



Central African Forest Initiative (CAFI)

Project Document

Project title: Investment and Payment for Environmental Services Hub Cameroon	Implementation organization(s): IDH
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Country : Cameroon	Project location (provinces or priority areas): Phase 1: Cameroon with PES pilots in Grand Mbam Phase 2: Expansion of the PES pilots to the rest of Cameroon Phase 3: Scope out a potential expansion to Democratic Republic of Congo and/or Republic of Congo and/or Gabon
Project description: IDH intends to execute a ground-breaking new model for agri-food SME growth in Cameroon. We aim to leverage 29M USD of private sector investment from 1) the financial sector to fund the growth of the most promising local	Total project cost: 24,998,859.20 USD Total cost funded by the Trust Fund of CAFI: 24,998,859.20 USD, of which 24,573,859 USD is to be managed by IDH and \$425,000 USD is to be

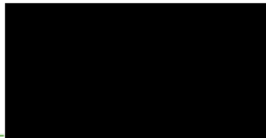


enterprises and 2) international brands and traders to derisk their supply by improving farmer practices, forest protection and restoration. The Investment and Payment for Environmental Services Hub will provide Technical Assistance, Seed Capital investment, a Business and Investment network, and a Payments for Environmental Services (PES) scheme funded by private sector companies (brands, traders...) sourcing key commodities from Cameroon. Promising local enterprises will be introduced to a network of impact-oriented investors, local banks, MFIs, and private sector companies with appetite and capacity to invest in Central Africa. The PES scheme will ensure that farmers and communities are rewarded for switching to more sustainable practices on and off farm, thereby de-risking the supply to SMEs and making them more attractive to investors. The PES scheme will be piloted in the Grand Mbam landscape using the CAFI PES platform and will align decarbonisation claims at national level, so that it can be extended to the rest of Cameroon. If successful, additional hubs will be scoped in other CAFI countries with support from partner organizations.	managed directly by the CAFI fund to make ex-post PES payments directly to beneficiaries. Total expected leverage from the Financial Sector and Private Sector: \$29 million Amount and duration of the first instalment: \$4,480,791 USD for 1st year Amount and duration of the second instalment (see conditions for disbursement in section 13c): \$12,189,557 USD for 2nd & 3rd year Amount and duration of the third instalment: \$7,903,510 USD for 4th & 5th year (see conditions for disbursement in section 13c) Start date¹: April 1st, 2026 Closing date: December 31st, 2030 Total duration (in months): 57 months
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Review & approval dates	
Submission to the Secretariat	Date: 17/10/2025
Independent Assessment of the project	Date: 14/12/2025
Approval of the CAFI Executive Board	Date: 21/01/2026 through Decision EB.2026.02

¹ **Indicative dates:** The official start date of any project funded by CAFI is the date of transfer of funds by the MPTF office.


Signatures of Participating Organizations :

Name of representative: Daan Wensing Function: Chief Executive Officer Name of Participating Organization: IDH	Date and signature: 27-Mar-2026	
Name of representative: Berta Pesti Function: Head of the CAFI Secretariat On behalf of the CAFI Executive Board	Date and signature 27-Mar-2026	

CAFI OUTCOMES to which the program contributes	Amount in USD ²
1. Sustainable agricultural practices lead to less land conversion and increased food security.	\$12,179,530
2. Mobilization of sustained private sector investment into climate-resilient, deforestation-free value chains. (additional outcome)	\$4,818,120
3. Forestry sector and protected areas institutions and stakeholders have the capacity and the legal framework to promote, monitor and enforce sustainable management of forests.	\$3,803,389
4. Better inter-ministerial coordination and governance resulting in a permitting, enforcement and fiscal regime of economic activities that do not push economic actors to forest conversion and illegal activities; and a business climate favourable to forest-friendly investments.	\$3,772,820

² Instructions for budget allocation by CAFI outcome are given in [the CAFI project budget format](#). In the [case of co-financed projects](#), the breakdown must also be made for the CAFI budget alone.



▪ Executive summary

The programme seeks to pilot and demonstrate a model for catalysing deforestation-free, climate-resilient, and inclusive agricultural value chains through the establishment of an Investment and Payment for Environmental Services (PES) Hub in Cameroon. The project responds directly to the priorities set out in the 2024 CAFI–Cameroon Letter of Intent, supporting the Government’s objective to halt and reverse forest loss while advancing sustainable economic growth and food security.

Context and Rationale

Cameroon’s agricultural sector, which provides livelihoods to over 70 % of the population, is both an engine of economic growth and the leading driver of deforestation. Between 2016 and 2020, more than 2.2 million ha of forest were lost and 1.5 million ha degraded, mainly due to smallholder cocoa, oil palm and food crop expansion. The cocoa sector, cultivated by over 600,000 smallholders across the Centre, South and South-West regions, remains the single largest agricultural driver of forest loss, with extensive farm expansion into forest margins as aging plantations and declining yields push farmers to clear new land. These pressures are most acute in the Grand Mbam landscape, a forest-savannah transition zone that has become one of Cameroon’s fastest deforestation fronts, with annual forest loss reaching 2.4 % or five times the national average.

While agri-commodity value chains underpin rural livelihoods, they face persistent productivity gaps, limited access to finance, and weak incentives for sustainable land use. At the same time, few mechanisms exist to channel private investment into sustainable production systems or to remunerate farmers and communities for verified environmental performance. This lack of enabling conditions limits Cameroon’s capacity to mobilise climate finance and private capital in support of national land-use and climate goals.

The programme also leverages the growing commitments of international companies to reduce their Scope 3 emissions (i.e. the indirect greenhouse gas emissions that occur throughout their value chains) by supporting “insetting” approaches, where companies invest directly in sustainable production and forest conservation within their sourcing areas to achieve net-zero targets. As cocoa companies increasingly turn to Cameroon as an alternative to Côte d’Ivoire and Ghana where land scarcity and yield stagnation are limiting available volumes, they are looking for solutions to de-risk Cameroonian cocoa, ensuring they can source traceable, and deforestation-free beans in the long-term.

Project Objective and Approach

The overall objective of the project is to test and operationalise a blended approach that mobilises private investment and direct incentives for sustainable land-use transformation in Cameroon, serving as a proof of concept for future scale-up. The project will establish an Investment & PES Hub that integrates four mutually reinforcing components:

- **Technical Assistance Facility** providing tailored support to local SMEs, cooperatives and agribusinesses in key value chains to strengthen business models, market access, and investment readiness for sustainable land-use activities.
- **Seed Capital Facility** offering catalytic, returnable financing to de-risk early-stage investments to those local enterprises that adopt sustainable, deforestation-free practices and demonstrate potential for scale.
- **Payment for Environmental Services (PES) Scheme** piloting direct, performance-based payments to smallholders and communities for activities such as agroforestry, assisted natural regeneration, afforestation/reforestation and forest protection, using CAFI’s standardised PES monitoring system and mobile-payment systems.



- **Business and Investment Network** convening local and international investors and financial institutions as capital providers to local enterprises, and private-sector commodities off takers (traders, exporters, and brands) as Environmental Services (ES) buyers from farmers to meet their net zero strategies; thereby fostering co-investment and crowding-in commercial finance for sustainable value chains.

Together, these components form a single mechanism to drive investment into verified environmental services while enhancing rural incomes and reducing deforestation pressures. This first phase will serve as a proof of concept, generating operational lessons, tested instruments, and evidence of market interest to inform the future scale-up of similar hubs across the Congo Basin.

Expected Results and Impact

By end of 2030, the programme aims to demonstrate measurable environmental and socio-economic outcomes:

- Reduction of greenhouse gas emissions from deforestation and forest degradation through the large-scale adoption of sustainable commodity production, agroforestry, and reforestation systems that enhance carbon sequestration and maintain forest cover.
- Improved livelihoods and income diversification for smallholders, cooperatives and communities through verified PES payments and enhanced access to finance.
- A portfolio of investible, de-risked local enterprises contributing to deforestation-free, low-carbon value chains aligned with the EU Deforestation Regulation, SBTi targets to decarbonise value chains and national sustainability standards.
- Strengthened public-private coordination and institutional capacity for performance-based programming under CAFI's results framework.

The project directly contributes to CAFI Outcomes 1, 3, and 7 (sustainable agricultural practices, sustainable forest management, and improved inter-ministerial coordination and governance) while introducing a new complementary outcome focused on mobilising private investment and corporate demand for verified environmental services.

Institutional and Implementation Arrangements

The project will be implemented by IDH, recognised for its expertise in convening public-private partnerships, managing blended-finance facilities, and mobilising private investment in sustainable supply chains. A Project Steering Committee will provide strategic oversight, validate annual workplans and budgets, and ensure coherence with national priorities and the CAFI Results Framework. Day-to-day implementation will be led by a Project Management Unit hosted by IDH in Cameroon, responsible for operational management, technical coordination, stakeholder engagement, and reporting.

To uphold transparency and accountability, the CAFI-led Independent Verification Mechanism (IVM) will assess progress against agreed performance indicators before the disbursement of funding tranches and PES payments. This verification process ensures that disbursements are strictly tied to verified results, reinforcing fiduciary integrity and the credibility of the programme's results-based approach.

Sustainability and Scaling

The Investment & PES Hub is positioned as a proof of concept. During the 5 years of the project, we will focus on validating the operational design, cost-efficiency and market viability of Hub. The lessons, data and institutional capacities generated will inform the design of future, larger-scale investment phases in Cameroon and across the Congo Basin.



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▪ Acronyms

ASBL	Non-profit associations
ANR	Assisted Natural Regeneration
(A/R)	Afforestation and Reforestation
CAFI	Central African Forest Initiative
CAPEF	Chamber of Agriculture, Livestock, Fisheries and Forest of Cameroon
ES	Environmental Services
EUDR	European Regulation against Deforestation and Forest Degradation
FLAG	Forest, Land and Agriculture
FPIC	Free, prior and informed consent
LSRG	Land Sector and Removals Guidance of the Greenhouse Gas Protocol methodology
GPS	Global Positioning System
KBA	Key Biodiversity Area
M&E	Monitoring & Evaluation
MRV	Monitoring, Reporting and Verification
NGO	Non-Governmental Organisation
NDC	Nationally Determined Contribution
OHADA	Organisation for the Harmonisation of Business Law in Africa
PRODOC	Project Document
PES	Payments for Environmental Services
RGPD	General Data Protection Regulation
RN	Natural regeneration
SBTi	Science Based Targets Initiative
SND30	Cameroon National Development Strategy 2030
SFM	Sustainable Forest Management
UNSCEB	United Nations System Chief Executives Board for Coordination



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1. Introduction

The Central African Forest Initiative (CAFI) supports six Central African countries with finance and technical assistance to reduce deforestation, tackle climate change, and promote sustainable development. In October 2024, CAFI signed a Letter of Intent with Cameroon to make agricultural, forestry, and mining value chains inclusive, competitive, and deforestation-free, in line with national development goals and the Glasgow Declaration on Forests.

To engage the private sector, CAFI launched its Private Sector Facility (2023). Following this, the CAFI Executive Board mandated IDH to design a project that would establish a Hub combining Technical Assistance (TA), a catalytic Seed Capital Facility, Payment for Environmental Services (PES) schemes, and a Business and Investment Network. Through Decision EB.2024.41, IDH was granted access to the CAFI Fund and received a preparatory grant, which supported feasibility studies and stakeholder consultations to design this specific programme:

1. First field visit (May 2025): Initial stakeholder engagement launch event and initial stakeholder consultations, building on IDH existing presence and network in Cameroon.
2. Second field visit (mid-July 2025): PES scheme feasibility and ground truthing visit in Grand Mbam.
3. Third field visit (end July 2025): Investment & PES Hub pipeline development and stakeholder engagement.

The core objective of the IDH proposed project is to mobilise and de-risk private sector investment into tropical agri-commodity value chains, making them deforestation-free, low-carbon, and climate-resilient, while enhancing farmer incomes in Cameroon. The programme will catalyse a blend of financial investments in local enterprises and performance-based payments from companies sourcing key commodities, enabling the private sector to decarbonise supply chains and foster inclusive, sustainable growth. The project aims to support CAFI's Letters of Intent (LoIs) objectives by:

- Providing integrated technical assistance to local SMEs, cooperatives and agribusinesses, combining support for investment readiness, improved sustainability and access to PES access,
- Deploying concessional seed capital to finance upfront investments that allow SMEs, large cooperatives and agribusinesses in Cameroon to scale their operations
- Leveraging private sector investment including capital from financial investors for local enterprises and long-term PES off-taker agreements from corporate buyers.
- Piloting a performance-based PES programme that channels verified incentives for forest protection, restoration and climate-smart practices through SMEs and agribusinesses to farmers and communities.



2. Situation analysis specific to the project context

a) Description of the general context of the intervention area

Agriculture is the cornerstone of Cameroon's economy and society, contributing between 22–30% of GDP and employing roughly 70% of the working population³. The sector is critical for food security and is a major source of non-oil foreign exchange.

The cocoa sector

Cocoa is Cameroon's most significant export crop, positioning the country as the 4th largest producer globally with an output of 262,000 MT in 2022–23. About 73% of exports go to Europe, making the sector highly exposed to international market and regulatory dynamics. Production is overwhelmingly smallholder-based, with average farm sizes of 2–5 hectares, but exports are controlled by a handful of large international and national trading houses (Olam/OFI, Barry Callebaut, ECOM, Telcar, Sbet). Cocoa expansion is closely linked to deforestation, particularly in the Centre, South, and East regions, where humid forests are being converted to farmland. With yields averaging 300–400 kg/ha (well below the potential of 800–1,000 kg/ha) farmers often clear new land rather than intensify production. As Côte d'Ivoire and Ghana face declining yields and depleted forests, Cameroon is increasingly seen as the "new frontier" for global cocoa companies, raising both economic opportunities and environmental risks.

Other value chains

Beyond cocoa, Cameroon's coffee, oil palm, rubber, and banana sectors contribute significantly to rural livelihoods and exports. Coffee production has collapsed from ~300,000 MT in the 1980s to ~15,000 MT today, but revival efforts are gaining momentum through SMEs such as Terrific Coffee. Oil palm covers an estimated 250,000 ha, split between smallholders, domestic processors, and large industrial plantations. Rubber and banana production are largely dominated by agro-industrial firms with significant land footprints. Food staples such as cassava, plantain, maize, and yam provide the bulk of domestic food security but also contribute to forest encroachment, particularly in shifting cultivation systems.

Systemic Barriers to the development of the agriculture sector include:

1. **Inadequate Infrastructure and Value Chain Deficiencies:** Poor road networks, storage, and processing capacity result in post-harvest losses exceeding 20–30%, forcing products to be sold immediately at low prices. Reliance on rain-fed, low-input agriculture keeps yields low and increases vulnerability to climate shocks, undermining profitability and discouraging investment in value-added processing.
2. **Land Tenure and Governance Issues:** Unclear land rights, customary law disputes, and weak enforcement deter long-term investment.
3. **Socio-Political and Institutional Risks:** Insecurity (especially in the Northwest and Southwest), and corruption inject major uncertainty and additional costs, discouraging investors.
4. **Financial Constraints:** Formal bank lending to agriculture is critically low (often below 10%) and largely limited to short-term working capital, with credit terms poorly aligned to agricultural production cycles. As a result, many smallholders and local enterprises rely on informal lenders or "loan sharks", facing exorbitant interest rates and high repayment pressure.

³ Source: 2024 State of Business Report: [Contribution of Income-Generating Activities to Economic Development in Cameroon](#).



that discourage investment in productivity. Affordable, long-term credit for farm rehabilitation, replanting, or sustainable upgrades is almost non-existent, while high input costs and complex tax procedures further undermine competitiveness and profitability.

Emerging regulatory and market pressures

National Development Strategy

Cameroon's SND30 sets ambitious growth targets, notably tripling cocoa production by 2030 through new plantations, yield improvements, and expanded farmer support. While this reflects the government's push for rural development and export earnings, it also creates risks: without safeguards, expansion could accelerate forest conversion, particularly in the Centre, South, and East regions where cocoa is already the main driver of forest loss. Achieving the target sustainably will therefore require a shift to intensification, agroforestry, and climate-smart practices rather than further encroachment on forest land.

EU Deforestation Regulation

The EUDR will reshape Cameroon's trade with the EU, the destination for most of its cocoa exports. The regulation requires:

- Proof that products do not come from land deforested after 31 December 2020.
- Geolocation of farms and full supply-chain traceability.
- Compliance with relevant national laws on land, environment, human rights, Indigenous Peoples rights, labour, trade & taxes.

For large multinationals, these requirements accelerate existing traceability investments, but for SMEs and smallholders the costs are prohibitive, covering GPS mapping, traceability systems, and verification audits. Without external support, many farmers risk being excluded from EU supply chains, creating both social risks and potential loss of foreign exchange revenues

Corporate Climate Commitment

Beyond regulatory drivers, corporate climate commitments are reshaping market opportunities. Many multinational buyers of cocoa, coffee, and palm oil have set Science-Based Targets (SBTi) to align with the Paris Agreement, focusing particularly on Scope 3 emissions—the indirect emissions across their value chains, which represent 80–90% of their total footprint. For cocoa and chocolate manufacturers, this means reducing emissions from deforestation and agriculture. To meet their Forest, Land and Agriculture (FLAG) targets, companies are prioritising inseting, investing in emission reductions and removals directly within their value chains and sourcing landscapes, over short-term or external measures.

Box 1 – Key terms on corporate climate targets and Scope 3 emissions

- **Near-term targets:** Emission reduction goals set for the next 5–10 years, aligned with limiting global warming to 1.5°C.
- **Long-term net-zero targets:** Plans to cut at least 90–95% of emissions by 2050 or earlier, with only a small residual neutralised.
- **GHG emission scopes:**
 - *Scope 1:* Direct emissions from company-owned sources (e.g. fuel burned in plantations or factories).
 - *Scope 2:* Indirect emissions from purchased energy (e.g. electricity for processing plants).



- **Scope 3:** All other indirect emissions across the value chain (e.g. land-use change, fertilizer, transport). In agri-commodities, Scope 3 accounts for the vast majority of emissions.
- **FLAG targets:** Specific SBTi targets for Forestry, Land-use, and Agriculture. They require companies in land-intensive sectors (like cocoa and palm oil) to commit to reducing deforestation, improving soil carbon, and cutting agricultural emissions.

All major chocolate manufacturers (e.g. Nestlé, Mars, Mondelez) have SBTi FLAG targets and must reduce Scope 3 emissions from cocoa farming. Traders like Sucden and ECOM may not yet have targets but supply into these value chains, meaning pressure cascades down through sourcing requirements. This creates a strong alignment between corporate demand for verifiable Scope 3 emission reductions and the design of PES schemes in Cameroon that can deliver measurable outcomes at scale.

Table 1. Overview of some cocoa and chocolate companies' climate targets

Company role in cocoa supply chain	Company Name	FLAG targets		Deforestation free commitment
		Near-term	Net zero	
Brand	Mars	✓	✓	✓
Brand	Mondelez	✓	✓	✓
Brand	Nestlé	✓	✓	✓
Trader	Barry Callebaut	✓	✓	✓
Trader	ECOM	✗	✗ (in the process of committing)	✓
Trader	OFI	✓	✓	✓
Trader	Sucden	✗	✗	✓

To meet FLAG-aligned Scope 3 targets, cocoa companies must transform farming systems through agroforestry, efficient fertilizer use, and reforestation, with removals occurring within their own value chains. Many are also exploring **landscape-level inseting**, funding forest protection and restoration in sourcing regions beyond individual farms.

Companies increasingly view PES schemes as a way to combine climate outcomes with social co-benefits such as farmer resilience, income diversification, and gender inclusion, contributing to both climate and living income commitments.

Consultations with seven major cocoa and chocolate companies (Barry Callebaut, ECOM, Mars, Mondelez, Nestlé, Sucden, Puratos) confirmed strong interest in funding inseting projects with PES, while also highlighting the constraints and risks they face in Cameroon.



Transition Constraints

Despite these strong drivers, the shift to deforestation-free, climate-smart agriculture in Cameroon is constrained:

- For farmers, SMEs, and cooperatives:
 - High compliance costs for traceability and Monitoring, Reporting and Verification (MRV), rarely covered by price premium or buyer contracts
 - Weak incentives, with financial rewards fragmented and unpredictable;
 - Limited technical capacity, due to weak extension and advisory services;
 - Risks of short-term “on paper” compliance without sustained behaviour change.
- For companies:
 - Lack of robust MRV systems that support monitoring of Scope 3 carbon reductions and removals in the long term;
 - Unclear standards for off-farm inset credits vs NDC contributions raise risks of double counting;
 - Permanence risks make firms hesitant to commit funding if benefits are reversible;
 - Fragmented PES pilots remain too small in scale and too costly to negotiate individually.

Implications and Opportunities

Together, SND30, EUDR, and corporate climate commitments create both risks and opportunities:

- Without safeguards, cocoa expansion under SND30 could accelerate forest loss.
- Without support, smallholders may be excluded from EU supply chains due to EUDR compliance gaps.
- With the right incentives and investment, Cameroon can position itself as a strategic sourcing location for companies seeking verified Scope 3 reductions, combining forest protection with rural development.

This context underscores the need to pilot a practical, results-based model that links private investment, land-use incentives, and verified performance before seeking scale-up. With the right mix of upfront investment and performance-based incentives, Cameroon can position itself as a strategic sourcing hub that secures EU market access, attracts responsible private investment, and delivers both climate benefits and rural development

b) Evolution of forest cover and description of direct and indirect drivers of deforestation and degradation in the project area

Cameroon remains one of Africa’s most forested countries, with tropical forests covering nearly 40% of its territory. However, deforestation and degradation have accelerated over the past two decades, making the country a major contributor to forest loss in the Congo Basin. Between 2001 and 2020, Cameroon lost approximately 1.53 million hectares of tree cover, nearly half of which was primary forest (Eba’a 2021; WBG 2022). Forest loss has affected nearly 80% of the country’s deforestation front areas (WWF 2021), with annual rates rising well above the regional average in several zones.

Main drivers of deforestation

Agriculture is the dominant cause of this loss, both at subsistence and commercial levels. The main perennial cash crops linked to forest conversion are cocoa, palm oil, rubber, and coffee, while cassava, maize, and plantain drive subsistence expansion.



Table 2. Regions most affected by deforestation and crops driving deforestation

Regions	Surface area affected by deforestation (ha)	Deforestation rate 2000-2017 (%)	Crops causing deforestation
North	496,457	12.57	Coton, Millet, Sorgho
Far North	28,092	12.14	Coton, Millet, Sorgho
Centre	251,895	7.91	Cocoa, Oil palm fruit, Cassava, Rubber, Pineapple
Littoral	168,192	2.79	Oil palm fruit, Cassava, Plantains, Maize, Cocoa, Rubber
South-West	92,395	1.83	Oil palm fruit, Cassava, Plantains, Maize, Cocoa
Adamawa	152,339	1.28	Maize, Yam, Cassava
North-West	15,830	0.78	Maize, Plantain, Cassava, Cocoa
West	30,438	0.74	Maize, Plantain, Cassava, Potatoes
South	139,019	0.72	Cocoa, Oil palm fruit, Cassava, Rubber, Pineapple, Sugar cane
East	193,612	0.52	Cocoa, Oil palm fruit, Cassava, Rubber, Pineapple

Cocoa production in Cameroon is closely tied to deforestation, particularly in the humid forest zones (Centre, South, East). With Côte d'Ivoire and Ghana facing depleted forests and declining yields, multinational cocoa companies are increasingly turning to Cameroon as a new frontier. This expansion has come at the cost of widespread forest loss, since 2020, the country has lost more than 782,000 hectares of forest, nearly half of it in cocoa-growing regions (Mighty Earth analysis based on RADD alerts).⁴ Studies around Ntui and other cocoa basins confirm that much of this deforestation is small-scale and farmer-driven, totalling thousands of hectares over the past decade.⁵

The Grand Mbam Landscape

The Grand Mbam landscape exemplifies the pressures facing Cameroon's forest frontiers. The landscape is a transition zone between the humid forests of the south and the savannahs of the north stretching across more than 3.3 million hectares, including original approximately 2.4 million hectares of natural forests. It has undergone a dramatic transformation in the past two decades. Current forest loss is estimated at 2.4% per year, five times the national average, with about 69,000 hectares of humid primary forest cleared between 2002 and 2024, releasing the equivalent of 47,500 tCO₂e emissions (WRI Global Forest Watch, 2025). Cocoa expansion is the dominant driver, with the cultivated area more than tripling between 2010 and 2017, largely through smallholder production supported by

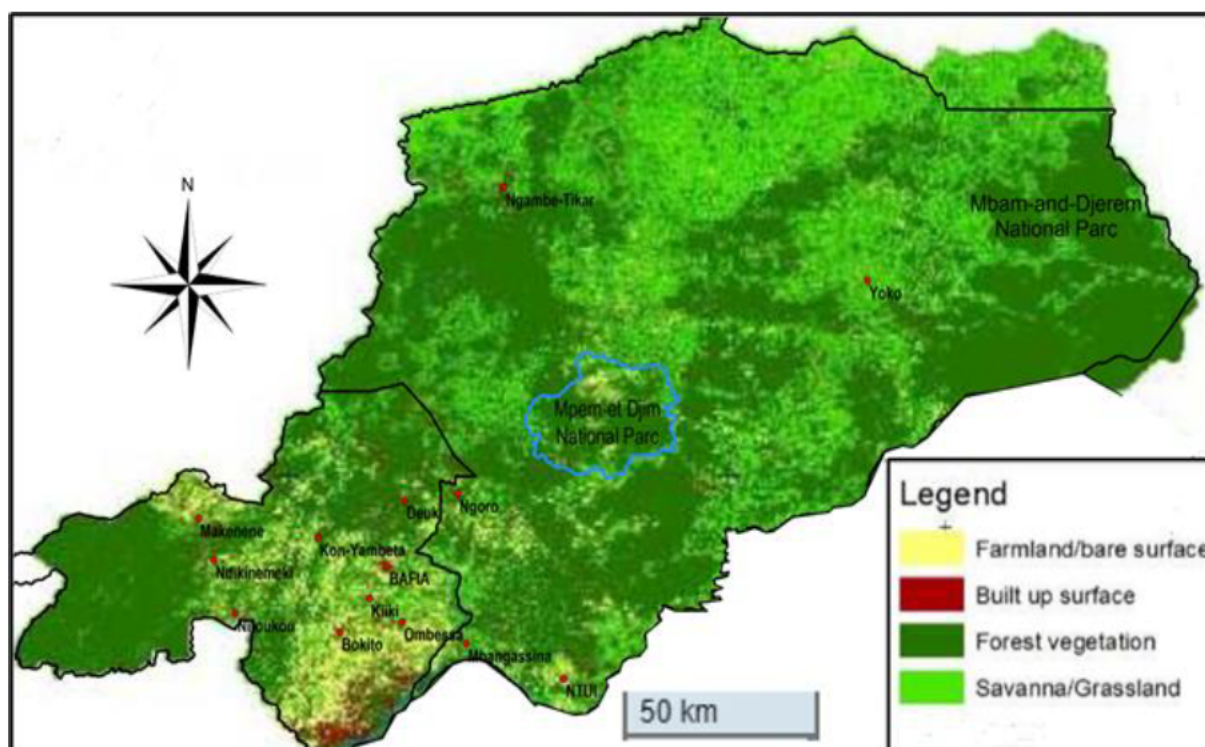
⁴ Mighty Earth & CODED (2025). [Cameroon on the Brink: Cocoa's New Deforestation Frontier](#).

⁵ Ingram, V., Janssen, V., Neh, V. A., & Pratihast, A. K. (2025). *Cocoa driven deforestation in Cameroon: Practices and policy*. *Forest Policy and Economics*.



migrant labour. Oil palm is the second most significant perennial crop, now covering an estimated 10,000 hectares. Seasonal crops such as maize, cassava, and plantain add further pressure, particularly in subdivisions like Ngambè-Tikar, where maize attracts migrant farmers cultivating plots of up to 10 hectares. Infrastructure projects, including road construction and new agricultural corridors, have improved access to previously remote areas, accelerating land clearance. Logging, fuelwood harvesting, and recurrent bushfires in forest–savannah edges compound the degradation, while weak land-use planning and insecure tenure further encourage unsustainable practices.

Figure 1. LULC map of the Grand Mbam in 2020. (Landsat 8 images processing).



Drivers of this forest loss are summarized in the table below.

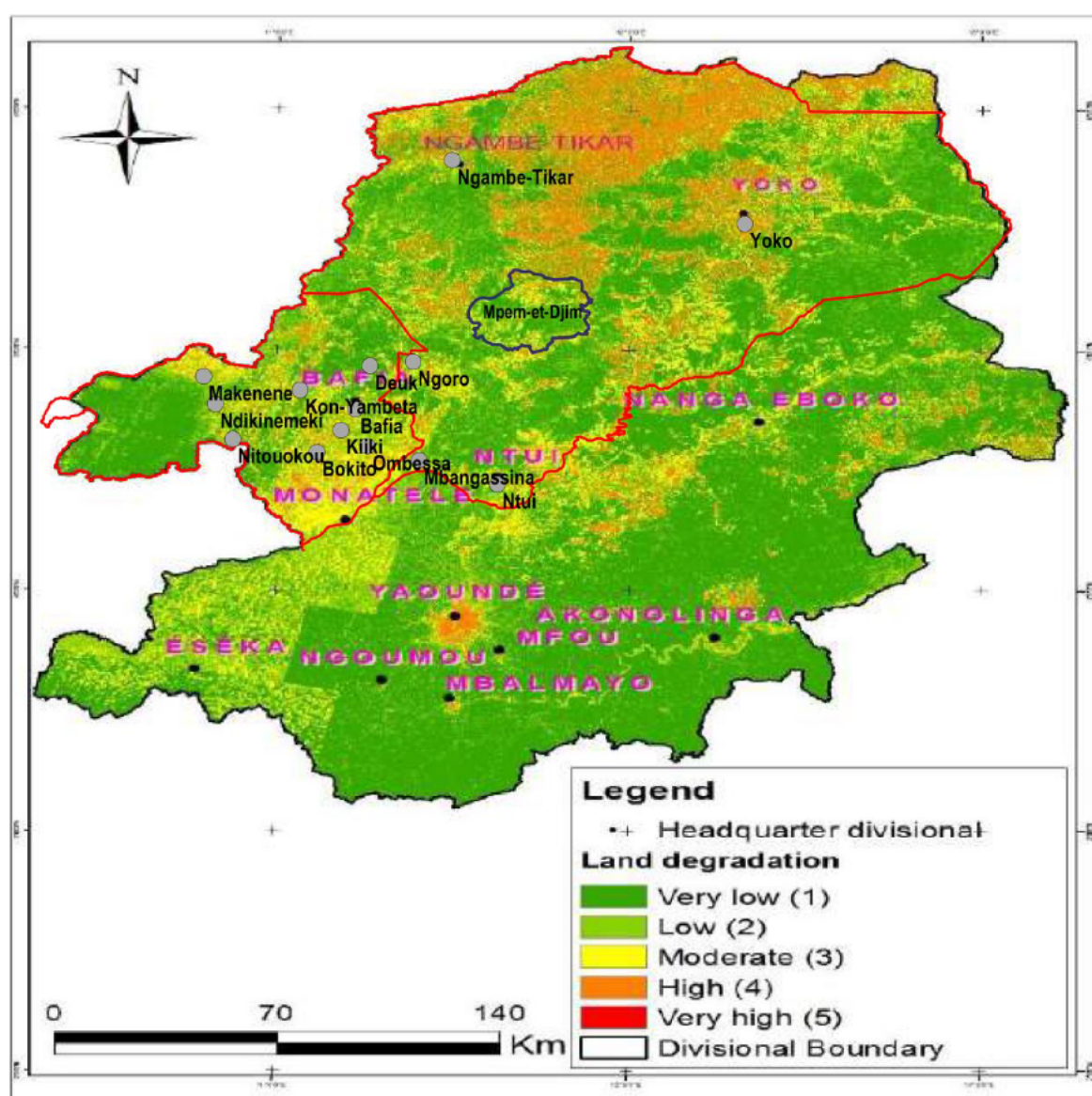
Table 3. Drivers for deforestation in the Grand Mbam landscape 2002-2024 (GFW 2025)

Impact	Drivers	Affected area (ha)		
		Mbam-et-Inoubou	Mbam-et-Kim	Grand Mbam
Deforestation	Hard commodities (e.g., metal ores, oil reserves, etc.)	10	849	859
	Permanent agriculture (mostly tree crops)	14,600	83,400	108,000
	Settlements & Infrastructure	566	1,020	1,586
Temporary	Logging	477	5,960	6,437



Impact	Drivers	Affected area (ha)		
		Mbam-et-Inoubou	Mbam-et-Kim	Grand Mbam
disturbances (degradation)	Other natural disturbances	30	51	81
	Wildfire	3	560	563
	Shifting cultivation	7,680	20,700	28,380

Figure 2. Land degradation index in the Central region of Cameroon (Based on Tchindjang et al., 2025)



Further information on the evolution of forest cover and description of direct and indirect drivers of deforestation and degradation in Cameroon and Grand Mbam can be found in Appendix 7.



c) General and specific objectives of the project

Cameroon's agriculture sector is under increasing pressure to reconcile production growth targets (SND30) with market requirements for deforestation-free and climate-resilient supply chains (EUDR, corporate Net Zero targets). Yet the financial mechanisms to support this transition are largely absent: farmers and local enterprises lack affordable capital and incentives, while private sector companies face credibility risks in claiming Scope 3 reductions without robust MRV and PES frameworks.

The project's overarching objective is to establish an Investment and PES Hub test and validate a blended-finance and performance-based approach that mobilises private investment for sustainable land-use transformation, ensuring Cameroon's supply chains become deforestation-free, low-carbon, climate-resilient, and socially inclusive.

This approach is aligned with Cameroon's 2018 National REDD+ Strategy and associated jurisdictional programmes in the southern forest landscapes. While the Grand Mbam cocoa landscape, where the PES scheme will be piloted, lies outside the current ERP zone, it is a strategically important production area that will serve as a proof-of-concept for scalable PES and investment models. The Hub will also build synergies with other national and regional initiatives (RACINE, IFSLU2, PROCONGO, KfW/GIZ/CBFA land-use planning work and FODECC), helping to build capacity and channel performance-based finance from CAFI and private sector partners to smallholders and SMEs.

The project will pursue the following specific objectives:

1. Mobilisation of Private Finance

- a. Leverage USD 29 million in private commercial, climate, and PES-linked finance by 2030 for local SMEs, cooperatives, agribusinesses, and Environmental Service Providers (farmers and communities).
- b. De-risk investment in deforestation-free value chains to crowd in financial investors as capital providers and corporate buyers as long-term PES payers.

2. Adoption of Sustainable Agricultural Practices

- a. Achieving the adoption of verified deforestation-free and climate-resilient practices (e.g., agroforestry, sustainable intensification) on 9,950 hectares of farmland by 2030.
- b. Support afforestation/reforestation, assisted natural regeneration and forest protection on 7,000 hectares of savannah and forested land.

3. Emissions reductions and removals

- a. Achieving an estimated reduction and/or removal of 604,792 tCO₂e over five years and 2,36 million tCO₂e over twenty years, contributing directly to Cameroon's Nationally Determined Contributions (NDCs) and participating companies' Scope 3 emission reduction target

By aligning concessional finance, technical assistance, and performance-based PES payments, the Hub addresses both sides of the transition gap:

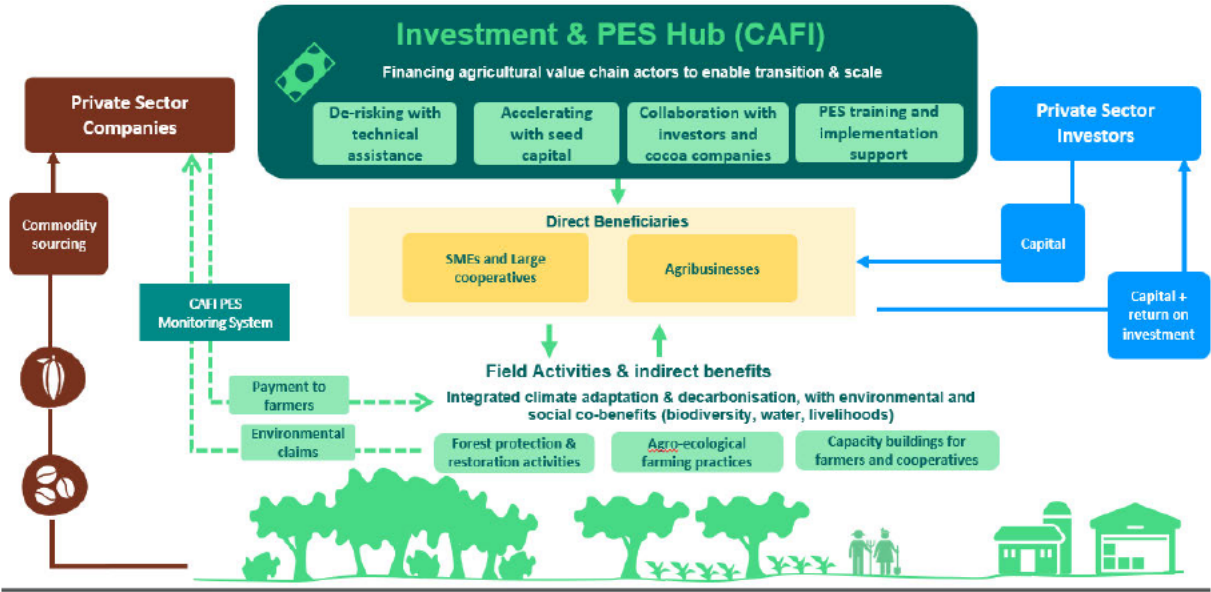
- **Upfront investment** that enables local enterprises and international private sector companies to scale sustainable sourcing and aggregation models.
- **Long-term incentives** that reward farmers and communities for verified environmental outcomes.

This dual approach ensures Cameroon can secure EU market access, attract private sector funding, and position itself as a model sourcing landscape where climate and development objectives reinforce each



other. The Hub is a positioned as a proof of concept that will systematically collect insights on challenges met and solutions that have proven to be effective, to disseminate them amongst other programmes in and to scale across the Congo Basin region.

Figure 3. Illustration of the Investment & PES Hub





3. Project strategy

a) Past initiatives and lessons learned (national and international)

The design of the Investment and PES Hub builds on lessons from a range of donor-funded pilots, national landscape programmes, technical assistance facilities, and PES schemes implemented in Central Africa and other regions (see Appendix 2). These experiences provide important insights into what enables or constrains the mobilisation of private investment in smallholder agriculture and agri-SMEs.

A first lesson concerns **project design and phasing**. Many initiatives underestimated the time required to build robust pipelines and operational systems. Rushed starts often led to weak beneficiary selection and overly broad scopes that diluted impact. By contrast, programmes that allocated a dedicated preparation phase of at least six months, with clear eligibility criteria and operational procedures, were able to establish stronger foundations and deliver more effectively. Similarly, projects with a simplified scope, focused on one or two core objectives, outperformed those overloaded with activities, and safeguards that were proportional to the level of risk proved more effective and manageable.

Another consistent lesson relates to **monitoring, reporting and verification (MRV)**. Ambitious targets unsupported by credible monitoring systems undermined trust among funders and private sector partners. Since outcomes such as forest regeneration or yield improvements often mature beyond a project's lifetime, multi-year MRV and ground-truthing are essential. Where MRV was embedded into multi-actor systems, results were more credible and durable.

In terms of **finance mobilisation**, technical assistance on its own rarely succeeded in unlocking private investment. Many promising ventures remained stuck in the so-called "valley of death": too risky for investors even after receiving support to strengthen their business models. Evidence from global blended finance initiatives shows that combining TA with patient, flexible capital, alongside performance-based incentives, is more effective. These tools not only de-risk investment but also create visible proof points that can catalyse larger follow-on flows of private capital.

Lessons also emerge from **governance and partnerships**. Government participation has been critical to ensure legitimacy, alignment with national climate strategies, and access to public data systems. However, progress slowed where roles were unclear, or capacity was limited. This further emphasizes that aligning with government on off-farm carbon claims will be critical to unlocking private sector co-financing.

The experience of **engagement and inclusion** is equally relevant. Strict eligibility thresholds often excluded high-potential enterprises, especially women-led cooperatives or early-stage SMEs. Programmes that introduced flexible, staged eligibility—beginning with grant-funded TA and progressing to reimbursable TA or concessional capital, managed to expand their pipeline without compromising quality. Similarly, community-level benefit-sharing mechanisms and grievance channels reduced implementation risks and strengthened social legitimacy.

Finally, a key barrier identified in past projects was the **high transaction cost of bilateral PES schemes**. Negotiating bespoke agreements with individual companies or cooperatives proved expensive and difficult to scale. This is where a Hub providing standardised templates, MRV and payment systems could significantly reduce costs and enable replication across landscapes.

These lessons directly inform the Hub's strategic choices. The preparatory grant has already been used to establish clear operating procedures, eligibility criteria, and a vetted investment and PES pipeline.



The project will integrate CAFI's PES Management System to ensure robust MRV and transparent payments. It will combine technical assistance with a catalytic Seed Capital Facility and performance-based PES schemes to create both financial and environmental track records that are attractive to investors. Collaboration with the Government of Cameroon and CAFI Secretariat will clarify the allocation of carbon claims, safeguard against double counting, and ensure alignment with EUDR implementation. The Hub will also adopt inclusive eligibility criteria, phased support instruments, and standardised contracts through the Business & Investment Network to reduce transaction costs and ensure scalability.

Lessons from IDH experiences (TAFs, Cameroon, Nigeria)

IDH's portfolio across Africa provides concrete insights on how blended finance can success or stall:

Technical Assistance Facilities (TAFs): IDH's Technical Assistance Facilities (such as Agri3 TAF, the Land Degradation Neutrality (LDN) TAF, and the reVive Colombia Hub) have demonstrated that well-structured TA is instrumental in mobilising private finance. Through advisory services, risk mitigation, and pipeline development, these facilities have helped early-stage projects strengthen business models, adopt sustainable practices, and attract co-financing. They have also shown that TA can play a catalytic role by bridging the gap between concept and investment readiness. At the same time, experience has shown that early-stage ventures often require longer-term, more flexible support and closer integration with investors to ensure financing follows. The key lesson is that TA is most effective when paired with catalytic capital, structured matchmaking, and adaptive delivery mechanisms that align with investor criteria and project maturity.

Cameroon Programmes: The Roadmap to Deforestation-Free Cocoa and Grand Mbam landscape programme highlighted the importance of multi-stakeholder coordination. Aligning government and private sector agendas require time and trust-building, but once achieved, provided a strong foundation for scaling finance and sustainability solutions. The recently kick-started EUDR pilot in Grand Mbam helps identify what it takes for a Union of Cocoa cooperatives to map farm polygon data and implement a digital traceability system. Learnings on costs and benefits of such a bottom-up approach to EUDR compliance will be embedded in the Hub TA package design.

Nigeria HQCF Programme: In cassava value chains, secure market linkages (Nestlé, Unilever, Psaltry International) created demand certainty. Farmer aggregation reduced transaction costs and improved service delivery. Finance paired with training and TA increased adoption and repayment, while investments in processing infrastructure were essential for scale. Government policy support created an enabling framework, though weak enforcement limited results.

In short, past initiatives show that technical assistance alone is insufficient; finance must be paired with incentives and underpinned by credible MRV and policy clarity. These insights justify the Hub's design as a blended finance mechanism combining TA, seed capital, PES, and a structured investor and business network, providing the necessary conditions to mobilise and sustain private investment in deforestation-free agriculture in Cameroon.

b) Intervention strategy

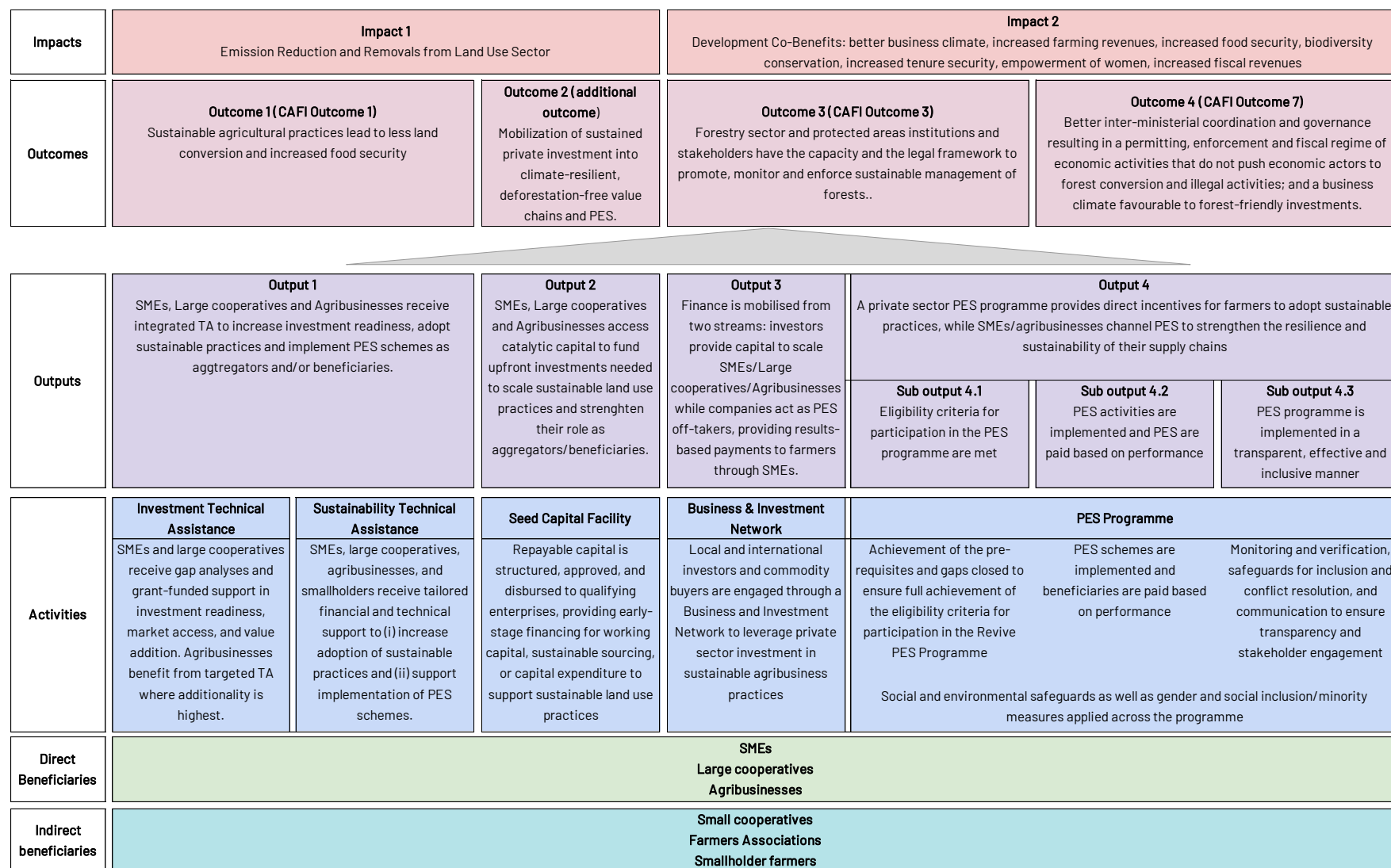
i. Theory of change

Figure 4. Theory of Change



CAFI IDH Investment & PES Hub

Theory of Change





The intervention strategy focuses on piloting an integrated Investment and PES Hub to demonstrate how private capital and performance-based incentives can jointly overcome financing barriers, reduce compliance costs, and strengthen incentives for the transition to deforestation-free, climate-resilient agriculture. It combines four core components (Technical Assistance, Seed Capital, a Business & Investment Network, and a PES Programme) underpinned by clear eligibility and performance conditions. Together, these components will be tested and refined to assess their operational coherence, transaction costs, and scalability potential. Operationalisation of the Hub will be grounded in the local context, with the offer and services adapted to the specific needs of target landscapes and actors, drawing on lessons learned by IDH in the implementation of Technical Assistance Facilities (TAFs) and further refined during implementation.

The Hub's theory of change rests on the premise that by combining **technical assistance**, **patient capital**, and **performance-based incentives**, local SMEs, large cooperatives and Agribusinesses can become effective drivers of sustainable value chains while international private sector companies channel ES payments to farmers and communities. This integrated approach will mobilise private finance and help ensure compliance with both EUDR and corporate Scope 3 targets. Longer term, the Hub aims to demonstrate that PES can operate as a market-based incentive mechanism, encouraging commodity buyers to source from these verified farms, supporting EUDR compliance and de-risking procurement. The programme design builds on two feasibility studies, one on private sector investment and one on PES, which together provide the analytical and operational foundation for the proposed approach.

Outputs

The project will deliver four interlinked outputs:

1. **Integrated Technical Assistance (TA):** Local SMEs, cooperatives and agribusinesses receive tailored TA that combines investment readiness (business planning, market access, value addition) with sustainability and access to PES (climate-smart practices, MRV, FPIC, safeguards). This dual approach ensures they become both bankable and compliant, able to access finance and channel or receive credible PES to farmers.
2. **Seed Capital Facility:** Local SMEs, cooperatives and agribusinesses access concessional, returnable seed capital to finance the upfront investments needed to scale their businesses and strengthen their impact on climate-resilient practices with farmers and potential role as PES aggregators. This de-risks their operations, expands sustainable sourcing, and creates proof points that attract follow-on private finance.
3. **Finance Leveraged:** Two complementary streams are mobilised: (i) Financial investors provide capital to local SMEs, cooperatives and agribusinesses, enabling them to further scale operations and embed sustainability into their core business; (ii) Private-sector companies (e.g. cocoa buyers) act as PES off-takers, providing results-based payments to farmers through SMEs/agribusinesses as aggregators. This directly translates companies' Scope 3 commitments into farmer incentives (ES payments), while reinforcing SMEs' market position and sustainability credentials.
4. **PES Programme:** A performance-based PES scheme provides the direct incentives for farmers and communities to adopt sustainable practices, while local enterprises and private sector companies act as aggregators, channelling ES payments to ES Providers (farmers and communities). For those aggregators, PES is not only a pass-through mechanism: it also strengthens the resilience and sustainability of their supply chains by reducing deforestation risks, improving farmer loyalty and productivity, and ensuring long-term compliance with corporate climate commitments (e.g. Scope 3 targets, Living Income targets). IDH ensures that the PES programme is underpinned by robust MRV, strong social and environmental



safeguards, and alignment with Cameroon's NDCs, thereby guaranteeing credibility for both companies and government. CAFI funding will be used to cover initial implementation costs and to leverage private sector companies as long-term PES buyers.

Outcomes

Together, these outputs will deliver four outcomes:

1. **Adoption of sustainable agriculture practices** by SMEs, cooperatives, agribusinesses, and farmers, reducing deforestation pressures and building climate resilience (CAFI Outcome 1).
2. **Mobilisation of private capital** into deforestation-free value chains and PES schemes, crowding in domestic and international investors as capital providers and corporate buyers as long term PES off takers. This outcome is a proposed new outcome to better capture CAFI work to mobilise private sector investment.
3. **Strengthened conservation and restoration**, with PES, supported by TA and seed capital, creating predictable incentives for forest protection and regeneration (CAFI Outcome 3)
4. **Improved governance and policy clarity** on carbon accounting, PES eligibility, and EUDR implementation, aligning corporate insetting claims with Cameroon's NDCs and CAFI's Results Framework (CAFI Outcome 7).

Impacts

These outcomes contribute to two overarching impacts:

- **Climate impact:** measurable reductions in emissions from deforestation and forest degradation, plus enhanced removals through agroforestry, restoration, and reforestation.
- **Development impact:** improved farmer incomes, greater food security, biodiversity conservation, secure land tenure, women's economic empowerment, rural job creation, and increased fiscal revenues.

Barriers and Assumptions

The theory of change is based on several critical assumptions and acknowledges key barriers:

- **Financing barriers:** It assumes that international and domestic investors can be mobilized if risks are reduced and if investment opportunities are well structured. A major barrier is the high perception of country risk, limited investment ticket sizes, and underdeveloped blended finance instruments.
- **Regulatory environment:** It assumes that the government will maintain and strengthen its regulatory and policy frameworks in line with the CAFI LoI. Weak enforcement, fragmented regulations, or delays in aligning on a process for carbon claims or on operationalizing the EUDR could undermine incentives for private sector compliance.
- **SME capacity:** It assumes SMEs and large cooperatives can absorb TA and seed capital to reach investment readiness. Barriers include weak organizational structures, limited managerial capacity, and insecure land tenure that discourage long-term investment.
- **Market dynamics:** It assumes continued demand for deforestation-free commodities and scope 3 emission reductions from private sector companies driven by sustainability and SBTi corporate commitments. There is a risk that companies may scale back or delay their commitments, reduce their level of ambition, or divert sourcing to lower-risk regions if compliance costs in Cameroon remain high or if global market conditions (such as cocoa prices) change. Such shifts could weaken incentives for private investment in sustainable value chains and undermine Cameroon's ability to leverage international climate finance.



- **Global companies' climate commitments:** It assumes that multinational companies, in particular from the cocoa sector, will continue sticking to their SBTi climate, living income and wider sustainability commitments despite challenges in the business environment, with high EUDR compliance costs and extremely high cocoa prices linked to a shortage of cocoa beans. It also assumes that the carbon benefits generated by the project will be attractive enough for companies to be willing to fund about 70% of the PES project costs, to meet their climate commitments, and to share part of the carbon value with producers through a mechanism of ES payments.
- **Permanence of sustainable practices:** It assumes that sustainable land-use practices adopted during the project will be maintained beyond the period of CAFI support. A key risk is that practices may revert once direct project support ends, particularly if they are not embedded in enterprise business models, internal systems and service offers.
- **PES credibility:** It assumes PES schemes can be designed with robust MRV and safeguards to generate credible, verifiable climate benefits. Barriers include technical gaps, absence of national carbon accounting frameworks, and risks of double counting between company claims and national inventories.
- **Farmers digital literacy:** it assumes that through dedicated support farmers will be able to adopt mobile wallets to receive ES payments⁶.
- **Social inclusion:** It assumes that PES and investment models will adequately incorporate gender and vulnerable groups. A risk is that benefits could disproportionately flow to larger enterprises, excluding smallholders and women.

Table 4. Intervention objectives and their impact to address barriers identified

Barrier Addressed	Intervention Financed by Project Objectives	Strategic Impact
Financing barriers	Provision of de-risked working capital and long-term investment through the Seed Capital Facility; mobilisation of private investors via the Business & Investment Network.	Expands access to finance, enabling SMEs and agribusinesses to scale sustainable operations and build track records that attract commercial capital.
Regulatory environment	Engagement with CAFI Secretariat and Government to clarify PES rules, carbon accounting, and EUDR compliance processes; integration of beneficiaries into CAFI's central MRV system.	Reduces uncertainty for companies and investors; ensures compliance credibility; strengthens national systems while avoiding double counting between corporate claims and NDCs.
SME and farmer capacity	Technical Assistance Facility: business planning, governance, financial management, and sustainability training; finance conditioned on legality and tenure alignment; PES eligibility tied to recognised land tenure.	Builds investment readiness of SMEs/cooperatives; incentivises land formalisation and long-term planning; strengthens capacity to channel incentives to farmers.

⁶ About 90% of the population owns mobile phones in Cameroon. Urban areas, such as Douala and Yaoundé, lead in mobile wallet usage, driven by providers like MTN and Orange. Partnerships between mobile operators and microfinance institutions are further accelerating financial inclusion. These collaborations have increased access to credit and insurance services by +5% to +6% through mobile platforms. The Centre region, with its better infrastructure, exhibits the highest number of users (33%). Source: UNDP (2024)



Barrier Addressed	Intervention Financed by Project Objectives	Strategic Impact
Permanence of sustainable practices	Tailored technical assistance for SMEs, cooperatives and climate agribusinesses to adopt concrete sustainable practices (e.g. agroforestry, residue management, composting, pruning, responsible fertiliser use) in their own operations and services to smallholders;	Embeds sustainable agriculture within enterprise business models so that practices are institutionalised rather than project-dependent, increasing the likelihood that sustainable land-use and E&S standards are maintained beyond CAFI support and continue to influence land-use decisions over the longer term.
Market Dynamics	Design of blended finance instruments and PES schemes co-financed by corporate buyers; support for diversified, climate-smart business models that reduce compliance costs.	Improves competitiveness of Cameroonian value chains; anchors long-term sourcing relationships; reduces the risk of market withdrawal by global buyers.
Global companies' climate commitments	Implementation of performance-based PES schemes that deliver verifiable Scope 3 reductions/removals; co-financing from corporate buyers to cover ~65% of PES costs.	Provides companies with cost-effective, credible climate outcomes; strengthens farmer incomes through ES payments; positions Cameroon as a priority sourcing landscape.
PES credibility	Deployment of robust MRV systems through CAFI's PES platform, with independent verification of results; safeguards integrated into PES design.	Guarantees credibility of PES schemes; attracts long-term private sector finance; ensures results contribute to both company claims and national NDC targets.
Social Inclusion	Inclusion criteria and safeguards requiring gender and vulnerable group participation; PES schemes designed with equitable benefit-sharing.	Ensures that women, smallholders, and vulnerable groups access finance and PES benefits; strengthens social legitimacy and rural development outcomes.

ii. Conditions for Intervention

Priority will be given to interventions that demonstrably scale sustainable business models and demonstrate the highest potential for impact. Support (including Technical Assistance and Seed Capital) will be provided to beneficiaries based on the following non-negotiable conditions:

- **Verified Business Legality and Compliance:** Financial and technical support is strictly conditioned on the legal status of the recipient enterprise (SME, cooperative, agribusiness). The company must demonstrate full legal registration, tax compliance, and adherence to national labour and operational laws (technical assistance will be available if required). While smallholder land titles are complex, support requires that all project activities are aligned with national land-use plans and respect customary land rights.
- **Demonstrated Commitment:** The company must prove commitment to transition its value chain and land use practices toward verifiable, deforestation-free agriculture, placing farmer and community at the centre of this transition.
- **Clear Additionality:** The intervention must demonstrate that the support provided enables outcomes (scale, speed, or scope) that would not be achieved through the company's normal business operations or existing financing.



- **Mandatory Spatial Data for Investment:** The beneficiary should commit to the implementation of farm geolocalisation and forest monitoring, to prove EUDR compliance (e.g. in the case of cocoa) and that no-deforestation commitments are met. SMEs will be supported in this process through dedicated TA linked to IDH's ongoing EUDR support programme. This ensures that the Hub can precisely track the location and environmental outcomes of all capital deployed and PES schemes implemented, meeting the required performance standards for Results-Based Payments.
- **For international private sector companies:** A firm co-financing requirement is mandatory. This includes dedicated co-funding to fund enabling activities, as well as a verifiable commitment to channel ES payments to ES providers (farmers and communities) when the CAFI PES financing is applied.
- **Seed Capital Commitment and Exit Strategy:** Investees receiving Seed Capital must commit to the facility's design as patient capital with repayment schedules aligned to agricultural cash flows. Furthermore, they must establish a clear plan to build a repayment track record and successfully transition to more commercial financing through the Business & Investment Network within the agreed-upon investment horizon, ensuring the Hub's capital remains revolving.

iii. Technical Assistance Facility (The De-Risking Component)

The TA Facility is the foundation that builds capacity and ensures project compliance, directly addressing the technical and operational risks that deter investors. TA is the essential component that **professionalizes the enterprise and enhances project readiness**. It provides advisory services for project design, financial modelling, and legal structuring, converting early-stage ideas into **bankable** proposals. Critically, the TA Facility delivers **Compliance Support**, including the development and implementation of digital geolocalisation and traceability systems necessary for the strict demands of the EUDR. Finally, TA includes **support to implement or access PES schemes**, providing training on CAFI eligibility conditions, field activities (e.g., agroforestry, ANR) and implementing the spatial monitoring and reporting protocols required to successfully monetize verified environmental outcomes. As the TA Facility becomes operational, its offer and services will be adapted to the local context, drawing on the lessons learned by IDH in the implementations of TAFs. This will be further refined and adopted during the implementation.

The table below outlines the types of TA to be supported by the project to be delivered on a grant-funded or reimbursable basis, depending on enterprise size and capacity, with priority given to interventions that demonstrate sustainable business models. This categorisation is based on a comprehensive investment feasibility study carried out as part of the Prodoc development and available in Appendix 15.

Table 5. Categories of TA supported by the project

Category	Description of potential TA package
Investment technical assistance	• Financial management and tax compliance: strengthening bookkeeping, budgeting, and internal controls. • Market access and certification: support on branding, pricing, marketing, and meeting certification standards. • Processing and operational efficiency: improving post-harvest handling, quality systems, and equipment upgrades.



	• Investor readiness: preparing financial models, business cases, and pitch decks to clearly articulate investment opportunities.
Sustainable Agriculture	▪ Climate Smart Agriculture Advisory: Assessment of best practices adapted to local context, implementation strategy and training on sustainable deforestation-free farming practices, improving traceability, and promoting smallholder inclusion. Training will also target smallholders of the value chain.
Access to PES	▪ CAFI PES capacity-building and implementation support: Hands-on advisory for designing PES activities, including assistance with eligibility processes (e.g., FPIC, land use planning, tenure clarification), spatial mapping of value chain actors, recruitment of “PES aggregators” & development of MRV systems in line with CAFI requirements.

iv. The Seed Capital Facility (the Financial Leverage Component)

The SC Facility is the **initial financial mechanism** that bridges the "valley of death" by providing high-risk, catalytic liquidity necessary to demonstrate early viability. Financing will support working capital and capital expenditures directly linked to business expansion, sustainable sourcing, deforestation-free production, and the execution of PES schemes. By covering the upfront costs required, such as the uptake of climate-smart inputs, establishing agroforestry systems, reforestation, but also processing and value addition facilities to enable sustainable intensification, the facility ensures that local enterprises have the means to implement climate-smart practices at scale.

To meet these needs, the facility will structure **flexible instruments**, such as repayable grants, concessional debt, equity, or hybrids, tailored to investee's requirements and cash flow profile. Instruments will be designed to take into account regulatory requirements (e.g. lending in Cameroon must be channelled through regulated partners). An Investment Development Manager will oversee the catalytic role of the facility, ensuring that each financing is linked to a clear exit strategy. From the outset, prospective follow-on investors from the Business & Investment Network will be engaged and aligned on key performance indicators, technical assistance support requirements, defined impact and scalability to ensure continuity and maximize impact.

Eligible uses of capital will include:

- Operating expenses and working capital for sustainable sourcing and deforestation-free verified expansion into priority landscapes.
- Capital expenditures on equipment and infrastructure that reduce post-harvest losses, reduce emissions, improve quality for sustainability markets, add value through processing, and generate jobs.
- Upfront investments required for PES implementation, such as agroforestry establishment, reforestation, assisted natural regeneration, and embedding of forest monitoring system.

By combining seed capital and ES payments, local enterprises will be able to establish a track record of financial performance linked to verified environmental outcomes. This dual track record, financial and environmental, will demonstrate to environmentally-minded commercial lenders and investors that PES-backed business models are both viable and profitable. Over time, investees are expected to graduate from concessional finance to sustained private capital through the Business & Investment



Network, ensuring that PES schemes and sustainable sourcing models become fully integrated into commercial value chains. The design of the seed capital facility is based on a comprehensive investment feasibility study carried out as part of the Prodoc development and available in Appendix 15.

v. Business & Investment Network (The Market Creation and Scaling Mechanism)

The Business & Investment Network is designed as the market-scaling mechanism of the Hub. The Hub mobilises two complementary streams of private finance. First, financial investors provide capital to local SMEs, cooperatives and agribusinesses, enabling them to expand operations, invest in processing, and embed sustainability into their core business models. Second, private-sector companies, particularly cocoa buyers, engage as PES off-takers, providing performance-based payments that flow through SMEs and cooperatives to farmers and communities. This dual stream directly links companies' Scope 3 commitments to farmer incentives while reinforcing the market position and sustainability credentials of SMEs. The Hub purpose is to connect enterprises seeking capital for sustainable land-use transformation with investors and buyers looking for credible, impact-driven opportunities. By lowering transaction costs, validating enterprise pipelines, and aligning capital supply with demand, the B&I Network ensures that promising enterprises can graduate from concessional finance to sustained private investment.

Membership is deliberately diverse to ensure complementarity across financing instruments:

- Private sector companies operating in cocoa, coffee, palm oil, and rubber value chains, seeking EUDR-compliant sourcing and credible inseting opportunities. Cocoa companies are a priority, given their significant footprint in the region and their Scope 3 targets.
- Impact investors offering long-term, patient capital (equity and debt) aligned with realistic cash flows. This includes funds such as &Green, Agri3, Mirova, and IDH-managed facilities, alongside new partners meeting CAFI's investment criteria.
- Philanthropic investors (foundations, social venture funds, philanthropy-focused financiers) providing early-stage, impact-first capital (soft loans, quasi-equity) and offering exit pathways from the Seed Capital Facility.
- Local MFIs and banks supplying shorter-term debt in local currency.

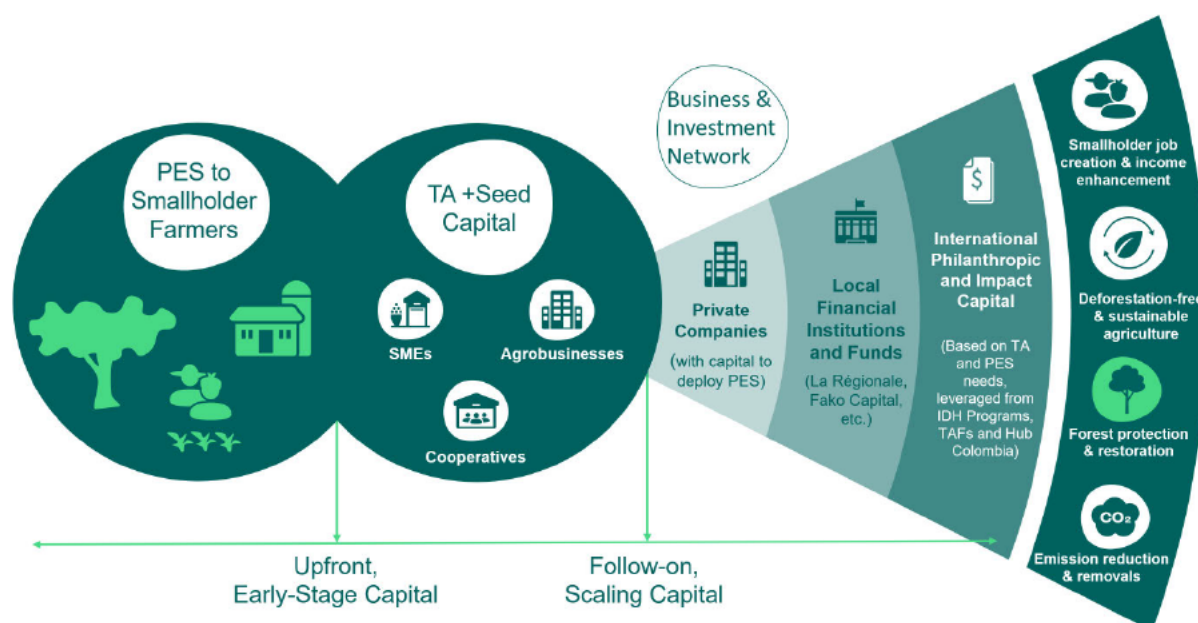
This blend of actors secures both the upfront financing and the long-term PES cash flows required for business models to scale. The Investment Development Manager will coordinate matchmaking, align investment priorities and ticket sizes, and ensure impact targets are met.

The network delivers three core functions: (i) investment readiness, by validating pipelines and harmonising due diligence; (ii) capital mobilisation, by engaging companies as payers and investors as capital providers; and (iii) knowledge building, equipping financial actors to design and fund PES-linked agricultural business models.

By combining these functions, the network becomes more than a financing platform: it is a durable ecosystem for forest-positive investment in Cameroon. Reinforced by technical exchange, capacity building, and multi-stakeholder collaboration, the Network ensures that local enterprises and farmers can continue to access finance and ES payments well beyond the life of the project.



Figure 5. Diagram of the IDH Business & Investment Network.



Case Study: La Régionale – a Partner for the Business & Investment Network

La Régionale is a financial institution in Cameroon with both a commercial banking arm and an agribusiness division, positioning it as a potential partner for the Network in scaling sustainable agriculture and PES-linked finance. The bank provides input and equipment finance but has had limited tailored products that address the cashflow realities of SMEs or the long-term nature of sustainable land use investments. In 2024, La Régionale's senior managers received sustainable finance training through IDH's Technical Assistance, aimed at a) raising awareness on environmental and deforestation issues, exploring opportunities to map them to their financial systems, and b) developing relevant sustainable finance products for the Cameroonian agricultural market.

Following our continuous engagement through the CAFI Feasibility Study, we discussed the potential pipeline of agribusinesses that can be a) supported by the Hub and the Seed Capital Facility, and b) exited from the Seed Capital Facility back to La Régionale for continuous, follow-on financing. These discussions further strengthened the Technical Assistance and Seed Capital offering to the realities of the Cameroonian market. Finally, the Bank sees value in leveraging the Hub due diligence as a form of validation for SME and cooperative borrowers, potentially lowering transaction costs and enabling more confident lending. It has also indicated interest in continuing to design new financial products that incorporate sustainability criteria, such as loans tied to the adoption of agroforestry or deforestation-free sourcing, making it a strong partner for the Business & Investment Network.

vi. The Pilot PES Programme (The Incentive Mechanism)

The proposed PES programme is designed to align with CAFI's PES strategy in the Congo Basin, while directly addressing private sector companies' challenges in meeting Scope 3 targets. Although multinationals such as Hershey's, Mars, Mondelez, Nestlé and Barry Callebaut have made Net Zero commitments, their current sustainability programmes in Cameroon provide limited farmer incentives and lack robust off-farm interventions such as forest protection or reforestation. Additionally,



companies face uncertainty about the carbon claims they can make from these projects, preventing them to engage in landscape-level inseting project.

We aim to address these hurdles by designing and implementing a PES pilot that could attract companies' funding towards on-farm and off-farm PES projects that generate a climate benefit ("insetting within value chains" and "landscape-level insetting"), starting with the cocoa sector. To do so, we will build on companies' existing sustainability programs and will provide support to programmatic activities that can be considered as going beyond "business as usual". Specifically, our offer to cocoa companies is articulated around the facilitation of an enabling environment that help them design and implement PES projects.

We take a pilot approach to test our offer with cocoa companies, build the capacity of the Hub pipeline of agribusinesses to facilitate their adoption of PES in their business model, while collaborating closely with the CAFI Secretariat and Cameroon government on the enabling environment. Learnings and insights from this pilot will be shared at national level (e.g. through the Sustainable Cocoa Platform), as well as international level. The pilot will also allow us to further refine the PES Programme to the local context.

More specifically:

- At the heart of our offer is the **CAFI PES Management System**, which will address companies' concerns related to possible duplication with their competitors' programs. It will also support verification for deforestation-free claims, thereby adding credibility to companies' EUDR due diligence. The independent verification, commissioned by the CAFI Secretariat, will also provide an additional layer of assurance. Finally, IDH will provide technical specifications to the CAFI Secretariat so that the system is customized to monitor carbon benefits of the scheme.
- We will provide companies with **additional clarity on carbon claims that can be made through off-farm schemes** (landscape-level inseting projects): Afforestation/Reforestation, Restoration, Forest Protection. IDH will work with the CAFI Secretariat and MINEPAT on a mechanism that can address this challenge. We will develop a process that will provide clarity on carbon benefits generated off-farm, which can be leveraged for companies' SBTi carbon neutralization targets, while being claimed under government's NDCs.
- We will support local enterprises in the design and implementation of the PES schemes through the Technical Assistance Facility and the Seed Capital facility, based on additionality to the implementation of the PES scheme and the need to plug capital gaps not offered by the market.

Targeted PES schemes and environmental service providers

A comprehensive PES feasibility study was carried out as part of this Prodoc development, which helped identify 4 PES schemes that can be co-designed and implemented with the private sector (large multinationals but also national companies and SMEs). This selection was done based on a scorecard of 5 criteria: Forest Pressure, Carbon Impact, Economic Development, Funding Potential, Carbon Claim Rigor. The full PES feasibility study, which features the Scorecard and more detailed information on the PES schemes is available in the Appendix 15.

- **PES scheme #1: Climate-Smart Cocoa Agroforestry** focuses on increasing the productivity and resilience of existing cocoa farms, thereby reducing the incentive to expand into forests. Farmers enrich their fields with shade trees (targeting 40–60% canopy cover) and adopt good agricultural practices such as pruning, composting, and integrated pest management. These measures boost yields, diversify income through timber and fruit, enhance biodiversity, and sequester carbon.



Individual cocoa farmers are the environmental service providers. Companies will be able to claim resulting carbon removals as insets against their SBTi FLAG targets.

- **PES scheme #2: Afforestation and Reforestation (A/R)** targets degraded lands and fallows for large-scale tree planting, restoring ecological functions and carbon stocks while creating buffer zones around natural forests. Communities and farmers plant native and high-value species, supported by fire management protocols, to ensure survival. This scheme delivers long-term carbon sequestration, biodiversity gains, soil and water conservation, and diversified livelihoods. Carbon claims can be made either as insets within cocoa value chains or as certified landscape insets for net-zero targets.
- **PES scheme #3: Restoration through Assisted Natural Regeneration (ANR)** protects and enhances natural forest regrowth suppressed by fire, grazing, and clearing. Farmers and communities receive payments for maintaining firebreaks, protecting seedlings, and allowing natural regeneration to occur, supplemented by selective enrichment planting. Although carbon accumulation is slower than tree planting, the resulting forests are more resilient and deliver sustained carbon storage, biodiversity connectivity, and watershed stability. Private sector claims mirror those of the A/R scheme.
- **PES scheme #4: Forest Protection** directly addresses deforestation threats by securing high-value forests in both permanent and non-permanent forest domains. Activities include boundary demarcation, community patrols, fire management, enforcement of logging and hunting restrictions, and awareness campaigns. Payments are linked to verified protection outcomes, while communities benefit from income and new roles in conservation. Although avoided emissions credits are not yet recognized under SBTi rules, company investments in this scheme demonstrate deforestation-free supply chains, strengthen sourcing resilience, and enhance corporate leadership on forest protection.



Table 66. Summary of PES activities to be implemented targets, geographic areas, main intervention and safeguards

PES scheme	ES provider	Land use Targeted & size	Targeted geographical area / Locations	Interventions	Safeguards
PES Scheme #1: Climate Smart Cocoa Agroforestry	Individual farmers, through coops and their Union of coops	Target: 4000ha Degraded savannah, Young fallow land, Existing cocoa farm (all) new farms in savannah, Old farms in savannah	Locations: the major production basins in Mbam et Kim. (Mbangasina, Ngoro, Ntui), and Mbam et Inoubou (Ndiki, Bokito and Makenene).	- Targeting canopy cover above 40-60% - Diversification of income from timber species and fruit trees (exotic trees & indigenous, NTFPs); - GAP (pruning, optimized fertilizer use, biochar, IPM) - No deforestation - Fire belts	- At least 30% women - No activity in protected area - No deforested land after 2020
PES Scheme #2: Afforestation/Reforestation	- Collective: focus on community and communal forests - Individual farmers with customary land right setting up afforestation plot adjacent to a cocoa farm can be considered	Target: 2000ha 2 community forests and 2 communal forests Afforestation: Degraded savannah (not a forest in the past); ideally adjacent to a cocoa farm (existing or to be created) in the buffer area of a park or communal forest. Reforestation: Young fallow land (less than 5 years, less than 10 years since forest) or degraded community or communal forest, ideally adjacent to a cocoa farm (existing or to be created) in the buffer area of a park or communal forest.	Communal forests in Bokito or Yoko Community forests (possibly starting from CF in Mbangassina and Ngoro)	- Fire management practices - Enrichment tree planting - Tree planting for demarcating boundaries of communal forests (with exotic tree species such as teak)	- Community / communal forest must have a valid simple / management plan - No activity in protected area - No deforested land after 2020 - Must include Mbororos cattle graziers in areas where they are present in order to sensitise them against bush fires and destruction from animals
PES Scheme #3: Restoration – Assisted and Natural Regeneration	Collective: focus on community and communal forests Individual: farmers with customary land right setting up afforestation plot adjacent to a cocoa	Target: 2000ha - Degraded savannah (woody and shrub); - Degraded secondary forests.	Moderate to highly degraded land in Yoko, Ngambè Tikar	Creates additionality by introducing deliberate interventions that allow nature to take over when business as usual would fail: - Fire management practices - Protection of naturally occurring tree seedlings	- Community/communal forest must have simple/management plans - No activity in protected area - Must include Mbororos cattle graziers in areas where they are present



PES scheme	ES provider	Land use Targeted & size	Targeted geographical area / Locations	Interventions	Safeguards
	farm can be considered			– Proactive maintenance of tree cover	
PES Scheme #4: Forest protection	Collective: Community forest management committees (e.g., CPF), local communities	Target: 3000ha – National Park; – Community Forest; – Communal Forest.	Surrounding of Mpem et Djim National Park; Community and Communal Forests in Mbangassina, Ngoro, Bokito and Yoko	– Patrolling activities – Preventing illegal logging and hunting – Establishing village-based eco-guard teams – Demarcating boundaries using trees – Sign posting – Satellite surveillance of the forest	– Community/communal forest must have simple/management plans – No activity in protected area (e.g. agricultural and hunting of protected species)



Phased Implementation

The implementation of the PES scheme is structured in two phases, moving from a pilot stage to a broader roll-out.

- **The first phase**, covering the initial two years, focuses on **stress-testing the PES approach**. During this period, pilots will be run with a small number of cocoa companies that already have sustainability projects in place. This will allow the CAFI PES monitoring system, payment modalities, and technical design to be refined in collaboration with company sustainability teams. We will develop PES Implementation Guidelines, which will describe the step-by-step approach to setting up a PES scheme as well the detailed PES internal verification procedures and timeline of corrective measures to be taken in case of non-compliance. The guidelines will be updated regularly to include learnings and insights collected along the way.
 - ➔ The pilot will cover approximately 1,000 hectares of cocoa farmland, one community forest, and the Mpem & Djim national park.
- Building on the lessons from the pilot, the **second phase** will scale up implementation during the remaining three years of the programme. By then, the PES system and carbon monitoring framework will have been tested and validated, allowing engagement with a wider range of partners including SMEs, cooperatives, and agribusinesses.
 - ➔ By the end of the five-year period, the PES programme is expected to reach 4,000 hectares under Climate-Smart Cocoa Agroforestry, 2,000 hectares under Afforestation/Reforestation, 2,000 hectares under Restoration - ANR, and 3,000 hectares under Forest Protection.

PES targeted budget

CAFI funding will be used to cover initial implementation costs and to leverage private sector companies as long-term PES buyers. Private sector companies are expected to fund about 65% of PES scheme costs, based on the assumption that they see a strong business case for financing such schemes in exchange for carbon benefits under SBTi Net Zero targets. They will contribute \$15.7 million out of a total cost of \$24.2 million.

Table 7.7. PES scheme targets and budget

PES scheme	Type of PES scheme	Targeted area (ha)	Total cost of the PES scheme (USD)	Cocoa Company co-funding (USD)
Climate Smart Cocoa Agroforestry	Individual (cocoa farmers)	4,000	10,038,061	5,626,517
Afforestation/Reforestation	Individual farmers and/or Collective	2,000	5,869,395	4,402,915
Restoration - ANR	Individual farmers and/or Collective	2,000	3,164,297	1,908,962
Forest protection	Collective	3,000	5,125,188	3,838,407
TOTAL			24,196,941	15,776,801

A more complete description of the PES scheme budget, payment modalities and triggers, disbursements, roles and responsibilities, as well as related costs is available in Section 6 c).



Cocoa companies' business case for funding PES

The feasibility study and company interviews confirmed that international traders and exporters (e.g. OFI, Barry Callebaut, ECOM, Puratos, Moi Foods) have established traceability systems, ESG teams, and access to international finance. Several operate PES pilots already: Barry Callebaut and OFI, for instance, pay per-tree premiums based on survival rates, mainly to meet their client requirements (i.e. requirements of chocolate brands such as Nestlé, Mars, Hershey's, etc). However, these PES initiatives remain small-scale and compliance-driven, rather than integrated into structured PES-linked business models. Their supply chains rely heavily on smallholder farmers, often accessed via cooperatives or intermediaries, which reduces proximity to production practices but gives them leverage at scale. With most companies either committed to SBTi targets themselves or supplying clients who are, they face mounting pressure to deliver verifiable Scope 3 emission reductions.

This evidence highlights both readiness and opportunity: multinational companies already possess the systems, international linkages, and market orientation to integrate PES, but require clear incentives and frameworks to move beyond narrow compliance efforts. The Hub will therefore engage them as aggregators and implementers of insetting projects that include a PES mechanism.

Case Study: Moi Foods

Moi Foods, the Cameroonian trading arm of the Singapore-based Mewah Group, has expanded rapidly in the country's cocoa and coffee sectors, moving from small volumes to handling over USD 150 million in cocoa trade. The company benefits from Mewah's global presence and is positioning itself as a key intermediary in Cameroon by investing in local processing and compliance with international standards. Already, Moi Foods has achieved around 90% traceability of its supply chain to meet EU deforestation regulation, mapping farms and verifying farmer data through a team of more than 100 field agents. Its sustainability unit works directly with farmers and licensed buying agents to promote good agricultural practices, reduce pesticide use, and build resilience, while Rainforest Alliance certification now covers half of its supply. This places Moi Foods in a strong position as an anchor company able to scale sustainability standards and influence large numbers of producers.

With a dedicated sustainability budget of USD 2–2.5 million for 2026, Moi Foods is exploring agroforestry expansion and has expressed interest in developing a PES-specific programme. The company sees agroforestry as a way to improve compliance with deforestation regulations, strengthen farmer loyalty, and create measurable environmental outcomes. However, it has no prior experience in PES design and lacks systems to translate sustainability spending into performance-based incentives for farmers. Challenges include aligning farmer behaviour with long-term commitments, developing monitoring and reporting systems that meet both national and international standards, and navigating the regulatory environment for PES in Cameroon. With its scale, technical team, and international market links, Moi Foods represents a high-potential partner for piloting PES at commercial scale, but it will require support to identify a candidate site for a PES scheme, design a scheme that can contribute to its clients sustainability and climate targets, and ultimately implement and monitor the selected scheme, in compliance with the IDH/CAFI PES requirements. Blended finance could further support the rollout of agroforestry and forest protection programmes across its supply chain in Cameroon, turning existing sustainability efforts into verified climate impact.



Box 2 - The Marginal Abatement Cost (MAC) – an important metrics that inform companies' investments in inseting projects

The Marginal Abatement Cost (MAC) represents the cost incurred to reduce or avoid the emission of one tonne of carbon dioxide equivalent (tCO₂e). It is a key metric used to assess the cost-effectiveness of climate mitigation interventions. In the context of the PES schemes supported by CAFI, each intervention whether agroforestry, reforestation, restoration, or forest protection has its own MAC, reflecting the financial investment required to deliver verified carbon outcomes. See table below.

The MAC metric provides an indication of the carbon benefits relative to the investment, offering private investors insight into the climate impact of their funding. Importantly, the MAC for these schemes is competitive compared to carbon offset options available to companies. This is due in part to the proposed PES co-funding model, which subsidises a portion of the total cost. By covering enabling environment and MRV-related expenses, CAFI effectively reduces the financial burden on companies, lowering the MAC they face and enhancing the return on investment. This makes participation not only environmentally impactful but also economically attractive.

PES scheme	Estimated tCO ₂ e/ha/year	MAC, USD/tCO ₂ e abated	MAC, USD/tCO ₂ e abated (Cost borne by companies)
CSCA	3.2	161	93
A/R	6.1	116	92
Restoration	2.9	134	90
FP	6	100	85

Methodological notes: Carbon data above has been estimated using GHG Protocol-based forecasting models for each scheme, as this is the methodology used by companies for their GHG accounting – hence the methodology they'll use to calculate and assess MAC. The MAC calculations were based on 5 years of project implementation, but the MAC decreases significantly when calculated over 20 years. The carbon estimates slightly differ from those of the Hub GHG impact data, which were calculated based on the CAFI methodology, in order to provide consistency in GHG estimations across all CAFI projects.

Estimation of ES payments

The annual ES payments for the CSCA, A/R and Restoration-ANR schemes were estimated through a study on the farmers willingness to accept, conducted during an initial screening of 200 households in the Grand Mbam region. The ES payments for forest protection were estimated based on market value of carbon (15 USD/tCO₂e). These first estimates will be adjusted in the implementation phase, as we engage with ES providers (farmers and communities) to co-define the expected changes in practices and community-based interventions. We expect these payments to be mostly funded by international commodity buyers and traders (initially focusing on cocoa) who will act as both aggregators (for implementation) and ES buyers. Our company engagement strategy builds on more than 15 years of IDH's work in the cocoa sector, strengthening the business case for sustainability through, e.g. the Cocoa & Forests Initiative or European platforms for sustainable cocoa such as the Belgian "Beyond Chocolate" platform. More specifically, we will leverage our recent Cocoa Programme work on companies' procurement practices, through which we are building the business case for internalisation of sustainability targets in cocoa traders' procurement criteria. As there is some uncertainty on the fact that companies' willingness to pay will correspond to farmers' willingness to accept, we have budgeted some CAFI budget (USD 425,000) to partly subsidise ES payments in the first pilot project.



Table 8. First estimation of levels of ES payments for each PES scheme

PES scheme	Type of PES scheme	Estimation of Annual payment value per area, USD/ha/year (Indicative, subject to discussions with ES Buyers)	Evaluation method
Climate Smart Cocoa Agroforestry	Individual (cocoa farmers)	175	Household survey on farmers' willingness to accept compensation for adopting sustainable farming practices.
Afforestation/ Reforestation	Individual farmers and/or Collective	88	Household survey on farmers' willingness to accept compensation for afforestation/reforestation on savannah/fallow land/degraded community or communal forest
Restoration - ANR	Individual farmers and/or Collective	44	Household survey on farmers' willingness to accept compensation for protection, assisted natural regeneration on savannah/ degraded community or communal forests.
Forest protection	Collective	141	Calculated based on market value of carbon (15 USD/tCO ₂ e)

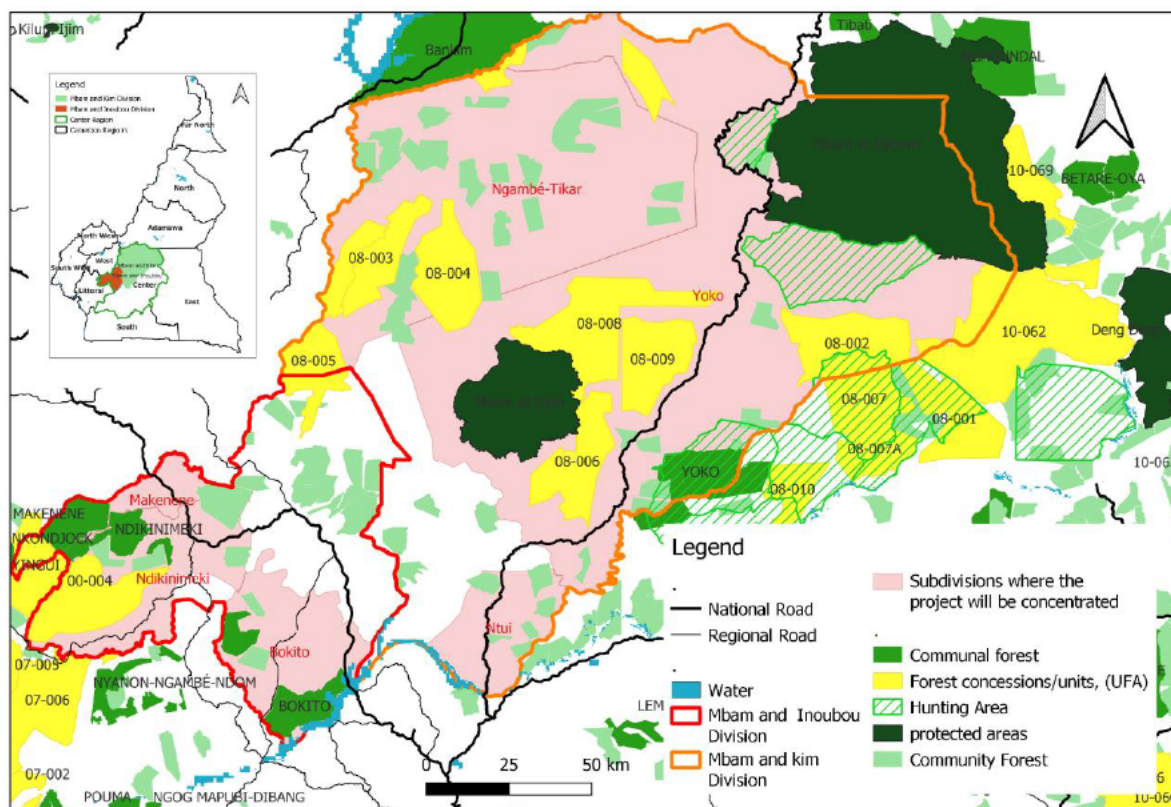
c) Target geographical area

The analysis of deforestation drivers in Cameroon in section 2 and Appendix 9 help establish a clear strategic priority: to meet national and CAFI Lol deforestation targets, the initial efforts must be focused on transforming the cocoa value chain (priority) and other high-impact commodities (specifically oil palm and coffee) where they are locally significant drivers of deforestation in regions such as the Littoral and South-West.

The Grand Mbam landscape, marked by rapid deforestation (2.4% annual loss, nearly five times the national average), expanding commercial crops, and vulnerable rural livelihoods, has been selected as the strategic pilot zone for PES and investment-readiness support to SMEs and agribusinesses. Its diverse mosaic of forests and savannahs enables both individual schemes (climate-smart cocoa agroforestry) and collective schemes (community and communal forests, and areas around Mpem et Djim National Park), all grounded in recognised land rights and valid management agreements.



Figure 6. Priority map of the Grand Mbam landscape, featuring priority subdivisions and forests



A municipality-level assessment using CAFI's PES eligibility criteria identified Yoko, Ngambè-Tikar, Ntui, and Ngoro as top priorities, alongside Bokito, Ndikiniméki, and Makénéné in the cocoa belt. Bafia and Mbangassina present moderate opportunities, while lower-readiness communes (e.g., Ombessa, Deuk, Kiiki, Kon-Yambetta, Nitoukou) will require longer-term capacity building. This prioritisation provides a clear roadmap for piloting four PES schemes that balance ecological importance, deforestation risk, market linkages, and governance capacity



d) Description of beneficiaries' capabilities

The project's design is centred on strengthening the capacities of key private sector actors who connect smallholder farmers to markets and who are positioned to drive a transition toward deforestation-free and climate-resilient value chains. Beneficiaries fall into two main groups: local enterprises and smallholder farmers and communities. Their differing roles, capacities, and constraints shape the Hub's intervention strategy and the choice of instruments provided.

Local SMEs, Cooperatives and Agribusinesses

Local SMEs, cooperatives and agribusinesses are the backbone of Cameroon's agricultural economy, particularly in cocoa, coffee, and oil palm. The investment feasibility study included in Appendix 15, complemented by field visits and consultations with Cameroonian enterprises, provided detailed evidence on the role and constraints of those local enterprises.

SMEs and cooperatives include actors such as Nohi Chocolaterie, GIC Copacam, Terrific Coffee or Neoindustry SA. They typically act as aggregators, processors, and market linkages for smallholder farmers, sourcing from hundreds (or thousands, in the case of cooperatives) of producers. With annual revenues between USD 0.5–5 million, they operate at a scale too large for microfinance but too small or risky for commercial banks. These enterprises typically engage in processing and value addition, work with networks of up to 500 farmers (or thousands in the case of large cooperatives), making them potential PES aggregators. In the case when SMEs directly manage land, they could also become ES Providers. Field interviews revealed that most source directly from smallholders, which allows closer oversight of farming practices compared to larger firms relying on intermediaries. Survey data from 210 respondents confirmed extremely low awareness of PES, with only 3.8% having heard of it and just 1% reporting prior participation, though the majority expressed willingness to engage once better informed. Financial analysis during the feasibility study showed that most SMEs operate on thin margins, irregular cash flows, and are highly exposed to production risks such as rainfall variability, pests, and disease outbreaks. These realities make traditional loans unsuitable, as repayment schedules rarely match agricultural cycles, while equity investments in small firms are often risky and hard to exit.

Alongside SMEs and cooperatives, the study also engaged larger Cameroon-owned or locally rooted African agribusinesses active in cocoa and other crops (e.g. Atlantic cocoa, Neoindustry). While these firms play an increasingly important role in domestic value addition and export, they remain at a relative disadvantage compared with multinational counterparts. Most operate on smaller capital bases, depend heavily on local bank financing at high interest rates, and lack access to the affordable, long-term credit and foreign investment networks available to international companies. Their traceability and sustainability systems are still developing, often focused on quality certification rather than full compliance with emerging international standards such as the EU Deforestation Regulation (EUDR). Few have dedicated ESG or sustainability teams, and most have limited experience with PES mechanisms or with quantifying and verifying environmental outcomes. Together, these findings demonstrate both the opportunities and the barriers: those enterprises are strategically placed to drive deforestation-free, climate-resilient production but remain excluded from finance and underprepared for PES participation.

Potential investees will undergo an investment-readiness assessment, with tailored roadmaps developed to address identified gaps in areas such as governance, financial management, ESG systems and impact monitoring. For PES activities, aggregator capacity will be assessed during the selection process, on a case-by-case basis as actors are onboarded, and based on the findings, targeted support will be designed to ensure they can fulfil their roles in implementation, monitoring and reporting.



During the PES pilot in the first years of implementation, the project will develop a blueprint for PES implementation, including the PES Implementation Guidelines, which will codify roles, procedures, minimum standards, and tools for engagement with ES Providers. This blueprint will serve as the foundation for subsequent capacity-building activities for new aggregators and enterprises as the programme scales.

Through this combination of capacity assessment, technical assistance and seed capital, the Hub will strengthen their investment readiness, provide liquidity for sustainable sourcing, and build the systems required for verified PES schemes. This will allow them to expand their role as credible intermediaries between farmers, investors, and buyers.

Case Study: Terrific Coffee

Terrific Coffee is a Cameroonian SME aiming to rebuild the country's coffee sector, which has collapsed from ~300,000 MT in the 1980s to only ~15,000 MT today. Founded from a family farm and led by Thierry, who trained in specialist coffee in Paris, the company has grown into a vertically integrated business with a roastery in Douala (visited during the Feasibility study), supply agreements with 20 hotels, and barista stations operating in ten Total Energies petrol stations. With an initial base of just three suppliers, Terrific now sources from 120 farmers and targets expansion to over 400 within five years. Its model emphasises traceability and market differentiation, using geolocation of farms and QR codes on packaging to link roasted beans directly to their origin. The company has also gained regional recognition, securing top-five rankings for robusta quality at the African Fine Coffees Association awards.

Sustainability and agroforestry are central to Terrific's operations. On its 100-hectare farm, by-products are recycled into bio-fertilisers, while most smallholder suppliers already practice mixed cropping and agroforestry, with interest in expanding fruit tree planting for added income and resilience. However, farmer decisions remain heavily influenced by volatile wholesale prices, and many are unaware of the premiums available from specialty coffee markets. Financing is identified as a major barrier: commercial bank loans carry ~16% interest with repayment periods as short as eight months, misaligned with agricultural cycles and business cashflow. These conditions restrict investment in farmer training, cooperative formation, and wider adoption of sustainable practices.

Terrific is an illustrative candidate for targeted Hub support – starting from an investment readiness and capacity assessment followed by tailored technical assistance in farmer organisation and sustainable practices, combined with investment preparation and structuring of affordable Seed capital to replace short-term debt and anchor implementation of sustainable practices through interest-reducing KPIs. The estimated impact of the proposed Hub interventions is a) tripling of retail jobs from 109 to 300, b) quadrupling of sustainably sourced supply from own and outgrower farms with embedded PES practices and c) potential introduction of new business lines, such as eco-tourism.

Environmental service (ES) Providers

In Cameroon, private landowners or long-term tenants, whether they are organised local communities, private individuals or private companies, provide environmental services by adopting specific land uses that enable these services to be provided, in accordance with agreed criteria.

The targeted ES Providers will include:

- Individual farmers, often smallholders cultivating 2-5 hectares.



- Community-based organizations in the case of PES in community forests and communal forest and local communities around protected areas;
- Commercial entities, e.g, cooperatives, unions of cooperatives (as aggregators of farmers PES), SMEs (when they directly manage land)⁷.

Smallholders dominate Cameroon's cocoa and food crop sectors, typically cultivating 2–5 hectares with highly variable productivity. Despite their central role in production, they have limited access to finance, weak bargaining power, and little awareness of Payment for Environmental Services (PES) mechanisms. Communities also manage communal and community forests but often lack the resources to enforce management plans or prevent encroachment.

Through local enterprises and international private sector companies acting as aggregators, ES providers will receive technical support, market access, and verified payments for adopting practices such as agroforestry, assisted natural regeneration (ANR), and forest protection. Communities will benefit from collective PES arrangements linked to the management of communal forests, community forests, and national parks. As part of the capacity assessment and roadmap process, the project will also identify specific institutional and technical gaps among aggregators working with ES Providers and integrate these into the PES capacity-building blueprint and guidelines for implementation developed during the pilot phase.

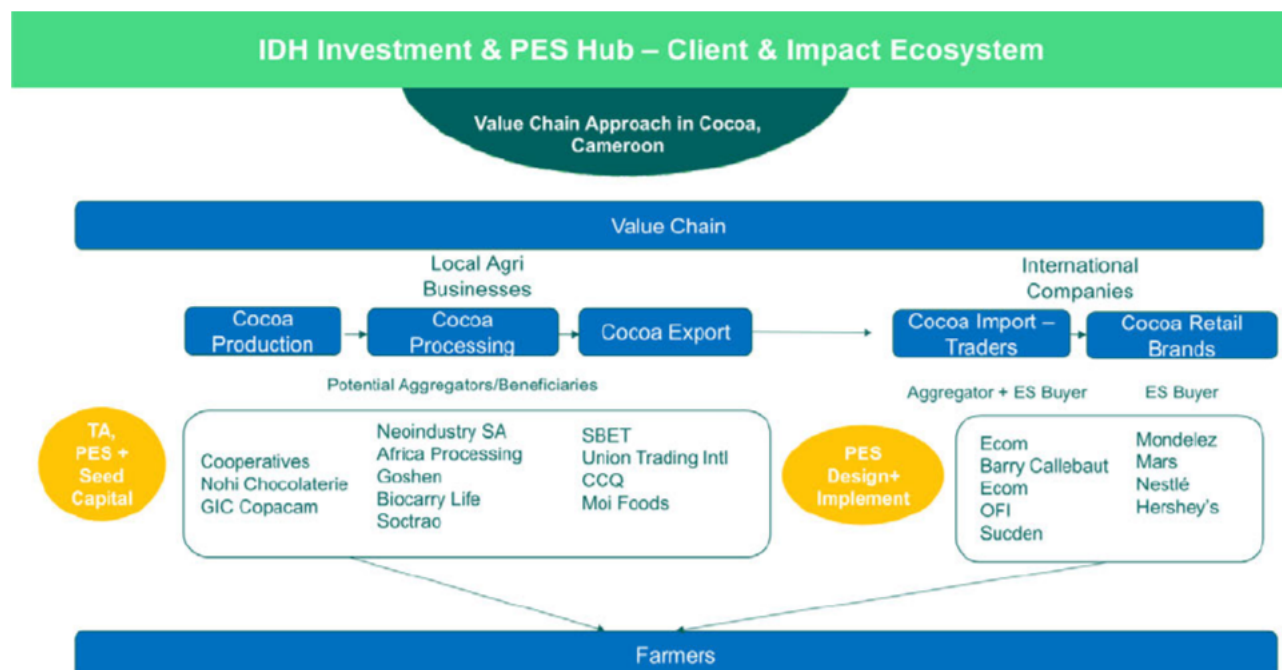
Table 99. Types of PES schemes and ES Providers for schemes co-funded with the Cocoa Sector

PES scheme	The of PES schemes	ES provider
Climate smart cocoa Agroforestry	Individual	Individual farmers, through coops and their Union of coops
Afforestation / Reforestation	Individual and collective	Community and communal forests right holders Individual farmers with customary land right setting up afforestation plot adjacent to a cocoa farm can be considered
Restoration - Assisted Natural Regeneration	Individual and collective	Community and communal forests right holders Individual farmers with customary land right setting up ANR projects in areas adjacent to cocoa farms can be considered
Forest protection	Collective	Community forest, communal forest rights holders, local communities surrounding protected areas

⁷ While in this Project Document, we have focused on the design and budgeting of individual farmers and collective schemes, we will also consider schemes with commercial entities as ES Providers as we start working with SMEs and Unions of Cooperatives. This will be done as part of the Hub's Technical Assistance Facility.



Figure 7. Client & Impact Ecosystem of the Hub



e) Outputs and activities

During the project's inception phase, IDH will establish the operational foundations of the Investment and PES Hub, ensuring robust governance, clear procedures, and full alignment with CAFI's policies and standards. This phase will include the development and validation of internal procedures, including operational manual, terms of reference for strategic and technical committees, reporting templates, and onboarding materials to guarantee a coordinated approach across all project components (see more details in the project implementation plan in Section 13)

Output 1: SMEs, large cooperatives and agribusinesses receive integrated TA to increase investment readiness, adopt sustainable practices and build capacity to implement PES schemes as aggregators and/or beneficiaries.

Purpose: Strengthen SMEs, cooperatives, and agribusinesses by improving investment readiness, supporting compliance with EUDR and preparing them to either receive PES or act as PES aggregators.

Activity 1.1. Establish a Comprehensive Screening and Tracking System.

- IDH and the external TA manager will establish a digital tracking system to monitor the enterprise pipeline, eligibility, and readiness before deploying TA or capital. This tool will build on the existing blueprint created by the IDH Investment Hub in Colombia and the CAFI requirements.
- The TA manager will screen and identify local enterprises with TA needs based on existing pipeline identified. They will work closely with the Seed Capital manager.



Activity 1.2. Deliver Investment Readiness Support to local SMEs, Cooperatives and Agribusinesses.

The external TA manager will conduct the following tasks:

- Leverage investment readiness models and tools from the reVive Colombia Hub to fast-track operationalisation.
- Conduct diagnostic assessments to identify investment readiness gaps and compliance with CAFI requirements.
- Provide advisory support to prepare for investment, based on identified gaps and ranging from: a) strengthening business and financial models and improving internal systems (bookkeeping, budgeting, compliance, etc.), b) delivering branding, certification, and market access support, c) carrying out feasibility studies and equipment needs assessments for processing enterprises to reduce post-harvest losses and improve value addition, d) building internal technical and managerial capacity to ensure effective use and maintenance of new equipment, etc.
- Prepare investment memos for enterprises requiring finance, for linking to and onward structuring through the Seed Capital Facility (output 2) or matchmaking via the Business & Investment Network (output 3).

Activity 1.3. Deliver training in sustainable agricultural practices to SMEs, cooperatives and Agribusinesses.

IDH, in partnership with the external TA manager, will conduct the following tasks:

- Provide technical assistance and training for enterprises to adopt climate-smart, sustainable agricultural practices that increase productivity and reduce deforestation and land degradation. This includes for example:
 - Agroforestry establishment and maintenance;
 - Residue management and composting;
 - Integrated pest management (IPM);
 - Pruning and responsible fertiliser use/optimisation.
- Strengthen internal systems and extension services to enable scaling of sustainable practices across supply chains.
- Integrate monitoring and internal verification tools to support compliance with EUDR, corporate climate targets and CAFI requirements.
- Deliver PES readiness technical assistance for enterprises with capacity and intent to engage in PES, covering:
 - CAFI eligibility requirements and PES concepts;
 - Mapping of farmer networks and environmental service providers;
 - Co-design of smallholder-focused PES schemes (e.g. agroforestry, assisted natural regeneration, community forest management)

Output 2: SMEs, large cooperatives and agribusinesses access catalytic capital to fund upfront investments needed to scale sustainable land use practices and strengthen their role in the supply chain

Purpose: Provide catalytic, repayable finance that de-risks early investment and allows enterprises to demonstrate viable business models for sustainable, deforestation-free agriculture.



Activity 2.1. Screening and Tracking for Seed Capital

- IDH and the external Seed Capital manager will expand the digital tracking system to monitor the enterprise pipeline, demonstrating additionality and potential to mobilise follow-on investment. This tool will build on the work done under activity 1.1., leverage existing tools.
- The Seed Capital manager will screen and identify local enterprises with capital needs, working very closely with the TA manager. Financing will be prioritised for:
 - Early-stage business expansion and sustainable sourcing;
 - Implementation of climate-smart practices and PES schemes;
 - Development of processing, value addition and traceability infrastructure.

Activity 2.2. Deploy Repayable Capital to High-Potential Enterprises

The external Seed Capital manager will conduct the following tasks:

- Tailor financial instruments to enterprise cash-flow realities and risk profiles, ensuring flexibility and financial discipline.
- Provide small, flexible instruments for SMEs and cooperatives to meet working capital needs.
- Offer blended finance instruments for larger agribusinesses, conditioned on co-financing and aimed at scaling high-impact interventions (e.g. agroforestry, traceability systems).
- Build clear exit strategies into scale-up finance through the Business & Investment Network (output 3)

Output 3: Finance is mobilised from two streams: investors provide capital to scale local enterprises while international private sector companies act as PES off-takers, providing results-based payments to farmers through SMEs.

Purpose: Mobilise private finance by connecting local enterprises with investors as capital providers and international private sector companies as ES buyers, scaling PES-linked business models.

Activity 3.1. Engage private sector companies as PES buyers

IDH will conduct the following tasks:

- Engage international buyers and traders (e.g. Barry Callebaut, ECOM, Nestlé, Mars, Mondelez, Hershey's) to co-finance PES schemes within or adjacent to their supply chains.
- Provide capacity building and advisory support to buyers and traders on integrating PES into corporate insetting strategies, based on the PES Implementation Guidelines developed in the first year of the project.
- Facilitate co-design of PES schemes, ensuring alignment with CAFI's standards and national MRV systems (linked to Output 4).
- Connect international buyers to local SMEs, cooperatives, and agribusinesses that can serve as aggregators and implementation partners.

The support for the roll-out and implementation of the scheme is detailed under Output 4 ((see Output 4, Sub-outputs 4.1–4.2 for implementation and payments; 4.3 for MRV and safeguards).

Activity 3.2. Match Finance-Ready Enterprises with private sector investment by showcasing opportunities, enabling tailored financial product development, and crowding in private capital to support enterprises with climate and deforestation goals.

IDH (and where applicable, external TA Manager) will conduct the following tasks:



- Leverage the existing relationships from the reVive Colombia Hub Investment Network and from IDH's work with investment funds as a Technical Assistance Facility manager to fast-track operationalisation of the Network.
- Showcase finance-ready enterprises that have built track records through Outputs 1 and 2, presenting and matchmaking them to investors via the Business & Investment Network.
- Engage Network members to review and validate investment readiness roadmaps.
- Continue to expand the Network based on the needs of the Hub's investees.
- Organise investment pitch sessions, roundtables, and networking events to connect enterprises with investors and promote co-investment opportunities. Provide investors with early access to a vetted pipeline and offer a right of first refusal on new opportunities.

Activity 3.3. Production and dissemination of knowledge products

IDH will conduct the following tasks:

- IDH will develop yearly learning plans as part of its MEL plan, specifying knowledge products to be developed to document lessons and insights collected. Knowledge products will include case studies (e.g. on implementation of PES schemes), and investment briefs on PES-linked business models, supported enterprises.
- Showcase viable approaches to strengthen investor confidence and attract additional finance.
- Contribute to CAFI's wider learning agenda by providing evidence and insights to support the scaling of PES schemes across the Congo Basin.
- Disseminate outputs through:
 - Annual reports and knowledge products;
 - Roundtables and learning events at national, regional, and global levels;
 - Targeted communication to local and international investors and stakeholders

Activity 3.4: Feasibility Study for Regional Expansion

IDH will conduct scoping studies to assess opportunities for replicating the Hub model in additional CAFI Lol countries, including the Democratic Republic of Congo, Republic of Congo, and Gabon. IDH will coordinate this activity with other CAFI implementing organisation operating private sector investment projects supported by CAFI, including sharing the terms of reference of the scoping studies.

Output 4: A private sector PES programme provides direct incentives for farmers to adopt sustainable practices, while SMEs/agribusinesses channel PES to strengthen the resilience and sustainability of their supply chains

Purpose: Establish performance-based PES schemes that reward verified environmental outcomes, align with CAFI's PES strategy, and attract private sector co-financing.

The PES programme is the Hub's incentive mechanism, designed to link corporate climate commitments with farmer and community benefits. It will pilot four complementary schemes (climate-smart cocoa agroforestry, afforestation/reforestation, restoration - ANR, and forest protection), each addressing key drivers of deforestation while improving rural livelihoods. All schemes will operate under CAFI's PES MRV system, ensuring robust verification, transparent payments, and alignment with Cameroon's NDCs. The PES projects will be co-designed with cocoa and other value chain companies, ensuring activities align with both corporate sustainability budgets and climate targets. For schemes that relate to the cocoa sector, companies will be expected to co-fund approximately 65% of the scheme activities. Detailed PES Implementation Guidelines will be developed in the first year of implementation to guide aggregators in the design and implementation of the PES scheme.



Sub-Output 4.1: The eligibility criteria for participation in the PES programme are met.

This sub-output ensures that PES schemes are built on a credible and inclusive foundation. It focuses on identifying legitimate environmental service (ES) providers, securing their free, prior and informed consent, clarifying land rights, and developing participatory land-use plans. Together, these steps create the social, legal, and spatial basis for PES contracts that are enforceable, transparent, and aligned with CAFI's safeguards. Most of the activities outlined below will take place in parallel rather than as sequential steps. IDH will ensure that the selected aggregators have the experience and expertise required to carry out the activities related to ES providers sensitisation and identification, FPIC process and clarification of land tenure. When gaps are identified, IDH will carry out capacity building sessions.

Activity 4.1.1 *Clear and formal identification of ES Providers*

The PES aggregators, with oversight and support from IDH, will conduct the following tasks to identify Environmental Service (ES) Providers who will commit to implementing sustainable practices in return for performance-based payments:

- Conduct community sensitisation meetings to raise awareness about PES opportunities, obligations, and eligibility. Note that this will include engagement with local authorities, to ensure understanding, support and contribution from public sector when relevant.
- Use remote sensing analysis to identify potential areas and participants for PES enrolment, building on the work previously done in the feasibility study, and hold participatory community workshops to validate and ground-truth remote sensing findings.
- Develop and apply agreed screening and selection criteria (in consultation with CAFI and national regulators) to determine eligible participants. The CAFI PES Monitoring System will serve as the central registry to avoid duplication with other initiatives and track enrolment
- Verify the legal status and contracting capacity of all eligible individuals, groups (e.g. local development committees, community forestry committees, cooperatives) or enterprises.

Activity 4.1.2. *Free, Prior and Informed Consent*

Once potential ES providers are identified, the PES aggregators, with oversight and support from IDH, will conduct the following tasks to ensure voluntary participation in line with the principle of Free, Prior and Informed Consent (FPIC):

- Develop and distribute communication materials explaining PES objectives, requirements, benefits, and potential impacts in local languages and accessible formats.
- Conduct pre-consultations to build trust, share information, and identify potential participants and community representatives.
- Shortlist potential PES providers (individuals and communities) to ensure that only those who are eligible and genuinely interested proceed to the full FPIC process.
- Hold detailed FPIC consultation sessions: open and transparent discussions with shortlisted providers, where project details, risks, and expected outcomes are fully explained. This stage also allows for negotiation of the terms and conditions of PES contracts.
- Document outcomes of the FPIC process through signed meeting minutes reflecting participants' questions, feedback, and level of agreement.
- Engage independent third-party monitors to verify that FPIC processes were properly conducted and that consent was freely and genuinely provided.

Activity 4.1.3. *Clarify land tenure and secure collective and individual land rights of PES applicants*



The PES aggregators, with oversight and support from IDH, will conduct the following tasks to ensure land rights under PES contracts are clearly recognised, uncontested, and legally defensible, acknowledging both statutory and customary land tenure systems:

- Map boundaries of privately owned or community lands to establish clear limits and minimise conflict risk.
- Conduct consultations with local leaders, family heads, and community members to identify and resolve potential disputes. Verify absence of competing claims before PES enrolment.
- Obtain written confirmation of rights from competent authorities, family heads, or through valid land sale certificates to provide PES applicants with proof of land legitimacy and ensure secure, long-term participation.
- Digitise farm polygon data and integrate them in CAFI's PES management system to support eligibility assessment, performance monitoring, and results verification by IDH.

Activity 4.1.4. Carry out land use planning for collective PES schemes

For collective schemes, land-use planning is critical to identify and document eligible areas in a way that is transparent, participatory, and technically sound. The PES aggregators, with oversight and support from IDH, will conduct the following tasks:

- Conduct participatory mapping in villages, municipalities, and community or communal forest lands to identify land cover, land use, and potential areas for PES activities.
- Verify maps through transect walks with community representatives to ensure ground-truthing and capture any overlooked land uses
- Hold community consultation workshops to review, refine, and validate draft land use plans, ensuring ownership and consensus.
- Digitise validated plans into shapefiles showing boundaries, land uses, and the location of community-based organisations
- Integrate spatial data into CAFI's PES management system to support eligibility assessment, performance monitoring, and results verification by IDH.

Sub-Output 4.2: PES Activities are implemented, and PES are paid based on performance

This output ensures that PES activities are implemented effectively across all four selected schemes. Each scheme has specific objectives and measurable targets to address drivers of deforestation while delivering livelihood benefits. Activities are designed to equip farmers and communities with knowledge, tools, and incentives to sustain implementation over time. Farmers and communities engaged in PES schemes will then receive fair, transparent, and performance-based compensation for their efforts. Payments will be linked to the achievement of agreed implementation targets (such as tree planting, canopy cover, or patrol effectiveness) and verified results (such as no deforestation or measurable regeneration).

Activities will be carried out by the aggregators selected by IDH for the scheme, under IDH's supervision. Aggregators will combine their expertise. It is for example likely that the main aggregators for the Climate Smart Cocoa Agroforestry scheme will be international cocoa exporter and traders, as they often have extension agents with skills and experience in farmers training. However, these companies will likely need support from an international or local NGO for, e.g. setting up tree nurseries, or for community engagement activities. See table 7 in section 3 for specific information on the individual schemes and section 6.b for additional information on the profiles of aggregators and roles and responsibilities.

Activity 4.2.1 - Climate Smart Cocoa Agroforestry (CSCA) Scheme



Implementation of Climate-Smart Cocoa Agroforestry (CSCA) Scheme

The PES aggregators, with oversight and support from IDH, will be responsible for implementing the following tasks:

- Sensitise enterprises, farmers and communities through awareness and planning workshops on the CSCA objectives and requirements.
- Conduct socio-economic and biophysical surveys to design tailored farm-level interventions.
- Train lead farmers and extension agents to cascade climate-smart and agroforestry practices to other producers.
- Support establishment of nurseries for fruit and timber seedlings to enhance resilience and diversify farmer incomes.
- Deliver practical field training on pruning, mulching, composting, integrated pest management (IPM), and fertiliser optimisation.
- Distribute seedlings and inputs at the start of the planting season to enable farmers to apply climate-smart practices and achieve 40–60 % canopy cover.
- Ensure new cocoa expansion occurs only on savannah or fallow land, with no encroachment into forested areas.
- Train local partners to monitor adoption of climate smart agricultural practices and canopy cover through an MRV system.

Performance-Based Environmental Service (ES) Payments

The PES aggregators, with oversight and support from IDH, will be responsible for implementing the following tasks:

- Hold negotiation meetings among ES providers and ES buyers to agree on:
 - Performance indicators (e.g. canopy cover thresholds, GAP compliance);
 - Payment modalities;
 - Annual verification and reporting requirement
- Formalise participation through signed agreements outlining responsibilities and payment conditions.
- Introduce benefit-sharing arrangements for collective activities (e.g. nursery management or seedling production).
- Verify performance annually using the MRV system to confirm canopy cover, GAP compliance, and zero-deforestation targets.

Private sector companies, as ES buyers, will deliver annual incentives as performance-linked mobile cash transfers, upon verified compliance.

Activity 4.2.2 - Afforestation and Reforestation (A/R) scheme

Implementation of Afforestation and Reforestation (A/R) Scheme

The PES aggregators, with oversight and support from IDH, will be responsible for implementing the following tasks:

- Identify and prioritise degraded lands, buffer zones, and community/communal forests for restoration through tree planting and management.
- Conduct baseline forest inventories to document existing conditions and guide restoration planning.
- Hold community workshops to select suitable native tree species and train communities in nursery establishment, seedling production and plantation management.



- Provide inputs and materials (e.g. tools, seedlings, nursery supplies) to support planting operations at the start of the planting season.
- Carry out planting activities with strong community participation, ensuring integration of locally selected species.
- Maintain planted areas through regular weeding, watering, and mulching to ensure high seedling survival.
- Establish fire belts in savannah and buffer areas to reduce wildfire risks and protect new plantations.
- Coordinate implementation among communities, local leaders, and project teams to ensure effective management and long-term stewardship.

Performance-Based Environmental Service (ES) Payments

The PES aggregators, with oversight and support from IDH, will be responsible for implementing the following tasks:

- Hold negotiation meetings with ES providers to agree on payment terms, performance indicators, and verification criteria (e.g. seedling survival rates, fire protection).
- Establish benefit-sharing mechanisms for collective initiatives, linking payments to community priorities (e.g. patrols, local infrastructure) while ensuring fair distribution among members.
- Verify performance annually through monitoring of seedling survival and fire-belt maintenance to confirm eligibility for continued payments.

Private sector companies, as ES buyers, will disburse annual, performance-based payments via mobile cash transfers, contingent on verified seedling survival and maintenance outcomes.

Activity 4.2.3 - Restoration - Assisted Natural Regeneration (ANR) scheme

Implementation of Assisted Natural Regeneration (ANR) Scheme

The PES aggregators, with oversight and support from IDH, will be responsible for implementing the following tasks:

- Identify and assess degraded sites through baseline surveys of vegetation, soil, and moisture conditions to guide regeneration strategies.
- Train communities in assisted natural regeneration techniques, including:
 - Pruning and thinning;
 - Protection of natural seedlings;
 - Enrichment planting to accelerate forest recovery where needed.
- Provide materials and equipment (e.g. fencing, tools, markers) to safeguard regenerating sites.
- Establish and maintain fire belts around regeneration zones to prevent wildfire damage.
- Implement community-based monitoring to ensure consistent protection and sustainable regeneration of targeted areas

Performance-Based Environmental Service (ES) Payments

The PES aggregators, with oversight and support from IDH, will be responsible for implementing the following tasks:

- Hold meetings with ES providers and project partners to negotiate payment terms and define performance indicators (e.g. basal area increase, site maintenance, fire protection).
- Establish benefit-sharing mechanisms for collective management areas, ensuring fair distribution and community-level reinvestment (e.g. local projects).



- Monitor and verify progress annually using field assessments of basal area growth and site protection measures.

Private sector companies, as ES buyers, will disburse annual performance-based payments via mobile cash transfers, contingent upon independently verified forest recovery and maintenance results.

Activity 4.2.4 - Forest Protection (FP) scheme

Implementation of the Forest Protection (FP) Scheme

The PES aggregators, with oversight and support from IDH, will be responsible for implementing the following tasks:

- Engage communities through awareness workshops on the ecological and livelihood benefits of forest conservation.
Establish community conservation committees to monitor high-risk areas, organize patrols, and coordinate conservation activities.
- Provide patrol teams with essential equipment (e.g. uniforms, radios, GPS units, transport tools) to ensure effective forest monitoring.
- Train herders and land users in sustainable practices and fire management
- Demarcate forest boundaries and install signage to clearly indicate protected areas.
- Implement continuous environmental education programmes to build long-term stewardship and commitment to conservation.

Performance-Based Environmental Service (ES) Payments

The PES aggregators, with oversight and support from IDH, will be responsible for implementing the following tasks:

- Hold negotiation meetings with communities to agree on payment terms and performance indicators (e.g. patrol frequency, incident reporting, zero-deforestation targets).
- Establish transparent benefit-sharing mechanisms, ensuring funds are equitably managed by conservation committees under accountable governance systems.
- Conduct annual verification of forest conditions and community patrol reports to confirm compliance and determine payment eligibility.

Private sector companies, as ES buyers, will disburse collective, annual payments via mobile cash transfers, conditional on verified patrol effectiveness and maintenance of forest integrity.

Sub-Output 4.3: The PES schemes are implemented in a transparent, effective and inclusive manner.

This sub-output ensures that PES schemes are not only technically credible but also socially legitimate and politically durable. It focuses on embedding strong internal monitoring and verification systems, social and environmental safeguards, and transparent communication mechanisms. Together, these elements provide the accountability and trust required for farmers, communities, companies, and the Government of Cameroon to view PES as a credible long-term incentive system.

For PES to function effectively, participants and stakeholders must have confidence that results are measured fairly, that benefits are shared equitably, and that communication is clear and consistent. This project adds specific activities to operationalise and enforce the CAFI PES principles for safeguards and transparency.

Activity 4.3.1 Monitoring, Reporting and Support for Independent Verification

IDH will be responsible for delivering the following tasks:



- Develop a robust MRV system to track PES implementation, payment delivery, and environmental and social impacts and integrate all monitoring processes with CAFI's central platform to support transparency and harmonised reporting across schemes.
- Develop a tailored carbon accounting and reporting tool to consolidate data across all PES scheme and integrate the carbon accounting tool with the CAFI platform to standardise and streamline carbon-related reporting and claims.
- Ensure annual reporting of PES outcomes and provision of timely, verifiable data aligned with the GHG Protocol Land Sector and Removals Guidance.
- Implement annual monitoring cycles covering:
 - Environmental indicators (e.g. tree survival, canopy cover, forest condition);
 - Socio-economic indicators (e.g. farmer benefits, community participation).
- Conduct internal verifications, carried out by IDH, by sampling a subsample of farms to confirm the data collected by the field agents and aggregators.

While the PES aggregators will be responsible for the following tasks:

- Provide technical assistance to strengthen certification design, validation, and verification processes.
- Collect data using GPS-enabled mobile devices and paper tools as needed to ensure comprehensive coverage.
- Gather on-farm primary data for baseline, midline, and endline evaluations to track adoption and assess environmental and carbon impacts.
- Align PES schemes with recognised certification standards (e.g. Gold Standard methodologies) to ensure credibility and international consistency.
- Budget for and manage Verification and Validation Body (VVB) fees to support independent review and verification of carbon results carried out under an internationally recognised carbon standard

Activity 4.3.2 Gender, Inclusion of Minorities, and Social and Environmental Safeguards

The project will promote equitable participation across gender, youth, and minority groups while embedding safeguards that prevent harm and resolve disputes. The PES aggregators, with oversight and support from IDH, will be responsible for implementing the following tasks:

- Mainstream gender-sensitive and inclusive approaches across all PES schemes to ensure equitable participation (at least 30%) and benefit-sharing for women, youth, and minority groups.
- Embed social and environmental safeguards that prevent harm, promote fairness, and uphold human rights
- Conduct continuous awareness and training sessions on gender equality, social inclusion, rights, and safeguard procedures for all stakeholders.
- Establish and operationalise a conflict prevention and management mechanism, focusing particularly on land-use disputes linked to PES implementation.
- Develop and maintain a transparent complaints and appeals mechanism, ensuring it is accessible to all participants and that concerns are addressed promptly and fairly.
- Monitor and document grievances and resolutions to strengthen accountability and continuous improvement of safeguard systems.

Activity 4.3.3 Communication



Transparency and communication are essential for trust in PES. This activity ensures that all stakeholders—farmers, communities, companies, government, and donors—have access to clear,

timely, and accurate information. The PES aggregators, with oversight and support from IDH, will be responsible for implementing the following tasks:

- Design and implement a comprehensive communication strategy to ensure transparent, timely, and accessible information-sharing with all stakeholders. Utilise both digital tools (e.g. SMS updates, online dashboards, social media) and traditional methods (e.g. community meetings, radio broadcasts) to reach all Environmental Service Providers. .
- Provide regular project updates on objectives, progress, and PES results to communities, donors, and the wider public through clear, accessible formats.
- Conduct awareness campaigns to highlight the benefits and impacts of PES schemes on livelihoods and forest conservation.
- Share success stories, challenges, and lessons learned with stakeholders to promote visibility, credibility, and learning

f) Contribution of the various outputs to the outcomes of CAFI

This mapping follows the causal chain established earlier:

- Output 1 (technical assistance) and Output 2 (seed capital) enable enterprise-level adoption (CAFI Outcome 1) and bankability (Private Sector Outcome);
- Output 3 (mobilisation) scales both;
- Output 4 (incentives + MRV) converts practice into verified results (CAFI Outcomes 3 & 7).

Table 1010. Project outputs and their contribution to CAFI outcomes

Project Output	Contribution to CAFI Outcomes
Output 1: Local enterprises receive technical support to increase investment readiness, adopt sustainable practices, reduce deforestation, and enhance climate resilience, while building capacity to participate in PES schemes.	By strengthening investment readiness and embedding sustainability into business models, Output 1 directly contributes to CAFI Outcome 1 (adoption of sustainable practices) by enabling local SMEs, cooperatives, and agribusinesses to adopt climate-smart agriculture, MRV, and safeguards. It also lays the foundation for the proposed Private Sector Outcome, as bankable, compliant enterprises become attractive to investors and buyers. In addition, by training enterprises and farmers in agroforestry, ANR, and other PES-aligned practices, it indirectly supports CAFI Outcome 3 by preparing beneficiaries to implement credible conservation and restoration schemes (where training aligns with pre-conditions later verified hectares under Output 4)
Output 2: Local enterprises access longer-term, repayable capital to expand sustainable land use practices and de-risk businesses for future investors.	By providing concessional, returnable capital, Output 2 allows local enterprises to finance upfront investments in sustainable sourcing and PES activities that would otherwise be unaffordable. This directly supports CAFI Outcome 1 (sustainable practices at scale) and the Private Sector Outcome, by creating financial proof points and de-risking investments that crowd in follow-on private capital. By funding concrete measures such as tree nurseries, agroforestry establishment, reforestation, and



Project Output	Contribution to CAFI Outcomes
	ANR, it also directly enables activities that contribute to CAFI Outcome 3 (forest protection and restoration).
Output 3: Finance is leveraged from private sector companies into PES schemes and from investors into local enterprises, while strengthening capacity through shared learning, technical exchange, and multi-stakeholder collaboration.	Output 3 is the main driver of the proposed Private Sector Outcome, mobilising two streams of finance: (i) investors providing capital to SMEs and agribusinesses, and (ii) companies financing PES as off-takers. This strengthens market access, improves enterprise viability, and ensures long-term co-financing. It also contributes indirectly to CAFI Outcome 1 (by enabling financed enterprises to scale sustainable practices) and to CAFI Outcome 7 (by reinforcing governance clarity on PES, MRV, and carbon accounting).
Output 4: A private sector PES programme is piloted in Cameroon, aligning with CAFI's strategy and private sector companies' climate commitments.	Output 4 delivers measurable hectares of forest protected, restored, or reforested, directly contributing to CAFI Outcome 3 (sustainable forest management and protection). Through robust MRV, safeguards, and alignment with national carbon accounting, it also underpins CAFI Outcome 7, ensuring corporate PES claims are recognised in Cameroon's NDCs while avoiding double counting. By linking company PES finance to verified results, it also strengthens both CAFI Outcome 1 (sustainable practices) and the proposed Private Sector Outcome (long-term buyer co-financing of PES schemes).

g) National ownership and project sustainability

The sustainability and national ownership of the Hub are ensured through a strategy that combines institutional anchoring, market-based incentives, and long-term financial continuity. Its design embeds sustainability at three levels (policy, enterprise and landscape) ensuring that results endure beyond the project's funding period. As a private sector-driven initiative, the objective is not for the public sector to take over implementation of activities, but for government institutions to provide and strengthen the enabling environment so that private actors (e.g. cocoa companies and other agribusinesses) can sustain and expand them. CAFI will play a central role in this process by setting the overall framework for performance-based finance, agreeing the PES parameters with the Government of Cameroon, and ensuring that the Hub's private sector-led model operates in close collaboration with national institutions. An exit plan will be reviewed and refined throughout the life of the programme to ensure an orderly transition and to maximise the durability of results.

Ensuring Financial Sustainability Beyond the Project Lifecycle

The Hub is conceived as a time-bound catalytic mechanism rather than a permanent financing facility. Through Technical Assistance and the Seed Capital Facility, it will build a pipeline of investor-ready local enterprises able to access commercial funding from local financial institutions and impact investors. By strengthening viable, for-profit businesses that generate their own returns, the Hub aims for investees to graduate to commercial finance and progressively reduce reliance on donor support. As local enterprises adopt responsible land-use and sustainable agronomic practices, they improve yields and quality, increase profitability and become more attractive to investors, creating strong incentives to maintain and expand these practices.

The PES component focuses on establishing a private sector-financed PES model that attracts and embeds private sector participation and funding to guarantee continuity of PES projects after CAFI



funding ends. Advisory support lowers barriers to entry, enabling participating companies to remain active stakeholders in current and future schemes. In parallel to this work, IDH will continue

collaborating with the cocoa sector on pathways to embed sustainability criteria – and specifically SBTi Net Zero targets - in companies' procurement policies⁸. This will ensure continuous funding for insetting projects with PES schemes as an incentive mechanism to change farming practices. CAFI accompanies this process by agreeing PES design principles with the Government of Cameroon, thereby ensuring that the pilots are fully consistent with CAFI's Letter of Intent and inform the progressive integration of PES approaches into national systems.

To support sustainability beyond the project lifecycle, IDH will actively mobilise private finance alongside CAFI funding and implement a communication and learning strategy focused on knowledge transfer, enabling private sector actors and government institutions to replicate and refine mobilisation approaches.

Seed capital as a bridge instrument for continuity

The Seed Capital Facility plays a pivotal role in unlocking further investment to help local enterprises grow and position themselves for subsequent financing. It is intended as an exit route from the TA advisory for investment-readiness, by providing an investment to enable impact on the ground. In turn, the exit from Seed Capital is facilitated by the financial investors in the Business and Investment Network under the close coordination of the Investment Development Manager. At the same time, the Business and Investment Network proactively builds connections between local enterprises and potential investors, supporting their integration into mainstream commercial and impact finance.

The Seed Capital Facility is structured as a returnable grant. Funds coming back to the facility during the programme implementation will be redeployed to support additional investees with tailored investment packages. We recognize the catalytic but also high-risk nature of seed capital – largely unavailable in the market, and therefore highly additional – and prudently anticipate a certain level of defaults. To partially mitigate this, some investments will carry modest, below-commercial interest rates that help offset losses while remaining affordable for investees. Another significant additionality of the Facility is its provision of patient capital financing, with tenors extending beyond the conventional 12-24 months. The longer repayment periods enable a de-risked transition to sustainable agriculture for companies and smallholders by allowing time for additional cash flows, such as agroforestry and income diversification, to materialize.

In accordance with CAFI's fiduciary policies, any balances remaining in the Facility at program closure will be returned to CAFI. In cases where loan maturities extend beyond the program's end date, IDH will continue to exercise fiduciary oversight, monitoring and reporting of repayments, and return funds to CAFI as they are recovered.

Designing a Durable PES Mechanism Beyond CAFI Support

Recognising that Payments for Ecosystem Services (PES) mechanisms require a minimum horizon of around 10 years to be effective, the project's exit strategy is aligned with CAFI's broader financing strategy. CAFI funding will cover inception activities and monitoring for the first 5 years, while the PES schemes are designed for a 20-year implementation period, with continued financing by companies beyond CAFI's contribution. The transition at Year 5 will be supported by CAFI's PES MRV system, which will remain in place after the project ends, ensuring ongoing access to robust data and reinforcing

⁸ See for example the work that IDH is doing on procurement practices through the Dutch Initiative on Sustainable Cocoa: <https://www.idhsustainabletrade.com/uploaded/2024/04/DISCO-Procurement-Practices-Position-Paper.pdf>



transparency, accountability and credibility over the long term. Given that cocoa companies' Net Zero targets run to 2050, it is expected that they will maintain financing for the remaining 15 years to

continue claiming associated emission reductions and removals. As companies face declining yields in origins such as Ghana and Côte d'Ivoire due to climate change, Cameroon is also expected to remain a strategically important cocoa origin.

As one of the first PES pilots in the country, the project establishes a blueprint that other stakeholders – including, for example, FODECC – can replicate and adapt. Rather than being absorbed into government systems, the PES mechanism is expected to remain an independent model operating in partnership with public institutions, with government focusing on policy direction, safeguards and alignment with national strategies. Over time, PES governance functions – including the use of MRV data, validation of eligibility criteria and oversight of payments – will be progressively shared between the project structure and national entities, under CAFI's guidance and in close coordination with the Government of Cameroon. During implementation, the project will also assess options for an independent vehicle to pool PES-related funds, such as a dedicated PES window or trust fund hosted by a suitable national financial institution. This would enable resources from companies, CAFI and other partners to be channelled through a single, nationally anchored but independently managed mechanism, strengthening transparency, predictability and long-term alignment with public policy.

Institutional anchoring and policy integration

National ownership is strengthened through coordination with MINEPAT, MINFOF, and MINADER, ensuring full alignment with the CAFI Letter of Intent and the National Development Strategy (SND30). National institutions will play a strong role in shaping and supporting the enabling environment for private sector-led implementation, helping to sustain policy integration and long-term impact. Lessons and evidence generated by the project will feed into the Sustainable Cocoa Platform and national carbon accounting frameworks, supporting coherence between corporate insetting claims and Cameroon's NDCs.

Pathway to regional replication

The Hub's model will serve as a proof of concept for replication in other CAFI partner countries such as the DRC, Republic of Congo, and Gabon. The lessons, instruments, and monitoring systems developed in Cameroon will inform a regional strategy for scaling sustainable investment and PES implementation across the Congo Basin, coordinated through CAFI. Regional learning processes supported by CAFI, including technical working groups, will also strengthen institutional capacity beyond Cameroon, helping governments in other partner countries to adopt and adapt similar, nationally anchored PES and investment models.



4. Results framework and contribution to Letter of Intent milestones

a) Results framework

Table 1111. Results framework⁹

Indicators	Unit	Baseline, specifying year and data source	Target at end of project	Narrative and assumptions
CAFI IMPACT 1: Emission Reduction and Removals from Land Use Sector				
I.1.1 Estimated annual tCO ₂ e mitigated (TOTAL)	tCO ₂ e	0	604,792	This target is made up with the carbon impact for all 4 PES schemes encompassing 1- Climate Smart Cocoa Agroforestry (CSCA) 2- Afforestation/ Reforestation (A/R) 3- Restoration of degraded savannah via ANR (RST) and 4- Forest Protection (FP), as well expected impact for activities related to Technical Assistance and Seed Capital.
I.1.1.1 Estimated tCO ₂ e mitigated over 5 years (PES)	tCO ₂ e	0	173,354	We used the CAFI Private Sector Facility GHG Estimation Guidance document to calculate GHG reduction and removal potential for the investment pipeline and PES projects. An important point to note is that we had to use a slightly different methodology for the calculation of GHG reduction and removals of the 4000ha of cocoa agroforestry, as interventions are based on existing cocoa farms already under agroforestry systems, and the GHG benefits include both removals from tree planting and reductions from a change in farming practices. . The methodology and calculations are included in the Budget and RMF excel file.
I.1.1.2 Estimated tCO ₂ e mitigated over 5 years (TA and SC activities)	tCO ₂ e	0	431,438	We used the CAFI Private Sector Facility GHG Estimation Guidance document to calculate GHG reduction and removal potential of sample portfolio of TA and SC projects. The methodology and calculations are included in the TA and SC GHG Calculations Sheet
CAFI IMPACT 2: Development Co-Benefits: better business climate, increased farming revenues, increased food security, biodiversity conservation, increased tenure security, empowerment of women, increased fiscal revenues				
I.2.1 Total jobs supported by the programme	Number of jobs	0	2,963	Jobs figures are in terms of FTEs, i.e.. seasonal and part time workers also included pro rata on the basis of a 360-day year. We assume two scenarios: jobs supported by SMEs/large coops and jobs supported by large agribusinesses. A recipient's FTE count is included in full as soon as support or investment is approved, and we assume the average SME will start with 100 FTEs (rising to 110 over 5 years) and large agribusinesses start with 250 (rising to 263 over 5 years). ⁵

⁹ Please refer to the "Results Framework" section in the budget file for the detailed Results Framework



Indicators	Unit	Baseline, specifying year and data source	Target at end of project	Narrative and assumptions
I.2.2 Increase in smallholder household income	% increase in yearly income	Baseline study to be commissioned	10%	This relates to impact of PES scheme on farming household income. Assumptions: Baseline income: XAF 3,492,047.18 per household per year. Average ha per farming household: 2ha. Additional income from PES: 97,000 XAF * 2ha = XAF 194,000. Income increase of approx. 6% thanks to PES. If we include productivity gains etc - minimum 10% increase in income (conservative estimate) Note that an income baseline study was commissioned in 2024 on 149 households in Ntui and Mbangassina, which we used as a reference. Findings: average net income from cocoa in the communes of Ngoro and Mbangassina: XAF 3,492,047.18 per household per year. However, there's high volatility of cocoa prices, which will certainly create significant variations between baseline and endline years (e.g. if cocoa prices decrease after having been extremely high). Hence recommendation is to have a conservative target
Outcome 1 (CAFI Outcome 1) - Sustainable agricultural practices lead to less land conversion and increased food security				
OC.1.2 Areas of sustainable agriculture achieved (TOTAL)	ha	0	9,950	Total area under sustainable agricultural practices supported by the project
OC.1.2.1 Areas of sustainable agriculture achieved (PES)	ha	0	4,000	Based on 4000ha of climate smart cocoa agroforestry at end of project
OC.1.2.2 Areas of sustainable agriculture achieved (TA & SC activities)	ha	0	5,949	These figures are based on feasibility-stage consultations and two enterprise types (SMEs/large cooperatives and large agribusinesses), with each supported enterprise's relevant area counted in full once support or investment is approved. Eligible practices include agroforestry, use of organic or other sustainable inputs, deforestation-free sourcing areas, and minimum or zero-tillage practices. Our current assumptions are intentionally conservative. For example, for SMEs we assume an average total area of 200 ha, with 30% initially managed sustainably; 30% of SMEs double this area, 50% remain constant, and 20% fail to improve. For agribusinesses, we assume an average total area of 1,000 ha, with 30% initially managed sustainably; 30% increase this area by 1.5x, 60% remain constant, and 10% fail. Similar conservative assumptions are applied to agroforestry areas.
Outcome 2 (additional outcome) - Mobilization of sustained private sector investment into climate-resilient, deforestation-free value chains. .				
OC.2.1 Total amount of finance leveraged from private sector partners	USD	0	29,001,439	Indicator that covers Investment and PES: To be disaggregated by type of funding (public, private, loan, grant, in-kind) and by activity.



Indicators	Unit	Baseline, specifying year and data source	Target at end of project	Narrative and assumptions
OC.2.1.1 Total amount of finance leveraged from private sector partners (PES)	USD	0	15,776,802	PES: private sector co-financing for PES scheme implementation activities. Estimated at 13,425,084 USD after 5 years
OC.2.1.2 Total amount of finance leveraged from private sector partners (TA and SC activities)	USD	0	13,224,637	Investment: includes co-financing from recipients alongside our financial support, investments from other private sector actors after our support committed and reflows of repayable SC funding within the programme timeframe. Target financing from four sources: (1) investment leveraged from the B&I Network or others into our TA / SC recipients after our support - this is assumed more likely in the case of large agribusinesses than for SMEs, (2) co-financing from recipients themselves alongside our TA / SC support - this assumes in particular large agribusinesses match TA funding 1:1, (3) reflows from repayable SC investments within the programme timeframe, and (4) private sector co-financing for PES scheme implementation, separate from that coming from the PES buyers
Outcome 3 (CAFI Outcome 3)- Forestry sector and protected areas institutions and stakeholders have the capacity and the legal framework to promote, monitor and enforce sustainable management of forests.				
OC.3.1 Area affected to sustainable forest management (FOR1) – protection, exploitation, conservation	ha	0	7,000	PES: Covers Forest Protection and A/R PES schemes planned under the programme. Assumptions: 3000ha of FP, 2000 of R-ANR and 2000 of A/F = 7000ha Investment: Additional sustainable forest management may be carried out by recipient SMEs, larger coops and large agribusinesses in other non-PES context, but this is not yet visible and therefore not assumed within the target.
Outcome 4 (CAFI Outcome 7)- Better inter-ministerial coordination and governance resulting in a permitting, enforcement and fiscal regime of economic activities that do not push economic actors to forest conversion and illegal activities; and a business climate favourable to forest-friendly investments..				
OC.4.1 Areas under PES contracts, broken down by FTA and type of PES (sustainable agriculture, perennial crops, agroforestry, regeneration, etc.)	ha	0	11,000	The implementation plan is assuming that the project with a total 4000 ha of CSCA, 2000 ha of A/R, 2000 ha of RST and 300ha of FP. The targets were calculated based on a precise estimation of the costs to implement each PES scheme.
Output 1: Private sector enterprises receive technical support to increase investment readiness, adopt sustainable practices, reduce deforestation, and enhance climate resilience, while building capacity to participate in PES schemes.				
OP.1.1 Total Technical Assistance support packages screened.	Number of TA packages	0	46	We expect screening of opportunities to begin earliest in Q3 2026, and more likely in Q4 2026. Opportunities may or may not be accepted to proceed to due diligence. We expect opportunities to be screened for both TA and SC potential.
OP.1.2 Total Technical Assistance support packages approved.	Number of TA packages	0	26	Approved means approved by the TA committee. This is not the same as 'disbursed' which will be subject to legal contracting with the recipient.