



CAFI Executive Board Decision

“Regional” – Approval of a preparatory grant to UNDP for Building a South-South cooperation initiative on payment for environmental services

**Adopted by email on 11.11.2024
EB.2024.39**

Considering:

- The concept note on “Global South Platform on Financial & Digital Instruments for Tropical Forests CAFI Secretariat” prepared by the Secretariat and presented to the Executive Board ahead of its monthly call on the 19th of March 2024.
- The conclusion of the Executive Board call of the 19th of March 2024

The Executive Board:

1. Thanks UNDP (referred here as “implementing organization”) for the preparatory grant submission.
2. Approves the preparatory grant for an amount of 130,076 USD, to be used over a period of 6 months, starting from the date of first transfer to the implementing organization.
3. Invites the implementing organisation to develop a project document for the project “Building a South-South cooperation initiative on payments for environmental services” with a detailed budget of up to USD 4.5 million for a period of 3 to 5 years.
4. Reiterates that the present decision does not represent a funding allocation decision for the full project. Any funding beyond the preparatory grant will be approved based on the

submission of a project document and according to the Terms of Reference of the Trust Fund. When making a funding allocation for the full project the Executive Board will focus strongly on South-South cooperation benefiting CAFI countries. This cooperation should focus on the development and operationalisation of results-based incentive mechanisms to drive down deforestation rates and increase carbon sequestration in the medium term.

5. Recommends that the implementing organisation mobilise co-financing to support the full implementation of this initiative in the longer term.
6. Request the implementing organization to ensure that activities under the preparatory grant focus on the successful deployment of payment for environmental services and direct incentive mechanisms for farmers and forest dependent communities including PES
7. Request the implementing organization to ensure that it deploys an appropriate stakeholder engagement strategy with participating country governments to ensure both political ownership of the project as well as the mobilisation of the relevant technical knowledge and capacities in each country to fully contribute to the objectives of the project.
8. Request the implementing organisation to mitigate the risk of generating a significant carbon footprint through both the preparatory grant as well as the project activities. To this end, the implementing organization shall identify and deploy all available mitigation measures, including amongst others: organizing meetings in conjunction with other international activities, making the best use of digital communication technologies (webinars, videoconferences), etc.
9. Recalls that, while respecting its rules and regulations, the implementing organization commits to apply zero tolerance towards fraud, corruption, sexual exploitation and abuse; to protect whistleblowers; to inform the public; to promote gender equality and social inclusion; and to use appropriate complaint mechanisms. In addition, the implementing organization commits to carefully managing all other contextual and programmatic risks identified by the Board and should act proactively in reporting these risks to CAFI's Multi-Partner Trust Fund Office, in accordance with the Terms of Reference of CAFI's Trust Fund.
10. Recalls that feasibility studies and the design of projects and programmes should place strong emphasis on (i) gender inclusion, including in terms of sex-disaggregated data, (ii) human rights and non-discrimination, (iii) conflict prevention and resolution, in particular with regard to land tenure, (iv) monitoring and learning, while ensuring strong alignment with the CAFI results framework, (v) analysis of the link with forest conservation, (vi) analysis of opportunities for scale-up and means to achieve them , (vii) analysis of risks of corruption and conflicts of interest, as well as the stakeholders likely to gain or lose as a result of the initiative, (viii) the use – to the extent possible – of local references and analysis with respect to potential beneficiaries, market opportunities and income opportunities for smallholders and economic viability, limitations and risks; (ix) clear integration and interlinkages between the various interventions proposed; (x) a clear exit/sustainability strategy; (xi) a robust analysis and management of risks.
11. Recalls that the implementing organization will have to report on indicators of CAFI's results framework in accordance with CAFI guidelines and templates, as well as information on how their activities are addressing and respecting CAFI social and environmental safeguards.
12. Reminds the implementing organization of its reporting obligations under the current CAFI Operations Manual, in terms of both narrative and financial reports.

13. Instructs the CAFI Secretariat to sign the preparatory grant project documents on its behalf.