

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



ACKNOWLEDGEMENTS

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Authors:

Charlotte Streck, Sara Minoli, Sarah Bouchon, David Landholm, Carolina Inclan, Ivan Palmegiani

Climate Focus

Van Diemenstraat 170, 1013 CP Amsterdam, The Netherlands

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

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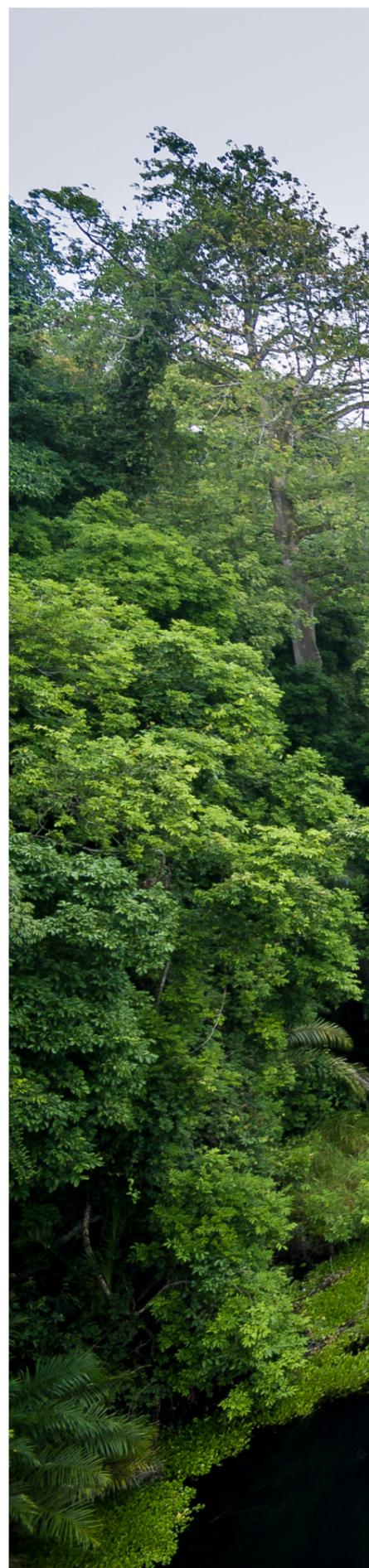
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Blue River / Tulu river Congo © Antoinette / Shutterstock



Mountain gorilla in Virunga National Park, Democratic Republic of the Congo © Paul Robinson

LIST OF ABBREVIATIONS

AfD	Agence Française de Développement (French Development Agency)
AfDB	African Development Bank
AFR100	African Forest Landscape Restoration Initiative
ARR	Afforestation, reforestation and revegetation
ATI	African Trade Insurance Agency
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit (Federal Ministry for Economic Cooperation and Development, Germany)
CAFI	Central African Forest Initiative
CBFP	Congo Basin Forest Partnership
CIRAD	Centre de coopération internationale en recherche agronomique pour le développement (French Agricultural Research Centre for International Development)
COMIFAC	Commission des Forêts d'Afrique Centrale (Central African Forests Commission)
COP	Conference of the Parties
CRS	Creditor Reporting System
DRC	Democratic Republic of the Congo
ECCAS	Economic Community of Central African States
ETS	Emission trading scheme
GDP	Gross domestic product
GEF	Global Environment Facility
GHG	Greenhouse gas
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (German Agency for International Cooperation GmbH)
HFLD	High forest, low deforestation
HIF	High integrity forest
HIFOR	High Integrity Forest Removals
IBRD	International Bank for Reconstruction and Development (World Bank Group)
IFC	International Finance Corporation
IFM	Improved forest management

IMF	International Monetary Fund
IP&LCs	Indigenous peoples and local communities
KfW	Kreditanstalt für Wiederaufbau (Credit Institute for Reconstruction)
MIGA	Multilateral Investment Guarantee Agency
NDC	Nationally determined contribution
NGO	Non-governmental organization
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PA	Protected area
PES	Payment for ecosystem services
RBF	Results-based finance
REDD(+)	Reducing emissions from deforestation and forest degradation (and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries)
REFACOF	The African Women's Network for Community Management of Forests
ROSCEVAC	Réseau des Organisations de la Société Civile pour l'Économie Verte en Afrique Centrale (Network of Civil Society Organizations for the Green Economy in Central Africa)
SD VSta	Sustainable Development Verified Impact Standard
SODEFOR	Société de Développement Forestier (Forest Development Corporation)
TA	Technical assistance
UN	United Nations
UNCDF	UN Capital Development Fund
UNFCCC	United Nations Framework Convention on Climate Change
US\$	United States Dollar
VCM	Voluntary carbon market
WB	World Bank
WCS	Wildlife Conservation Society
WWF	World Wide Fund for Nature

SECTION 1

AIMS OF THE 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 stakeholders – including governments and funders – with guidance on possible options and approaches for finance mobilization. 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 of 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.

This report provides insights that are relevant also for countries with high integrity forests outside the Congo Basin. Although the proposals for scaling finance are region-specific, the need to define appropriate financial support for conservation of high-integrity forests is equally urgent across geographies.

SECTION 2

METHODOLOGY

1.1. RESEARCH QUESTIONS

This report addresses four main questions related to climate, conservation, and development finance in the Congo Basin:

- What is the relevance of the Congo Basin forests and deforestation drivers in the context of the Paris Agreement's and the Global Biodiversity Framework's goals?
- What are the existing and emerging financial mechanisms, instruments, and initiatives that are relevant to the Congo Basin?

- What are, currently, the challenges to increase finance flows to the Congo Basin?
- How can finance for forest conservation and sustainable development be mobilized at scale for the Congo Basin countries?

1.2. SOURCES OF INFORMATION

The findings and recommendations were developed through desk-based research, complemented by stakeholder consultations.

Because of the complexity of challenges around forest conservation and economic development in the Congo Basin region and the important consequences of future decisions for both local and global societies, analysis of the current situation and recommendations for future strategies need to be backed by solid scientific evidence.¹ For this reason, peer-reviewed academic literature is the primary source of information in this report.

Other main sources of information for analysing the policy and economic context of the region were the official documentation from governments, as well as key reports and secondary research literature.

The review and mapping of finance initiatives and mechanisms largely relied on official websites, reports, and papers produced by the organizations leading the development of given mechanisms.

The quantitative comparison of financial flows between the Congo Basin, the Amazon Basin and Southeast Asia was

based on the Creditor Reporting System (CRS) database, which measures the official development finance received by developing countries.² The CRS data from 2017-2021 was subset to extract records for countries of the three largest tropical forest regions: six Congo Basin countries (Cameroon, Central African Republic (CAR), Congo, Democratic Republic of the Congo (DRC), Equatorial Guinea, Gabon), eight Amazon Basin countries (Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname, Venezuela), and 11 Southeast Asian countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, Viet Nam). The displayed financial flows refer to the Forestry (category 312) and General Environmental Protection (category 410) sectors of the OECD sector classification system.

The desk-based research was complemented with stakeholder consultations. A total of 28 interviews were conducted with officials from Congo Basin countries; academic experts; and representatives of international non-governmental organizations (NGOs), private sector companies (e.g., timber companies), international donor organizations and multilateral development banks (Table 1).

As a first step, potential stakeholders were identified through WWF and Climate Focus' networks. During the initial consultations, a snowball sampling technique was applied: stakeholders were asked to recommend

others to consult, which extended the list of contacts. The consultations were conducted as one-on-one semi-structured interviews, a flexible format that could be tailored to the interests and expertise of each stakeholder.

Table 1. Summary of contacted and interviewed stakeholders

Stakeholder role	Contacted (#)	Interviewed (#)	Organization name
Congo Basin country representatives	22	4	Conseil National Climat (Gabon) COMIFAC CBFP
Donor governments	9	7	Government of Norway Government of Germany (BMZ and GIZ) Government of UK Government of France (Afd)
Multilateral finance organizations	6	6	World Bank (IBRD) KfW CAFI UNCDF AfDB GEF
Academia	1	1	Independent specialist (DRC)
Convention Secretariats	1	1	UNFCCC
NGOs/civil society	11	8	WWF CIRAD CIFOR REFACOF ROSEVAC
Private sector	8	1	SODEFOR
Total	58	28	

1.3. ANALYSIS OF FINANCE MECHANISMS

The list of financial initiatives relevant for the Congo Basin was compiled through stakeholder consultation and desk-based research. The initiatives were shortlisted to include only international (i.e., excluding domestic finance) green finance, defined as finance aligned with objectives for the conservation, protection, or sustainable use of forests.³ Initiatives were considered relevant for the Congo Basin if active in any of the countries in the region, or if targeting other tropical regions with high levels of forest cover.

To provide context on the Congo Basin and facilitate analysis of relevant international finance for forest conservation and development, the report includes summary tables of the reviewed financial initiatives with the following information:

- Scope: e.g., global, regional, Congo Basin countries;
- Objective: e.g., forest conservation, landscape restoration, climate, economic development;

- Funders: e.g., donor countries, multilateral development banks, philanthropic organizations, private sector;
- Disbursement strategy: e.g., grants, technical assistance, loans, guarantees, environmental markets;
- Committed finance volume: pledged or expected financial flows to for the entire target geographical scope.

The initiatives are described in the context of the current policy and economic conditions of Congo Basin countries and analysed for their potentials and limitation in terms of scalability, goals, and effectiveness in mobilizing international finance for the Congo Basin. Possible approaches to overcome the identified limitations are also presented. The analysis constitutes the basis to develop a set of proposals to design new financial instruments for enabling the Congo Basin countries to pursue sustainable development paths and protect their forests.



Logging site near Minkébé Forest, Gabon © Michel Gunther / WWF

SECTION 3

FORESTS OF THE CONGO BASIN

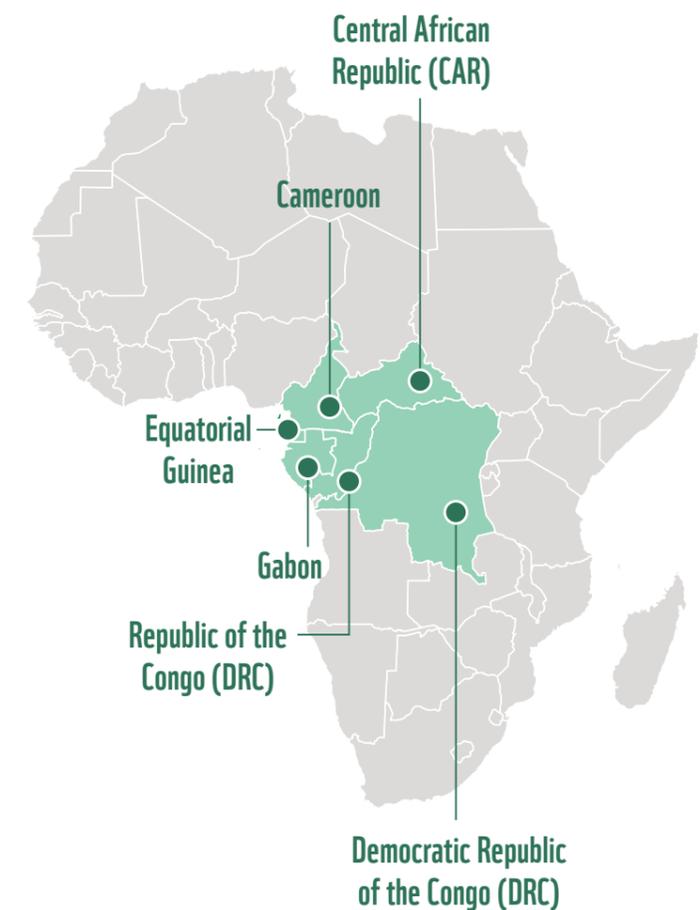
The conservation of high-integrity forests in the Congo Basin is essential to meeting the Paris Agreement and Global Biodiversity Framework goals. However, these forests face increasing threats from deforestation and forest degradation driven by economic development, population growth and urbanization in Congo Basin countries, as well as the increasing global demand for oil, gas and minerals.

3.1. CLIMATE SERVICES AND BIODIVERSITY

The six Congo Basin countries – Cameroon, CAR, DRC, Equatorial Guinea, Gabon and Republic of the Congo – host the world’s second largest tropical forest. In 2019, the total area of tropical rainforests in the Congo Basin was estimated to be about 180 million hectares.⁴ The region is also home to the largest tropical peatlands in the world. The Cuvette Centrale peatlands are located on the national territories of DRC and the Republic of the Congo, with a total surface area of 14.5 million hectares.⁵

The Congo Basin forests represent the largest expanse of high-integrity forests worldwide. This report defines high-integrity forests⁶ as forests that are structurally intact and largely free from anthropogenic pressure. Over 80% of the Congo Basin forests show no visible signs of disturbance since 1990.⁷

Countries in the Congo Basin are key to the achievement of the biodiversity targets set by the post-2020 Global Biodiversity Framework.⁸ The high levels of ecological integrity of the Congo Basin forests offer unique opportunities to implement best practices in biodiversity-inclusive spatial planning and protected areas (Global Biodiversity Framework Targets 1, 3), promote the conservation and sustainable use of wild species (Targets 4, 5), develop sustainable agriculture and forest practices (Target 10), and unlock financial streams for Indigenous peoples and local communities.



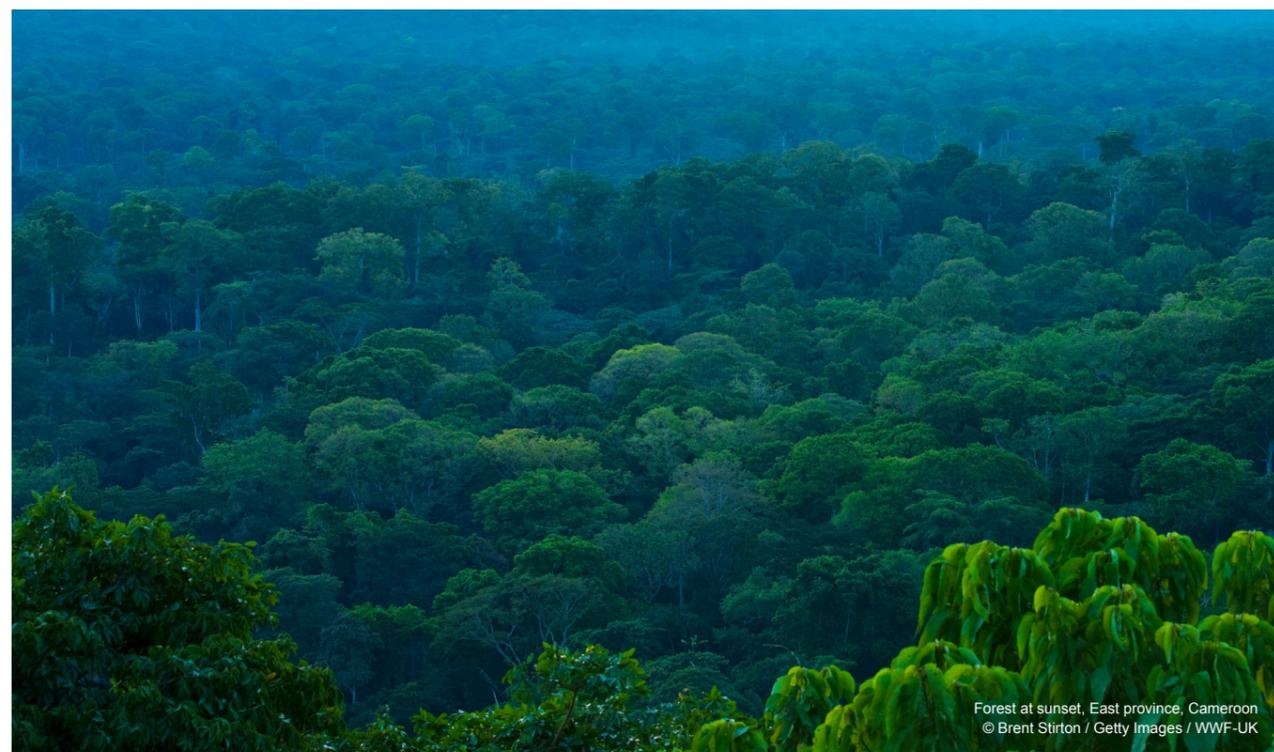
Countries in the Congo Basin are key to the achievement of climate goals under the Paris Agreement. Among the three largest tropical rainforests globally, the Congo Basin forest alone has remained a strong net carbon sink, absorbing about 0.61 net gigatonnes of carbon dioxide equivalent (GtCO_{2e}) each year.⁹ This is similar to the total annual greenhouse gas (GHG) emissions of Canada and nearly six times the net removals observed in the forests of the Amazon Basin, which is at risk of turning into a net source of emissions if deforestation continues.¹⁰ There is evidence that the sink capacity of forests has started declining in tropical Africa, although at a lower rate than in the Amazon, as a result of climate change-driven tree mortality.¹¹ The peatlands located in DRC and the Republic of the Congo are estimated to store approximately 30 gigatonnes of carbon, equivalent to about 15 years of emissions generated by the US economy.¹²

All forests are simultaneously carbon sources and sinks, with the net balance between the two largely determined by forest (mis-)management. A recent study showed that in the absence of terrestrial ecosystems' sink function, which is largely provided by forests, the world would be around 0.4°C hotter than it is today, placing global temperatures well above the Paris Agreement's 1.5°C target.¹³ Protecting forests from deforestation and degradation is crucial to maintaining their ability to absorb carbon and mitigate climate change. With the Glasgow Leaders' Declaration on Forests

and Land Use, 145 national governments – including all six Congo Basin countries – committed to reverse deforestation by 2030 to align with the goals of the Paris Agreement.¹⁴

Tropical forests play a key role in regulating local, regional¹⁵ and global¹⁶ climate by modulating land-atmosphere fluxes in addition to CO₂. In other words, forests control the storage and exchange of water between the Earth's atmosphere and surface, as well as of GHGs other than CO₂ and solar radiation, providing net cooling locally and globally. Forest cover losses – in the Congo Basin's high-integrity forests and in other forests – modify the moisture and energy fluxes from the land, causing a net warming effect at the global level.¹⁷ These warming effects are additional to those resulting from the release of GHG emissions to the atmosphere through deforestation and forest degradation.

Forest and land-cover changes also affect rainfall amount and distribution patterns. Rain that falls in the Congo Basin originates almost entirely from evaporation in the region itself. Moreover, the Congo Basin is a major source of rainfall (about 50%) for the Sahel region, a region particularly sensitive to rainfall variability.¹⁸ Large-scale deforestation in the Congo Basin could reduce rainfall by 16% (average across studies) across hundreds to thousands of square kilometres.¹⁹



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

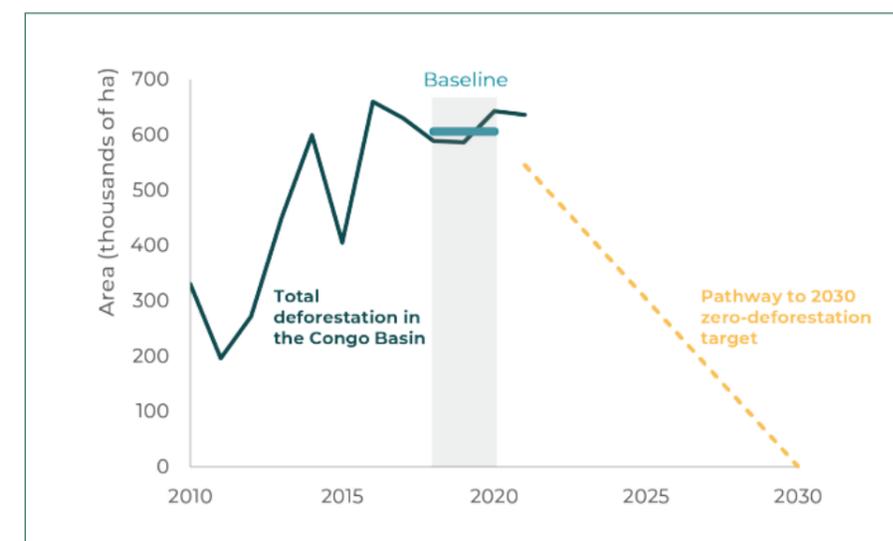
3.2. DEFORESTATION AND FOREST DEGRADATION RISKS

3.2.1 RECENT DEFORESTATION AND FOREST DEGRADATION TRENDS

Although relatively undisturbed in historical terms compared to other tropical forests, the Congo Basin forests are at great risk today. From 2010-20, the Congo Basin contributed less than 7% to global

deforestation, while tropical Latin America and Asia contributed more than 80%.²⁰ Yet the trend is toward increasing deforestation. In 2021, a total of 636,000 hectares was deforested across the six Congo Basin countries (Figure 1), 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).²¹

Figure 1: Total deforestation (ha) in the six Congo Basin countries (2010-2021) and trajectory towards the zero deforestation 2030 target. Source: Forest Declaration Assessment (2022), Regional Assessment 2022 – Tracking progress towards forest goals in the Congo Basin. Based on data from Global Forest Watch and Curtis et al. 2018.

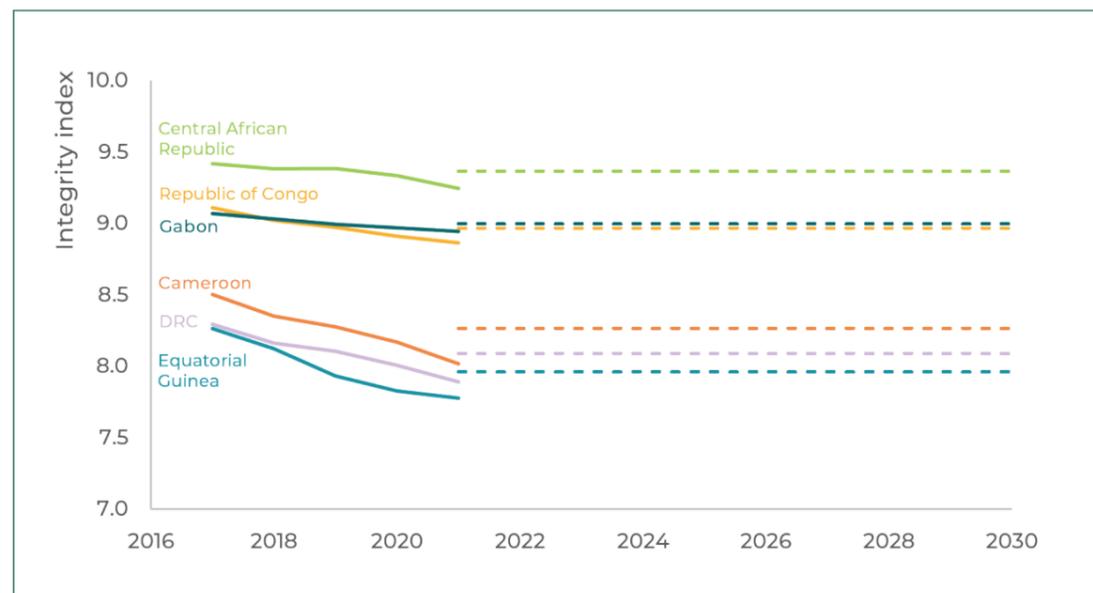


This aggregated increase in deforestation conceals considerably different trends across countries.²² For instance, in 2021, the Republic of the Congo and Gabon saw very strong declines in deforestation (30% and 28%, respectively), relative to the 2018-20 baseline. In contrast, in the same year, Equatorial Guinea, Cameroon and CAR saw increases of 8%, 25% and 71%, respectively. Although DRC experienced just a 3% increase in deforestation, given the country's significant forest cover, this corresponds to an additional 15,788 hectares lost – half of the region's deforestation increase in 2021.

Forest degradation has also worsened in the Congo Basin in recent years, with particularly strong declines observed in Cameroon, DRC

and Equatorial Guinea (Figure 2). Here degradation is measured via the Forest Landscape Integrity Index (FLII),²³ an indicator that combines multiple measures such as satellite imaging of agriculture, forest cover loss, and infrastructure, and accounts for inferred forest pressures. Forest degradation and fragmentation can be precursors to deforestation.²⁴ If recent deforestation and degradation trends are not halted or slowed, it is expected that 27% of undisturbed rainforests in the Congo Basin present in 2020 could disappear by 2050.²⁵ Given the high proportion of plant species in the Congo Basin that rely on animals for seed dispersal, decline in fauna species (defaunation) can also drive forest degradation and impact potential for forest regeneration.²⁶

Figure 2: Forest Landscape Integrity Index for Congo Basin countries between 2017 and 2021. Horizontal, dashed lines correspond to the integrity level of the reference period (2018–20), representing the Glasgow Declaration target to halt land degradation (i.e., no further degradation). Source: Forest Declaration Assessment (2022), Regional Assessment 2022



3.2.2 CURRENT AND FUTURE DRIVERS OF FOREST DISTURBANCE

Congo Basin forests are at risk from a variety of direct and indirect drivers of deforestation and forest degradation.²⁷ Direct drivers are human activities that directly affect the biophysical environment, such as cutting down trees for agriculture or to build infrastructure, or overexploiting fauna essential for seed dispersal and other functions important for forest health. Indirect drivers underlie direct drivers and can be grouped into three main categories: demographic, economic, and policy.²⁸

The most prominent direct deforestation driver – in all Congo Basin countries, except Gabon – is small-scale clearing for farming activities.²⁹ Small-scale farming contributed 84% of total deforestation in the region from 2000–14. Other direct drivers of deforestation in the Congo Basin from 2000–14 were industrial selective logging (9.5%), fire (3.8%), large-scale clearing for agriculture (1.0%), construction (1.5%) and mining (0.04%). Industrial selective logging is particularly important in Gabon (driving 61.0% of deforestation from 2000–14), the Republic of the Congo (45.7%), and Cameroon (21.8%).³⁰ Although, historically, large-scale agriculture and mining represented a small share of the deforestation drivers in the Congo Basin, they are increasingly becoming important and are expected

to have drastic impacts on Congo Basin forests in the coming years.³¹ This region is particularly attractive for expanding oil palm plantations, which are being limited by land availability and regulations in other regions (especially Malaysia and Indonesia) that have similar climate and soil conditions.³²

The growing demand for forestry products on local, regional, and international markets is the main indirect economic driver of deforestation in the Congo Basin.³³ Unlike in other tropical regions, formal logging operations (i.e., industrial scale and export-market oriented) in the Congo Basin have not, so far, resulted in complete canopy loss because of selectivity in logged species. Informal logging activities, operating on an artisanal scale and usually domestic-markets oriented, have driven more forest loss and degradation than formal logging operations.³⁴ Policies on deforestation-free supply chains in consumer jurisdictions (e.g., the European Union Deforestation-Free Products Regulation) may drive informal logging activities to shift exports to less restrictive markets rather than lead to improvements in the sustainability of forestry practices. A relatively recent urbanization trend, observed in African countries including those in the Congo Basin, is further driving demand for forest products such as food, timber, and fuelwood in urban areas, placing unsustainable pressure on forest resources.³⁵ It is estimated that, each year, Kinshasa alone requires 2.14 million tonnes of

charcoal to meet its energy needs.³⁶ Urbanization further drives infrastructure development, which involves the construction of roads through previously inaccessible forest. These roads, once built, then further facilitate further deforestation from other sources, including logging.³⁷

Population growth is an important indirect driver, along with high levels of poverty and lack of sustainable alternative livelihoods. According to recent data, the 2021 population growth rates in Congo Basin countries reached 2.1% in Gabon and CAR, 2.3% in the Republic of the Congo, 2.4% in Equatorial Guinea, 2.6% in Cameroon and a staggering 3.2% in DRC.³⁸ In DRC and CAR, especially, deforestation and forest degradation are directly correlated with population growth, as subsistence farming activities expand further into forests to produce increasing amounts of food.³⁹ Population growth also drives increasing demand for fuelwood and charcoal, which are the main energy sources in the region. According to 2022 UN projections, the population of DRC alone might exceed 200 million in 2050 and 400 million inhabitants in 2100, which would make it one of the most populous countries in the world.⁴⁰ This surge in population in the coming years will further increase the pressure on land resources in the Congo Basin, and potentially on other global regions too.⁴¹

One of the key future indirect drivers of risks to Congo Basin forests, including high-integrity forests, lies in the mineral-rich nature of the region. Rare minerals—such as gold, diamonds, uranium, aluminum, copper, iron, titanium, cobalt and coltan—can be found in the Congo Basin. There is increasing demand for these minerals from developed and emerging economies (mostly China, the United States, the European Union, Japan and India), which use them in a range of economic sectors (e.g., automotive and aerospace industries, power nuclear plants, electronic devices). Some of these resources are located deep in the forest, which creates a significant risk that mining,⁴² and the development of related infrastructure, will drive future deforestation in the Congo Basin.⁴³

Policy and institutional factors are major indirect drivers of deforestation and forest degradation in the region. Governance challenges that drive deforestation include weak legal frameworks and environmental regulations, low levels of law enforcement, uncoordinated actions across sectoral policies, lack of transparency in issuance of logging concessions, and insecurity and competition over land tenure.⁴⁴



SECTION 4

POLICIES IN THE CONGO BASIN: THE DUAL CHALLENGE OF FOREST CONSERVATION AND ECONOMIC DEVELOPMENT

Congo Basin countries are confronted with the major challenge of pursuing economic development while avoiding established unsustainable development pathways. This includes using forest resources sustainably while limiting forest conversion. Commitments to climate change mitigation and biodiversity conservation made by the six countries are unlikely to be realized without shifts in incentive structures, including technical and financial support by the international community.

4.1 ECONOMIC DEVELOPMENT AND NATURAL RESOURCES

Congo Basin countries face relatively low levels of economic development, although to varying extents.

According to the World Bank, which uses gross national income (GNI) per capita to classify countries into four different income groups, CAR and DRC are low-income countries, Cameroon and the Republic of Congo are lower-middle-income countries, and Gabon and Equatorial Guinea are upper-middle-income countries.⁴⁵ CAR and DRC are also listed among the UN's least-developed countries.⁴⁶ Food insecurity is a concern across the region, with serious to alarming levels of undernourishment in CAR, DRC and the Republic of Congo.⁴⁷

National economic development plans show these countries' intentions to emerge as stronger economic players, heavily relying on their land-based resources. All plans anticipate the expansion and intensification of the agriculture, forestry, mining and infrastructure sectors (Annex, Table A-1). While the resource-rich nature of the region provides opportunities for economic development, resource-based development poses great risks to the integrity of forests and other natural ecosystems.

Forestry and agriculture are explicitly targeted sectors in the economic development plans of four countries (Cameroon, DRC, Gabon, and the Republic of Congo).

CAR and Equatorial Guinea do not provide sector-specific plans (Annex, Table A-1). The countries' plans cover a range of forestry actions, including fighting deforestation and forest degradation, industrializing logging activities, and strengthening land tenure rights. The plans' main strategy to increase food security and reduce poverty is intensification and modernization of agriculture. Increasing agricultural productivity would improve countries' self-sufficiency for food and boost the export economy by supplying regional and international markets. As small-scale farming is the major driver of deforestation in the Congo Basin, agricultural intensification could help reduce the population-growth pressure on forests. However, the industrialization of agriculture could also lead to large-scale clearing of forests, such as for the creation of oil palm plantations.⁴⁸

Oil, gas and minerals exploration and exploitation are at the forefront of some Congo Basin countries' development strategies. Cameroon, Gabon and DRC all noted their intention to boost oil and gas activities in their

respective national economic development plans (Annex, Table A-1). The government of DRC is in fact currently auctioning off dozens of oil and gas concessions in the country, with a value of reserves estimated at over US\$600 billion⁴⁹ and covering 277,954 km² – an area larger than the whole of the United Kingdom. Some of the land being auctioned off overlaps with protected areas and peatlands.⁵⁰ Cameroon and Gabon are also engaging in mineral exploitation. Cameroon’s NDC flags that over 70% of the country’s mining resources are in forest areas. Yet the country intends to exploit these resources, simply noting that the country will endeavour to use the techniques that are “least damaging to the forests.”

Many studies have documented the negative environmental impacts of extractive activities, which include increased rates

of deforestation and biodiversity loss as well as air and water pollution.⁵¹ The negative social impact of the extractive sector is also well documented, as industrial-scale activities can disrupt traditional livelihoods, exacerbate inequalities, and lead to conflicts over land ownership and human rights abuses.⁵²

Developing infrastructure is also strategic for the Congo Basin’s development. All countries have ongoing projects to expand, build, and modernize their transportation systems, water networks, power plants and energy grids (Annex, Table A-1). Yet the expansion of the road network has been linked to increased deforestation rates in the Congo Basin,⁵³ and the construction of energy plants shown to negatively impacts natural ecosystems and biodiversity.⁵⁴

4.2 INTERNATIONAL COMMITMENTS AND REGIONAL COOPERATION EFFORTS BY CONGO BASIN COUNTRIES

The commitments made by Congo Basin countries under the Paris Agreement show their desire to preserve their forests. All six countries have submitted updated nationally determined contributions (NDCs), in which the importance of the Congo Basin forests is extensively considered (Annex, Table A-1). Particularly, the NDCs stress the significance of the forests as a carbon sink in the international fight against climate change and highlight the countries’ desire to combat deforestation and forest degradation. Moreover, at COP26, all six countries 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 (Annex, Table B-1).

The land-use sectors – forestry and agriculture – are at the core of all Congo Basin countries’ mitigation commitments. Along with reducing deforestation and forest degradation, the development of sustainable and low-emission agriculture is promoted as one of the key actions for climate mitigation. As agriculture is a major driver of deforestation in the region, effective mitigation measures will need to ensure agriculture development does not drive further deforestation. Approaches include implementing national and subnational spatial planning strategies and intensifying cultivation of unproductive and already deforested land. Cameroon’s NDC, for instance, notes that food security concerns and population growth increase pressure on natural resources. Yet how the two issues will be tackled together is largely unexplained.

All Congo Basin countries are also members of the Commission des Forêts d’Afrique Centrale (the Central African Forests Commission, or COMIFAC).⁵⁵ COMIFAC

is a specialized institution of the Economic Community of Central African States (ECCAS), a regional economic organization composed of 11 countries that was established in 1983 to promote economic cooperation and integration among its member states. Created in 1999, COMIFAC aims to protect the biodiversity of Central African forests, improve the livelihoods of local communities, promote sustainable forest management practices, and combat deforestation and forest degradation (Annex, Table B-1).

COMIFAC developed a Convergence Plan (Plan de Convergence)⁵⁶ which serves as reference framework for the coordination of all interventions around conservation and sustainable management of forest ecosystems in Central Africa. The second edition of the Convergence Plan was adopted in 2014 and covers the period 2015-2025. It outlines six priority areas for action: (i) the harmonization of forestry and environmental policies; (ii) the sustainable management and development of forest resources; (iii) the conservation and sustainable use of biodiversity; (iv) combating the effects of climate change and desertification; (v) improving the forestry sector’s contribution to the socio-economic development of local communities; and (vi) exploring, implementing and operationalizing sustainable financing mechanisms for the conservation and management of forest ecosystems in Central Africa.

According to interviewed COMIFAC officials, although the Convergence Plan provides a robust roadmap for the sustainable management of Central African forests, its key limitation is the absence of an autonomous financing mechanism for its implementation. COMIFAC is currently dependent on funds granted by donor countries,

as well as on the technical capabilities of partner organizations (including international NGOs). Although there have been studies conducted on the development of an autonomous financing mechanism for the Convergence Plan (with an estimated investment of US\$191 million needed for the years 2021-25), the absence of a meeting of member countries’ heads of state since 2014 has prevented progress on the matter. Members do, however, hold regular meetings through councils of ministers and working groups on issues such as climate, biodiversity, forest governance and financing.

In 2021, COMIFAC member countries adopted a “Commitment declaration on Central African forests and call for fair financing”.⁵⁷ They committed to making the necessary efforts to preserve the Congo Basin forests, and called on the international community to increase its technical, financial, and diplomatic support to COMIFAC members.

4.3 GOVERNANCE CHALLENGES IN THE CONGO BASIN

Congo Basin countries are often characterized by weak governance and are particularly susceptible to financial crisis, which make them high-risk environments for private investors.⁵⁸ 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.⁵⁹ This is detrimental especially to green investments that tend to demand longer term investments at lower returns. Climate and carbon finance offer long-term benefits at the cost of lower short-term returns compared to other types of investments. As a result, climate and carbon investments require long-term stability. Even high-risk prone investors are not drawn to investments that conserve ecosystems, enhance resilience, and reduce emissions due to the uncertainty that projects can generate profit and returns in the long term.⁶⁰

The implementation of ambitious environmental regulations is often hampered by a lack of policy coordination, including across ministries within a single country. Lack of coordination is evidenced by the significant portion of protected areas and intact forest landscapes that overlap with logging, mining, and oil or gas concessions in the Congo Basin.⁶¹ According to interviews, there is a strong need to harmonize laws across different sectors (e.g., hydropower and forests). Developing long-term sustainable development strategies requires a whole-of-economy approach. When taking a whole-of-economy approach, countries align climate and conservation goals with their national budget, and develop concerted plans across ministries, making use of the full array of policy tools and their synergies.⁶²

Land tenure insecurity is a widespread issue in Congo Basin countries. Large portions of forest land are subject to customary land tenure (i.e., governed by unwritten rules, practices, and norms), often in competition with other land-use regimes – such as protected areas, logging concessions, extractive

This call for a “Fair Deal for the Congo Basin” was facilitated through a multi-stakeholder participatory mechanism led by the Congo Basin Forest Partnership (CBFP), an organization that aims to support Central African countries in tackling drivers of deforestation, protecting biodiversity and wildlife, promoting efficient forest governance, combating climate change, and improving the living conditions of local communities (Annex, Table B-1). Membership in the CBFP is open to states, international institutions and organizations, NGOs, research and academic institutions, as well as to the private sector. With 125 members, including all COMIFAC member states, the CBFP is likely the most prominent multistakeholder political platform for Congo Basin forests today.

industries and infrastructure projects.⁶³ Unclear rights to land, forests and carbon render access to finance and its deployment on the ground difficult. DRC and the Republic of the Congo have established policies and laws that recognize and protect the rights of Indigenous peoples and local communities. Community forest laws are in place in Cameroon, Gabon, the Republic of the Congo and DRC. Other laws and plans related to land-use planning are in place or under development.⁶⁴

Some Congo Basin countries (e.g., CAR and DRC) have experienced decades of violence and instability.⁶⁵ This raises challenges for governments aiming to maintain control over their own territories, protect their population, promote economic development, and address poverty and inequalities. Governments facing these challenges then also struggle to protect and manage forests. Additionally, conflicts are often impacted by the competition for natural resources between governments, armed groups, and the population.⁶⁶ Moreover, law enforcement measures for the conservation of protected areas have been shown to sometimes spark and worsen conflicts, especially in cases where they limit access to resources for the local population.⁶⁷

Congo Basin countries suffer from high levels of foreign debt and limited fiscal space. The external debt level of Congo Basin countries (expressed as percentage of gross domestic product (GDP)) has been increasing since around the year 2010, reaching more than 100% of the Republic of the Congo’s GDP and 66% of Gabon’s (debt in the other Congo Basin countries has, so far, remained below 50% of GDP).⁶⁸ The share of annual revenues that is dedicated to pay the external debt is also particularly high in some countries (e.g., more than 20% in Cameroon and Gabon).⁶⁹ This, combined with efforts to fight inflation, limits the fiscal space of Congo Basin countries. In other words, the government has little budget available to raise spending without jeopardizing fiscal sustainability.⁷⁰

SECTION 5

MAPPING FINANCE FOR FOREST CONSERVATION, CLIMATE AND THE CONGO BASIN

5.1 INTERNATIONAL SUPPORT TO THE CONGO BASIN

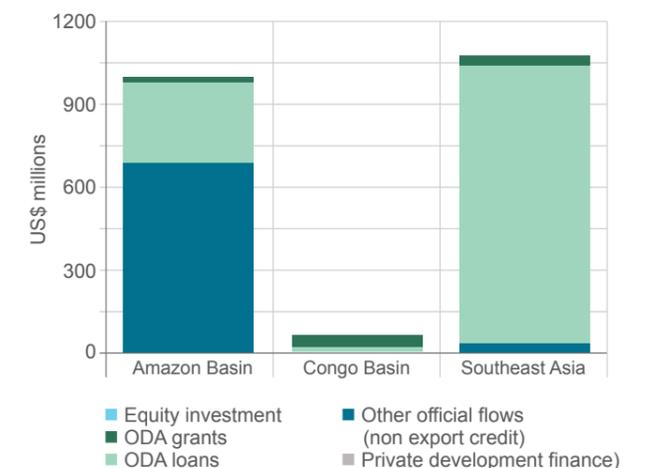
The dual goals of economic growth and forest conservation characterize the policy context of Congo Basin countries. Growth and development strategies driven by governments will determine the fate of the region's forests. Green growth is about ensuring that natural assets can deliver their full economic potential on a sustainable basis.⁷¹ Sustainable development is defined as development that meets present needs without compromising the ability of future generations to meet their needs, by balancing economic growth, social inclusion and environmental protection.⁷² While green growth and sustainable development are part of the political agenda of Congo Basin countries, the strategy on how to pursue these objectives in practice is still lacking.

A lack of robust green growth strategies is a result of limited financial and technical resources. 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 unsustainable use of their natural resources – a blueprint for development that countries outside the region have used in the past. Financial flows in the Congo Basin need to drive change across multiple dimensions. This process should be backed by a comprehensive theory of change that addresses the underlying drivers of biodiversity loss, deforestation and forest degradation while promoting economic development.

The climate and forest finance received by the Congo Basin is neither commensurate with its finance needs nor reflective of the ecosystem and climate services that the region's forests provide. Despite hosting the second largest forest area worldwide, finance for forest and environmental protection in the

Congo Basin is only about 4% (US\$40 million between 2017 and 2021) of the amount received by the Amazon Basin and Southeast Asia (around US\$1 billion each) in the same period (Figure 3). Furthermore, finance flows in the forestry sector includes support for activities such as timber production that are not necessarily sustainable nor targeting forest conservation. It is clear that the Congo Basin forests are underfinanced. The largest share of financial flows to forest- and climate related sectors in the Congo Basin is provided through official development assistance (ODA) grants (68%) and loans (24%). Conversely, ODA grants cover an almost negligible share in the other two tropical forest regions.

Figure 3: 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 one of the key elements of the Congo Basin countries' NDCs.

Table 2 outlines, for each of the six countries, the costs of the mitigation and adaptation actions planned in their respective NDCs to meet their total 2030 GHG emission reduction targets. Congo Basin countries hope to receive significant financial contributions from international partners to finance their NDC commitments. CAR, for instance, explicitly states that 84% of the total US\$1.8 billion needed to implement its NDC is expected from the international community. Similarly, DRC specifies that it will only be financing 2% of the total US\$48.7 billion needed to implement its NDC.

Recently, the international community has made a number of financial pledges in favour of Central African countries and Congo Basin forests (Annex, Table B-1). COP26 notably saw the adoption of a Joint Declaration of Donors for the Congo Basin, signed by 11 donor countries and the Bezos Earth Foundation.⁷³ The CBFP further advocated for its “Fair Deal” that seeks to mobilize sustainable levels of climate finance for Congo Basin countries. Despite the increasing political momentum and financial pledges, funding remains insufficient in scale, difficult to allocate and slow to disburse.

Table 3. Target greenhouse gas emissions reductions by 2030 targets 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 CO ₂ 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

5.2 MAPPING GREEN FINANCE IN THE CONGO BASIN

Addressing the dual goals of economic growth and forest conservation requires development and other baseline finance to be aligned with climate and conservation goals. This requires an increase in “green finance” as well as the greening of “grey finance.” “Grey finance” describes finance that has no stated objective to positively impact the forest but has the potential to negatively impact forests. “Green finance” describes finance that is aligned with objectives for the conservation, protection or sustainable use of forests – referred to as forest and climate goals.⁷⁴ This includes finance provided with a clear and stated objective of climate change mitigation in the forestry sector, REDD+, conservation, and sustainable forest and land use. Traditional financial systems targeting development across a multitude of economic sectors usually belong to grey finance, valuing short-term revenue mobilization more than long-term strategic investments in human and natural capital.

A number of existing initiatives channel green finance to Congo Basin countries, and a number of new initiatives seek to mobilize additional capital. Most conservation and climate finance to Congo Basin countries is provided in the form of grants and concessional loans from donor countries, and bilateral and multilateral development institutions. Although historically limited in this region, environmental-market mechanisms (e.g., carbon markets) are gaining momentum. Blended finance mechanisms are also being designed to mobilize private capital, by using capital from public or philanthropic sources to de-risk private-sector investments (e.g., through guarantees). This section provides a summary of existing (Table 3) and emerging (Table 4) initiatives that aim to channel green finance to Congo Basin countries.

Table 3. Overview of existing initiatives that channel conservation and climate finance to the Congo Basin. Reference links are provided in Annex D.

Initiative	Scope	Objective	Funders	Disbursement strategy	Committed volume
Forest conservation and restoration					
CAFI Trust Fund	Central African countries	Forest conservation, climate, development	Nine donor countries	Grants	US\$0.72 bln
Congo Basin Sustainable Landscape Impact Program (CBSL IP), GEF	Congo Basin	Conservation	GEF	Grants, loans, guarantees	US\$0.06 bln
African Forest Landscape Restoration Initiative (AFR100)	Pan-African	Forest landscape restoration	BMZ, BMU, Sida, GEF, World Bank and private-sector partners	Grants, loans	US\$1.40 bln
TerraFund, AFR100	Pan-African	Forest landscape restoration	Eight philanthropic organizations	Grants, loans	US\$0.05 bln
&Green	Global	Decoupling deforestation from supply chains	NCIFI, Unilever, GEF, FMO, UK government's BEIS, Ford Foundation	Grants, loans, guarantees	US\$0.10 bln
Payment for ecosystem services (PES) and carbon markets					
African Carbon Markets Initiative (ACMI)	Regional	Climate mitigation	Multiple (private and public donors)	Advanced market commitments	n.a.
LEAF Coalition	Tropical forest countries	Climate mitigation (through reduced deforestation)	Donor governments, corporations	PES, environmental markets	US\$1.50 bln
Forest Carbon Partnership Facility (FCPF)	Developing countries	Climate mitigation (through reduced deforestation)	15 industrialized countries, BP plc, The Nature Conservancy	PES, results-based finance, environmental markets	US\$1.30 bln
Forest Investment Program (FIP), CIF	Developing countries	Forest conservation, climate mitigation, development	Eight industrialized countries	Grants, loans	US\$1.02 bln
Voluntary carbon markets	Global	Climate mitigation	Private sector	PES, environmental markets	US\$0.66 bln (2022)

Initiative	Scope	Objective	Funders	Disbursement strategy	Committed volume (US\$ billion) ⁷⁵
Protected areas					
Legacy Landscapes Fund (LLF)	Latin America, Africa, Asia	Protected areas conservation	BMZ, AFD, philanthropic organizations, private sector partners	Grants	0.10
Advancing Implementation and Finance (AIF) for Congo Basin	Congo Basin	Conserving and restoring nature	Bezos Earth Fund	Grants	0.16
Protected area finance	Congo Basin	Conservation	Multiple (e.g. GEF, KfW, EU)	Grants	n.a.
Protected area management	Regional	Forest and biodiversity conservation	Multiple (e.g., African Wildlife Foundation, WWF, WCS, African Parks)	Grants	n.a.
Key Biodiversity Areas Programme	Global	Biodiversity conservation	Multiple	Grants	n.a.

The most prominent dedicated conservation trust fund active in the region is the Central African Forest Initiative (CAFI). Established in 2015, CAFI is capitalized with US\$718 million and supported by a coalition of donors (Belgium, the European Union, France, Germany, the Netherlands, Norway, the Republic of Korea, Sweden and the UK) to develop and implement sustainable forest management policies and practices in the region. CAFI supports direct investments and provides funding based on the achievement of policy milestones that are outlined in letters of intent agreed with beneficiary countries. Among the existing initiatives, CAFI is perceived by interviewed stakeholders as having the greatest potential because (i) it strengthens commitments from both Central African and donor countries by combining finance allocation with a political negotiation platform; (ii) it has a solid governance structure, with clear functions, responsibilities and project implementation cycles; (iii) its finance allocation mechanisms have a good balance between conditionality (i.e., funds allocated if outcomes on the ground are proven) and concessionality (i.e., accommodating Congo Basin needs and priorities); and (iv) it is flexible in terms of scale, from national to regional to local. However, some partners perceive CAFI as too donor-dominated, and regret that it does not have a programme to provide finance to local civil society and private sector led initiatives. To tackle its limited

flexibility to provide finance beyond grants, CAFI is designing innovative blended finance mechanisms in collaboration with other partners.

Other initiatives that support conservation are small, do little to promote overall sustainable development, or fail to account for the special circumstances of the region. The African Forest Landscape Restoration Initiative (AFR100), for instance, is a pan-African effort financed with US\$1.4 billion but is limited to restoration activities. The Legacy Landscapes Fund (LLF), which is financed with US\$0.1 billion (allocated to 7 projects over 15 years), is limited to protected areas. There are several programmes that support protected areas, often with the support of international NGOs as implementation agents. While these funds can be used to ensure the protection of high-value conservation areas, they do little to promote overall sustainable development in the region.

There are also some efforts to establish jurisdictional REDD+ programmes in the region. The Forest Carbon Partnership Facility (FCPF) is a global partnership administered by the World Bank that aims to pilot results-based payments to countries that have advanced through REDD+ readiness and implementation and achieved verified emission reductions in their forest sector. Although all countries of the Congo Basin, except for Equatorial Guinea,

are FCPF participants, only DRC (2018) and the Republic of the Congo (2021) have signed emission reduction payment agreements (ERPAs) through the FCPF Carbon Fund – in 2018 and 2021 respectively. The other countries have access only to the FCPF’s Readiness Fund, which provides grants and technical assistance to countries in preparation of REDD+ programmes.

The Forest Investment Program (FIP)⁷⁶ aims to finance forests, development and climate. Founded in 2009, the FIP is a targeted programme of the Strategic Climate Fund within the World Bank’s Climate Investment Funds, which supports governments, communities and business stakeholders in partner countries by providing grants and low-interest loans to implement REDD+ efforts. Cameroon, the Republic of the Congo and DRC are involved in the programme. While the FIP does list development as one of its goals, it operates under REDD+ logic – to finance projects or programmes that reduce GHG emissions from deforestation and forest degradation – and is thus limited in the funding it can provide to jurisdictions with low deforestation rates.

The public-private Lowering Emissions by Accelerating Forest finance (LEAF) coalition seeks to mobilize private finance for REDD+ jurisdictional programmes. LEAF has yet to sign an ERPA in the Congo Basin region. However, in 2019, Gabon entered into an agreement with Norway’s International Climate and Forest Initiative (NICFI) – a leading participant in LEAF – for a total of US\$150 million over 10 years.⁷⁷

There are increasing efforts to mobilize private investment into conservation, including through blended finance and carbon market mechanisms. These include the forest bond being developed by CAFI with &Green and TerraFund. During COP27, CAFI and &Green announced the development of a forest bond to support the COP26 donors’ pledge for the Congo Basin.⁷⁸ The bond will be administered by CAFI with the United Nations Capital

Development Fund (UNCDF) acting as investment agent. CAFI will enable &Green to provide de-risked loans to companies that pledge not to contribute to deforestation. The TerraFund for AFR100 Landscapes (TerraFund) combines private and public finance and aims to finance land restoration projects across 27 African countries, including Cameroon, CAR, DRC and the Republic of the Congo.

Private carbon markets have drawn some investments to the region, but they fall short of their potential. The countries of the Congo Basin have significant, untapped and cost-effective mitigation potential in nature-based solutions⁷⁹ that could be mobilized through carbon markets. Across all Congo Basin countries, there are 15 forest projects registered or awaiting registration under the Verified Carbon Standard (VCS), which has certified 33 million tonnes of verified GHG emission reductions and removals since 2009 in the Congo Basin.

Emerging initiatives pilot new results-based payment modalities in support of landscape programmes (Table 4). The Forest and Climate Leaders’ Partnership (FCLP) launched at COP27 has started to design country-specific Country Packages for Forests, Nature and Climate of technical, financial and diplomatic support for implementation of national climate targets. The World Bank’s Scaling Climate Action by Lowering Emissions (SCALE) partnership will pool resources and make them available for the most impactful jurisdictional and sectoral programmes that reduce GHG emissions through natural climate solutions, sustainable infrastructure solutions, and fiscal and financial solutions that 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 payment for ecosystem services (PES) mechanisms like certified credits for biodiversity conservation, water or plastic. While these – and other – programmes could support Congo Basin development goals, they are global in nature, and it remains unclear how much benefit they will offer to the region.



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

Table 4. Overview of emerging initiatives that could potentially channel conservation and climate finance to the Congo Basin. Reference links are provided in Annex D.

Initiative	Scope	Objective	Funders	Disbursement strategy	Committed volume ⁸⁰
Multilateral and public initiatives					
Country Packages for Forests, Nature and Climate	Central African countries	Forest conservation, climate, development	Nine donor countries	Grants	US\$0.72 bln
Positive Conservation Partnership (Libreville Plan)	Developing countries with high forest cover	Conservation	France, Conservation International, the Walton Family Foundation	PES (biodiversity certificates), environmental markets, private investments	€0.10 bln
Scaling Climate Action by Lowering Emissions (SCALE)	Developing countries with high forest cover	Glasgow Leaders' Declaration on Forests and Land Use goals	Diverse (FCLP supporting governments and private sector)	Private and public investments	n.a.
WALD Carbon Impact Fund	Global	Climate mitigation	KfW	Environmental markets, technical assistance	n.a.
Nature+ Accelerator Fund	Global	Conservation, restoration, agriculture, land-based innovation	GEF, CAFI, private sector (managed by Mirova)	Grants, technical assistance, loans, equities	US\$0.20 bln
Forest Performance Bonds	Congo Basin	Investments into green growth	CAFI, &Green, UNCDF	"de-risked loans"	US\$0.12 bln
Blue Congo Basin Fund	Congo Basin	Biodiversity conservation	16 Central African countries	n.a.	n.a.
International Finance Facility for Forests (IFFFor)	Global	Conservation, restoration, climate mitigation	Multiple donors	PES	n.a.
Global Biodiversity Framework Fund	Global	Climate mitigation (through reduced deforestation)	15 industrialized countries, BP plc, The Nature Conservancy	PES, results-based finance, environmental markets	1.30
Private initiatives					
Enduring Earth	Global	Conservation	The Nature Conservancy, The Pew Charitable Trusts, WWF and ZOMALAB, the family office of Ben and Lucy Ana Walton	Project Finance for Permanence (PFP)	n.a.

Environmental markets					
High Integrity Forest Removals (HIFOR)	Tropical-forest countries	Forest conservation	Private sector, governments (expected)	PES, environmental markets	n.a.
Biodiversity certificates (various)	Global	Biodiversity conservation	Private sector	PES, environmental markets	n.a.
EQX Biome	DRC	Biodiversity conservation	Private sector	PES, environmental markets	US\$0.40 bln

5.3 POTENTIALS AND LIMITATIONS OF CURRENT FINANCE APPROACHES

5.3.1 GREEN FINANCE IS INSUFFICIENT AND MUST BE SCALED UP

Congo Basin forests demand funding proportionate to the environmental services they provide. The "fair deal" advocated by the CBFP estimates that Congo Basin forests should receive five per cent of global climate finance. Assuming that the Green Climate Fund will meet previous global pledges of US\$100 billion per year in climate finance, the CBFP is seeking to leverage US\$5 billion of that yearly for Congo Basin countries.⁸¹ Pledges made by donor countries at COP26 through the Joint Declaration of Donors for the Congo Basin totalled US\$1.5 billion from 2021-25 (i.e., US\$300 million per year). COMIFAC estimates that US\$191 million from 2021-25 is needed just to carry out the policy reforms in support of its Convergence Plan. Much larger investments will be necessary for the implementation of these policies.⁸²

However, pledges can only be delivered if policies and investment pipelines stand ready to be financed. The limited capacity to attract international finance in some countries limits the allocation and disbursement of available funds. For now, the scale of finance for conservation in the Congo Basin remains way below the pledges. The most promising initiative in the region, CAFI, disbursed US\$443 million from 2015-22 (i.e., US\$55 million per year on average), only about half of the amount committed by CAFI's donors.⁸³ The other

initiative currently disbursing finance at scale is FIP, which has investment plans for a total of US\$190 million in DRC and the Republic of the Congo.⁸⁴ The FCPF, from 2010-22, has allocated US\$31.4 million to all five participating Congo Basin countries through its Readiness Fund and US\$96.8 million to DRC and the Republic of Congo through its Carbon Fund.⁸⁵ ODA finance for climate, environment and forests provided less than US\$1 million per year from 2017-21.⁸⁶

Public finance alone will not be sufficient, and there is a push to increase private sector investments in the Congo Basin. A notable example is CAFI's work with &Green on a pipeline of investable projects that qualify for de-risked loans and commit not to contribute to deforestation. Various efforts to value biodiversity and high-integrity forests seek to mobilize private funding directly into forest conservation in the region. Nevertheless, overall investment opportunities for private actors that consider conservation goals remain limited, and significant investments in project pipeline development – in addition to scaling funds – are necessary.

5.3.2 GREY FINANCE MUST BE GREENED

Conservation and development are two sides of the same coin, but often they are not tackled together. Congo Basin countries face development challenges and must consider the costs of conservation in the context of integrated development planning.

Conservation programmes should therefore aim to incentivize development pathways that offer an alternative to exploitation of land and natural resources. Only three finance initiatives (CAFI, FIP and &Green), out of those assessed, explicitly target both conservation and development. CAFI, FIP and &Green recognize that slowing or halting deforestation can only be achieved if socioeconomic drivers are considered (Section 3) and efficient strategies for sustainable development are devised (Section 4). The other green finance initiatives assessed have standalone objectives of climate mitigation (e.g., carbon markets), forest or biodiversity conservation (e.g., Congo Basin Sustainable Landscape Impact Program) or land restoration (e.g., LLF).

Development institutions and debt markets must consider conservation in the context of their financing programmes. Development finance in the Congo Basin does not give enough importance to forest and biodiversity conservation, or climate change. The Debt Reduction-Development Contract (C2D)^{87,88} provides an interesting example to that effect. Established by the French government as a debt swap instrument for highly indebted countries, it is used to finance poverty reduction programmes in 18 eligible countries – including Cameroon, the Republic of the Congo and DRC. However, most C2D resources have been assigned to infrastructure, education and health, and only a small fraction to natural resources management. Similarly, the Multilateral Investment Guarantee Agency (MIGA) promotes cross-border investment in developing countries by providing guarantee instruments to investors and lenders. Yet the 52 projects financed in Congo Basin countries cover sectors such as infrastructure (e.g., the Transgabonaise road project), energy and mining. No projects are financed in the forestry sector.⁸⁹

Green finance is dwarfed by grey finance, which should be redirected. While conservation finance remains underleveraged, high levels of finance still flow to activities that directly or indirectly drive forest destruction and degradation. Globally, grey public finance outweighs green public finance at a ratio of over 10:1.⁹⁰ Finance for climate, environment and forests amounts to only 0.3% of the total international public finance Congo Basin countries receive for development assistance – an even smaller fraction than in other high-forest tropical regions, where the share of international public finance for forests reaches 3%.⁹¹ To preserve forests, it is therefore not only essential to raise new sources of finance, but also to redirect existing financial flows – especially those that are potentially driving forest loss. This would serve the dual objective of increasing access to green finance

and improving its effectiveness. As long as green finance remains small scale, it is unlikely that Congo Basin forests can be protected in the long term.

Forests cannot be protected by conservation agents alone. Instead, their value must be recognized by sovereign financial systems as relevant global public goods. Redefining the value of forests is key to achieving climate, conservation and development goals in the Congo Basin.

5.3.3 PROGRAMMES MUST BE TAILORED TO THE SPECIAL CIRCUMSTANCES OF THE CONGO BASIN REGION AND COUNTRIES

Congo Basin countries face specific barriers that require tailored programmes. Global financing vehicles and instruments tend to have comparatively small portfolios in the Congo Basin. 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. It is therefore essential for public funders to consider the institutional limitations of the region, design tailored funding vehicles (such as CAFI) and ensure that global conservation goals are considered in development financing.

The weak governance and unstable economic conditions of Congo Basin countries constitute major barriers to scaling finance, due to the high risk-return ratio for investors. Countries with high risks due to weak governance and economic conditions are of limited attractiveness for private investors that seek financial returns with a low to moderate risk. Even where investors are prepared to take higher risks, they often are unable to assess the specific risks of Congo Basin countries. It is therefore essential that public funds are used to reduce the specific investment risks in the region (e.g., through guarantees or favourable loans) and support the development of bankable projects.

For example, Congo Basin countries have so far had limited benefit from jurisdictional REDD+ programmes. Considering the significant institutional, financial and capacity demands that come with jurisdictional programmes, and the limited returns they offer for high-forest, low deforestation regions, jurisdictional REDD+ faces significant implementation challenges in the region. For environmental markets to work, different funding modalities must be considered and they need to be used strategically in light of the specific circumstances of the region.

5.4 STRATEGIES TO MOBILIZE INTERNATIONAL FINANCE FOR THE CONGO BASIN

Mobilization of international finance is about ensuring that donors and investors commit to providing sufficient financial volumes to achieve the desired targets in developing countries. The mobilization of international funding requires scaling both public and private finance.⁹² Mobilizing public finance requires strong political will and commitments by donors and recipients. Mobilizing private finance requires making the risk–return profile of projects attractive to commercial investors.

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

There are three main areas that 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.

International public finance comprises funds from governments (raised through taxes and other fiscal revenue streams) used to support developing countries in promoting their economic development and welfare (i.e., official development assistance). Recently, the scope of international public finance has expanded to cover financial support for achieving climate change mitigation and adaptation (i.e., public climate finance) and the sustainable development goals (SDGs). Compared to other types of finance, international public finance provides longer-term affordable financing to developing countries, which is crucial to address structural challenges. Public finance also has the power to push for policies and reforms, and therefore to help overcome some political barriers. International public finance can be revised to be more effective for the Congo Basin by linking incentives for long term investments to a fiscal valuation of Congo Basin forests. This would allow countries to benefit from additional concessional finance.



Public policies need to facilitate private investment through blended finance mechanisms.

Blended finance is a financial strategy that uses capital from public or philanthropic sources to attract and catalyse private-sector investments in projects that contribute to sustainable development in developing or middle-income countries. Private investment is essential for the economic development of the Congo Basin region. Public policies and finance can de-risk investment opportunities and make finance conditional upon deforestation free commitments. Blended finance instruments, such as guarantees or bonds, can help mobilize private investments. The future &Green–CAFI bond is an example of an effort to channel private finance to projects that promote sustainable land use and supply chains. However, overall, the instruments that support (deforestation free) private investments in the region are few and limited. To attract private finance, policymakers are encouraged to design guarantee and debt instruments that define forest conservation as a condition to be eligible to benefit from investment support.



Public measures should help to mobilize market-based finance for environmental outcomes. Market-based finance uses economic instruments to pursue specific environmental objectives. It uses prices and other economic variables to reduce or eliminate negative environmental impacts or incentivize positive impacts. Market schemes can be established by a regulator or based on voluntary participation, meaning they can comprise both public and private sources. While not a panacea, carbon markets can help put a value on forests. Both forest carbon projects (e.g., REDD+/afforestation, reforestation and revegetation) and jurisdictional REDD+ programmes hold promise, in particular if combined with emerging market mechanisms that value biodiversity or high-integrity forests (e.g., the Wildlife Conservation Society's (WCS) High Integrity Forest Removal (HIFOR) units). Countries should be supported in their attempts to use these markets strategically. Combined with debt instruments (e.g., bonds), such markets can be further scaled.

Multiple strategies are needed to mobilize and scale international public finance in the Congo Basin.

These strategies go beyond traditional public finance sources. The following key strategies were identified to mobilize finance for the Congo Basin:

Reform multilateral development banks and their instruments, to commit to act on global climate, biodiversity and development challenges.⁹³ Reforming multilateral finance can scale climate finance for developing countries.⁹⁴ Reform can be done through, for example, extended credit facilities (i.e., financial assistance to countries with protracted balance or payment problems),⁹⁵ enhanced use of insurance and guarantee products to protect investors from high risks, and the issuance of new instruments with long tenors – the term of the loans or credits – that can leverage additional lending (see, for example, the Bridgetown Initiative⁹⁶).

Review the future use of Special Drawing Rights (SDRs) for climate purposes. SDRs are an international reserve asset created by the International Monetary Fund (IMF) to supplement member countries' official reserves. By issuing SDRs to support countries that face climate emergencies, SDRs can serve as climate reserve assets. SDRs can generally be used to increase reserves, for budgetary purposes or to reduce the public debt to the IMF (also proposed by the Bridgetown Initiative⁹⁷).

Reform the financial and debt management framework of countries. Reforming the international financial architecture and changing how financial stability is assessed can significantly increase countries' financial space. This reform should target the practices of the IMF. It requires significant political momentum to be implemented. However, the Bridgetown Initiative – spearheaded by the President of Barbados – has already built such momentum, and the proposals of Congo Basin countries could inform or supplement existing reform proposals.

Restructure and relieve debt. Unsustainable external debt burdens are a major obstacle to countries' ability to mobilize financial resources for development, as large amounts of public finance are used to service external debt. Various strategies for debt restructuring and cancellation have been employed in the recent past. These include temporarily pausing official debt payments, the establishment of the G20's Common Framework for Debt Treatments to help countries restructure their debt and deal with insolvency, and debt-for-nature swaps. Restructuring debt may require investor or creditor buy-in.

Open new sources of funding. In the longer term, countries may consider exploring new sources of finance to support countries in the Congo Basin and ramp up climate finance more generally, with instruments that are usually designed for developed economies. Such new sources of funding can include revenues from auctioning GHG emission allowances on emissions trading schemes, border carbon tariff adjustment mechanisms (i.e., a charge on the carbon content of imported products to deal with disparities of carbon pricing between countries),⁹⁸ and the repurposing of harmful subsidies.⁹⁹ New taxes on the financial sector have also been proposed to raise money for climate finance. These include the Tobin tax,¹⁰⁰ a broad-based financial transactions tax levied on the value of a wide range of financial transactions, and a financial activities tax levied on the sum of the wages and profits of financial institutions.¹⁰¹

Due to limited international public resources, blended finance is crucial to identifying new investment models for conservation and unlocking additional private capital. Especially in least-developed countries, the mobilization of private finance through blended approaches has, so far, lagged.¹⁰² This is due to the tendency of blended finance to focus on less costly, lower-risk projects with a solid business case (e.g., infrastructure and energy).¹⁰³ This challenges the scaling up of blended finance for conservation in least-developed countries, which is characterized by low returns and high-risk profiles.

The following approaches are promising opportunities to scale blended finance in the Congo Basin:

Improve bond financing for development. Bond instruments (e.g., project finance bonds) provide large-scale and long-term investments that are driven and owned by countries themselves. Forest bonds can provide an alternative to sovereign bonds, in particular if they can be repaid with environmental assets (such as nature certificates or HIFOR units).

Use guarantees strategically. Guarantees such as commitments from donor country governments or public financial institutions can act as a strong de-risking mechanism, which can catalyse the influx of private capital into climate mitigation and adaptation projects in developing countries.

Environmental markets can mobilize additional private finance. So far, only a few forest related voluntary carbon market projects (e.g., REDD+, afforestation and reforestation, improved forest management) are being implemented in the Congo Basin. Yet several stakeholders in the region highlighted the benefits of mobilizing finance through carbon and environmental markets. Considering the untapped potential of cost-effective mitigation in nature-based solutions, significant funds could be mobilized using market mechanisms. Additional opportunities are provided by emerging market-based mechanisms that value ecosystem services (e.g., emission removals, carbon stocks and biodiversity) of high-integrity forests.

Section 6 presents six proposals for how to mobilize international finance for the Congo Basin from both public and private sources.

SECTION 6

STRATEGIES TO MOBILIZE FINANCE FOR THE CONGO BASIN

This section outlines a portfolio of solutions that could mobilize additional climate finance for the Congo Basin. The recommendations build on the previous sections on existing finance mechanisms and the barriers to finance mobilization.

The recommendations include:

- Two proposals for mobilizing public finance: the establishment of a dedicated Congo Basin fund for sustainable development and debt restructuring measures to relieve the debt burden of Congo Basin countries.
- Two proposals on blended finance instruments: forest bonds and guarantees to further private investment in the region.
- Two proposals to strengthen private sector engagement in carbon and non-carbon PES markets in the Congo Basin.

6.1 OVERARCHING CONSIDERATIONS

There are many proposals on how to mobilize climate finance for developing countries,¹⁰⁴ how to enhance finance flows to Africa,¹⁰⁵ how to mobilize private climate finance,¹⁰⁶ and how to reform multilateral finance institutions to better serve the needs of developing countries.¹⁰⁷ This study complements existing literature by shortlisting proposals (Table 5) that consider the insights summarized in the previous section and meet the following criteria:

- (i) They hold the potential to mobilize private and public finance at scale.
- (ii) They combine conservation and sustainable development goals.
- (iii) They build on existing proposals and tailor them to the circumstances of the region.

The shortlisted proposals complement one another. 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 also be more or less relevant for each country. Some proposals go beyond the region and would apply to other developing countries with high levels of forest cover.

The approaches are organized along the pillars of public, blended and environmental market-based finance. The proposed public finance approaches mobilize public concessional and grant finance with responsible borrowing and lending practices. The proposed blended finance approaches mobilize private sector finance alongside sound fiscal management and grants. The proposed market-based finance approaches harness the power and interest of investors to support new environmental commodities and instruments. None of these approaches is without risks, and all require careful consideration of the respective local circumstances. However, as a whole, the proposed approaches hold significant potential to mobilize new and additional finance at scale for the region.

Table 5. 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

6.2 MOBILIZING PUBLIC FINANCE

Developing countries confronting climate and development needs face huge financing challenges.

This challenge is particularly pronounced in least-developed countries. Concessional finance, which describes products such as loans or grants that are provided by development banks or multilateral funds at below-market interest rates, is used to support development in least-developed countries. Often, concessional finance supports development that requires extensive land use and increases GHG emissions. This is because resource-intensive and polluting development investments are often less costly and have shorter horizons for realizing returns than climate-proof and sustainable investments. This challenge is particularly prominent with respect to land use, where agricultural lands almost immediately generate returns for the investor, while the common-good benefits of conservation generate long-term regional and global returns with little direct development benefit. In short, palm oil plantations wash more money into a country's account than the most ambitious conservation payment schemes.

Development finance instruments like concessional finance need to be reformed to

allow countries to finance development while achieving adaptation and mitigation, biodiversity conservation, and sustainable development goals.

Developing countries, including those in the Congo Basin, need scaled-up public funding and open fiscal spaces. Reforming and scaling development finance and opening fiscal spaces involves tailored country support, debt restructuring, grant-based support and concessional loans. Development finance instruments should also account for climate and nature outcomes. In addition, the issuance of SDRs – the international reserve asset of the IMF – to developing nations can help them meet liquidity needs.¹⁰⁸ The IMF's Resilience and Sustainability Trust Fund (RST) re-channels SDRs to developing countries, allowing them to access long-term financing in the face of the climate crisis (see Box 1).

Current proposals to reform multilateral finance reflect the need to mobilize additional finance and manage climate risks (e.g., the Bridgetown Initiative – see Box 2). These proposals do not, however, create incentives that would value countries' natural assets. If the global community agrees that essential natural ecosystems, such as the Congo Basin forests, are to be

preserved, then it must ensure that the financial system creates development incentives linked to protecting – not destroying – forests.

This section proposes two measures to mobilize additional public finance to enable countries to develop while protecting forests. To be fully effective, these measures should be flanked by other mechanisms, such as debt restructuring, insurance, technical support grants and climate-debt clauses. The proposals complement the Bridgetown Initiative's reform agenda by considering the special needs of countries with high levels of forest cover. Two main proposals are presented for mobilizing public finance, which are described in the following subsections. Proposal 1 focuses on establishing a dedicated Congo Basin fund for sustainable development within a multilateral development bank framework. Proposal 2 aims to raise the debt ceiling and increase the fiscal space of Congo Basin countries by valuing nature.

6.2.1 PROPOSAL 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 using a performance-based logic for green growth and sustainable development. The conservation of forests would be a condition to access the SFT-CB.

GOAL:

Increase public finance flows into countries to promote green growth, support public financial management, and enable countries to implement development and climate policies while strengthening their conservation commitment.

BARRIERS OVERCOME:

High cost of capital, limited financial flows into the region, lack of country budget for policy reforms.

DESCRIPTION:

The SFT-CB would combine the benefits of budget support and performance based financing. Funding would go to government budgets to enable them to implement green growth and climate policy. It could be used, for example, to implement the Convergence Plan developed by COMIFAC. Funding from SFT-CB would make available resources for the implementation of existing

policies and strategies (see Section 4). It would strengthen national systems and avoid further fragmentation of donor support. As a rule, disbursements to governments would be linked to the achievement of specific policy milestones or results (performance-based). The SFT-CB could also make available long-term concessional finance to support 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 proposed SFT-CB would, in contrast to existing funds such as CAFI, provide general development and policy support and not limit programmes to forest-related investments.

- Strengthen national systems while making available funding for policy reforms that promote:
 - Forest and biodiversity conservation
 - Sustainable and diversified economic growth
- Stable and attractive business landscape in the region, for companies that align with sustainable development pathways
- Effective governance and transparency
- Education, social inclusion and community participation in sustainable development strategies, including Indigenous peoples and local communities.
- Promote the sustainable development and economic diversification of Congo Basin countries by providing long-term concessional finance to support investments in sustainable industries, supply chains and business practices – and avoid an over reliance on extractive industries for economic growth.
- Provide technical assistance and capacity-building support to help eligible countries strengthen their institutions and enhance their capacity to manage public finance.

The SFT-CB would be administered by a multilateral organization to support the sustainable development of Congo Basin (and potentially other forest) countries. The fund could be modelled after the IMF's RST (see Box 1), which seeks to mobilize funds for climate resilience at scale. While the IMF may not be the only (and for many countries not the preferred) partner organization, linking the fund to the IMF would provide access to a significant amount of funds without relying on additional donor pledges. Like the RST, the SFT-CB could raise funds through reallocation or reissuances of SDRs. The SFT-CB would scale up performance-based financing to forest-rich countries that are committed to implementing policy reforms that support their transition to sustainable development.

BOX 1 – THE IMF RESILIENCE AND SUSTAINABILITY TRUST FUND

Established by the IMF in 2022, the RST is a new fund to give vulnerable countries access to immediate and long-term financing in the face of the climate crisis. The RST complements other IMF instruments by providing longer-term concessional financing to low-income and vulnerable middle-income countries, to support them in tackling longer-term structural challenges – including climate change. As of 15 December 2022, the RST had secured approximately US\$40 billion in voluntary pledges from IMF members, and a number of countries were in advanced talks regarding benefiting from RST financing (e.g., Rwanda.)

The RST constitutes a good model for the SFT-CB, as it offers long-term concessional finance, and makes access to such financing conditional upon reform progress. Each disbursement from the RST is linked to the accomplishment of a policy action or reform. To gain access to RST financing, countries are accordingly required to demonstrate their commitment to high-quality policy reforms that will address the long-term structural challenges they are currently facing.

Access to the SFT-CB could be limited to Congo Basin countries that have demonstrated commitment to a sustainable development strategy that (i) ensures forest and biodiversity conservation, and (ii) has a clear plan for implementing the policy reforms necessary to achieve that strategy.

To access SFT-CB financing, Congo Basin countries would have to present a strategy and policy implementation programme that realizes the country's REDD+ and green growth strategies in line with the SDGs, and that is tailored to the national circumstances and capabilities. The SFT-CB would differ from the RST in that forest and biodiversity conservation commitments would be an essential condition for access. The SFT-CB would offer results-based payments (in the form of grants) disbursed against the achievement of policy goals as well as concessional loans for long-term infrastructure investments. The SFT-CB could be implemented as a sister fund to the RST or as a special regional programme within the RST framework.

The SFT-CB would offer the following benefits to Congo Basin countries:

- Flexibility to prioritize investments for policy reform and performance indicators (i.e., country-driven programme design) as long as:
 - The investments are included in regional (e.g., the COMIFAC Convergence Plan) or national strategic REDD+ and green growth plans; and
 - Forest conservation goals are met.
- Increased access to public finance, with a focus on both forest and biodiversity conservation and sustainable development.
- Access to scaled funding and (in combination with Proposal 2) the ability to raise debt ceilings, because the SFT-CB would be anchored in the architecture of the IMF (or another multilateral organization).

- Sustainable investments that might otherwise be too costly for countries to undertake on their own. For instance, the SFT-CB could support investments in the infrastructure and renewable energy sectors.
- Promotion of policy reforms that strengthen institutions and overall governance, as well as supporting increased transparency and anti-corruption efforts, which would help create an enabling environment for private sector investment.

The SFT-CB would have the following limitations:

- If the fund was established under IMF administration, it would depend on support from IMF members, which would be subject to political and economic fluctuations.
- Measuring the impact of SFT-CB financing would be challenging, particularly in the short term, as most progress related to forest conservation or sustainable development would likely take years to materialize.
- The implementation of the SFT-CB could be complex, particularly in terms of ensuring effective coordination between multiple stakeholders and ensuring that financing is used effectively and transparently. The risks of corruption and misuse of funds in particular would increase.

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

Congo Basin countries manage a global forest asset, the loss of which would make it almost impossible to meet global climate and biodiversity goals. The natural capital and global environmental services provided

by the forests of the Congo Basin should be valued in the countries' debt management frameworks to enable them to invest in long-term green growth while conserving forests.



GOAL:

Open space for additional concessional finance to allow for longer-term investments into green growth.



BARRIERS OVERCOME:

limited fiscal flexibility and lack of incentives for long-term forest conservation. Many countries in the Congo Basin operate under a high debt burden. They often cannot access grants and concessional loans from the international community, either because they are classified as middle-income countries or because they have limited fiscal space. As a result, countries increasingly rely on commercial instruments, exposing them to the vagaries of international financial markets.



DESCRIPTION:

The protection of the forests of the Congo Basin involves safeguarding a global asset. The global community should agree to assign a monetary value to these forests to establish continued incentives to protect them. This proposal would reform the fiscal stability assessment of Congo Basin countries to value forests as assets. It falls in the context of approaches that seek to account for the value of nature.¹⁰⁹

The multilateral financial architecture is increasingly outdated as it is failing to offer the instruments countries need to deal with the challenges posed by climate change. During the 2022 UN General Assembly and at COP27, several heads of state called for a reform of the multilateral system to better serve the interests of borrowing member states. The most prominent of those calls is the Bridgetown Initiative promoted by the Prime Minister of Barbados, Mia Mottley (see Box 2).

BOX 2 – THE BRIDGETOWN INITIATIVE

In July 2022, Prime Minister Mottley convened a high-level retreat in Bridgetown, Barbados, which resulted in the Bridgetown Initiative – a set of strong asks to address immediate financial needs while also starting to address systemic issues requiring transformation of the financial system.¹¹⁰ The most important asks include that:

- The IMF provides emergency liquidity to stop the debt crisis among developing country members. This includes issuing new and reallocating SDRs to those who need them and operationalizing the RST.

- Multilateral development banks implement reforms to expand multilateral lending to governments.
- The international community creates a new multilateral mechanism for raising reconstruction grants for any country imperilled by a climate disaster.

The initiative also encourages the inclusion of a natural disaster clause in credit agreements, which would stipulate a temporary suspension of interest rate payments on debt owed by a country hit by climate disaster. This would provide liquidity and fiscal space to the disaster-affected nation.

The proposals put forward by the Bridgetown Initiative would benefit the countries of the Congo Basin. However, while its proposals would provide fiscal relief to countries hit by climate disasters, it does not formulate incentives to reform the financial architecture to systemically value natural capital.

If the value of tropical forests were considered by sovereign debt markets, countries would gain fiscal space. When the IMF and World Bank define the conditionality of their lending programmes, they rely on the assessment of the financial stability of borrowing member countries. The Debt Sustainability Analysis (DSA)¹¹¹ is the tool used to assess whether a country's debt burden is sustainable or not. Government debt is sustainable when the accumulated debt can be serviced at any point in time.

This requires governments to be both solvent and liquid. The DSA is supposed to identify, as far in advance as possible, vulnerabilities in a country's debt structure, projected debt burden over the following 10 years or policy framework.¹¹² A DSA results in a country's specific debt classification, which informs the design of policy conditionality – reforms that countries commit to implement in order to access concessional finance – in IMF and World Bank financial assistance programmes. DSAs also figure prominently in the IMF's fiscal surveillance of countries. Considering the implications that a country's DSA classification has for both its market access and the conditionality of IMF and World Bank programmes, a reform of the DSA method to value forests as assets would have significant impacts on the ability of Congo Basin countries to access finance on international debt markets.

International finance institutions have started to consider how to integrate the threats of climate change in their debt analyses and management frameworks. Evaluating a country's ability to service sovereign debt is inherently difficult and sensitive to the assumptions used.¹¹³ So far, these assumptions do not value the existence of Congo Basin forests as national or global assets, nor do they consider the costs of their loss.

There are two ways to value Congo Basin forests in debt management frameworks that would significantly increase the fiscal space of the countries of the region:

1 Estimate the economic risks associated with forest loss: Since 2018, the DSA module for low-income countries has included a climate stress test. The test focuses primarily on physical risk, such as climate-induced natural disasters, and fails to consider the risk of loss of nature.¹¹⁴ A complete consideration of nature in DSAs would integrate the full economic value of forests in the Congo Basin. Increasing availability and quality of data on how forests contribute to the Earth's system and society make it possible to estimate the decline in GDP that could be caused by a collapse of nature services by the end of the current decade.¹¹⁵ Such calculations should be possible for the Congo Basin. Assessing forest value and risks to GDP of forest loss would be a step towards considering natural capital in financial markets.

2 Consider forests as national assets: Even more advantageous for Congo Basin countries would be the use of a balance-sheet approach in DSAs, which would consider forests as national assets. Bond yields are driven by a country's net worth, which considers assets and liabilities. However, most countries ignore their assets when formulating their budgets, which limits their fiscal space.¹¹⁶ Using a balance-sheet approach for public financial management would redirect a country's focus to its assets and encourage better management of them. Natural assets continue to be completely ignored by countries and investors. A better understanding of what a government owns (i.e., assets, including forests) and owes (i.e., debt) would promote better long-term financial management and help the country meet near-term needs. A focus on the net worth of countries that includes a consideration of natural capital would encourage public investment, improve management of natural assets, increase fiscal space, and lower the cost of public sector capital.¹¹⁷ This approach can build on the World Bank's ongoing efforts to quantify the value of Congo Basin forests.

Both estimating the risk of forest loss and considering forests as national assets would draw attention to the need to invest in long-term conservation. These approaches would replace the short-term perspective of the current financial system with a system that values forests as

essential government assets. If the international financial system were to recognize forests as natural assets and reward forest conservation, this would create powerful incentives for the long-term management of forests.

The current multilateral financial framework is intended to balance countries' financing needs with their ability to repay – both in the present and in the future. However, this framework does not recognize that the public sector balance sheet positions of countries that invest the proceeds of borrowing in long-term assets are stronger than those that use debt to finance consumption spending.¹¹⁸

A change in sovereign debt management frameworks could be combined with (i) the establishment of the SFT-CB; and (ii) a debt-relief and debt-restructuring programme that addresses the challenges of the current debt crisis. The proposal to reform sovereign debt is not new. It builds on existing efforts and amends proposals currently being discussed in the context of future reforms of the multilateral financial system. Efforts to value the forests of the Congo Basin are already under way and can provide important input to the proposed reform of public debt management systems.

Changing the DSA structure to value forest assets offers opportunities to:

- Change the modalities of sovereign financial markets for the region and create incentives for forest conservation in the long term.
- Mobilize significant funds, the effects of which would be most noticeable in the country's access to debt markets.
- Change considerations of Congo Basin forests in private and public financial markets and mobilize strong coalitions that are interested in their conservation.
- Accelerate needed reforms of the multilateral financial and public debt management systems.
- Pioneer complex and far-reaching methods of DSA calculations for the Congo Basin that may eventually be extended to all regions and ecosystems.

Changing the DSA structure to value forest assets poses the following challenges:

- Countries will need to wait to receive finance they need immediately. While a reform of sovereign debt management frameworks for Congo Basin countries would have a powerful effect, the fiscal effect of such change would likely take a few years to materialize.
- Countries will continue to be dependent on private lending markets unless the DSA reform is combined with an increase in concessional, multilateral funding.
- The reforms depend on the country's ability to put in place measures to protect forests.
- The proposal would not replace the need for non-concessional grant funding.

6.3 MOBILIZING PRIVATE FINANCE THROUGH BLENDED FINANCE INSTRUMENTS

Governments need to consider blended finance or innovative financial instruments that deliver funding without creating incentives to pursue development pathways that result in forest loss.

In this context, development finance can mobilize private finance. Public funds can support the public goods component (e.g., conservation activities) of broader development activities while the private sector can finance the components of a programme that provide direct

financial returns. The public sector can also underwrite risks with instruments such as guarantees, mezzanine debt or equity tranches.

Using blended finance instruments is essential to draw private finance into high-risk and fragile environments, such as the Congo Basin. It is particularly important to tailor the instruments to the local context (see Box 3 on OECD Development Assistance Committee (DAC) Blended Finance Principles).

BOX 3 - OECD DAC BLENDED FINANCE PRINCIPLES

According to the OECD DAC Blended Finance Principles for unlocking commercial finance for the UN SDGs, development finance providers should:¹¹⁹

- 1) Anchor blended finance use to a development rationale.
- 2) Design blended finance to increase the mobilization of commercial finance.

- 3) Tailor blended finance to local context.
- 4) Focus on effective partnering for blended finance.
- 5) Monitor blended finance for transparency and results.

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

Congo Basin countries could build upon existing proposals and experiences to design forest and/or sustainability bonds to raise private capital to finance forest conservation and/or sustainable development projects.



GOAL:

Mobilize private finance for conservation and green growth.



BARRIERS OVERCOME:

Limited private investment due to high risks.



DESCRIPTION:

Congo Basin countries or development partners (e.g., the World Bank's International Finance

Corporation (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. This proposal builds on experience with existing forests bonds as well as the announcement by CAFI and &Green during COP27 on developing a forest bond to support the COP26 forest finance pledge for the Congo Basin.¹²⁰ The High-Integrity Forests Bond would complement the CAFI and &Green bonds. Bonds can attract investment from institutional investors, such as pension funds.

Efforts to issue forest bonds linked to REDD+ payments have so far been unsuccessful, as REDD+ payments were considered uncertain and success in reducing deforestation hard to guarantee. The IFC issued the first-ever forest bonds in 2016, aimed at reducing deforestation in Kenya following the UN REDD scheme. Listed on the London Stock Exchange, these bonds helped raised upwards of US\$150 million to fund a range of activities, including forest and biodiversity monitoring, ecotourism projects and

community development (e.g., construction of schools, provision of scholarships, etc.). The bonds came with the offer that investors could receive their annual coupon in either carbon credits or cash. However, none of the investors opted for carbon credits – choosing instead to receive the bond’s coupon in cash every year.¹²¹

Linking bonds to the protection of high-integrity forests is notably less risky than linking them to jurisdictional REDD+, as it is easier to protect undisturbed forests than to actively fight intensive deforestation activities. Emerging proposals to create tradable instruments in support of standing forests are new attempts to design forest bonds. The proposed high-integrity forests bond could mobilize finance for conservation with options for investors to receive cash or tradable conservation units at the end. High-integrity forests bonds could be used by Congo Basin countries to attract private investors interested in environmentally and socially responsible opportunities. Investments could support a mix of conservation activities and green, deforestation free development measures. The proposed bond could be linked, for example, to WCS’ HIFOR units. Investors could choose to receive their annual coupon in HIFOR tradeable conservation units, which they could use as evidence of investment in high-integrity forest conservation.

Countries could also issue sovereign sustainability bonds, similar to the bonds issued by Benin in 2019. 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 achieving SDGs. Sustainability bonds can help countries raise capital for a broad range of sustainable development projects, and are also seen as a significant opportunity to mobilize the funding necessary to achieve developing countries’ NDCs.¹²² Benin issued a €500 million SDG-linked bond in 2019 and used it to fund 57 projects, programmes and measures identified by the Benin government related to the development of sustainable agriculture and sustainable infrastructure, access to drinking water, access to low-carbon energy, education, biodiversity and forest conservation – among other needs.¹²³

However, the proposal to issue sovereign bonds comes with an important caveat: countries facing liquidity problems might see an increased risk of being unable to repay bonds. Several countries are currently experiencing liquidity problems due to inflation and instability caused by the Russian war against Ukraine. Benin, for example, faces sharply higher repayments on its Eurobonds in 2023 and 2024, which it might find expensive to roll over given current market conditions, even though it has adequate international reserves and strong growth prospects.¹²⁴

The benefits of issuing forest and/or sustainability bonds include:

- The proposed bonds would raise private capital to finance national forest conservation and restoration efforts as well as, more broadly, NDC achievement.
- Linking forests bonds to HIFOR units would avoid the pitfalls of REDD+ related bonds, which suffered from low valuation of countries’ ability to reduce deforestation and generate REDD+ credits. Linking bonds to existing high-integrity forests is less risky for investors and countries.
- Bonds mobilize private capital to finance a range of sustainable development related projects (e.g., sustainable agriculture and agroforestry initiatives, renewable energy development, sustainable tourism development, education and community-based development efforts).
- Bonds have the potential to attract new socially and environmentally responsible private investors and raise awareness of the importance of the Congo Basin forests and the need for sustainable development in the region on global capital markets.

Nevertheless, there would be challenges associated with the issuance of bonds, including:

- Risks related to market liquidity if the demand for the bond is lower than the amount of bonds available for purchase. It might be quite long and costly to assess whether sufficient demand exists on the market for forest or sustainability bonds issued by or for the benefit of Congo Basin countries.
- In the case of sovereign bonds, there are risks related to liquidity problems and default following political instability, changes in government policies, or social unrest.
- In the case of forest bonds, there are risks related to the lack of a direct revenue stream and to the fact that social returns are less tangible than for other projects. The public good of forests is complicated to translate into direct income, and also yields less tangible social returns in the short term than, for example, investments in infrastructure.

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

Guarantees are the most effective and most underutilized blended finance instrument. A Congo Basin Guarantee

Facility (CBGF) could be designed to attract private finance in sustainable forest management, deforestation-free supply chains and other prioritized opportunities.



GOAL:

De-risk private finance that commits to a zero-deforestation policy through a Congo Basin Guarantee Facility.



BARRIERS OVERCOME:

Limited private investment due to high risks. Many investors avoid deploying capital into regions and projects that come with risks that investors are unable to assess. This leads to a dearth of private capital in some of the Congo Basin countries.



DESCRIPTION:

Guarantees enhance the creditworthiness of a debt instrument or investment because the guarantor promises to complete the obligation in the event of default. Guarantees are one of the most catalytic forms of blended finance and also one of the most underutilized instruments.¹²⁵ The CBGF would reduce the interest rates of loans and mobilize funds quickly and could leverage public finance effectively.

One of the main challenges that foreign investors face when looking to fund projects and activities in the Congo Basin is political instability. The CBGF could focus on political risks or take a broader approach. Similar to the MIGA guarantee of the World Bank Group, guarantees issued by the CBGF could protect investors against war and civil disturbance, breach of contract, and the risks of transfer restriction, expropriation and failure to honour financial obligations.

Guarantees would be issued to private investment projects that commit to a zero deforestation policy. Projects could support green energy and investments into agriculture at the forest frontier. Guarantees could also back investments into sustainable forest management or resource extraction, directly addressing drivers of deforestation. The scheme could also adopt social and environmental sustainability safeguards with which eligible projects would have to comply as well as a strict anti-corruption policy. The CBGF would be linked to a strong conservation monitoring framework that would be adapted for each project that benefits from a CBGF guarantee.

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.

The benefits of enhancing the use of guarantees include:

- Quickly mobilizing private finance through an underutilized instrument in climate finance. Guarantees have the highest leverage capacity of public finance instruments and help to build a financial market for investments in the Congo Basin.
- Mitigating investment risk for private investors. This would make projects more attractive to foreign capital and promote responsible investment practices, reducing the negative social and environmental impacts of those investment projects.
- Improving access to finance, especially loans. Investors would most likely have greater access to credit by providing a guarantee through the CBGF, even if the risk coverage was only partial.

Nevertheless, there would be challenges associated with guarantees, including:

- Difficulty finding qualified CBGF managers. Lack of capacity among managers of guarantees may result in a lack of faith among investors. The success of the CBGF depends on the capabilities and experience of the managers, including a strong framework for screening and appraising investments.
- Limiting risk coverage to a portion of the investment.
- Complexity in operating the scheme. The CBGF guarantees would require extensive due diligence and monitoring, which would increase transaction costs and administrative burdens.
- Requiring investors to pay a premium for the guarantee, increasing the cost of capital for investments in the Congo Basin.

6.4 MOBILIZING PRIVATE FINANCE THROUGH ENVIRONMENTAL MARKETS

The resources provided through carbon markets so far have been insufficient to create sustainable incentives for forest conservation, especially in regions where alternative economic activities, such as agriculture or logging, are more financially lucrative in the short term. To address this challenge, several public and private organizations are creating innovative financial mechanisms to mobilize the necessary resources and create sustainable funding streams for the conservation of forests and their critical ecosystem services. While environmental markets are no panacea, they continue to be an opportunity to raise finance for conservation. It is too early to dismiss the opportunities that carbon markets offer for the region. A combination of financial tools that include carbon markets can create sustainable financing solutions responding to different ecological and socioeconomic contexts.

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

An Investment and Technical Assistance Facility (ITAF) that makes early investments in projects and supports project developers with technical assistance funds could help to unlock projects and programmes that protect forests and biodiversity. Such a facility would seek to close the gap between potential and realized investments into environmental market commodities in the region.



GOAL:

Attract private and public finance that values climate mitigation, biodiversity and high-integrity forests.



BARRIERS OVERCOME:

Lack of early capital as well as capacities to fully benefit from existing and emerging environmental markets.



DESCRIPTION:

The countries of the Congo Basin have significant untapped potential for cost-effective climate mitigation through nature-based solutions.

Protection and forest management are opportunities in all Congo Basin countries, while restoration and improved management of agricultural lands are major opportunities in the north and south of the Congo Basin.¹²⁶ Congo Basin countries score quite high in terms of potential for cost-effective mitigation (i.e., mitigation measures economically feasible with a carbon price up to US\$100 per tonne of CO₂) and mitigation density (i.e. technically feasible mitigation per unit of land area).¹²⁷ Specifically, DRC has the largest cost-effective mitigation potential (0.4 ± 0.2 GtCO₂eq yr⁻¹) among all African countries, while the Republic of the Congo has among the highest mitigation density in the Congo Basin at over 3 tCO₂eq ha⁻¹.¹²⁸ However, this potential is largely unutilized. For example, the issued credits on the VCS registry in DRC are only 2% of what could potentially be achieved.¹²⁹

A number of existing and emerging markets value this mitigation potential, high-integrity forests and areas rich in biodiversity. However, investments into projects and programmes that seek to benefit from environmental markets face challenges. Because investments into some Congo Basin regions and countries are considered high risk, the number of project developers in the region is small relative to the potential to develop projects. Private entities, including forest concession holders, who are ready to engage in conservation activities find it hard to get technical and marketing support. The compounding factors of perceived investment risk and limited local capacity and institutions mean that the environmental market potential in the region is underexplored.

A funding vehicle such as an ITAF could get projects off the ground and reduce the risks for additional investors by acting as an anchor investor in projects that generate environmental benefits. Such a funding vehicle could be complemented by a technical assistance facility that supports feasibility, baseline, community engagement or other studies needed for the development and design of investment projects.

An ITAF would support local conservation activities and non-destructive economic activities. It would help to minimize future drivers of deforestation and biodiversity loss by valuing ecosystem services. It could invest in a range of environmental services and support existing and emerging environmental markets. It could, for example, support:

- Carbon market activities at the project or programme level
- Emerging biodiversity credits, such as those generated by the Nature Framework proposed under Verra's SD VISTa
- WCS's HIFOR units.

An ITAF could be administered by CAFI. According to feedback from stakeholders, one of the main limitations of CAFI is that it only deals with governments and not-for-profit entities. It does not have a private sector programme that could facilitate private sector investments in environmental markets. Creating such a facility under CAFI administration would broaden the scope of CAFI's actions in the Congo Basin and allow for-profit entities to benefit from CAFI support.

The benefits of establishing an ITAF include:

- Strategically supporting investments that unlock some of the potential of nature-based climate and biodiversity solutions and assist countries with meeting their NDCs.
- Building private (for-profit and not-for-profit) project development capacities in the Congo Basin region.
- De-risking investments into environmental markets in the Congo Basin region and helping, in the longer term, to improve the investment climate in the region.

Nevertheless, there are challenges for an ITAF associated with market uncertainties, including that:

- Non-carbon environmental markets are still in the design and development phase and market uptake remains unclear.
- The market and demand for such units still has to be confirmed.
- The facility would have to be carefully designed to ensure it uses funds effectively without creating too many engagement barriers for the private sector.

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

Establishing foreign investment agencies that are specialized in attracting finance from environmental markets would allow countries to link investment opportunities with interested buyers and investors. This allows countries to strategically use carbon and other emerging environmental markets to meet development goals.



GOAL:

Attract flexible private investment from carbon markets and support national climate objectives in the context of a carbon market engagement strategy through the establishment of environmental markets investment promotion agencies (EMIPAs) in Congo Basin countries.



BARRIERS OVERCOME:

From the perspective of governments, reluctance to engage with carbon markets that are perceived as holding limited potential for the region. From the perspective of private investors, perceived high country risks and lack of information and knowledge about investment opportunities.



DESCRIPTION:

Today a wide range of carbon market mechanisms can draw investment into mitigation actions, including into projects at the forest frontier. However, so far, few Congo Basin countries have opted to strategically engage with carbon markets. Sobering experiences with jurisdictional REDD+ programmes have resulted in scepticism. However, it is too early to dismiss the carbon market opportunity entirely.

There are buyer platforms linked to specific standards (e.g., LEAF) and an increasing number of private (profit and non-for-profit) project originators that offer carbon market finance to countries. However, so far, countries do not have the capacities, institutions and infrastructure to use carbon markets strategically. Investments into dedicated EMIPAs, modelled after successful investment promotion agencies, could support regional development by creating jobs, fostering productivity, enhancing skills and innovation, and supporting digital infrastructure while supporting low-carbon development (see, for example, the OECD Investment Promotion Agency network¹³⁰).

EMIPAs 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 the complementarity of different 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 support governments in engaging strategically with environmental market mechanisms.

Governments could be supported to develop integrated environmental market access strategies that embrace all carbon and other environmental market mechanisms as tools to leverage finance, transfer technology, and invest in the achievement of national mitigation goals. Such strategies should be country driven, consider all markets and instruments, and align supported activities with national development strategies.

The implementation of environmental market strategies can be enhanced through institutionalization of environmental markets in countries.

To facilitate foreign investment flowing into projects and programmes, EMIPAs could promote, implement and manage a set of activities that attract and de-risk finance. This includes making information available, hosting events, and assisting project developers to prepare convincing investment proposals based on technical and financial studies and backed by political support. EMIPAs can also serve as active brokers between investors and projects and programmes developed in the country. They can help investors to reduce risks by providing them with information on guarantee or support programmes.

The development of an integrated carbon market strategy and the establishment of EMIPAs requires investment into building local capacities and institutions.

The benefits of establishing EMIPAs to enhance the use of strategic carbon and environmental engagement include:

- Attracting and channelling finance towards activities that reduce deforestation, conserve forests, and increase forest restoration and agroforestry activities in a complementary manner.
- Mobilizing private investment that can be disbursed quickly and has the potential to be scaled.
- Directly benefiting local actors through carbon investments, in particular if the establishment of EMIPAs is combined with an ITAF (see Proposal 5).

Nevertheless, there are challenges associated with environmental markets, even if mediated through EMIPAs, including:

- Delivering finance too far in the future because carbon finance is ex-post and performance-based, and new environmental markets are still in the piloting phase.
- Lack of interested project developers. The success of an EMIPA depends on the existence of project developers to design and implement projects.
- Limited direct returns for governments under EMIPAs.
- The volatility of environmental markets that are vulnerable to changing demands from investors.



Forest, East province, Cameroon © Brent Stirton / Getty Images / WWF-UK

SECTION 7

NEXT STEPS

The six approaches to mobilize international finance for the Congo Basin proposed in this report provide a basis for further assessment, design and negotiations among key stakeholders. For the process to be effective, the first step will be to present the proposals to government and multilateral stakeholders. Responses from Congo Basin governments, donor governments and multilateral organizations will help WWF and its partners to shortlist the proposals to promote further.¹³¹

All proposals require further elaboration. The presented proposals were developed on the basis of desk reviews and stakeholder interviews. They have not been vetted with partner organizations and lack details needed to decide whether to pursue them. It is therefore essential to select candidate proposals and commission further feasibility and instrument studies that provide specifications on the different proposed measures and instruments.

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

Since all proposals build on existing initiatives and ideas, consulting with the groups promoting these efforts is also advised. This includes, in all cases, representatives of different ministries of Congo Basin countries. In addition, groups to consult are the IMF, its members and the RST managing team for Proposal 1;

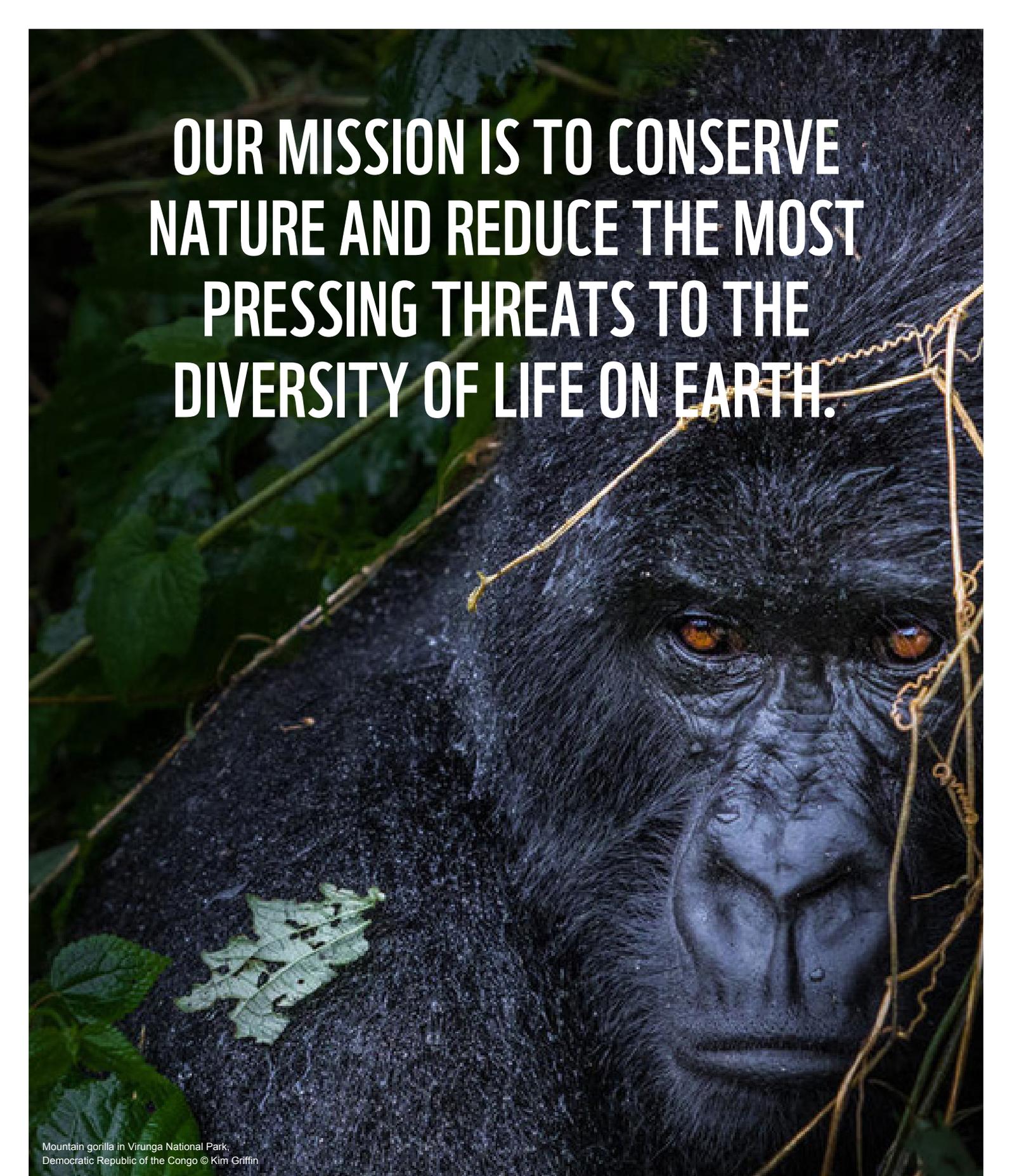
the Government of Barbados and the supporters of the Bridgetown Initiative, the IMF management and board for Proposal 2; CAFI, UNCDF, IFC and WCS for Proposal 3; ATI, AfDB and MIGA for Proposal 4; CAFI and its board, IFC and donor countries for Proposal 5; and the Voluntary Carbon Market Integrity initiative and the Integrity Council for the Voluntary Carbon Market for Proposal 6.

When developing concrete project portfolios, it will be fundamental to work closely with national and local actors. Separate consultative processes could be supported in each country that build political support from the national and regional institutions, as well as from Indigenous peoples and local communities, and local corporate actors interested in pursuing sustainable land management (e.g., forestry, smallholder farmers, agri-business, mining). Ideally, these actors – who have the best knowledge and control of the territory – should gain a common understanding of deforestation and forest degradation drivers and elaborate common strategies, with necessary budgets, for the sustainable development of economic activities, in line with the Paris Agreement and Global Biodiversity Framework goals. The strategies should be supported by indicators, metrics and improved mapping to set goals and track progress, so that finance can be mobilized on results-based principles.

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131. The engagement process was initiated during the stakeholder consultations conducted for the analysis of this report. However, not all stakeholders, particularly those contacted in the early phases of the work, could be informed about the six proposals for mobilization. It is therefore recommended to follow up with these contacts to share the results of the analysis and proposed approaches.



**OUR MISSION IS TO CONSERVE
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PRESSING THREATS TO THE
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Mountain gorilla in Virunga National Park,
Democratic Republic of the Congo © Kim Griffin



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1196 Gland, Switzerland. Tel. +41 22 364 9111. Fax. +41 22 364 0332.

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