

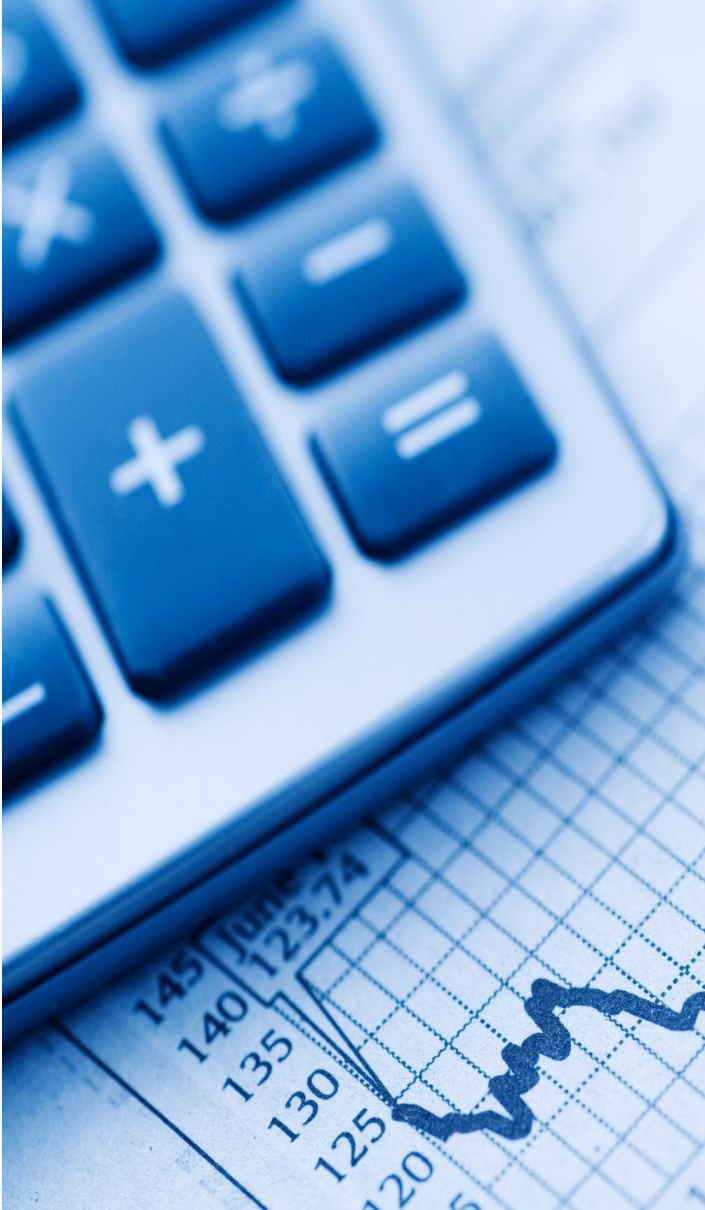


**Climate Smart
Forest Economy
Program**
Unlocking Forests' Potential

Africa Forest Investment Fund Intermediaries

A climate smart future for forests and
buildings





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

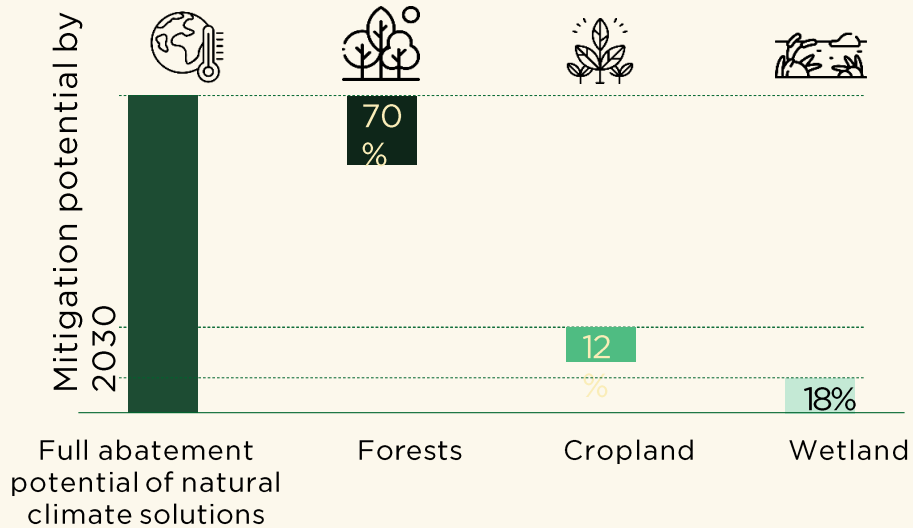
Natural pathways, and notably forests, have high climate change mitigation potential....

... 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 (%)

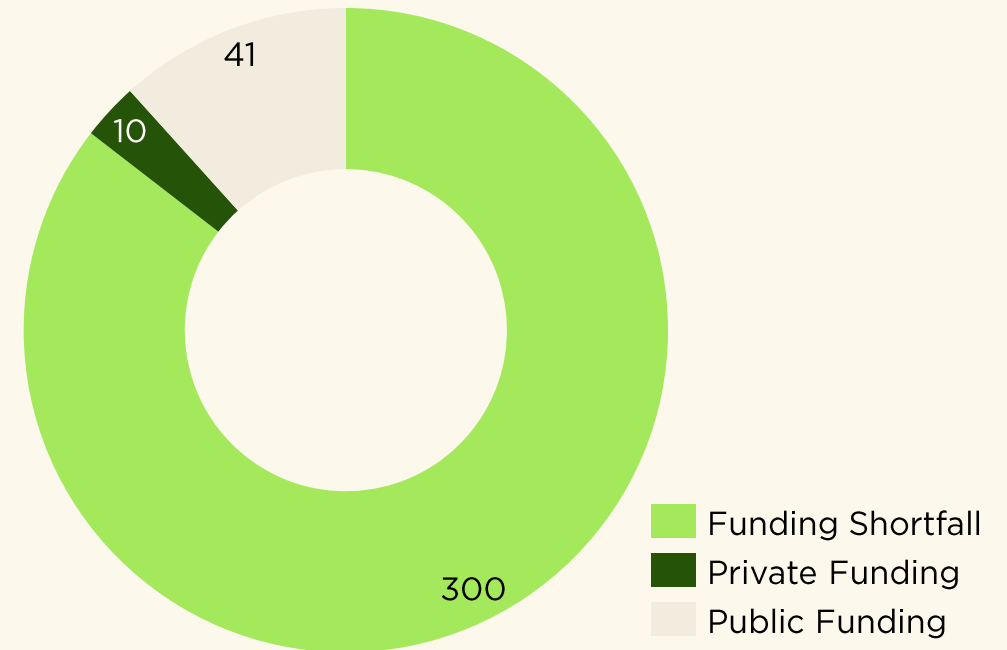
Funding for biodiversity restoration and conservation US\$ Billions, 2016

The Need



27%

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 flows 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

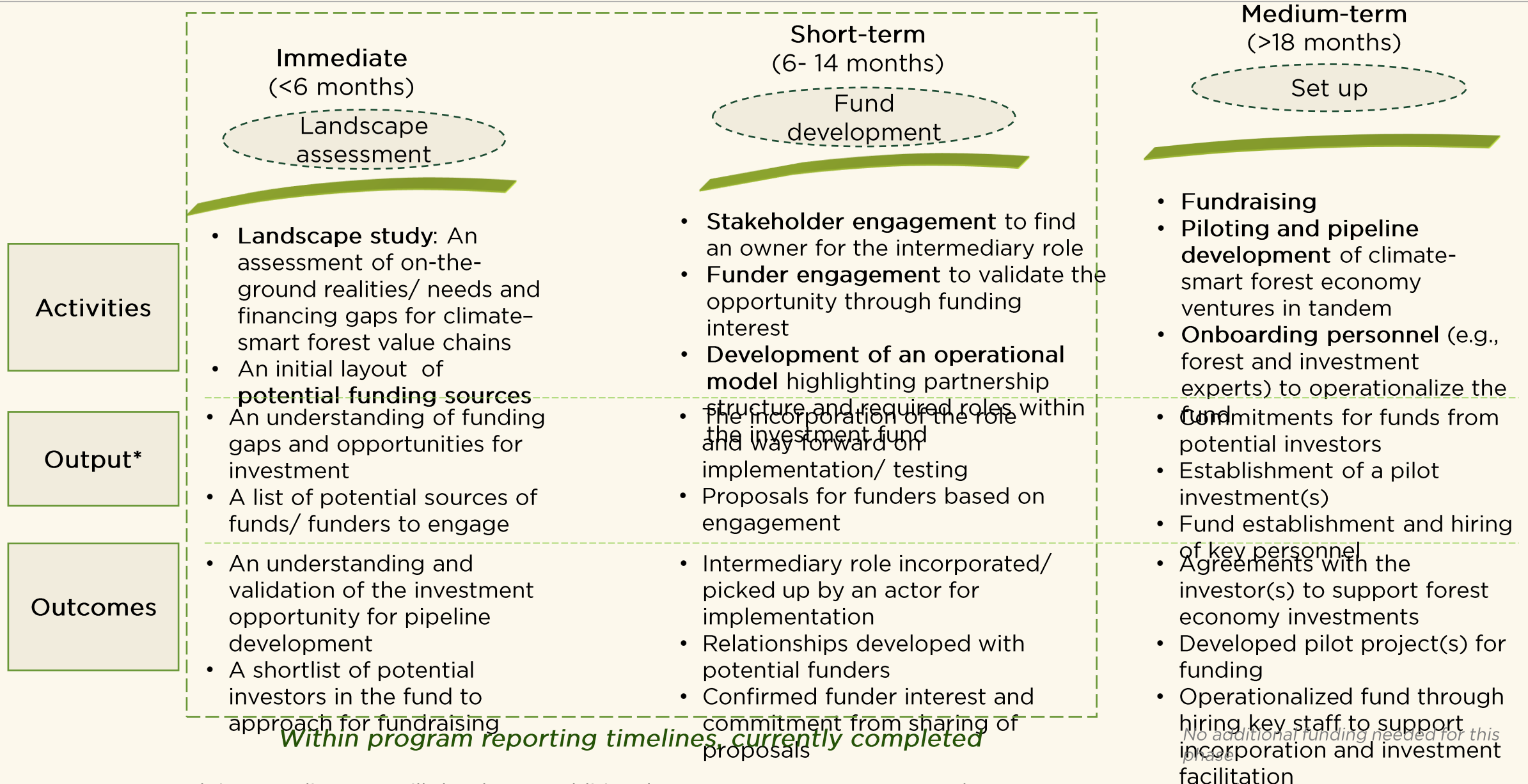


The Carbon Finance Lab exemplifies specialty in-house expertise.

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
 - 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



Within program reporting timelines, currently completed

No additional funding needed for this phase

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