



CAFI Executive Board Decision

Adoption of the Private Sector Project Document Assessment Criteria and Performance-based funding allocation process

Adopted at EB25 on 4 December 2024
EB.2024.42

Considering:

1. Decision [EB.2023.22](#) adopting the [Policy on Project Budgeting](#) ;
2. Decision [EB.2023.24](#) approving the Private Sector Facility Call for Expressions of Interest and the [CAFI Private Sector Investment Framework](#) (2023/09);
3. Decision [EB.2023.31](#) adopting the **MEL Policy and Guidelines**, including the use of the “mandatory indicators for land-use projects” and the [spatial reporting guidelines](#);
4. Decision [EB.2024.01](#) clarifying investment criteria for private sector full project proposals;
5. Decision [EB.2024.33](#) on the independent verification of projects;

The CAFI Executive Board:

1. **Adopts** a performance-based funding allocation approach combining two non-mutually exclusive levers to manage funding allocations for private sector projects, namely:
 - a) The approval of PRODOCs with a limited budget with the option to amend these PRODOCs to provide additional funding based on verified results.
 - b) The disbursement of funding in tranches with second tranches and subsequent tranches disbursed to the IOs based on verified results.
2. **Decides** that the following criteria will be used to guide decisions on the approval of projects and the size of first disbursements:
 - a) Emission reduction potential estimated using CAFI Guidelines for ex-ante estimation of emission reduction potential including minimum eligibility requirements;
 - b) Job creation potential and the quality of these ex-ante estimates;
 - c) A theory of change that aligns with CAFI objectives;

- d) Compliance with the minimum eligibility requirements that aim to guarantee that appropriate prerequisites, covenants and safeguards are met by investees prior to maximize the probability that that these investments indeed have a positive impact on emissions and to ensure that they do not have unintended impacts on GHG emissions in the long-term;
 - e) Application of best practices and lessons learned;
 - f) Financial analysis demonstrating the additionality of the use of grants and long-term viability;
 - g) Readiness to engage in a performance-based approach demonstrated by:
 - a. compliance with the monitoring and evaluation requirements of CAFI, namely the standardised indicators for results frameworks, and
 - b. the capability to comply with the spatial reporting guidelines, and particularly those for payment for environmental services;
 - h) Level of co-financing ;
 - i) The size and quality of the pre-identified pipeline ;
3. Decides that second and subsequent disbursements will be based on independently verified results according to methodologies approved by CAFI; and that independent verifications will inform CAFI's decisions regarding the disbursement of instalment (tranches) of funding and the possible renewal of projects;
4. Requests the Secretariat to:
- a) Update the templates and guidance for PRODOCs, conformity checks, and independent evaluations to integrate the requirements of these new criteria and funding allocation process;
 - b) Inform implementing organisations concerned by this policy;
 - c) Conduct a benchmarking exercise on the efficiency and effectiveness of private sector investments related emission reduction, job creation and co-financing and leverage ratios;
 - d) Work with independent experts to review the guidelines for private sector investments from time to time and report to the Executive Board;
 - e) Work with the implementing organisations concerned by this policy to assess whether the supply of finance offered through their projects or project proposals matches demand from companies that have expressed interest to work with CAFI in the context of the Private Sector Facility call for expressions of interest, and report back to the Executive Board at its next meeting;

- f) Assess the transaction costs and the opportunities for economies of scale in CAFI private sector programming and report back to the Executive Board at its next meeting;