Develop the Business Case (profitability analysis) for the most promising models including but not limited to irrigated palm oil, rubber, cocoa, or coffee in the savannah zone; and reduced impact logging.

Activity 1.2.3: Prepare advocacy materials for private sector partners to increase interest for investing in the most promising technical models identified

This last output is implemented in close coordination with the CAFI Secretariat in order to develop the investment case for Central Africa

III. Implementation Approach and Partnerships

1. UNCDF Action as the CAFI Investment Agent

UNCDF is positioned as a hybrid United Nations agency at the crossroads between a development agency and a development finance institution (DFI). It was created by the UN General Assembly in 1966 with a unique capital activation mandate, which includes providing finance to private sector entities without any limitation of amounts. UNCDF's approach to investment is to leverage concessional resources to crowd-in more commercial finance and increase capital flows going into

SDG positive investments in target countries. UNCDF accomplishes this: (i) through direct investment operations (on balance sheet investments through its private sector Investment Platform) and; (ii) through third-party managed investments (off balance sheet investments).

In 2022, based on its new strategic framework as well as the UN Secretary-General's call to enhance sustainable financing strategies and investments, UNCDF has established a dedicated Nature Assets Team. Its mandate is to identify, promote investment, and build markets for nature assets using tailored financial vehicles and implementation tools to reach 30x30 and sustainable development aims. By designing incentivized and de-risked investment structures, the team mobilizes the nature-positive public and private finance needed to facilitate green economic transformation.

UNCDF is a participating UN organization of CAFI and FONAREDD since 2018, co-implementing in DRC an energy project with UNDP, in addition initiatives for digital banking and local development have been under implementation for decades in the region. Globally UNCDF manages an active portfolio of USD 730 million (on Balance sheet) and has developed three blended finance vehicles (off Balance sheet), the Build Fund (USD 60 million Debt managed by Bamboo), the IMIF Fund (USD 300 million Equity managed by Meridiam) and the Global Fund for Coral Reef (USD 130 million Equity managed by Pegasus Capital). Those funds are constituting a complementary and coherent investment solution aimed to fill the gap in the current development finance architecture and provide critical missing SDG-positive finance in developing countries and frontier markets. UNCDF is also an investor in the first loss layer on behalf of donors.

Figure 3:

	BRIDGE Facility *(ON Balance Sheet)*	Global Fund for Coral Reef *(ON Balance Sheet)*	BUILD Fund *(OFF Balance Sheet)*	IMIF Fund *(OFF Balance Sheet)*
WHAT?	Concessional Loans, Guarantees, Quasi equity	Quasi-equity, Equity	Loans, Quasi-equity, Equity	Equity, Bonds
FOR WHO?	SMEs, FSPs, Municipalities, Project developers	SMEs, FSPs, Project developers	SMEs, Financial Services Providers (FSPs)	Municipalities, sub-sovereign local governments
POTENTIAL FOR SUB-WINDOWS?	Yes- Thematic/ Geographic	Specialised for Blue Economy	Yes- Thematic/Geographic	Yes- Thematic/Geographic
FUND POSITIONING	Incubator for early-stage companies; warehouse for BUILD.	Large scale investment in companies in Blue Economy.	Early-growth fund to prepare companies to attract private funding in future.	Support local governments to achieve the SDGs and the Paris Agreement.
COMMITTED FUNDS	Ongoing	USD 130 MM	USD 60 MM	USD 300 MM

UNCDF's investment process

UNCDF's investment operations is governed by a set of documents and a process. Foremost the operations are governed by a Loan and Guarantee Policy, Investment templates, Credit scoring model, Legal templates and a process including an independent credit committee.

The toolbox of financial instruments available for UNCDF includes both liquidity, risk-sharing instruments, as well as grants, and technical assistance.

UNCDF Value Proposition

- A thorough investment process, including operation and legal due diligence which will ensure public resources are used prudently and monitored regularly through a proven methodology of borrower assessment process (has been pillar assessed by the EC with positive marks).
- Diversity of instruments – in one transaction, CAFI can ensure different degree of Concessionality in loans (and guarantees). UNCDF can also provide grants and perform a similar DD as with loans and guarantees.
- Independence and neutrality, UNCDF can act as a neutral investment advisor for CAFI funds, representing all CAFI countries and limiting conflict of interest for donor countries.
- Speed of execution, UNCDF can execute its investment process in a smooth and expedited timeline.
- Presence and strong relationship with stakeholders in African countries – important to mitigate reputational risk for this innovative finance project.
- Dedicated team of investments professionals, with strong experience and proven competence on deal structuring, best practices in blended finance, portfolio monitoring, fund management and guarantees.

UNCDF investment process

UNCDF will determine what instruments and sequence are needed to incentivize good business practices and catalyze growth.

UNCDF would provide investment management services to CAFI on free-deforestation private sector investment strategy following UNCDF's investment due diligence and investment approval processes. This is important to ensure that CAFI and UNCDF's fiduciary duties and legal requirements are fulfilled (See Investment Cycle Diagram and Approval Process section below)

Activities completed under a thorough investment cycle can include, but are not limited to:

- Assess project financial and operational capacity, including repayment capacity and financial modelling
- Perform initial desk review of key business documents follow by in-depth due diligence (on-site due diligence on processes, policies, operations, but also legal and compliance)
- Structure the deal (advise on the mix of grant/concessional loan if applicable, set minimal concessionary interest rate, determine repayment schedule within repayment capacity, set covenants, tranches, etc.)
- Develop and execute legal agreements
- Obtain approval from independent credit committee
- Ensure completion of any conditions precedent to disbursement set by the UNCDF Impact Investment Committee
- Carry out all background checks to comply with Know Your Client and Anti-Money Laundering laws
- Disburse the funding

- Ongoing financial monitoring and payment collection, and workout/restructuring for loans that go into default
- Monitor the development and upcoming transactions of the fund for financial and reputational risk to CAFI
- Share the knowledge and experience with other investors by contributing case studies and helping to disseminate these learnings through the impact investing and development sectors. This component will share lessons learned and best practices can help to attract more commercial investors and additional capital in specific Forest-Positive sector, as well as improve business environment in CAFI target countries
- UNCDF would manage collections of principal repayment and interest on loans. Funding that is recovered can be redeployed to future rounds of CAFI projects as approved after the agreed timeline for investment.

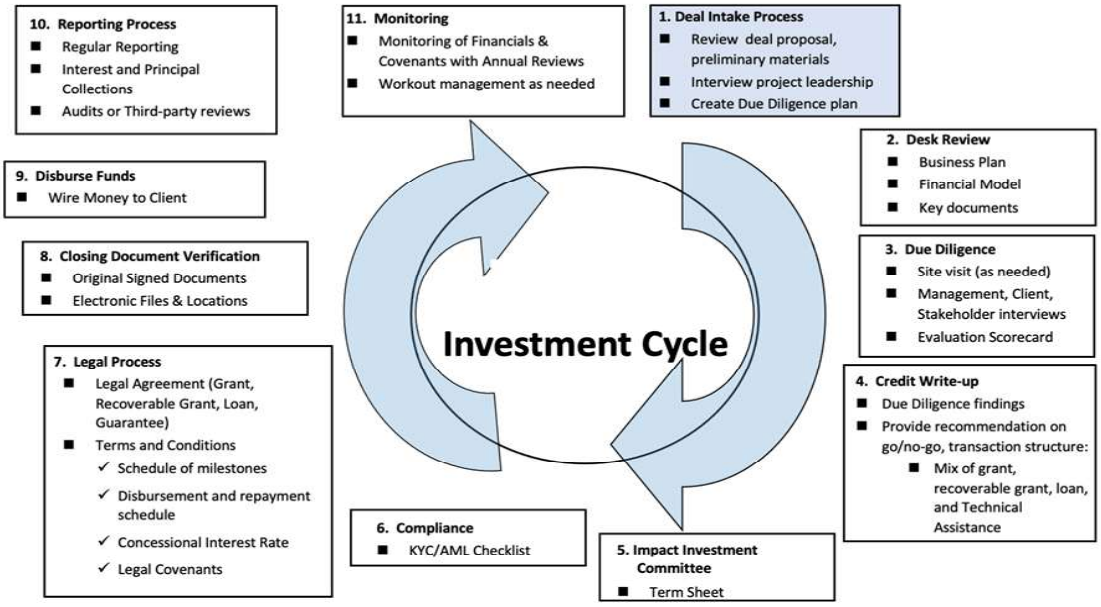


Figure 4: UNCDF Investment Cycle

UNCDF investment team

UNCDF accomplishes its catalytic investment activities through the LDC Investment Platform (LDCIP), which will be the organizational unit implementing private sector investment support services for CAFI.

The service relies on UNCDF's enterprise risk management and investment policies; strengthened due diligence processes for vetting and assessing risks of potential investment opportunities; investment monitoring systems; and dedicated capacity to manage a portfolio of capital investments and ensure robust accountability. The platform has a team of investment professionals with significant transactional expertise in developing countries and impact investing backgrounds.

There is a Director leading the work, he has 25+ experience in the development finance and has worked for the EC, the World Bank and before joining the UNCDF he was the Head of Loans and Guarantees at Sida. The Portfolio Manager has 15+ year experience in development finance for emerging economies, including 10 years at a top-tier international bank. The in-house legal counsel has 13years+ of experience structuring and advising on financing both in law firms and a major development finance institution. The Risk Manager has 20+ year of experience implementing financial solutions and worked as a Risk specialists and Senior program manager at the Unit for Loans and Guarantees at SIDA. The overall team is composed of 4 investment specialists based at the HQ in NY, 4 investment specialists based in Africa, a dedicated Technical Assistance Manager, a Portfolio Manager and a Legal expert based in NY, supported by additional staff. Closely linked to the LDCIP is a roster of investment professionals with different thematic expertise who work closely with the investment specialists. Primarily, the investment specialists have two functions within the organization: (i) an advisory function to support the sourcing entities in the structuring, the due diligence and the monitoring of the transactions, and (ii) a risk control function through an independent evaluation and risk appraisal for each transaction. The LDCIP works closely with UNCDF many other programs around 30+ LDCs where UNCDF has staff on the ground, including in DRC and Gabon.

IV. Coherence with Existing Programs

Product / activity	Source of funding (government/development partner)	Key projects	Duration of projects	Budget in dollars	Description of major programmatic or financial gaps
Nature+ Accelerator Fund	CAFI Trust Fund: $7,500,000 GEF: $ 8,992,500 Non Profit $1,088,000	Loans and equity) through three financing windows – early venture, venture and growth.	5 years	Total Cost of the Program (including estimated Unfunded Budget): $56,301,845.8	1.Only targeting early and growth stage investments 3. Not yet invited or channeled large scale private sector capital but intend too
CAFI - Farm Africa	CAFI (development partner) provided funding to Farm Africa	Integrated project on landscape restoration and value chains in eastern DRC, in collaboration with KBNP and coffee	6 months of prep grant funding from CAFI	Total funding from CAFI is $431,000	1. Limited in scope to landscape restoration 2. The project is grants based with no long run approach to developing investment interest

		cooperatives.			
UN Peace Building Fund/ UNCDF Great Lakes Peace and Forest Conservation Project	Funding from UN MPTF	Blended finance to support joint peacebuilding and Forest conservation interventions in KBNP	PBF - $6 million	PBF funding over 3 years to catalyze co-financing and ensure programming implementation for 10-15 years	1. Peace / Forest conservation nexus and has a large focus on cross border implications 2. Setting up of a SPV dedicated to support investment in Buffer zone but with only initial capital
XSML – African Rivers Fund	Funding from development partners and government agencies including BIO, CDC, DGGF, FMO, IFC, AHL Venture Partners, Proparco	Grow small businesses into medium and large enterprises. Three funds : the CASF, the African Rivers Fund (ARF) and ARF III. Investment size in the range of $100K to $7.5 million	CASF – 2011 – 2015 ARF - first close in February 2016 ARF III - first close in August 2020	CASF – $19 million ARF – $50 million ARF III - $85 million.	1. The Fund is focused on business models mostly not related to agriculture and forestry unlike the Nature jurisdictional approach 2. The Fund relies primarily on grants from Government agencies and IFIs and does not yet channel large scale private investment

Deutsche Bank project in Cameroon	DB provided a sustainability-linked loan facility to Corrie MacColl, to finance the company's capex investments for its rubber plantations.	its Outgrower Programme aims to provide additional food security and boost the income of 13,000 local smallholder farmers.	3 year loan tenor	$25 million sustainability-linked loan facility with an accordion feature to upsize the facility to $75 million	1. The project is limited in scope to a single loan facility to Halycon for sustainable rubber plantations
GCF – Global Guarantee Company with MUFG Bank	Funding from GCF with MUFG bank serving as the GCF Accredited Entity to support the issuance of green bonds through *a new Green Guarantee Company (GGC).*	GGC expects to initially guarantee climate bonds to other exchanges in the world's major global debt capital markets.	NA	NA	1. GGC is focused on guarantees as an instrument for climate intervention and providing climate bond issuance support. 2. The fund is not targeting the Congo Basin Forest region countries yet.

V. Program's Results Matrix

For ease of reference, the contribution to Corresponding CAFI Outcome and Milestone in LOIs are presented below instead of in the matrix. Relationship with the outcomes in individual country NIFs is not presented given that this is a regional programme.

Corresponding CAFI Outcome: Outcome 1 -Agriculture encroaches less on forest lands

Table 5. Relevant Milestones in CAFI member country LOIs and Programme Contribution

CAFI member country	Relevant milestones in LOI	Programme Contribution
Democratic Republic of Congo	<u>Agriculture</u> • In high-value forests and peatlands no agro-industrial concession that is incompatible with the preservation of forests and peatlands is granted: these are oriented primarily towards savannah areas and, by default, degraded forests . **Objectives 2031** • To steer agricultural development as a priority towards and savannah areas , including by facilitating land tenure security and access to energy to support sustainable agricultural investments and improvement of the agricultural value chain. **Objectives 2031** • A map of potential sustainable agricultural production, integrating the preservation of forests and peatlands, is prepared for key cash crops [for example coffee, cocoa, palm oil, rubber, etc] by the [end of 2023], and based on the study made of the agricultural potential in the framework of the Land Use Planning Pillar. **Political milestones by 2023** <u>Governance and mobilisation of resources</u> • Improving the business climate so as to attract sustainable private and public investments - **Objective 2031** • Strengthening the mobilisation of private and public financial resources, domestic and foreign, to finance development and boost resources, especially of the state budget, and contribute to the implementation of the Nationally Determined Contribution and	<u>Agriculture</u> Prospective clients for projects under this programme are those who are willing and able to map out and then commit to a No Deforestation, No Peat and No Exploitation (NDPE) Policy; An Environmental and Social Action Plan (ESAP); and A Landscape Protection Plan. <u>Governance and mobilisation of resources</u> Stakeholder groups include government ministries, civil society organisations, industry associations and the private sector. National-level engagement involves direct engagement with governments to provide inputs for Improving the

CAFI member country	Relevant milestones in LOI	Programme Contribution
	this Letter of Intent, in a logic of sustainable management and preservation of national resources, including the forest. **Objective 2031** • To experiment with a special economic zone model seeking to base itself on agricultural, energy and other investment, as well as the development of their value chains at reduced impact on the forest and ecosystems, and in favor of local communities and indigenous peoples, linked to a set of rules and measures facilitating these investments by the end of 2025. **Objective 2026** • A mobilisation of private investment plan is defined and adopted by [the end of 2022], to contribute to the implementation of this Letter of Intent. **Political milestones by the end of 2023**	business climate for sustainable agriculture investments.
Republic of Congo	<u>Agriculture</u> Support the sustainable development of the agricultural sector by directing agro-industrial plantations, including palm oil, to savannah areas in compliance with environmental requirements, and by promoting zero-deforestation agroforestry for small-scale farming practices in forest areas. Support soils research to identify savannah areas suitable for palm oil development. The development of the agricultural sector will take the following principles into account: • non-conversion of HCS/HCV forests; • protection and sustainable development of peatlands to prevent them from being drained or dried out; • limited and carbon-neutral conversation of non-HCS/HCV forests; • compensation for biodiversity and carbon losses; • compliance with customary land title rights; and, • transparency in terms of agricultural land planning and allocation for agro-industrial	<u>Agriculture</u> Prospective clients for projects under this programme are those who are willing and able to map out and then commit to a No Deforestation, No Peat and No Exploitation (NDPE) Policy; An Environmental and Social Action Plan (ESAP); and A Landscape Protection Plan. This ensures that FPB will make investments that meet the principles for the development of the sector stated in the RoC LOI.

CAFI member country	Relevant milestones in LOI	Programme Contribution
	plantations.	
Gabon	LAND USE PLANNING All relevant information resulting from the land use planning process, including maps, will be regularly updated on the website www.pnatgabon.ga to be available to the public. December 2021 Milestone Land use plan adopted and being implemented in accordance with the principles of ARTICLES I and II (including laws, regulatory decrees, budgetary allocations, definition of the competence of authorities and law enforcement arrangements etc.) Intermediate Milestones December 2017 Signature of the TFA 2020 Marrakech Declaration for the Sustainable Development of the Oil Palm Sector in Africa, under the African Palm Oil Initiative, APOI. Intermediate Milestones June 2018 b. Finalisation and adoption of the National Action Plan of the TFA 2020 Marrakech Declaration for the Sustainable Oil Palm Sector in Africa. c. Development and adoption of national guidelines and definitions to ensure that forests with High Carbon Stocks (HCS) and High Conservation Value (HCV) will not be converted to other land uses, in accordance with emerging international consensus and best practice d. A policy on a carbon-neutral approach to the conversion of non-HCS/HCV forest to other land uses is developed, adopted and implemented according to the following principles: i. Reductions in the carbon stock resulting from forest conversion are compensated through equivalent increases in the carbon stock of remaining forest and on other land through active carbon stock enhancement, restauration and maintenance measures that are new and additional; ii. The costs of protection and restoration needed to ensure carbon-neutral conversion will, in full or – in particular circumstances – in large part, be imposed on private operators in charge	All project in Gabon will ensure full compliance with the guidelines, definitions and policies adopted by Gabon and referred to in the LOI.

CAFI member country	Relevant milestones in LOI	Programme Contribution
	of the conversion to incentivise operators to target the conversion of degraded lands or forest with lowest carbon stocks; iii. Protection and restauration efforts are implemented, in accordance with the Gabonese law on environmental protection, ahead of the conversion to avoid a negative annual carbon balance throughout the conversion process; and iv. Promoting social and environmental benefits and minimizing and mitigating potential social and environmental risks (through safeguards). e. Establishment of a methodology and roadmap to ensure participation and free prior and informed consent in land use planning decisions that involve forest-dwelling people and traditional communities. Intermediate Milestones June 2019 f. Preliminary setting of a long-term cap on carbon-neutral conversion of non-HCS/HCV forests (and on an exceptional basis HCS/HCV forests as outlined in ARTICLE I (a)(i)) to other land uses, subject to the national guidelines above and based on an initial estimated need of 400 000 ha 4 of long term accumulated conversion, with no more than 10 000 ha converted on an annual basis. Remaining forest cover and carbon stock will be preserved on a permanent basis through the commitment on a permanent, quantified national forest cover. The long-term cap will be confirmed by June 2020. g. Report on compliance with commitment of non-conversion of HCS/HCV forests. h. Report on the progress made in participatory and inclusive land use planning including: i. The composition, terms of reference and activities of the National Interministerial Commission and the provincial commissions; i. Summary of the consultation processes and how the concerns have been addressed currently described under activity 1.5 of the National Investment Framework; and i. Summary on the activities conducted under the Grievance Mechanism of the National Land Use Planning Commission. i. Report on progress made on mapping land use suitability for agriculture, mining, conservation, climate vulnerability and sustainable natural resource exploitation.	

Table 6 Program's Results Matrix

Those are the key indicators to be monitored by project development facilities and the Forest Performance Bonds. The design programme will have output based indicators see below.

OUTCOME: Private Investment mobilized at scale to reduce deforestation, meet food security needs and legitimate industrial development aspirations of the Congo Basin Region		**See programme results narrative for Corresponding CAFI Outcome, Milestone in LOI and Outcome in NIF**				**Links to**	
Outcome Indicators	**Reference situation (year) & data source**	**Target after 2 years**	**Means of verification**	**Indicative budget for monitoring activities**	**Hypothesis and risks**	**CAFI LOI**	**CAFI Results framework NIF results framework**
KPI1: #ha of Forest Protected Monitors the area of identifiable forest conserved plus forest restored, plus peatland conserved or rehabilitated. Any reversals are deducted. Forest' uses national definitions relating to crown cover, minimum area, land use type, and excludes plantation forests NB: The Forest KPIs include protection of peatlands. They are not mentioned in the indicators for brevity of communication.	0	TBD in the design phase	UNCDF+ UNEP MRV system		See impact framework under development	See table 5	A.P. 5 Hectares of improved food agriculture (a) on savannahs and (b) in forests

KPI2: #tCO2e of Climate Benefits	0	TBD in the design phase	UNCDF+ UNEP MRV system		See impact framework under development	See table 5	I-1 Emissions (tons of CO2eq) I-2 Absorptions (tons of CO2eq)
KPI3: # ha of ecosystems with improved resilience Monitors the area of land rehabilitated, restored or protected, made up of the: area of forest protected (KPI2); plus area of non-forest ecosystems restored or improved; plus areas of degraded land restored through regenerative agriculture, silvo-pastoral agriculture or agroforestry	0	TBD in the design phase	UNCDF+ UNEP MRV system		See impact framework under development	See table 5	A.P. 5 Hectares of improved food agriculture (a) on savannahs and (b) in forests
KPI4: # people with increased resilience Monitors and conservatively assesses the number of people where a benefit or service is provided or made possible to improve the resilience of livelihoods.	0	TBD in the design phase	UNCDF+ UNEP MRV system		See impact framework under development	See table 5	A.P. 6 Number of households receiving food agriculture support (a)on savannahs and (b) in forests
KPI5: # of People Benefiting Monitors the number of individuals benefitting from &Green's transactions, and is the sum of: number of producers reached; community services provided to individuals; individuals benefiting from secured land tenure agreements; and jobs supported.	0	TBD in the design phase	UNCDF+ UNEP MRV system		See impact framework under development	TBD in the design phase	A.P. 6 Number of households receiving food agriculture support (a)on savannahs and (b) in forests

KPI6: USD of Capital Mobilised Monitors the ability to attract and direct capital towards supporting and implementing &Green's investment principles.	0	TBD in the design phase	UNCDF+ UNEP MRV system		See impact framework under development	TBD in the design phase	

Output Indicators monitored during the project design phase	**Reference situation (year) & data source**	**Target after 2 years**	**Means of verification**	**Indicative budget for monitoring activities**	**Hypothesis and risks**
Result indicators 1: FPB credible $ Pipeline	0	100M$	FPB investment strategy	N/A	No credible pipeline for capital market
Result indicators 2: # of deals identified ready for scale and CAFI derisking	0	10 deals	UNCDF development Facility pipeline	N/A	No investment opportunities identified
Result indicator 3: Amount of addition de-risking mobilized (First loss + Guarantee)	0	100M$	GCF, DFC, SIDA commitment	N/A	Lack of consensus on the model
Result indicator 4: Number of viable Nature Based Solutions identified in line with CAFI ToC	4	15	FPB Investment Strategy and NbS portfolio	N/A	No bankable solution with forest positive impact

- VI. Risk Management

TABLE 7 - PROGRAMME RISK MANAGEMENT MATRIX

Risks	**Risk Level:** Very high High Medium Low (Likelihood x Impact)	**Likelihood:** Almost Certain - 5 Likely - 4 Possible - 3 Unlikely - 2 Rare – 1	**Impact:** Extreme – 5 Major - 4 Moderate - 3 Minor - 2 Insignificant - 1	**Mitigating measures**
Contextual risks (including political risks)				
Host governments are not committed to slowing deforestation and therefore sustainable change cannot be achieved.	8 (Medium)	2	4	Involve relevant governments and their stakeholders from the initial stages to align incentives. Incorporate awareness of relevant government policies, programs and interventions at the national level that can facilitate local government buy-in and support. Further, a condition of Fund investments is the JECA approach, which includes evidence of local government commitments to avoided deforestation and ecosystem protection, including explicit targets and monitoring systems. UNCDF has established relationships with many of these governments.
Increased incomes might motivate the farmers to expand their operation and encroach forest. This might result in additional deforestation.	6 (Low)	2	3	Very strong sustainability criteria that investees must meet prior to receiving loans. They include clear eligibility criteria for production areas. Production Protection Inclusion agreements with communities and farmers embed sustainability at field level and the LPP and ESAP that must be provided are contractual obligations focused on environmental protection. The relevant landscapes are also independently monitored via satellite to detect deforestation events, including fire outbreaks.
Emissions risk - project fails to achieve its GHG target	12	3	4	A: Investees monitor forest areas for conservation and restoration, and this is checked by satellite monitoring, which includes GLAD alerts and follow-up

because either: • Anthropogenic or natural disturbances reverse sequestered carbon (ie: emissions); and/or • GHG emissions associated with intensification (e.g. greater mechanisation, more intensive use of fertilizers and chemicals, soil disturbance, higher enteric fermentation etc.) at least partially offset the GHG benefits of reduced extensification and carbon sequestration in protected forests.	(Medium)			actions, monitoring and case-by-case reporting on reversal outcomes and remediation by clients. Reversals are accounted for in the KPI framework. The initial portfolio has had some relatively small (<100ha) reversals related to fire. Considering the large areas of protected forest and expected small areas of reversals, the net result is projected to be slightly lower reported emissions benefits. B: Investments include optimisation of production, which includes intensification as well as best practices related to fertiliser, pesticide and herbicide applications (where relevant), and minimised tillage and soil disturbance to maintain Soil Organic Carbon. Investments will always see a reduction in intensity (ie: tCO2e/t production) and most will see reduction in absolute emissions. Some investments, notably beef production, may see an increase in absolute emissions within the farm boundary. However, the emissions from deforestation associated with beef is approximately 3x the emissions from intensified production, thus the net emissions in the supply shed (and globally) will be reduced in both intensity and absolute terms. Addressing both points, the forecast emissions impacts account for reversals (from the current portfolio) and conservative input assumptions. That is, the assumptions related to sequestration calculations are conservatively taken (typically IPCC Tier 2 uncertainty range lower bounds) and the 'actual' sequestration should be higher than that reported. This will tend to counter any reductions in sequestration.
Programmatic risks				
Funds are not managed and reported adequately	6 (Low)	2	3	A monitoring and reporting system has been established including investees being subject to fiduciary due diligence prior to approval. Annual program and project audits are in place, with regular audits conducted in accordance with the Fund's audit protocol. The Fund's governance structure includes very high transparency, annual public reports, and a Investment Committee that employs international best practice.
Limited additionality of grants funding	6	2	3	• TA is designed to adequately address the (perceived) risks, enabling the investment or project to occur, beyond what could be self-financed by

	(Low)			the (potential) client or should be financed by the Investment fund manager as part of their regular investment process. • TA will not to be provided to commercially unviable projects, projects outside regulatory compliance and projects with inefficient business models. • TA is developmentally additional, so that an investment's impact goals are achieved, that would not have been met without TA support.
Fiduciary risks				
The programme fails to 'crowd in' the ambitious level of complementary commercial finance that it expects.	6 (Low)	2	3	CAFI funding, combined with the existing concessional capital and the downside protection focused structuring of each transaction will overcome the high (perceived) risk and lower the entry barrier for international private sector investors..
Commodity Price Risk: Volatility and cyclicality of agricultural commodity prices impact borrowers' ability to meet repayment obligations.	9 (Medium)	3	3	Implement a comprehensive compliance framework for its service providers and for its borrowers, before and during the investment.
Currency Risk: The value of financial commitments and instruments issued in foreign currencies (other than the Fund's reporting currency, USD) fluctuates due to changes in foreign exchange rates.	9 (Medium)	3	3	The majority of the disbursement will be in USD, expected at an 80/20 ratio of USD to local currency (fully hedged) over the entire portfolio at maturity

Reputational risks				
The Fund's inability to meet perceived expectations of its stakeholders in terms of promoting its development objectives and high standards of integrity and social and environmental sustainability.	6 (Low)	2	3	UNCDF implements a comprehensive compliance framework for its service providers and for its borrowers, before and during the investment.

VII. Monitoring & Evaluation:

a. Narrative M&E section

UNCDF is legally responsible for regular reporting to CAFI. A Narrative progress reports will be periodically submitted to the CAFI following reporting requirements under the CAFI MOU. The narrative report will be submitted to the CAFI Secretariat by 31st March covering the entire previous year. In addition to the narrative report, an inception report, mid-term evaluation report and terminal evaluation report will be submitted to CAFI. In addition to aggregating the cumulative project / programme specific performance indicators, the mid-term and terminal evaluations will document the programme's contribution to the impacts of CAFI's results framework.

The monitoring and evaluation (M&E) implementation plan for this project incorporates the requirements set forth by CAFI, which emphasizes result-oriented monitoring. Given the often-unavailability of baseline data, the project will develop key performance indicators (KPIs) based on Letters of Intent and the CAFI results framework. Data collection for these indicators will occur at varying frequencies, with most requiring at least annual data collection for reporting purposes. Sources of data include partner reports, verified surveys and questionnaires, GIS data, among others.

Key areas of interest to CAFI in monitoring and evaluation include the estimation of the project's contribution to the reduction of emissions and poverty reduction/sustainable development. Territorial projects are expected to estimate their contributions to both impacts. The definition of beneficiaries is crucial and must consider the type and intensity of support they receive. Beneficiaries are classified based on the type of support they receive (targeted or untargeted) and the intensity of support (low, medium, or high). This classification ensures that support reaches those in need and allows for effective monitoring of impact across different beneficiary groups.

The project will rigorously test the ToC underpinning this projects results framework by examining the assumptions regarding the linkages between achieved outputs and their actual contributions to the intended outcomes and impacts. Central to the CAFI ToC are two primary impacts: first, reducing emissions stemming from deforestation and forest degradation while enhancing carbon removals, and second, fostering sustainable development co-benefits. These overarching impacts are pursued through eight specific outcomes, namely sustainable agricultural investments, sustainable wood energy investments, sustainable forest governance and investments coupled with enhanced permitting, monitoring, and enforcement capacity, sustainable siting and development of infrastructure and mining investments, optimal land use planning and land tenure, reduced demographic pressure on forests, and improved governance, inter-ministerial coordination, and transparency encompassing permitting and fiscal policies. Through comprehensive data collection, analysis, and evaluation, the project will assess the extent to which the achieved outputs align with the intended outcomes and contribute to the broader impacts envisioned by CAFI's ToC, thus providing critical insights into the effectiveness and validity of the program's strategies and interventions.

b. Gender mainstreaming

UNCDF acknowledges that gender mainstreaming **will help achieve its goals identified for**

environmental impact and social inclusiveness. Particularly:

- Climate adaptation and mitigation pathways are not gender-neutral;
- Gendered needs and vulnerabilities of marginal groups, such as Indigenous Peoples, need to be mainstreamed into adaptation design, resilience capacity-building and mitigation services; and
- Gender-transformative impact can be driven through robust financial means, gender budgets and dedicated resources towards mainstreaming gender action in climate change and deforestation.

UNCDF recognizes that that gender mainstreaming is both necessary and relevant for the programme to maximise its outcomes for zero deforestation. UNCDF internal Gender Approach aims to bolster gender mainstreaming within its institutional structure. UNCDF ensures that gender-responsive processes (including robust gender analysis, including assessment of SEAH-related risks, indicator selection, outcome mapping, monitoring and evaluation) are formalized within the external investment thesis. Embedding gender into deforestation commitments offers considerable opportunities for leveraging synergies between restoration goals, climate change adaptation as well as mitigation action and global commitments to sustainable development goals - SDGs (particularly SDG 5 – Gender Equality; SDG 12 – Sustainable Production and Consumption; SDG 13 – Climate Action; and SDG 15 – Life on Land).

c. Sexual exploitation, harassment, and abuse

The Programme follows UN ESS frameworks to identify and address any risk of potential exposure of affected people to gender-based violence (GBV), harassment and other abuse that may occur in connection with any of its supported activities. This includes a zero-tolerance policy for sexual exploitation and abuse involving their personnel as well as personnel of implementing partners and responsible parties. Appropriate measures will be taken to prevent and address any form of violence and harassment, bullying, intimidation and/or exploitation, including any form of gender-based violence (GBV), including designing activities to prevent and address potential exposure of project-affected people to GBV risks; screening of personnel; provision of training on prevention and response to GBV; effective reporting and response protocols; referrals for safe and confidential survivor assistance; and prompt investigation of allegations of GBV related to project activities.

d. Safeguards

UNCDF applies UNDP's Social and Environmental Standard (SES) framework. The SES ensures that social and environmental sustainability is mainstreamed across all programming. The SES policy requires that all programming maximizes social and environmental opportunities and benefits as well as ensures that adverse social and environmental risks and impacts are avoided, minimized, mitigated and managed. Through application of the SES, UNCDF enhances the consistency, transparency and accountability of its decision-making and actions, improves performance, and strengthens achievement of sustainable development outcomes. The SES assist staff, implementing partners and responsible parties to manage social and environmental risks and impacts of programmes and projects.

Safeguards and compliance are usually passed on to cooperating partners, in this case recipients of grants and loans, with the conditions that they have strong safeguards policies, with clear operating procedures that are directly tied to their decision-making processes. This will be assessed for each cooperating partner as part of the due diligence carried out by the Programme in the approval process. The scale and complexity of the means through which the cooperating partner meets this commitment may vary according to the size, sector, operational context, ownership, and structure, and with the severity of the enterprise's adverse human rights impacts. This is in recognition of SMEs not being well-resourced to comply with international frameworks.

A special emphasis will however be brought on project level REDD activities. Private actors investing in project level REDD activities are invited to follow the CAFI carbon policy which sets the bar for what is acceptable by the CAFI Private sector Window, including safeguards, principles and best practices.

As per the CAFI carbon policy, the Programme supports private sector project level initiatives willing to access carbon markets, including the VCM, if they are designed and managed with high integrity and plan to be embedded in a jurisdictional approach, when available. In the context of this Programme, aligning individual projects with national or jurisdictional systems as they develop will be crucial to guarantee environmental and social integrity, on top of the Cancun safeguards. The following elements are key to achieve this end:

1. Accounting (additionality, quantification, no double counting, permanence, and leakage),
2. Governance (transparency, benefit sharing systems, NDC and policy alignment, registration) and;
3. Safeguards (safeguards systems, environmental and social risks management, multiple benefits and social and environmental co-benefits.

e. Complaint management

Stakeholders who may be adversely affected by the Programme that is either in preparation or under implementation can communicate their concerns about the environmental and social performance of the activity through various entry points, scaled appropriately to the nature of the activity and its potential risks and impacts. Stakeholders are informed about available grievance redress processes/mechanisms as part of the stakeholder engagement process.

When necessary, a local redress mechanism is made available (either through an existing mechanism or one created for the project/programme) by UNCDF. These mechanisms aim to be fair, inclusive, readily accessible, culturally appropriate, and transparent, with due consideration for confidentiality of potential complainants. Such mechanisms are to outline clear roles, responsibilities, and procedures to ensure the handling of stakeholder concerns in a prompt and effective manner. Measures will be undertaken to identify, address and reduce the risk of retaliation or reprisals against people accessing local grievance redress processes.

f. Fraud, misuse of fund

UNCDF on its end follows and is compliant with the 2018 UNDP Policy against Fraud and other Corrupt Practices. The UNCDF Deputy Executive Secretary and Head of Finance and Management Services (FMS) are designated custodians of implementation of the anti-fraud policy and other measures within UNCDF. In line with the best practices and UNCDF's Risk Management Policy, everybody has a responsibility to prevent fraud and hence each unit plays a role consistent with its functional responsibilities in working to implement the anti-fraud policy, including maintaining an adequate control environment and preventing, detecting and reporting on fraud.

UNCDF contracts and agreements with vendors already include provisions relating to anti-fraud and the obligation to UNCDF for audits and investigations. UNDP's new Anti-Fraud Policy further provides expanded coverage on implementing partners.

In its efforts to improve its systems and tools, UNCDF 2020 Anti-fraud plans include working towards implementing the e-tendering module; effective utilization of Grants Module in Atlas; and introducing a process of digitizing its grant sourcing, application and review processes.

The Office of Audit and Investigations (OAI) has established an Investigations Hotline and other measures to ensure that persons wishing to report fraud may do so, free of charge, using a number of different options.

VIII. Overall Program Budget

UNDG BUDGET CATEGORIES	TOTAL
1. Staff and other personnel	411,375.00 $
2. Supplies, Commodities, Materials	
3. Equipment, Vehicles, and Furniture (including Depreciation)	
4. Contractual services	1,232,125.00 $
5.Travel	51,500.00 $
6. Transfers and Grants to Counterparts	
7. General Operating and other Direct Costs	
Total Direct Costs	1,695,000.00 $
8. Indirect Support Costs (Max. 7%)	118,650.00 $
TOTAL Costs	1,813,650.00 $

IX. Annexes

ANNEX 1: UNCDF Management and project teams

Pierre Bardoux-Chesneau

Mr. Pierre Bardoux Chesneau is the Head of the Nature assets Team in UNCDF. Prior to joining UNCDF, Pierre was the Senior Portfolio Manager of the United Nations Multi Partner Trust Fund office in charge of the climate and innovation portfolio. For the past ten years, he has been designing multi-Partner innovative financing instruments bringing together the United Nations, Governmental institutions, development actors and responsible private companies. As UN Trustee, he was managing an active portfolio of Climate & Environmental Trust Funds over $2bn including the Central Africa Forest Initiative flagship, the FONAREDD and a blended finance Ocean Protection Fund. For having worked more than a decade in UN Crisis/Peace Keeping Operations in Central Africa, he has a deep knowledge of the challenges faced when financing and implementing environmental impact actions in the unprecedented Climate and Biodiversity Crisis. Pierre is also the head of the newly establish Global Fund for Coral Reefs (GFCR).

Pierre holds a Master's in International Affairs from the University of Nantes, France. He is a French national and speaks English and French.

Anders Berlin

Mr. Anders Berlin is currently the Director for UNCDFs Investment Platform in New York with the aim of increasing the innovative use of loans and guarantees throughout UNCDF's portfolio and in cooperation with other UN agencies. As Director of the Investment Platform, he leads a team of Investment Specialists.

Anders has previously had the post as Head of Unit for Loans and Guarantees at the Swedish International Development Cooperation Agency (SIDA) managing a portfolio consisting of approximately 50 projects/programs around the world, mostly in Africa and Asia. Prior to this duty, Mr. Berlin worked as the Head of Development cooperation at the Embassy of Sweden in Kosovo and deputy Head of Cooperation in Tanzania. He also worked as a senior advisor to the General Director of SIDA and a senior Advisor at DG RELEX at the European Commission in Brussels, as well as an economist at the World Bank.

Anders holds a Master's degree in Economics from Stockholm University, and a Master's degree in Economic Policy Management from Columbia University.

Fabrizio Cometto

Mr. Fabrizio Cometto is currently an Investment Specialist with UNCDF, where he has transaction advisory, underwriting, and risk management responsibilities for catalytic investments to small and medium enterprises (SMEs), financial service providers, and small-scale infrastructure projects primarily located in LDCs.

Before joining UNCDF, Fabrizio was Portfolio Manager at MCE Social Capital, an innovative impact investment firm that provides capital to Micro Finance Institutions (MFIs) and Small and Medium Enterprises (SMEs) in the developing world. At MCE Social Capital, he contributed to the launch and development of a new fund focused on investing directly into SMEs with the aim of closing the "missing middle" financing gap. His focus areas included agricultural value chains, renewable energies, and access to safe water. During his four-year tenure at MCE, Fabrizio closed over thirty transactions across Africa, Asia and Latin America, totaling over $20 million in aggregate value.

Prior to MCE, Fabrizio had a successful 13 years' career in the private sector, where he held key business management positions across a wide range of industries and companies. He started his career in Singapore as a credit analyst for BNP Paribas, before moving to China where he helped define and execute the Michelin Group's go-to-market strategy. After working in Paris for a travel industry start-up venture, he joined the Ariston Thermo Group, for which he first led large marketing teams in the Far East before managing its operations in the Iberian Peninsula. Just before MCE, Fabrizio volunteered in Côte d'Ivoire with Technoserve, a Washington D.C.-based development NGO.

Fabrizio holds an Msc in Management from HEC Graduate School of Business in Paris and a Master of International Public Policy from Johns Hopkins School of Advanced International Studies (SAIS) in Washington, DC. He speaks English, Spanish, Mandarin Chinese, French and Italian.

Marjolaine Chaintreau

Ms. Marjolaine Chaintreau is currently an Investment Specialist on the Least Developed Countries Investment Platform at UNCDF.

Prior to joining UNCDF, Marjo was Vice-President in Citi Social Finance team, Citibank's global business unit for inclusive and social investment finance, where she originated and executed $80 million local currency debt investment for financial institutions in Latin America and Africa reaching more than 40,000 micro-entrepreneurs.

At UNCDF, Marjo headed the Private Sector Digital Payment Innovation for the Better Than Cash Alliance for 5 years, defining and executing global partnerships with private sector companies in the Agribusiness, Fast-Moving Consumer Goods Sector and Garment sectors (Unilever, Gap Inc., Inditex, The World Cocoa Foundation, the Ethical Tea Partnership). She worked with local and global corporations, fintechs and governments to develop innovative digital payment solutions and inclusive supply chain structures to reach unbanked smallholder farmers, workers, suppliers and distributors. She has also been a voting member of UNCDF Impact Investment Committee for 4 years appraising different investments, debt and guarantees for green and blue economy, agribusiness and digital finance.

Marjo holds a Master of Corporate Finance and Strategy from Institut d'Etudes Politiques de Paris (Sciences Po Paris) and was one of the first 10 female Certified Digital Finance Practitioners by The Fletcher School - Tufts University Digital Frontiers Institute.

Mattias Granqvist

Mr. Mattias Granqvist is currently an Investment Specialist with UNCDF, where he has transaction advisory, underwriting, and risk management responsibilities for catalytic investments to small and medium enterprises (SMEs), financial service providers, and small-scale infrastructure projects primarily located in LDCs. Before joining UNCDF, Mattias worked as a Risk specialists and Senior program manager at the Unit for Loans and Guarantees at the Swedish International development cooperation Agency (Sida). His focus included implementing financial solutions in in adherence with Sida's policy for Global development goals. Mattias was also responsible for setting up a coherent framework of procedures and processes regarding valuating, risk, accounting for guarantee operations and follow-up measurements related to guarantees. Mattias was also responsible for implementing several innovative guarantee operations which together mobilized almost 2 billon USD within the sectors of financial inclusion, health, renewable energy, infrastructure, and the agriculture sector.

Before joining Sida Mattias worked financial analyst at the Swedish Financial Supervision authority (FI) where he conducted supervisory and audits torwards financial institutions with in-depth knowledge of management strategies, risk management, regulatory compliance, Value at Risk models, permitted assets, valuation and Take overs. Prior to FI, Mattias had a successful 7 years' career in the private sector. Mattias has worked with in the corporate finance sector with listed companies, mainly related to M&A, cost savings programs and rights issues. Mattias has also worked as an asset manager in a regulated security company. Mattias also co-founded a healthcare venture, which he led as the CFO and President of the board and later exited to an acquiror.

Mattias holds a master's degree in business administration with finance specialization from Stockholm School of business and one additional master's degree in political economy from Stockholm School University.

Annex 2: Forest Performance Bond Executive Summary

Overview

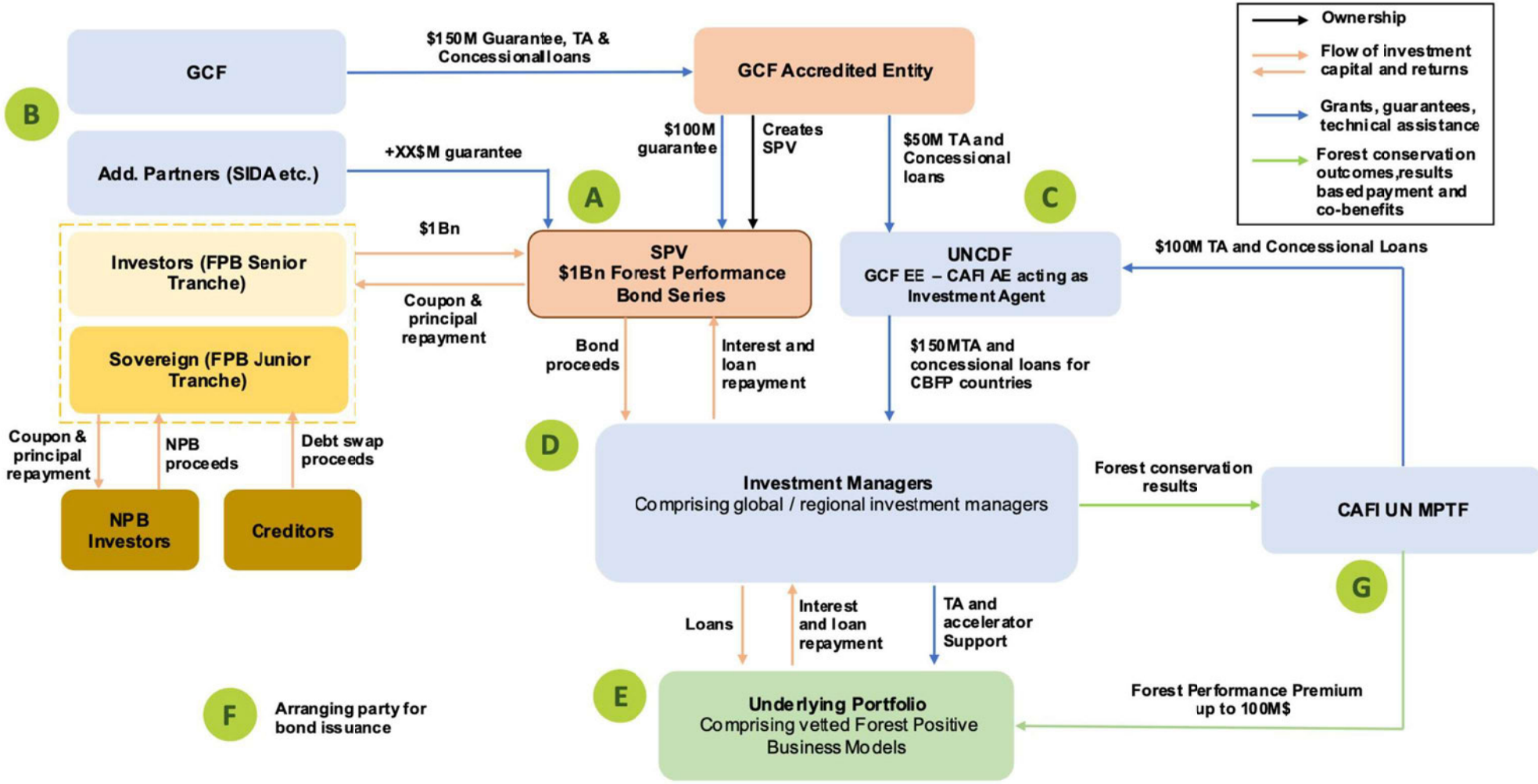
The UNCDF Nature Asset Team is proposing to the Congo Basin Forest Partnership (CBFP), the Central Africa Forest Initiative Multi Partner Trust Fund (CAFI – UN MPTF) and the Green Climate Fund (GCF) to design and launch a series of Forest Performance Bonds (FPBs or FPB Series to help protect, conserve and enhance the Congo basin forests. The desired long-run change is to transform the treatment of high-value forests by shifting the existing market models and economic drivers that depend on exploitation of forests as resources and instead treat forests as nature assets. This change will create new economic models that treat forests as quantifiable assets that need to be supported and nourished to further increase their economic, social and environmental value. Protection of these "forest assets," while building an equitable and sustainable "forest-positive" economy contributing to food security in the region, is the primary goal of the FPBs.

The proposed Congo Basin FPB Series aims to provide capital for financing businesses that will create a new forest-positive economic system and simultaneously enhance climate resilient ecosystem management and preservation of high-value forests in the Congo Basin region.

Bond Structure

The USD 1 billion FPB Series will comprise a series of FPBs launched over a period of 10 years. The FPBs will combine the market mechanics of green bonds with the performance-based model of Impact bonds. Similar to green bonds, the FPBs will be issued to investors in conventional bond markets, or as debenture notes and will make coupon payments and principal repayments until their retirement. The bond proceeds will be used to disburse loans to an underlying portfolio of forest positive businesses (zero deforestation agro-industry, clean energy, water, sustainable forest management, etc.). Additionally, like impact bonds, the underlying portfolio will also receive payments for forest positive outcomes achieved. The premium payments will be distributed to businesses and local forest-dependent communities to support their sustainable transition to forest-positive models. These businesses will also receive support with development costs in the form of technical assistance and acceleration support. Thus this bond is innovative on two levels – unique bond design with support that lowers the cost of issuance and passing these cost savings to the underlying portfolio while also de-risking the disbursement of loans from the bond proceeds.

Forest Performance Bond and Components



The FPB comprises five components:

A. Special Purpose Vehicle (SPV) issuing the FPB series

A GCF Accredited Entity (AE) will create an SPV ("the Issuer") alongside other co-founder organizations which will raise capital by issuing FPBs for the purpose of on-lending to related companies and institutions (the Borrowers). In particular, the bond proceeds will be managed by investment managers and disbursed as loans to an underlying portfolio of Borrowers. The purpose of the loans can be to finance both the short-term and long-term needs of the Borrowers, including working capital, inventory, or receivables financing, as well as capital expenditures. The SPV will be guaranteed by GCF—and potentially the Swedish International Development Cooperation Agency (Sida) —to enhance the bond credit, thereby attracting investors and lowering cost.

The FPB Issuance will be comprised of two tranches: a senior tranche for private investors and a junior tranche for sovereign governments in the Congo Basin region. Each government entity which benefits from the FPB will have to contribute to the junior tranche. To finance the junior tranche of FPB, the respective sovereign government may raise funds through a debt for climate/nature swap or through a complementary Nature Performance Bond (NPB) issuance.

B. Guarantor

The ambition is that GCF and Sida (and potential ad. Donors such as DFC) will provide a first-loss guarantee covering a portion of cumulated losses incurred in the Loan Portfolio up to a certain level. The SPV will be the guaranteed party. The trigger event will most likely be default of bond payment. Such a guarantee would highly improve a potential rating or a "shadow rating".

C. Grants and Concessional Financing through UNCDF

GCF will provide USD 30 million in grants through the GCF AE to UNCDF to accelerate pipeline development and concessional investments in CBFP non-CAFI countries (Burundi, Rwanda, Sao Tome and Tchad). Additionally, CAFI will provide a USD 50 million grant to UNCDF (DRC, Congo, Cameroun, Gabon, CAR, Equatorial Guinea). UNCDF could act as investment agent (as a CAFI UN MPTF Accredited Entity - PUNOs) and deploy these funds as grants and concessional loans to investment managers to accelerate pipeline development and concessional investments in CAFI countries.

D. Investment Managers

Investment managers will be selected by the GCF AE, and responsible for originating and servicing the Loan Portfolio and supervising the work of other ongoing transactions. This includes performing due diligence on the Borrowers, including assessing their credit worthiness and their activities' alignment with this Framework, as well as collecting payments, monitoring the Borrowers' compliance with their obligations, and enforcing the loans. These managers will work closely with local authorities in developing bespoke investment theses for high value

forests and protected areas. They will also sequence in the grants and concessional loans provided by the GCF and CAFI as technical assistance and accelerator support for the underlying portfolio. The managers will consolidate interest and loan repayment from the underlying portfolio for payout to investors.

E. Underlying Portfolio

The underlying portfolio will comprise forest positive businesses sourced from a business pipeline with selection criteria put in place by the investment managers in consultation with local authorities and CAFI. These include businesses that have forest positive business & food security goals (e.g., sustainable agriculture exports, etc.) and businesses that employ zero deforestation policies (e.g., clean cooking, solar power, ecotourism, etc.).

The pipeline process will select business models across several sectors but primarily from the sustainable agriculture, energy and forestry sectors. Potential business models and associated revenue streams are:

- Sustainable agriculture:
  - Business models include agriculture cooperatives; agribusinesses; agriculture consulting; value chain players providing logistics and inputs; financial access for farmers; and market makers creating a decentralized value chain.
  - Revenue streams can comprise fees for services provided, sale of agriproducts, inputs and interest payment.
- Energy:
  - Business models include alternative energy sources such as biomass, solar, hydropower; energy access - grid, microgrid or off grid; clean cooking stoves and fuel; energy efficiency consulting.
  - Revenue streams can comprise fees for energy production, distribution and consulting; sale of fuel, clean cooking equipment.
- Forestry:
  - Business models include artisanal forestry and commercial forestry.
  - Revenue streams include sale of forest products.

F. Arranging party

A sole arranger, bookrunner and FPB structuring advisor will be appointed. This includes execution, co-ordination, and project management of all aspects of the FPB issuance and advise the investment manager and Issuer on financial issues and debt capital market aspects in connection with the transaction. The arranging party will also be responsible for structuring the FPB Framework, carrying out contacts with investors prior issuance, and preparing investor materials, marketing materials and other legal documentation.

G. Impact payment through CAFI

CAFI through its Payment for Ecosystem Services Facility will verify the consolidated forest positive results through its independent verification

mechanism and benchmark results against pre-selected desired outcomes. Based on the tier of outcomes achieved, CAFI will make payments to the underlying portfolio, as well as to the forest-dependent local communities to further support their forest positive business activities and transition.

Rationale for Support

UNCDF is proposing partnerships with CAFI UN MPTF, CBFP, GCF, Sida, DFC and other interested DFIs to further integrate and mobilize action for the urgent cause of forest conservation in the Congo basin region. CAFI and CBFP are critical partners with deep policy, programmatic and forest conservation experience, whose combined engagements span each Central African country. Leveraging CAFI and CBFP expertise, the FPB project can gain the political commitment needed to deploy integrated regional solutions that benefit all countries in the Congo Basin region through innovative and replicable Public/Private financial instruments.

Further, having the SPV guaranteed by GCF, Sida and DCF can present the following advantages:

- Bonds guaranteed by two reputable institutions with a strong rating, resulting in an enhanced credit profile that allows for considerable investor base diversification
- SIDA has strong experience guaranteeing various green financial instruments across pertinent themes such as environment, agriculture, food security and renewable energy
- GCF has significant experience providing grants, guarantees, investments and results-based payments for climate adaptation and mitigation projects

Expected Outcomes:

Component 1: Enabling environment for private investment into Forest Positive Solutions established.

Managed by the United Nations Capital Development Fund, the Project Development Facility (also labelled as the Congo Nile Impact Fund - CNIF) in collaboration with the core project partners including CAFI relevant policy initiatives and integrated programmes, will work to establish the enabling environment for mobilizing and deploying investment in innovative forest positive solutions into specific targeted jurisdictions/landscapes/ecosystems.

The climate & biodiversity funding gap can only be bridged by crowding in private-sector investors at scale, instead of relying primarily on overburdened public-sector financing. A growing demand for zero-deforestation supply chain is driving global demands boosted by new EU regulations. By designing a jurisdictional approach, the PDF can prioritize threatened high value forests, build a pipeline of projects and define fair distribution of resources. Early public-sector financing and private-sector participation can catalyze large-scale financing for

projects, leading to replicability and capital market transformation. This is the purpose of the component 1 accelerator.

Output 1.1: Zero deforestation and climate resilient business solutions selected

- Activity 1.1.1: Review of zero deforestation Market regulation & requirements in exporting and importing jurisdictions
- Activity 1.1.2: Research innovative business solutions and pathways to commercial viability including both forest performance and climate vulnerability,
- Activity 1.1.3 Research opportunities with certifications (organic, rainforest, B corp), premiums price for goods and niche markets (e.g. FSC, RSPO).
- Activity 1.1.4: Establish regular national, regional and international calls, screening and shortlisting.

The sourcing, acceleration and investments will target the following type of forest positive solutions:

Project typology	Potential Improved Revenue Streams
1.Renewable energy PPP Investment ticket USD 20 million – USD 60 million (Minimum one per landscape)	Run of river Hydropower, solar farm, or biomass for clean cooking. Small to Medium energy production capacity 5-15MW to power priority landscape and special economic zone. Structured as Public Private Partnership on grid or off grid. TBD large GPL facility for Kinshasa in the CAFI pipeline
2. High value, climate-smart, diversified Agriculture production and transformation Investment ticket: USD 10 million – USD 40 million (3-5 integrated forest positive solution per landscape)	Sustainable diversified and integrated farming production in both concessions and communities: poultry and aquaculture, bee farming, sorghum, high protein grain legumes, palm, fruits, essential oils (like Patchouli), medicinal trees (artemisia), nuts (macadamia), vanilla, cosmetic and pharmacopeia (polyphenol tea extract and specialized forest product), green and animal fertilizer production.
	Agroindustry in special economic zone for both local consumption and export, product premium with zero deforestation certification, organic fertilizer, fairtrade. Improved transport, processing, storage infrastructure and commercialization of agri-products (oil extraction, juicing, canning, drying, etc.).
3. Forestry, sustainable exploitation and conservation	Bamboo and lumber production and transformation for local and regional market, FSC or RSPO certification premium, carbon and biodiversity credits through forestry.

Investment ticket: USD 10 million – USD 40 million (1 per landscape)	
4. Ecotourism, Park co-management ticket: USD 10 million – USD 20 million (1 per landscape)	Eco-tourism facility integrated in ecosystem-based payments and improved management (co-management of national parks with revenues from tourism activities reinvested in conservation)
5. Digital infrastructure and climate-smart equipment ticket: USD 1 million – USD 10 million (2 to 6 per landscape)	Can include satellite monitoring, weather prediction, drones, in-situ crop sensors, and traceability technologies that enable monitoring and ensure compliance with regulatory standards. Smart irrigation, intensification technology and equipment, improved access to more resilient seeds.
Average ticket size investment per landscape	USD 200 million – USD 300 million* *Based on CAFI on-going integrated programme and regional pipeline.

Output 1.2: Frameworks for jurisdictional mechanisms and landscape investment plans established

- Activity 1.2.1: Prioritization of threatened high value forests in the Congo Basin region aligned with impact framework and innovative business models
- Activity 1.2.2: Matching Ecosystems with Business prospects towards landscape investment plans including opportunities for savannas and degraded lands in periphery of high value forests
- Activity 1.2.3 Design policy and regulatory framework for Public Private Partnership and jurisdictional mechanisms

By building multi-project, multisector investment portfolios that encourage synergies between investments, the project development facility will aim to scale-up and replicate solutions that deliver results across multiple landscape objectives. Through spatial coordination and sequencing of investments at a landscape scale, deals can be tailored to enhance synergies and minimize trade-offs. Consequently, each deal will have the potential to realize a higher rate of return, lower risk profile, and increased SDG co-benefits. Adopting this whole-of-landscape approach to portfolio building can bring added value to individual investments by lowering the barriers to entry for private investors, enhancing complementarities, and strengthening cross-sectoral networks that prioritize the full and effective participation of Indigenous peoples' and local communities.

The project development facility will identify innovative sustainable intensification and higher productivity on existing agricultural land to meet the growing demand for food whilst reducing drivers of forest degradation. Investments will thus aim to shift the pressure of human activity from deforestation fronts, where there is significant ongoing degradation, to high productivity agri-zones with the greatest potential for local job-creation. In practice, this would mean sourcing and financing business models around beneficiary sites that are nature-positive and achieve adaptation outcomes by improving agricultural production in a manner that reduces emissions (mitigation) and builds climate resilience for both communities and forest ecosystems (adaptation).

Output 1.3: Underlying Portfolio structured.

- Activity 1.3.1: Full investment due diligence/ESG/Gap/Barrier/Risk analysis and investment selection protocol
- Activity 1.3.2: Support to selected pipeline through targeted technical assistance and reimbursable grants. (Not all businesses will be eligible – protocol and criteria under preparation)
- Activity 1.3.3: Project/Portfolio financial structuring, catalyse growth capital to support companies in expanding their nature-positive businesses

The Project development facility will support and accelerate business readiness for growth. It will work in collaboration with African Investment Funds in supporting those businesses and accelerating investment-readiness, thus serving to demonstrate the viability of these innovative solutions at scale and overcoming barriers to domestic/regional private investment over time.

Component 2: Enhance financing, revenues, valuation and resilience of high value Forest landscape –

Under component 2, A GCF accredited entity intends to design and launch a series of Forest Performance Bonds through a new instrument: the Forest Investments for Responsible and Sustainable Transformation (FIRST). The FPBs will be issued to investors in conventional bond markets, or as debenture notes and will make coupon payments and principal repayments until their retirement. The bond proceeds will be used to disburse loans to the underlying portfolio of forest positive businesses identified and structured under component 1.

Output 2.1: Appropriate mechanisms to leverage capital markets established

- Activity 2.1.1: Registration and establishment of the FIRST
- Activity 2.1.2: Shareholders Equity/Debt investment ratio and guarantees demonstrating countries extraordinary shareholder support

- Activity 2.1.3: Selection of the Asset Manager
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Output 2.2: Series of Forest Bonds issued

- Activity 2.2.1: Bond series preparation & credit enhancement
- Activity 2.2.2: SPV borrows funds in capital markets including GCF Junior tranche
- Activity 2.2.3: Encourage domestic green debt ecosystems and build the capacity for domestic financial institutions to participate

Output 2.3: Portfolio performing at market standard

- Activity 2.3.1: Design of the exit strategy pathway
- Activity 2.3.2: Deployment of Bond proceed to the vetted underlying portfolio
- Activity 2.3.3: Increase the bond profile and credit rating

The initial projections/assumptions are to gradually issue 5-10 bonds of USD 100 million to USD 200 million over 10 years. Increased sustainable revenues will attract more investors, progressively increasing the credit rating of subsequent bond issuances, building green financing capabilities of domestic financial institutions and reducing future coupon payments, creating ultimately a replicable model for the region. Market confidence is progressively built through the series of de-risking mechanisms and strong sovereign ownership.

Component 3: Benefits generated by Forest Positive Assets are shared equitably between nature and people –

CAFI Payment for Ecosystem Services Facility will verify the consolidated forest positive results through its independent verification mechanism and benchmark results against pre-selected desired outcomes. Based on the tier of outcomes achieved, CAFI will make payments to the underlying portfolio, as well as to the forest-dependent local communities to further support their forest positive business activities and transition.

Output 3.1: Increased valuation of Businesses and Forest positive Assets with Improved Forest Indicators

- Activity 3.1.1: Perform baseline valuation of forest positive assets
- Activity 3.1.2: Track, measure and report gains in forest conservation and climate resilience indicators and affiliated forest positive assets
- Activity 3.1.3: Promote investment in Climate information & early warning system for weather prediction and damage control prevention.
- Activity 3.3.4: Plot channels to achieve economic gains through improved valuation of forest positive assets

Output 3.2: Forest positive businesses and communities are rewarded for achieving

ecosystem restoration targets

- Activity 3.2.1: Design of a Payment for Ecosystem Service operational modality
- Activity 3.2.2: Use of Digital technologies for results monitoring and outcome verification
- Activity 3.2.3: Implementation of Payments scheme

Output 3.2. Governments and investors have access to digital solutions that facilitate transparent allocation of proceeds

- Activity 3.2.1: Capture lessons learned from existing PES/RBP projects, prepare toolkits/templates/guidance notes and share out to additional countries
- Activity 3.2.2: Work with government agencies and private sector partners to implement best-in-class digital technology for effective, transparent and traceable management of proceeds and allocation of funds, in compliance with legal and regulatory frameworks
- Activity 3.2.3: Develop digital literacy and financial skills of the beneficiary populations

Forest positive assets will be used to plot pathways for long run economic benefits through ensuring that the financed portfolio is leading to a gain in selected forest indicators which in turn are translating to increased revenues from the pipeline as strategized in each landscape investment plans.

Forest baseline and gains are monitored by using digital tools and incorporating cutting technology such as IoT (Internet of Things), satellite imagery and tokenization for verification of biodiversity outcomes (and potential market transactions in the future). The benefits generated are balanced and equitably distributed. It increases local participation in and ownership of ecosystem conservation efforts, encourage rural economic development and build prosperous, peaceful and sustainable forest communities. Thus, the wide range of intended impact from achieving the three outcomes will include forest conservation, sustainable economic development and plotting pathways for large scale participation of capital markets in the protection of forests and the ecosystem services of the Congo Basin region. This strategy will also bring several co-benefits to the local communities and transform their livelihoods into sustainable forest positive income.