

Africa Forest Investment Fund Intermediaries

A climate smart future for forests and buildings



Africa forest investment fund



The investment fund will be a financial mechanism that allows the fund manager to collect, blend, and manage all the incoming revenue streams, both international and national, related to the climate-smart forest economy, into one Africa-focused centralized fund. It will operate as a traditional investment fund

- Pool funds from investors and act as a for-profit regranting facility
- Identify, and conduct due diligence on pipeline opportunities
- Enhance portfolio performance by, for instance, facilitating the connection between investees and support providers

However, the Africa forest investment fund will also have the features of a specialty investment vehicle

- The governance and organizational structure will embed investment management and sustainable forest management expertise
- The investment decision-making processes and tools will anchor on well-established tools for forest-specific carbon modeling such as the 3S framework – developed by the CSFEP coalition, the tool quantifies the sink, storage, and substitution function of forest economy opportunities



There is a funding gap in the forestry investment landscape that requires mobilizing additional private sector financing

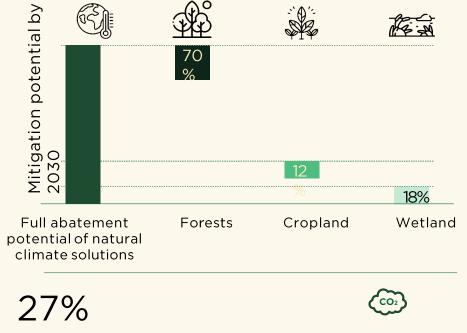
Natural pathways, and notably forests, have high climate change mitigation potential....

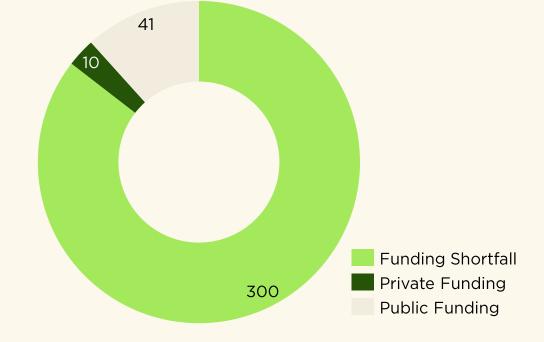
... yet current financing to conserve and restore natural ecosystems, including forestry, significantly fall short of the required funding.

Contribution of natural pathways to climate change mitigation *Units (%)*

Funding for biodiversity restoration and conservation *US\$ Billions. 2016*

The Need





of total emission reductions can come from forest-related interventions by 2030





Comparable and operational business models

Green Climate Fund (GCF) is a global investment climate fund, established by a coalition of countries, but that also catalyzes financial lows from the private sector to low emission and climate-resilient investments

The fund uses a mix of financing mechanisms – grants, loans, equity, results-based payment, and guarantees



The Carbon Finance Lab exemplifies specialty in-house expertise.

The lab engages in a range of activities that anchor on a deep understanding of the climate change field and financial products namely: R&D support for marketplace innovation and product development, carbon product innovations for the voluntary markets, global introductions of buyers and sellers, and economic forecasting

- Potential owners: We are still looking for a potential owner. Articulating the landscape needs and potential fund design would tremendously help attain buy-in from a potential owner
- Offering structure will be individual services, by a coalition of actors, with blended financing
 - o A merge of actors with both investment and sustainable forest management expertise
 - Given the public allocation of funds towards high-potential forestry asset classes (e.g., COP26 allotment of 1.5 billion to the Congo basin), and private financing, financing will most likely be blended

Ownership

Africa forest investment fund: Workplan

Immediate

(<6 months)

Landscape assessment

Activities

Output*

Outcomes

Landscape study: An assessment of on-theground realities/ needs and financing gaps for climatesmart forest value chains

An initial layout of potential funding sources

- An understanding of funding gaps and opportunities for investment
- A list of potential sources of funds/ funders to engage
- · An understanding and validation of the investment opportunity for pipeline development
- A shortlist of potential investors in the fund to

Short-term

(6-14 months)

Fund development

- Stakeholder engagement to find an owner for the intermediary role
- Funder engagement to validate the opportunity through funding interest
- Development of an operational model highlighting partnership
- · Fire Sture and tisquired toles within the investment fund implementation/testing
- Proposals for funders based on engagement
- Intermediary role incorporated/ picked up by an actor for implementation
- Relationships developed with potential funders
- · Confirmed funder interest and approach for fundraising _____ commitment from sharing of Within program reporting timelines, currently completed

Medium-term (>18 months)

Set up

- Fundraising
- Piloting and pipeline development of climatesmart forest economy ventures in tandem
- Onboarding personnel (e.g., forest and investment experts) to operationalize the
- Condmitments for funds from potential investors
- Establishment of a pilot investment(s)
- Fund establishment and hiring
- of key personnel Agreements with the investor(s) to support forest economy investments
- Developed pilot project(s) for funding
- Operationalized fund through hiring key staff to support incorporation and investment facilitation

Note: *For each intermediary, we will develop an additional output, a 2-page MEL report that captures progress and lessons learnt