INCREASING INTERNATIONAL FINANCE FLOW TO SUSTAIN THE CONGO BASIN'S FORESTS

Executive Summary of Discussion Paper

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The Central African Forests Commission (COMIFAC) is an international sub-regional organization made up of 11 member states that have come together to manage Central Africa's forest ecosystems sustainably and in a concerted manner. The institution was set up in 2005 and governed by an international legal framework, the "Treaty on the Conservation and Sustainable Management of Central African Forest Ecosystems and Establishing the Central African Forests Commission". COMIFAC is responsible for guiding, harmonizing and monitoring forestry and environmental policies in Central Africa. Through its mandate, the institution follows up the Yaoundé Declaration of March 1999 adopted by the Summit of Heads of State and Government of Central Africa on tropical forests, and also ensures that international conventions and forestry and environmental development initiatives are applied in the sub-region. COMIFAC has three bodies: the Summit of Heads of State and Government, the Council of Ministers in charge of Forests and the Environment, and the Executive Secretariat. In 2007, the Conference of Central African Heads of State granted COMIFAC the status of Specialized Institution of the Economic Community of Central African States (ECCAS). The institution has been granted observer status with United Nations bodies. COMIFAC has a sub-regional Convergence Plan, which is the reference and coordination framework for all actions relating to the conservation and sustainable management of forest ecosystems in the sub-region. This second edition of this Convergence Plan which covers the 2015-2025 decade, endows the sub-region with a strategic document for guidance and coordination of forest programmes and projects at national and sub-regional levels.

Cover photo: Forest at sunset, East province, Cameroon. © Brent Stirton / Getty Images / WWF-UK

Blue River / Tulu river Congo.© Antoinee / Shutterstock

ABOUT THIS REPORT

This report proposes a preliminary set of strategies to mobilize international public and private finance to support the efforts of Congo Basin countries to conserve their forests and biodiversity while promoting sustainable development. The proposals provide governments, funders and other stakeholders guidance on possible options and approaches for mobilizing finance. The proposals will need further discussion, elaboration and assessment of political acceptability and technical feasibility.

To be effective, negotiations and decisions on funding mechanisms need to be grounded in a clear and common understanding of the Congo Basin's particular circumstances. For this reason, before diving into the financial aspects, the report introduces a comprehensive overview of the Congo Basin context. The report focuses on the relevance of the Congo Basin high-integrity forests – forests that are structurally intact and largely free from anthropogenic pressure – for climate and biodiversity, recent trends of deforestation and forest degradation and their drivers, and policy and economic development paths.

The report reviews and maps the current landscape of international finance mechanisms for forest conservation and development that are relevant for the Congo Basin, including emerging initiatives. It then presents an analysis of the potentials and limitations of the reviewed mechanisms, the challenges that are currently limiting mobilization, and the possible strategies that could be adopted to scale international finance in the region. The report concludes by proposing six options to scale finance for sustainable development and forest conservation that are tailored to the Congo Basin.

Although the proposals for scaling finance are region-specific, the report provides insights that are relevant also for countries with high-integrity forests outside the Congo Basin.

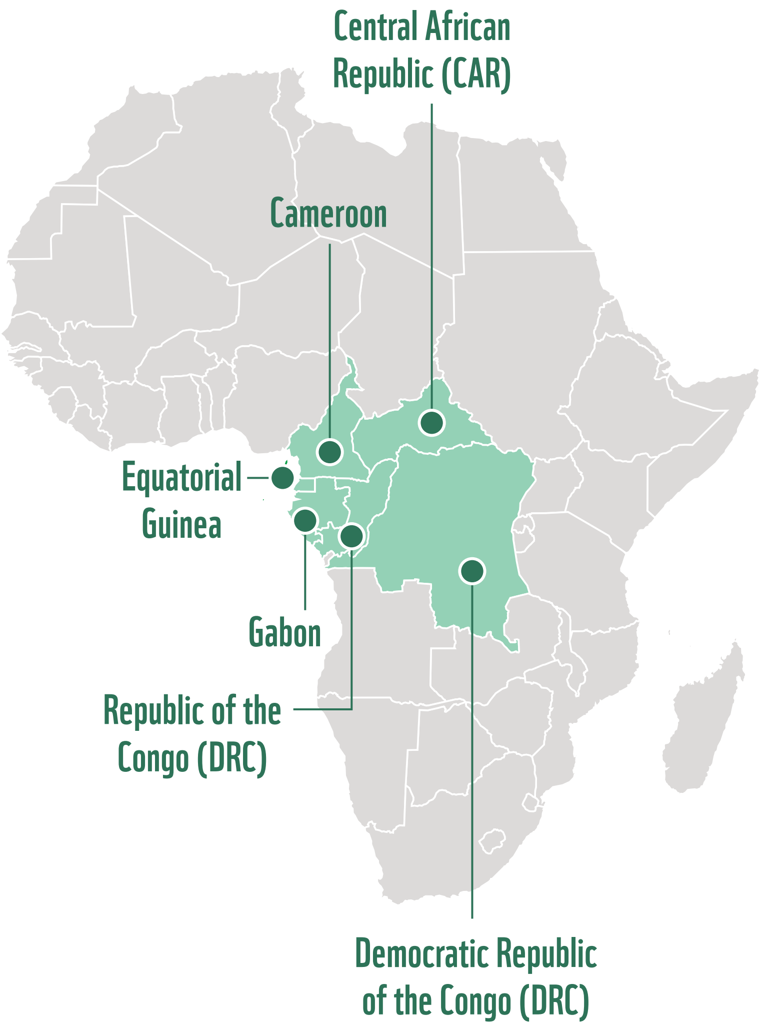
The current report is the summary of a longer technical study. For a copy of the full study, please contact Damian Fleming, Deputy Forest Practice Leader, WWF International: dfleming@wwfint.org.

THE FORESTS OF THE CONGO BASIN ARE GLOBALLY ESSENTIAL ECOSYSTEMS

Conserving the forests of the Congo Basin is key to achieving international climate and biodiversity goals. The world's second largest tropical forest is located in the Congo Basin, spanning six countries – Cameroon, the Central African Republic (CAR), the Democratic Republic of the Congo (DRC), Equatorial Guinea, Gabon and the Republic of the Congo. In 2019, its total area was estimated to be about 180 million hectares, which includes the largest expanse of high-integrity forests worldwide.[1] The Congo Basin is also home to the largest tropical peatlands in the world.[2] Among the three largest tropical rainforests globally, only the Congo Basin forest has remained a strong net carbon sink, absorbing about 0.61 net gigatonnes of carbon dioxide equivalent ($GtCO_2e$) each year[3] (approximately equivalent to the total annual greenhouse gas emissions of Canada).

Although relatively undisturbed in historical terms compared to other tropical forests, the Congo Basin forests are at great risk today. Between 2010 and 2020, the Congo Basin contributed less than 7% to global deforestation, while tropical Latin America and Asia contributed more than 80%.[4] But deforestation is increasing: 636,000 hectares were deforested across the six Congo Basin countries in 2021, amounting to nearly 10% of global deforestation. This represents a 4.9% increase in deforestation relative to the average deforestation in the region in the years 2018-20 (606,000 ha/year).[5] Forest degradation has also worsened, with particularly strong declines in forest integrity observed in Cameroon, DRC and Equatorial Guinea.[6]

Deforestation and forest degradation are driven by a mix of direct and indirect causes. The most prominent direct deforestation driver – in all Congo Basin countries, except Gabon – is small-scale clearing for farming.[7] Other direct drivers are selective logging and, to a lesser extent, fire and infrastructure.[8] Although, historically, large-scale agriculture and mining have been relatively minor deforestation drivers in the Congo Basin, they are expected to lead to larger-scale deforestation if no protective measures are taken.[9] This region is particularly attractive for expanding oil palm plantations, which land availability and regulations are limiting in other regions (such as Malaysia and Indonesia) that have similar climate and soil conditions.[10] Weak governance indirectly favours deforestation and forest degradation, including through insufficient legal frameworks, uncoordinated sectoral policies, lack of transparency in issuing logging concessions, and insecurity and competition over land tenure.[11]



CONGO BASIN COUNTRIES NEED HUMAN AND ECONOMIC DEVELOPMENT WITHOUT DESTROYING FORESTS

Congo Basin countries have relatively low levels of economic development, although to varying extents. The World Bank classifies CAR and DRC as low-income countries, Cameroon and the Republic of the Congo as lower-middle-income countries, and Gabon and Equatorial Guinea as upper-middle-income countries.[12] The United Nations lists CAR and DRC as least-developed countries.[13]

National economic development plans of Congo Basin countries rely heavily on natural resources. All countries plan to expand and intensify the agriculture, forestry, mining and infrastructure sectors, and have ongoing projects to expand and modernize their transportation, water and energy systems. While the region's rich natural resources provide opportunities for economic development, this poses great risks to forests and other natural ecosystems.

Congo Basin countries' climate commitments show their intention to preserve their forests. All six countries have submitted updated nationally determined contributions (NDCs) to the Secretariat of the UN Framework Convention on Climate Change, which stress the significance of their forest carbon sinks for the international fight against climate change and highlight their desire to combat deforestation and forest degradation. All six countries have signed the Glasgow Leaders' Declaration on Forests and Land Use, committing to working collectively to halt and reverse forest loss and land degradation by 2030 while delivering sustainable development and promoting an inclusive rural transformation.

All Congo Basin countries are also members of the Commission des Forêts d'Afrique Centrale (the Central African Forests Commission, or COMIFAC).[14] COMIFAC aims to promote the conservation and sustainable management of forests in Central Africa, improve the livelihoods of local communities, and combat deforestation and forest degradation. COMIFAC's Convergence Plan (*Plan de Convergence*)[15] serves as a reference framework for the coordination of all interventions around conservation and sustainable management of forest ecosystems in Central Africa, providing a robust roadmap for the sustainable management of Central African forests. However, its key limitation is the absence of an autonomous financing mechanism for its implementation. In 2021, facilitated through a multi-stakeholder participatory mechanism led by the Congo Basin Forest Partnership (CBFP), COMIFAC member countries adopted the "Fair Deal for the Congo Basin"[16] which is committed to preserving the Congo Basin forests, and calls for fair financing by the international community.

Congo Basin countries face governance and public debt challenges that are especially detrimental to green investments, which require longer-term investments but provide lower returns. Lack of policy coordination across ministries within a single country hampers the implementation of ambitious environmental regulations. Land tenure rights insecurity makes access to finance and its deployment on the ground difficult. Moreover, violence and instability challenge the capacity of some governments in the region to maintain control over their territories and natural resources. Weak governance and susceptibility to financial crisis make these countries risky for private investors. The risk rating agencies, which investors rely on to evaluate the exposure of their business, usually classify these countries at moderate to very high risk.[17] Congo Basin countries suffer from high levels of foreign debt and limited fiscal space, which limit the budget available to raise spending for certain purposes without jeopardizing their fiscal sustainability.

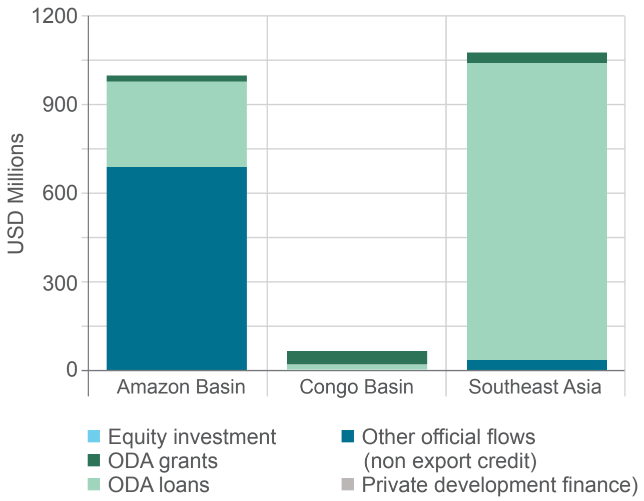

Baka women gatherers with collecting baskets.
© Martin Harvey / WWF

CURRENT INTERNATIONAL CLIMATE AND ENVIRONMENTAL FINANCE SUPPORT FOR THE REGION REMAINS INSUFFICIENT

The dual goals of economic growth and forest conservation characterize Congo Basin countries' policy context, but limited financial and technical resources challenge the implementation of robust green growth strategies. In the absence of financial incentives and technical support for alternative development plans, Congo Basin countries will likely choose to boost economic growth through the exploitation of their natural resources – a blueprint for development that many countries globally have pursued in the past. Financial flows in the region need to drive change across multiple dimensions.

The climate and forest finance that the Congo Basin receives does not meet its needs, nor does it reflect the ecosystem and climate services it provides. Congo Basin countries received around US$40 million for forests and environmental protection between 2017 and 2021 – just 4% of the amount that went to either the Amazon Basin or Southeast Asia (around US$1 billion each) in the same period (Figure 1). And this figure includes finance for forestry activities, such as timber harvesting, that often apply non-sustainable practices. Most finance for forests and climate in the Congo Basin comes from official development assistance (ODA) grants (68%) and loans (24%), which make up an almost negligible share in the other two tropical forest regions.

Figure 1: *Finance targeting forestry and general environmental protection received by three high-forest regions between 2017 and 2021. Source: OECD Creditor Reporting System (CRS) database*



Access to international finance is key to the countries' NDCs. Congo Basin countries hope to receive significant financial contributions from international partners to finance their NDC commitments (Table 1). Recent financial pledges indicate an increasing political momentum to channel finance in support of Central African countries. Pledges made at COP26 through the Joint Declaration of Donors for the Congo Basin, signed by a number of donors and the Bezos Earth Foundation, totalled US$1.5 billion from 2021-25. The "fair deal" advocated by the CBFP estimates that US$5 billion is need annually to protect the forests of the Congo Basin.

Table 1. *Target greenhouse gas emission reductions by 2030 compared to business as usual (BAU) scenarios, and total finance needed to achieve these targets as per Congo Basin countries' NDCs*

Country	Greenhouse gas emissions reduction 2030 target compared to BAU scenarios (conditional scenarios)	Necessary funding (US$)
Cameroon	35%	57.6 billion
CAR	24%	1.8 billion
Republic of the Congo	32%	8.2 billion
DRC	21%	48.7 billion
Gabon	Gabon is committed unconditionally to remain carbon neutral until and beyond 2050. Conditionally, Gabon will make every effort to ensure a net carbon uptake of at least 100 million tonnes of CO2 per year beyond 2050.	Not specified. Mention is made of the importance of climate finance and accessing carbon markets.
Equatorial Guinea	35%	3.9 billion

A NUMBER OF EXISTING INITIATIVES CHANNEL GREEN FINANCE TO CONGO BASIN COUNTRIES, AND NEW INITIATIVES SEEK TO MOBILIZE ADDITIONAL CAPITAL

The most prominent conservation trust fund active in the region is the Central African Forest Initiative (CAFI). Capitalized with US$718 million from a coalition of donor countries, CAFI provides funding for sustainable land management policies and practices based on beneficiary countries achieving agreed policy milestones. Other programmes that support conservation are small, lack the Congo Basin focus, or do little to promote overall sustainable development in the region. The African Forest Landscape Restoration Initiative (AFR100), for instance, is a pan-African effort financed with US$1.40 billion but limited to restoration activities, while the Legacy Landscapes Fund, financed with US$0.10 billion (allocated to 7 projects over 15 years), is limited to protected areas.

There are also some efforts to establish jurisdictional REDD+ programmes in the region. Programmes that support REDD+ are the Forest Carbon Partnership Facility (FCPF) and the Forest Investment Program (FIP), both administered by the World Bank. The public-private Lowering Emissions by Accelerating Forest finance (LEAF) coalition seeks to mobilize private finance for REDD+ jurisdictional programmes. Although each of these initiatives has leveraged finance of more than US$1 billion globally, jurisdictional REDD+ faces significant implementation challenges in the Congo Basin region. The high risks posed by the local weak governance and lack of technical support make it difficult for countries to address deforestation in the relatively short implementation timeframes. In addition, low rates of deforestation in some Congo Basin countries lead to low returns from initiatives that pay upon reduced deforestation.

Efforts to mobilize private investment into conservation include blended finance and carbon market mechanisms. CAFI and &Green announced at COP27 the development of a forest bond to support COP26's donors pledge for the Congo Basin with US$0.12 billion. The TerraFund for AFR100 Landscapes (TerraFund) combined private and public finance (US$0.05 billion), targeting land restoration projects across 27 African countries. Carbon markets have drawn some investment to the region but they do not meet the substantial cost-effective mitigation potential of nature-based solutions in the Congo Basin countries.

Emerging initiatives pilot new results-based payment modalities in support of landscape programmes. The Forest and Climate Leaders' Partnership launched at COP27 has started to design Country Packages for Forests, Nature and Climate, consisting of country-specific technical, financial and diplomatic support for meeting national climate targets. The World Bank's SCALE partnership will pool resources and make them available for the most impactful jurisdictional and sectoral programmes that reduce greenhouse gas emissions through natural climate solutions, sustainable infrastructure solutions, and fiscal and financial solutions to support just and inclusive transitions. The Nature+ Accelerator Fund seeks to build an investment portfolio capitalizing on emerging environmental markets such as blue carbon or biochar and other types of payments for ecosystem services like biodiversity conservation, water or plastic credits. While these – and other – programmes could support Congo Basin development goals, they are global in nature, and it remains unclear how beneficial they will be to the region.

Deforestation caused by slash-and-burn agriculture
© Jaap van der Waarde / WWF-Netherlands

FUNDING MECHANISMS FOR SUSTAINABLE DEVELOPMENT AND CONSERVATION IN THE REGION ARE TOO SMALL AND TOO SCATTERED, EVEN THOUGH NEW OPPORTUNITIES ARE EMERGING

Scaling up green finance remains slow with disbursements not keeping up with pledges. The "fair deal" advocated by the CBFP estimates that protecting Congo Basin forests requires US$5 billion yearly. The Joint Declaration of Donors for the Congo Basin have since pledged US$1.5 billion to be disbursed from 2021-25 (or around US$300 million annually). Yet the most promising initiative in the region, CAFI, disbursed only US$443 million from 2015-22 (or an average of US$55 million per year).[18] The FCPF, from 2010-22, allocated US$31.4 million to all five Congo Basin participating countries through its Readiness Fund and US$96.8 million to DRC and the Republic of the Congo through its Carbon Fund,[19] while FIP has investment plans requiring a total of US$190 million in DRC and the Republic of the Congo.[20] Although there is a push to increase private finance flows to the Congo Basin, opportunities for large-scale investments with ambitious conservation goals remain limited.

Conservation and development are two sides of the same coin, but they are not tackled together. Only three finance initiatives (CAFI, FIP, &Green Bonds) out of those assessed explicitly target both conservation and development, recognizing that slowing or halting deforestation cannot be achieved without considering socioeconomic drivers and devising efficient strategies for sustainable development. Development programmes (such as the C2D debt swap instrument for highly indebted countries, as well as the Multilateral Investment Guarantee Agency) provide finance for developing sectors, such as health, education, infrastructure and mining, without coupling this to conservation or climate goals. Greening of grey finance – to redirect existing financial flows potentially harmful for forests – is therefore urgently needed.

Congo Basin countries face specific barriers that require tailored programmes. Funding requirements that demand stable institutions, strong financial management systems or bankable investment portfolios put the Congo Basin at a disadvantage compared to other tropical forest regions. Jurisdictional REDD+ programmes face significant implementation challenges, with their significant institutional, financial and capacity demands and the limited returns they offer for high-forest, low-deforestation regions. Moreover, weak governance and unstable economic conditions discourage private sector actors due to the high risk-return ratio of the potential investments.

Gold mining on the outskirts of Minkébé Gabon © Michel Gunther / WWF

SUSTAINABLE DEVELOPMENT AND CONSERVATION NEED INTEGRATED FINANCING APPROACHES

New approaches to finance mobilization must overcome the Congo Basin's structural high debt and weak governance. Initiatives targeting only forest conservation will not be sufficient to overcome these barriers, nor to ensure long-term sustainable development. A public finance revision is needed and should be complemented by private finance mobilization through blended and market-based finance mechanisms. To increase Congo Basin countries' fiscal space for forest protection and sustainable development, international public finance and investors must recognize the value of the ecosystems of the Congo Basin.

Three main areas need to be tackled to effectively scale forest finance in the Congo Basin:

Given the particular fragility of the region, international public finance is likely to remain an essential source of finance for the Congo Basin, but requires a profound revision. Compared to other types of finance, international public finance provides longer-term affordable financing to developing countries, which is crucial to address structural challenges. Yet available financing is inadequate in scale and, due to the high levels of foreign debt and limited fiscal space, often inaccessible for Congo Basin countries. This limits the budget available for policy reforms and conservation actions. To scale international public finance flow to Congo Basin countries, multiple strategies are therefore needed. These include (i) reforming multilateral development banks, e.g. by reviewing the use of Special Drawing Rights (SDRs) in favour of developing countries that implement conservation efforts; (ii) revising countries' financial and debt management frameworks, e.g. by reforming how financial stability of countries is assessed; (iii) relieving or restructuring countries' external debts, e.g. as set out by the G20's Common Framework for Debt Treatments, which deals with the current debt crisis.

Public policies need to de-risk private investment. Private investment is essential for the economic development of the Congo Basin region. Blended finance uses capital from public or philanthropic sources to attract and catalyse private-sector sustainable investments in developing or middle-income countries. Blended finance instruments, including guarantees or bonds, can help mobilize private investments by de-risking investment opportunities and making finance conditional upon forest conservation commitments.

Public measures should help mobilize additional finance through high-integrity environmental markets. Environmental markets make use of tradable economic instruments to pursue specific environmental objectives. They use prices and other economic variables to reduce or eliminate negative environmental impacts or incentivize positive impacts. While not a panacea, environmental markets can help give value to standing forests. Existing and emerging mechanisms can be used in a complementary fashion. Carbon projects (e.g. reforestation, afforestation and agroforestry) and jurisdictional REDD+ programmes hold promise, in particular if combined with emerging market mechanisms that value high-integrity forests or biodiversity.

THIS STUDY PRESENTS SIX OPTIONS TO SCALE FINANCE FOR THE CONGO BASIN'S SUSTAINABLE DEVELOPMENT AND CONSERVATION

The shortlisted options:

(i) Hold the potential to mobilize private and public finance at scale;

(ii) Combine conservation and sustainable development goals; and

(iii) Build on existing policy proposals or processes, and tailor them to the circumstances of the region.

The options complement each other (Table 2). They are starting points for further elaboration and feasibility assessments that are beyond the scope of this report. Considering the differences between Congo Basin countries, the proposed approaches may be more or less relevant for each country. Some also apply to other developing countries with high levels of forest cover.

Table 2. *Overview of the options to scale international finance for forest conservation and sustainable development in the Congo Basin countries. The names are working titles for the purpose of this report*

Strategy	Main goal	Option	Name
International public finance	Support countries' budgets for policy reforms and implementation	Sustainable Forest Trust for the Congo Basin	SFT-CB
		Provide value to forests and consider such value when assessing countries' fiscal space	Forest Valuation
Blended finance	De-risk private investments	High Integrity Forest Bond	HIF Bond
		Congo Basin Guarantee Facility	CBGF
Environmental markets	Build local capacity and attract private investments into environmental markets	Regional Investment and Technical Assistance Facility	ITAF
		National environmental market investment promotion agencies	EMIPAs

1 SCALING PUBLIC FINANCE: ESTABLISHING A SUSTAINABLE FOREST TRUST FOR THE CONGO BASIN

A Sustainable Forest Trust for the Congo Basin (the SFT-CB) would increase public finance for budget support and development policy financing. The conservation of forests would be a condition to access the SFT-CB.

The SFT-CB combines the benefits of budget support and performance-based financing. It would provide funding to government budgets to enable them to implement green growth and climate policies and strategies, with disbursements linked to the achievement of specific policy milestones or results. It could be used, for example, to implement COMIFAC's "plan de convergence". The SFT-CB would strengthen national systems and avoid further fragmentation of donor support. Along with results-based payments in the form of grants, the SFT-CB could provide long-term concessional loans to support infrastructure and investment projects in the region. All funding would be contingent on established national forest conservation commitments, which could be monitored and verified independently (e.g., forest coverage monitored by spatial data).

The SFT-CB would be administered by a multilateral organization. The fund could be modelled on the International Monetary Fund (IMF)'s Resilience and Sustainability Trust Fund (RST), potentially as a sister fund to the RST or as a special regional programme within the RST framework. Linking the fund to the IMF would provide access to a significant amount of finance without relying on additional donor pledges. Like the RST, the SFT-CB could raise funds through reallocation or reissuances of Special Drawing Rights (SDRs), the international reserve asset of the IMF.

2 INCREASING FISCAL SPACE FOR CONGO BASIN COUNTRIES: ASSIGNING VALUE TO THE CONGO BASIN'S NATURAL ASSETS TO ENCOURAGE LONG-TERM INVESTMENTS

Valuing the natural capital and environmental services provided by the Congo Basin forests would enable countries to invest in long-term green development while conserving forests. The global community should recognize that Congo Basin countries manage a global forest asset, the loss of which would make it almost impossible to meet global climate and biodiversity goals.

Current IMF and World Bank lending programmes are conditional upon a debt sustainability analysis (DSA), which does not consider natural assets such as forests in countries' management debt frameworks. A country's DSA classification also affects its ability to borrow money on international markets. Reforming DSA methods to value forests as assets would have significant impacts on the ability of Congo Basin countries to access finance from IMF and World Bank programmes and on international debt markets. The analysis could be reformed to account for the economic risks associated with forest loss, or to adopt a balance-sheet approach that would consider forests as national assets. Both approaches would create powerful incentives for the long-term management and conservation of forests.

Considering the value of Congo Basin forests in fiscal assessments would create incentives to conserve forests, which could be combined with budget support and debt relief. A change in sovereign debt management frameworks could be combined with the establishment of the SFT-CB and a debt-restructuring and debt-relief programme under the G20 Common Framework for Debt Treatments. The proposal to reform sovereign debt is not new but builds on proposals currently being discussed in the context of future reforms of the multilateral financial system. The World Bank has already started efforts to value the forests of the Congo Basin, providing important analytical input to this proposal.

3 STIMULATING INVESTMENTS IN CONSERVATION: ISSUING A FOREST BOND LINKED TO NEW PAYMENTS FOR ECOSYSTEM SERVICES

A forest bond linked to environmental markets could help to raise private capital to finance forest conservation efforts and/or sustainable development projects. Bonds can attract institutional investors such as pension funds. Congo Basin countries or development partners (e.g., the IFC) could issue a High-Integrity Forests Bond that channels funds to projects that enhance conservation and promote rural development that creates viable alternatives to deforestation. The design of such a bond could learn from previous efforts to design REDD+ bonds.

Emerging proposals to create tradable instruments for standing forests open the door to another attempt to design a forest bond linked to markets that reward the protection of high-integrity forests. The proposed bond could be designed to mobilize finance for conservation. Congo Basin countries could use high-integrity forest bonds to attract private investors interested in environmentally and socially responsible opportunities. The proposed bond could be linked, for example, to the Wildlife Conservation Society's (WCS) High Integrity Forest Removal (HIFOR) units. Investments could be used for a mix of conservation activities and green, deforestation-free development measures. Investors in high-integrity forests bonds could choose between a cash dividend or, for example, a HIFOR unit credit that they can use as evidence of investment in high-integrity conservation.

Countries could also issue sovereign sustainability bonds, similar to the bonds issued by Benin in 2019. Sovereign issuances of sustainability-linked instruments provide another promising avenue to incentivize governments to implement forest-positive policies.[21] Sustainability bonds are similar debt instruments to forest bonds but designed to attract new investors and finance projects that have broader economic and social purposes, such as the achievement of the Sustainable Development Goals.

4 DE-RISKING PRIVATE INVESTMENT: ENHANCING THE USE OF GUARANTEES IN THE CONTEXT OF CLIMATE FINANCE AND GREEN GROWTH

A Congo Basin Guarantee Facility (CBGF) could channel finance into deforestation-free supply chains and infrastructure investments. Guarantees are the most effective and most underutilized blended finance instrument. The CBGF could be designed to attract private finance in sustainable forest management, deforestation-free supply chains and other opportunities.

The CBGF could be managed by a multilateral development bank, such as the African Development Bank (AfDB), or by the African Trade Insurance Agency (ATI) – a pan-African multilateral organization that already provides political risk insurance to foreign entities wishing to invest in Africa. The ATI benefits from the support of the African Development Bank and the World Bank and has significant experience in assessing risks in Congo Basin countries. The link to multilateral development banks would provide additional confidence in the appraised and guaranteed investments. Alternatively, an experienced private sector partner could manage the CBGF.

Guarantees would be issued to private investment projects that commit to zero deforestation. Projects could support green energy and agriculture at the forest frontier. Guarantees could also back investments into sustainable forest management or resource extraction, directly addressing drivers of deforestation.

5 INVESTING IN PIPELINE DEVELOPMENT: CREATING AN INVESTMENT AND TECHNICAL ASSISTANCE FACILITY FOR ENVIRONMENTAL MARKETS

An Investment and Technical Assistance Facility (ITAF) for the Congo Basin region would have the opportunity to unlock private investments, narrow the carbon market finance gap and support the establishment of emerging environmental markets. Such a facility would seek to close the gap between current investment levels and the potential of marketable nature-based solutions in the region.

An ITAF would de-risk investments and provide technical assistance to projects and programmes that protect forests and biodiversity. The countries of the Congo Basin have significant potential in cost-effective nature-based solutions, which remain largely untapped. There are relatively few project developers in the region, because investments are considered high risk, and it is hard to get technical and marketing support. An ITAF would help build local capacity by assisting with the execution of the studies that are needed for this kind of project (e.g. feasibility assessment, baseline calculation, community engagement studies) and would provide early financing to projects, supporting their development costs.

The ITAF could be administered by CAFI, which currently does not have a programme to channel finance to the private sector. Funding could be provided by donor countries through the IFC, the World Bank's development institution focused on the private sector.

6 ATTRACTING FOREIGN DIRECT INVESTMENT: ESTABLISHING ENVIRONMENTAL MARKETS INVESTMENT PROMOTION AGENCIES IN THE COUNTRIES OF THE CONGO BASIN

A wide range of carbon and other market mechanisms can draw investments into mitigation actions, including into projects at the forest frontier. So far, few Congo Basin countries have opted to strategically engage with carbon or other environmental markets. Sobering experiences with jurisdictional REDD+ programmes have resulted in scepticism, but the promise of environmental markets should not be dismissed prematurely. The Congo Basin holds significant potential for investments geared to acquire carbon, biodiversity or other environmental certificates. Environmental markets investment promotion agencies (EMIPAs) could support governments in engaging strategically with environmental market mechanisms. This could include developing integrated environmental market access strategies to leverage finance and technology transfer. Such strategies should be country-driven, consider all markets and instruments, and focus on aligning supported activities with national development strategies.

Strategic engagement with environmental markets would allow governments to approach carbon pricing holistically and consider carbon markets as part of their climate policy and sustainable development toolbox. This requires a clear understanding of complementary finance instruments, including cooperative approaches under Article 6 of the Paris Agreement, jurisdictional and (nested) project-based REDD+, afforestation and reforestation, as well as engagement with new asset classes such as WCS's HIFOR or emerging nature-based certificates. Demand for tradable environmental and climate assets comes from corporates seeking to meet climate goals – including investments into beyond value chain mitigation – and from governments that seek to support REDD+ or carbon markets enabled by the Paris Agreement.

EMIPAs could be established as part of existing investment promotion agencies or as new entities. EMIPAs would be specialized in attracting finance from environmental markets that allow countries to link interested buyers and investors with investment opportunities. This enables countries to strategically use carbon and other emerging environmental markets to meet development goals.

THESE PROPOSALS TO MOBILIZE INTERNATIONAL FINANCE FOR THE CONGO BASIN REQUIRE PRIORITIZATION, ELABORATION AND POLITICAL BUY-IN

The six approaches to mobilize international finance for the Congo Basin presented in this report were developed on the basis of desk reviews and stakeholder interviews. They have yet to be vetted and shared with key stakeholders and partner organisations. The operationalization of selected approaches will also require further feasibility studies that propose concrete measures and instruments.

The six proposed options are complementary and centred around the idea that international public finance and policy interventions are needed to mobilize finance for the Congo Basin. This implies that dialogue and negotiations should take place at the political level. Some of the options have to be taken forward at the national level (e.g. proposals 3 and 6); others benefit from regional coordination, which can take place under the umbrella of COMIFAC, CAFI and CBPF. It is important that the solutions engage local stakeholders from the beginning to avoid the perception of being top-down and donor-driven initiatives, which have demonstrated limited effectiveness and generated low stakeholder confidence in Congo Basin countries.

Since all options build on existing initiatives and proposals, it is important to consult with those promoting these efforts. This includes in all cases representatives of various ministries of Congo Basin countries. Other key groups include the IMF and RST for proposal 1; the government of Barbados and supporters of the Bridgetown Initiative, and the IMF for proposal 2; CAFI, UNCDF, IFC and WCS for proposal 3; ATI, AfDB and MIGA for proposal 4; CAFI, IFC and donor countries for proposal 5; and the Voluntary Carbon Market Integrity initiative and the Integrity Council for the Voluntary Carbon Market for proposal 6.

Most importantly, the options should serve as constructive starting points to develop instruments that realize the global and local value of the ecosystems of the Congo Basin.

FSC-certified logs at a concession in East province, Cameroon
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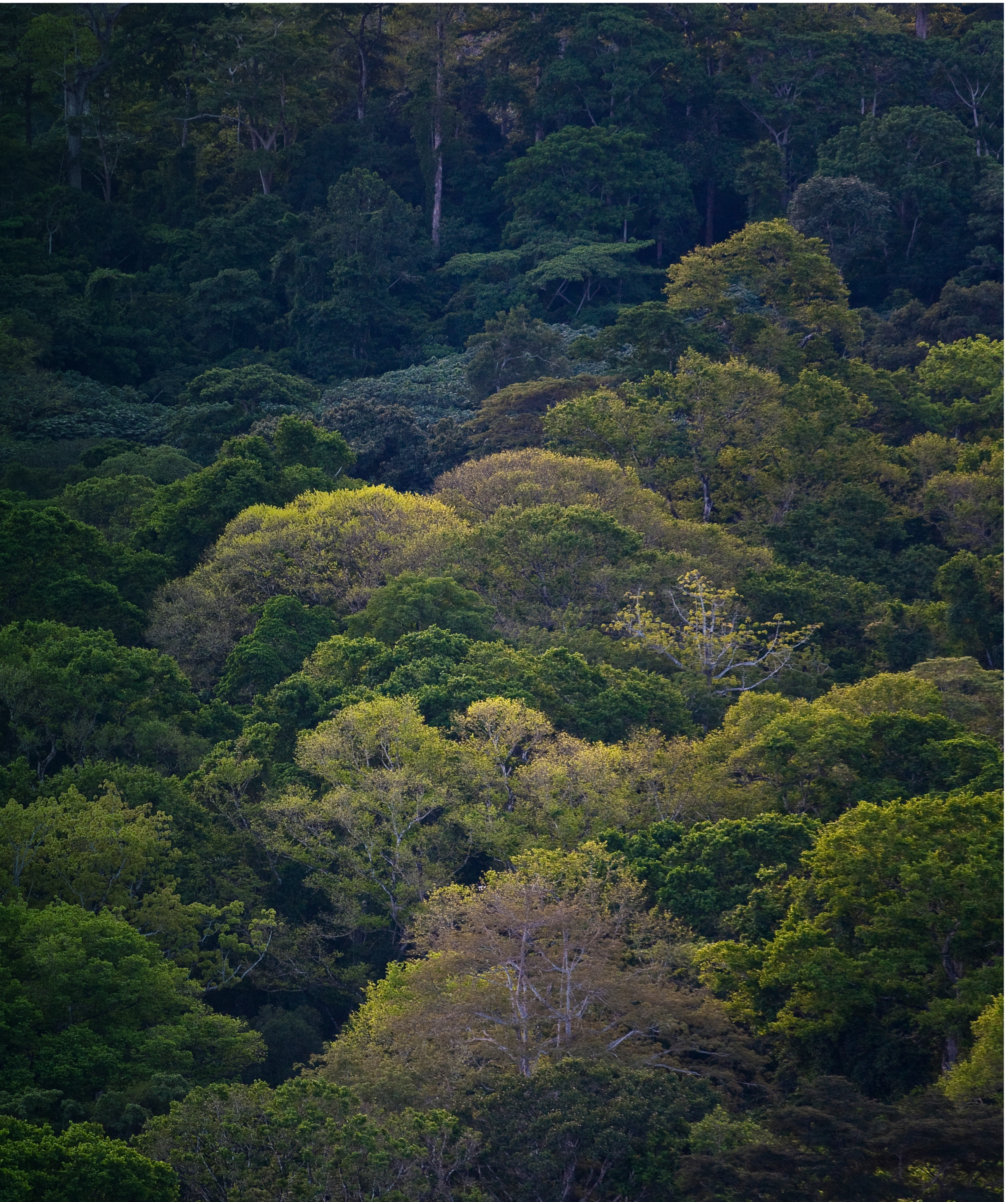

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