

Central African Forest Initiative (CAFI)

Type: Multi-stakeholder platform for policy dialogue and coordination and pooled trust fund to support investments

Objective: Climate Change Mitigation, Poverty Reduction

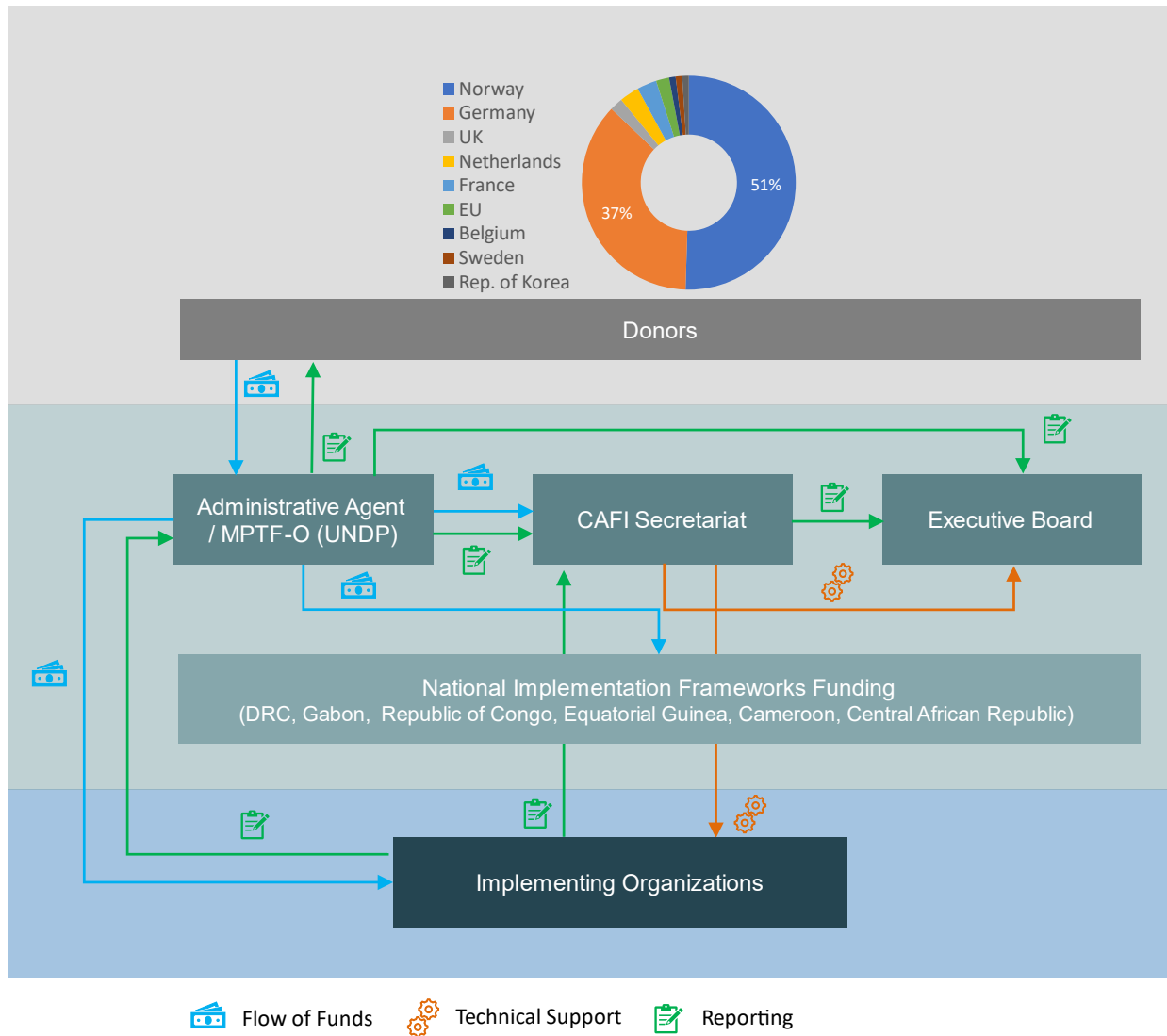
The Central African Forest Initiative (CAFI) was established in 2015, the CAFI Fund is capitalized by eight donor countries and the European Union and administered by UNDP's Multi-Partner Trust Fund Office (MPTF-O).



Current Funding Sources	<ul style="list-style-type: none"> • <i>Bi-lateral Donors:</i> Countries of Belgium, Germany, Norway, France, South Korea, the Netherlands, the UK, and Sweden; and the European Union
Annual Turnover	<ul style="list-style-type: none"> • USD 191.6 million (2022)
Management/Administration – % of total funds	<ul style="list-style-type: none"> • 0.98% Administrative Agent fee on deposit of funds • 8.84% Direct Costs on funds transferred to participating organizations and in-country multi-donor Trust Funds since CAFI's inception to 7 March 2023 • Indirect-costs of implementing organizations are capped at 7%
Scale of Representation	<ul style="list-style-type: none"> • Low – CAFI Board comprised of its bi-lateral donors and UNDP, IP & LCs as stakeholders.
Replicability potential	<ul style="list-style-type: none"> • Low – CAFI is a response to the specific context, needs and threats in one of the three priority regions for tropical forest conservation (alongside the Amazon and SE Asia).
Absorption capacity	<ul style="list-style-type: none"> • Current: USD 100 – 200 million per annum¹
Expansion potential	<ul style="list-style-type: none"> • High – CAFI's initial target capitalization of USD 500 million was on track to be surpassed in 2021 with the signing of a 2nd Lol with the DRC for an additional USD 500 million; and the CAFI Secretariat has been laying the groundwork for programmatic investments in three additional countries via preparatory grants and policy dialogues.

¹ This represents CAFI transfers to participating organizations (e.g., AFD, IBRD, FAO, UNDP) and Multi-donor Trust Funds in partner countries (e.g., DRC). Expenditure by these lags transfers, with 35% of funds transferred expended as of 31 December 2021.

Central African Forest Initiative (CAFI) Fund Flow Diagram



Central African Forest Initiative (CAFI)

What is CAFI? The Central African Forest Initiative (CAFI) is a both a multi-stakeholder platform for policy dialogue and coordination and a trust fund to support investments leading to reduced deforestation and poverty across six central African countries. Established in 2015, the CAFI Trust Fund is capitalized by eight donor countries and the European Union and administered by UNDP's Multi-Partner Trust Fund Office. The CAFI Secretariat is based in Geneva.

Focal region: Central Africa/Congo Basin (Democratic Republic of Congo, Republic of Congo, Gabon, Equatorial Guinea, Central African Republic, Cameroon).

Global objective (s): Climate Change Mitigation, Poverty Reduction

Organizational objective (s): To coordinate donors/partners and provide scaled-up international support to national REDD+/low emission development investment frameworks via the CAFI Trust Fund. Specific objectives include emission reductions and removals from land use sector and the development of co-benefits, such as better business climate, increased revenues, increased food security, biodiversity conservation, increased tenure security, increased fiscal revenues, and empowerment of women.

Typology: Accountability – IP & LCs as stakeholders. Scale of target outcomes – Reforming systems; Coordination among multiple entities to implement existing systems; Strengthening specific IP & LC communities; and Strengthening IP & LC organizations.

Operational context: Forests of the Congo Basin support the livelihoods of more than 50 million people and are of great importance in virtually all scenarios where the world averts the worst impacts from climate change and prevents biodiversity loss. Meanwhile, the region has some of the world's lowest Human Development indices, persistent conflict zones and governments are constrained by weak administrative, technical, and financial capacities. Regional stakeholder initiatives have contributed to improved dialogue and awareness raising. However, none of these have previously included concerted, national-level financing at significant scale.

How it works: Partner countries present National Investment Framework (NIF) to the CAFI Executive Board for review, leading to mutually agreed, timebound commitments that are formalized in a Letter of Intent (LoI). LoI's are signed at the highest levels of donors' and partners' governments and represent major political commitments toward reductions in deforestation and poverty. Preparatory grants (optional) or a call for proposals follows for development of projects/programs to achieve the commitments made under the LoI. After evaluation (independently and by the Executive Board), programs are approved and funds are disbursed by the Multi-Partner Trust Fund Office (MPTF-O) to the implementing partner entities, e.g., multi- or bi-lateral development agencies, NGOs. (See Figure 1). In turn, these partners may contract out project activities to service providers and/or other national/local actors. In the DRC, there are additional evaluation and approval processes, carried out by the DRC National Fund (FONAREDD)'s Technical Committee, and the Steering Committee, respectively. Gabon follows a results-based payment modality, where after a Letter of Intent is signed, specific avoided deforestation milestones/conditions must be met. After a country achieves its milestones, their achievement is confirmed, following which program development, evaluation and approval by the National Coordination Entity can commence, concluding with disbursement of funds to programs. Upon approval, funds are transferred from the MPTF-O. Implementing Organizations supervise and monitor projects, following their internal processes and procedures.

Governance: High-level decision-making within CAFI is vested in an Executive Board that comprises representatives of all nine donors and the UNDP (on behalf of UN agencies). Partner countries play key roles in all phases of CAFI-financed work, including development of the NIFs and program implementation. IP & LCs do not hold direct decision-making roles over the CAFI Trust Fund though they are important stakeholders/partners in provincial multisectoral investment programs (PIREDDs) and policy reform investments affecting tenure security, land use planning and sustainable forest and agriculture management. Additionally, IP & LCs participate in national governance bodies such as the DRC's REDD+ National Fund (FONAREDD), through which virtually all CAFI funding to the DRC transits, and there are

varying indirect mechanisms to provide input to donor countries and partner governments². National programs operate independently from one another. CAFI follows UNDP procedures for social and environmental safeguards. At country-level, each implementing organizations' established, programmatic safeguards are applied for purposes of design, implementation, and accountabilities for the CAFI-financed programs.

Priorities: Priorities are established through the national-level processes that result in the development of each country's National Investment Framework (NIF), which in turn is the foundation for the Lol's timebound commitments and milestones. The NIFs are supposed to be consistent with (i) the individual country's relevant, existing national strategies and plans³, and (ii) CAFI goals and theory of change (See Annex I). Specific to CAFI prioritization, analytical work in each country was to quantify in a spatially explicit manner the principles drivers of forest degradation and loss, as well as the underlying causes of the drivers in the context of the factors affecting land use change in order to identify and prioritize response measures to address the direct and indirect driversⁱ. Consultation with principal stakeholders – government, donors, private sector, and civil society – is to be an integral part of the national-level analytical and prioritization processes.

Primary Outputs/Outcomes: Examples of the range and scale of outputs and outcomes from CAFI' supported projects and programs include:

- Political mobilization and commitments: For example, in November 2021 at COP 26 in Glasgow, Scotland, UK Prime Minister Boris Johnson, on behalf of CAFI, and DRC President Tshisekedi signed the DRC's 2nd Letter of Intent for the period of 2021-2031, with an allocation of up to US\$500 million, committing the country to stabilize forest cover loss at 2016-2018 levels, and for at least 5 million hectares of Local Community Forest Concessions (CFCLs) to be granted, collective land tenure rights recognized and the legal and regulatory framework on the protection of IP rights adopted and implemented, among many other commitmentsⁱⁱ.
- Emission Reductions: Using avoided deforestation as a proxy for emission reductions, there was no increase in deforestation in DRC provinces with PIREDD programs (Provincial Integrated REDD programs) and Gabon received a US\$17 million payment in 2021 for a decrease in deforestation against 2016-2017 baseline estimates.ⁱⁱⁱ
- Selected development co-benefits: Significant investments and results across programs most relevant to IP & LCs have included:
 - The Land Tenure Reform Support Programme in the DRC – Implemented by UN-Habitat and GLTN, it includes capacity building of the National Commission on Land Tenure Reform (CONAREF), allowing them to pilot the land reform process and promote the DRC's first land tenure policy to be validated and adopted by government since Independence. The policy draft was informed by extensive consultation and drafting of position papers by CSOs and IPs and endorses the tenure security of customary landholders. The program is now working closely with communities on the development of a Land Law (currently in Parliament), another first for the country, and piloting of community land registries to support land tenure security (i.e., documentation and registration) in Mambasa and Mai-Ndombe Province.
 - Programme for the Support of Indigenous Peoples in the DRC – Implemented by the World Bank and Caritas Congo (2016-2023) with US\$2million of CAFI co-financing. The program led to the strengthening of IP & LC capacities through direct-grants to finance microprojects and support for the development (and adoption by government) of a law to promote and protect the rights of Indigenous Pygmy peoples.
 - Multisectoral provincial programs in the DRC – Programs implemented by bilateral (JICA, Enabel, GIZ), multilateral (World Bank), and UN agencies (UNDP, FAO) include many of the most significant

² Donor countries maintain informal dialogues with IP & LC representatives in order to receive input about investment priorities.

³ For example, the National REDD+ Strategy, Climate Strategy, LED Strategy, National Sustainable Development Strategy, and other relevant national development plans.

investments in IP & LC tenure security (e.g., participatory mapping, CFCLs) and capacity building of IP & LC institutions (e.g., Local Development Committees and NGOs/CSOs).

Funding source: Donor countries of Belgium, Germany, Norway, France, South Korea, the Netherlands, the UK, and Sweden; and the European Union. Donors have the option to earmark their contributions.

Financial mechanism: The CAFI Trust Fund has received to date over US\$653m^{iv} in donor funds. These funds are managed externally from partner countries within the CAFI Trust Fund (pooled fund mechanism) by UNDP's Multi-Partner Trust Fund Office (MPTF-O). Funds go to implementing partners either directly, via a national fund (e.g., in the DRC), or results-based payment modality (e.g., in Gabon). The MPTF-O charges a flat fee of 1% of total contributions to carry out its responsibilities. The CAFI Secretariat's direct costs (i.e., cost of services required by the Executive Board) are funded on a budget approved by the Executive Board – in early 2023, the approved budget for CAFI's direct costs was almost US\$50 million^v. Indirect-costs of implementing organizations are capped at 7% (see Figure 1).

Annual turnover: For purposes of specifying annual turnover, CAFI funding can be readily traced from the CAFI donors to CAFI, and its subsequent transfer to the implementing entity⁴:

- Prior to 2021, CAFI transferred almost US\$191 million to implementing partners and the DRC National Fund, out of almost US\$321.2 million which had been received from donors (including interest) up to that point. During this period, Direct Costs for CAFI were almost US\$11 million and Administrative Agent fees over US\$3.1 million;^{vi}
- In 2021, CAFI transferred about US\$3.2 million to implementing partners while receiving over US\$182.8 million from donors (including interest). During this period, Direct Costs for CAFI were over US\$8.5 million and Administrative Agent fees were over US\$1.8 million^{vii}; and,
- In 2022, CAFI transferred more than US\$191.6 million to implementing partners and the DRC National Fund^{viii}, while receiving more than US\$151.1 million in donor funding (including interest)^{ix}.

Absorption capacity: Moderate in CAFI terms – in the near term, the CAFI Secretariat would likely be challenged to meet the technical needs of administering a larger, more complex portfolio than it has at present. Should CAFI activities fully expand into additional partner countries it is likely additional staffing must be added. The administrative agent, UNDP's MPTF-O, already administers 242 funds with a USD\$18.2b portfolio^x and this type of pooled inter-agency fund is increasingly preferred by UN agencies for development assistance.^{xi} Given that the CAFI Trust Fund is a small percentage of this total (even if it is the largest single environment/climate fund), moderate scenarios for upscaling – for example, commitments beyond US\$1 billion+ – would likely be feasible.

What works:

- Increased donor coordination.
- Financial mechanisms are trusted by donors and limit donor fragmentation/fatigue.
- Significant scale and targeting of investments toward co-benefits incentivizes political buy-in and multisectoral harmonization/alignment in partner countries.
- Holistic approach to deforestation.

Strategic Insights:

CAFI's approach is built from these understandings^{xii}:

- Successful investments require considerable political commitment and willingness to reform from partner countries.
- Necessary structural reforms may require substantial and well-coordinated financial resources.
- A far larger leveraging of donor resources can be achieved when negotiating political roadmaps and specific milestones with a dedicated group of partner countries.
- Risks can be shared among several donors.

⁴ To understand the ultimate rate and magnitude of expenditure at levels directly relevant to national-level stakeholders and IP & LC organizations and communities, through the individual project or program mechanisms, is beyond the scope of this analysis.

- Donors' comparative advantages can be leveraged.
- Shared understanding of low emission development for the region and increased coherence between donor and partner country objectives on REDD+/LED are necessary to reach the objectives of the initiative.

CAFI enables donor countries to mobilize awareness, interest, and resources collectively. Donors play a very active role in CAFI, both in their capitals and through their country embassies. For example, when the French held the presidency of the CAFI Executive Board, they mobilized their deep diplomatic networks in the region. The rotating leadership of the board (every two years) brings renewed attention, expertise, and resources. This is a major difference between other climate/environment trust funds that operate at this scale.

CAFI's political engagement and trust fund investments are mutually reinforcing. Many of the milestones in the Lols are political in nature and involve trade-offs between different decision-makers in partner country governments. CAFI's network and scale of financing is sufficient to mobilize political will in partner countries. By applying the significant financial and diplomatic resources of donor countries, CAFI is able to engage politicians at the highest levels in partner countries and keep forests and low emission development on the agenda for national decision-makers.

CAFI's network mobilizes untapped resources in the region. Recently, at the COP27 Forest and Climate Leaders' Summit, a US\$120 million investment⁵ was made by CAFI and Dutch investment fund &Green to support zero deforestation commodity chains and finance a technical assistance facility to support private sector actors to access "derisked" loans^{xiii}. This fills a significant gap in the region. CAFI was successful at developing this program because of the relationships with private sector partners, companies, governments, CSOs and other development agents (multi- and bilateral) in the region and globally.

Integrated investments at scale yield better, more reliable outcomes. CAFI focuses on integrated multisectoral investments to address deforestation across larger territories. Elements (e.g., land/forest tenure) are not singled out but approached within a suite of activities and investments. This ensures that there are fewer unintended consequences from narrowly targeted approaches that do not take into consideration linkages or feedbacks between drivers of deforestation and poverty (e.g., distress land sales after rural titling program).

Regional approach facilitates collaboration and cross-learning between countries. For example, significant funding allocated to Gabon for results-based payments allows CAFI to learn from a finance initiative in the context of strong national leadership and motivation. In turn, successful efforts and learning can be scaled to larger countries, such as the DRC.

CAFI utilizes its deep experience and partnerships in the region. CAFI was initiated only eight years ago and began approving programs by the next year. This was possible, in part, due to the functioning operational connections and relations between multilateral agencies, as well as knowledge and experiences of working with NGOs that can deliver in areas that multilaterals cannot, e.g., smaller national NGOs that are a better fit for working with local communities. In some instances, CAFI has asked implementing partners that have responded to calls for proposals to work together to leverage their different strengths, e.g., a multilateral agency bringing credibility and expertise in policy reform and NGOs with financial administration/management expertise and proximity to "point of impact". Additionally, close collaboration and cross-learning via CAFI and Implementing Organizations supports effective learning and implementation.

CAFI's use of the UN's pooled fund mechanism, the MFTP, facilitates transparency and good financial governance in a challenging regional context. CAFI funds do not flow through partner country governments. In addition to CAFI's transparency and financial reporting requirements, these conditions encourage donor confidence in the fund.

⁵ CAFI's investment is US\$47 million as donor capital.

CAFI employs diverse modalities and a trusted fund mechanism in contexts not ordinarily supported by donor efforts. As one of the wealthiest (if still highly unequal), most urbanized countries in Africa, Gabon is an outlier among CAFI partner countries and does not typically qualify for significant Official Development Assistance. From the Norway-funded CAFI results-based modality, Gabon is the first high forest cover and low deforestation country globally to claim payments for emissions reductions and removals. This allows the country to develop, in negotiation with CAFI, a program portfolio adapted to its needs while funds transferred to the country for emissions reductions are transparently governed and administered by the MPTF-O, a key factor to maintain donor trust and ensure more broadly beneficial outcomes. Gabon is able to leverage CAFI funding with its raised profile and growing capacity to catalyze further interest and expertise in low-emission development.

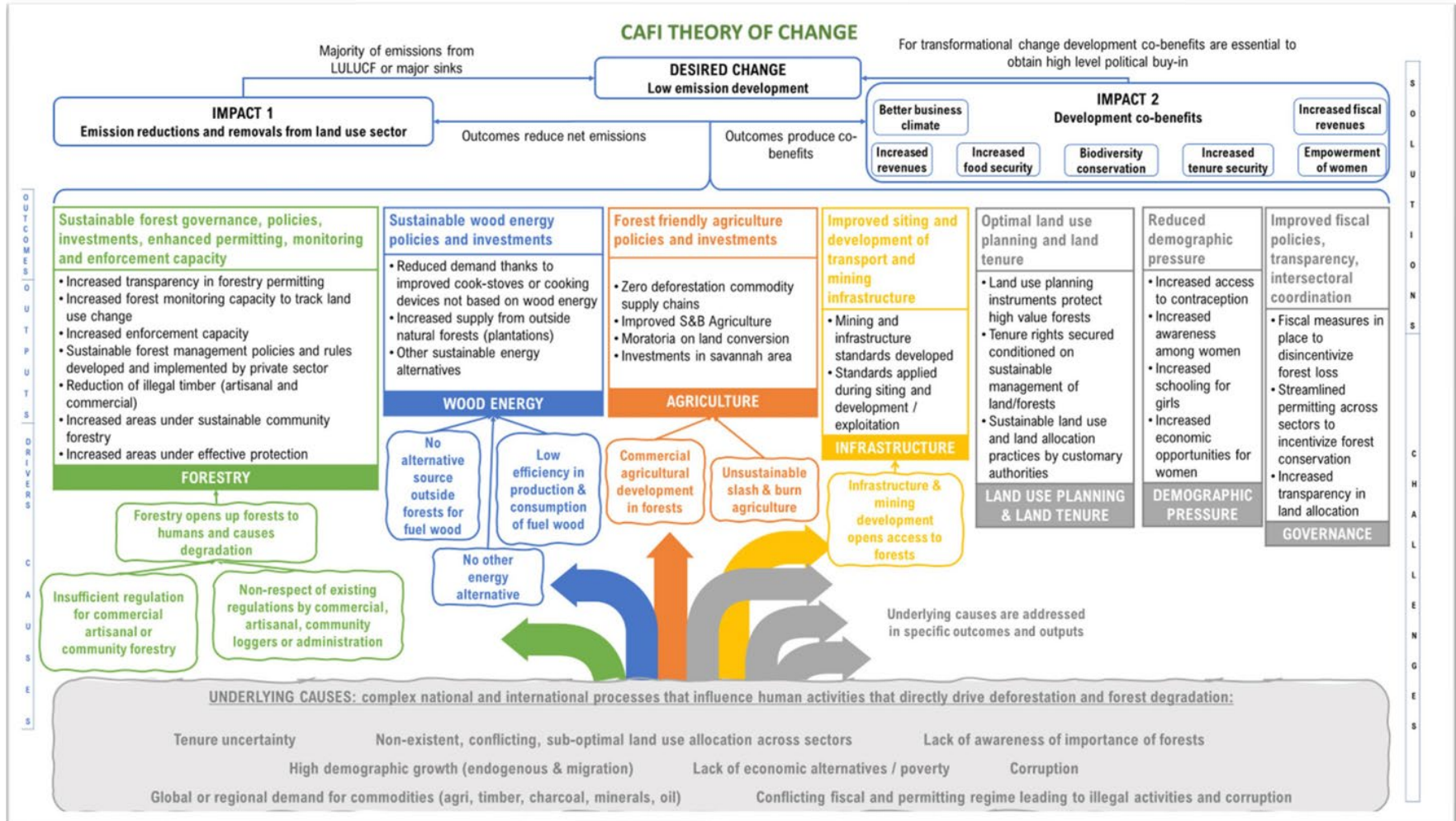
Scalability

Replicability. Low – CAFI is a response to the specific needs and threats in one of the three priority regions for tropical forest conservation (alongside the Amazon and SE Asia). The other important regions already have significant funding vehicles in place for conservation, and several attributes of CAFI are particularly well-suited to the Central African context, i.e., significant donor’ financial commitment at a scale that can motivate political will; CAFI’s technical capacity as a complement to that of the partner countries; the use of an external fiduciary (e.g., UNDP’s MPTF-O) to ensure donor confidence in a large-scale financing mechanism, given relatively weak regional governance; and the value of cross-learning between countries to inform program development and implementation, and address common operational challenges.

Expansion. In 2015 CAFI set its target capitalization at US\$500 million. Since then, the growth of the fund has been rapid. In 2020, CAFI funding more than doubled, compared to 2019^{xiv}. In 2021, CAFI surpassed this initial target, with the additional signing of the 2nd Lol with the DRC in late 2021 for another US\$500 million. Thus far, CAFI has been focused on laying the groundwork for programmatic investments in Equatorial Guinea, Cameroon and the Central African Republic via preparatory grants and policy dialogues.

The greater challenge with further upscaling comes from the increased burden on the CAFI Secretariat to carry out its work with more numerous programs, especially as additional partner countries initiate program portfolios, and the induced inefficiencies of operating with increasingly diverse administrative requirements. These challenges have resulted in the Secretariat recruiting additional staff, especially related to the increasingly technical demands of their role in CAFI (e.g., advising Executive Board, donor countries). Operating at current levels (e.g., US\$ 100-200 million/year) appears to be an efficient scale for CAFI as currently constituted.

Annex I CAFI Theory of Change



Source: Screenshot from CAFI 2021b.

References

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- ^{iv} Figure as of January 18, 2023. https://mptf.undp.org/fund/afi00?utm_source=EN&utm_medium=GSR&utm_content=US_UNDP_PaidSearch_Brand_English&utm_campaign=CENTRAL&c_src=CENTRAL&c_src2=GSR&qclid=Cj0KCQjw_7KXBhCoARIsAPdPTfgwkPmmKzjibMwxH0NYcUGzcKzo1XNTgOZHINbJNkLgUHfHMibZ5eqaAi5HEALw_wcB
- ^v Expenditures for direct costs up to this date were approximately \$12.5m USD. Figures as of January 18, 2023, accessed from <https://mptf.undp.org/fund/afi00>
- ^{vi} CAFI. 2022a. May 31. CAFI Trust Fund 2021 Consolidated Report. Accessed at <https://mptf.undp.org/sites/default/files/documents/CAFI%202021%20Consolidated%20Annual%20Report.pdf>
- ^{vii} Ibid.
- ^{viii} Figure calculated from January 2022 to December 2022 from https://mptf.undp.org/fund/afi00?utm_source=EN&utm_medium=GSR&utm_content=US_UNDP_PaidSearch_Brand_English&utm_campaign=CENTRAL&c_src=CENTRAL&c_src2=GSR&qclid=Cj0KCQjw_7KXBhCoARIsAPdPTfgwkPmmKzjibMwxH0NYcUGzcKzo1XNTgOZHINbJNkLgUHfHMibZ5eqaAi5HEALw_wcB
- ^{ix} Figure calculated from January 2022 to December 2022 from https://mptf.undp.org/fund/afi00?utm_source=EN&utm_medium=GSR&utm_content=US_UNDP_PaidSearch_Brand_English&utm_campaign=CENTRAL&c_src=CENTRAL&c_src2=GSR&qclid=Cj0KCQjw_7KXBhCoARIsAPdPTfgwkPmmKzjibMwxH0NYcUGzcKzo1XNTgOZHINbJNkLgUHfHMibZ5eqaAi5HEALw_wcB.
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