

Mechanism, Coordination of Financing for the Protection of Tropical Forests in Central Africa

High-Level Roundtable on Financing: Development Banks, Climate/Biodiversity Funds and Carbon Market Mechanism on "Fair Deal" for the Protection of Central African Forests

Welcome and introductory note: Honourable Dr. Christian Ruck, Goodwill Ambassador and CBFP Facilitator of the Federal Republic of Germany.

Panellists: Development Banks, Climate, Biodiversity and Forest Protection Funds: CAFI, AfDB, AFD, Winrock International, KFW

Moderator: **Mr. Maxime Nzita Nganga Di Mavambu**, Chef de Mission Technical Assistance Regional ECOFAC VI, CBFP Ex Co-Facilitator (Resource person)

Rapporteur: **Jean Bakouma**, Director of Conservation, WWF Congo Basin

Preliminary report.

The High-Level Meeting on the International Financial Mechanism for Biodiversity was held on 5-6 July 2022 in Libreville, Gabon. The session focused on four issues:

- Exchange on instruments to improve financial coordination and access modalities.
- Mechanisms, arrangements and conditions for the "Fair Deal" to ensure permanent and adequate climate and biodiversity finance and policy commitments for Central African ecosystems.
- Discuss the frameworks, conditions and incentives for attracting private investment in sustainable development and forest protection.
- Examine options for combining the carbon market on the one hand and public financing techniques and development assistance on the other.

The panel on 5 July brought together CAFI, AfDB, AFD and the EU, followed on 6 July by KFW and Winrock.

Donor actions in the Congo Basin forests are chaotic. In the Congo Basin there are 35 funding initiatives in total, including a need for coordination. The point is to reflect on the best coordination mechanism and also on the PES and their indicators; to examine which mechanisms are needed to secure the private sector.

Following this observation by all the panellists, some possible solutions were outlined.

Need for an integrated coordination mechanism. We need a fundraising manager. There is also the problem of the credit market. Streamlining the credit process is important. According to Philippe Mayeux, from the EU, this is not a new issue, and that is why OFAC was launched, and following this launch, big investors joined.

According to AFD, the solution lies at two levels on the programmatic level: There is a database of investors, but it is not well known. So, it requires a bit of proactivity for donors before committing themselves. Donors need to go and look at this database.

As far as CAFI is concerned, this coordination must take place within the college of donors. It is not just a database. Coordination takes a lot of time. If the CBFP wants to coordinate donors, resources must be made available, and therefore coordination groups must be set up in the capitals. For someone to take the lead on coordination, the coordination team needs a mandate.

For the AfDB, we need to recognize the responsibility of countries and partners, and we need to find a balance. The Bank needs to recognize that coordination has a cost and requires time and patience to coordinate. Therefore, donors must accept this cost.

The coordination must be done at two levels: at the regional level, and then at the national level because implementation takes place on the ground in the countries. At the AfDB, we think that this coordination must be carried out by the countries, but we must recognize that some countries do not have this capacity, hence the need to maintain a regional level of coordination to support countries lacking capacity. If coordination must take place, it should be carried out by the most appropriate regional institution combined with country coordination.

The coordination must be carried out throughout the project cycle. How do we fit into a coordinated approach at the operational level?

The first thing to do is to agree on what exists. Map and evaluate the funds. How do we take into account thematic coordination, the ADB can take the lead on some themes.

The question of the coordinator's mandate: complementarity, division, subsidiarity, comparative advantage.

For the AFD, a distinction must be made between operational and political coordination. The Glasgow "Pledge" provides guidelines for political coordination. CAFI is a coordination structure, as well as COMIFAC, and given the importance of CBFP, the college of donors should allow this coordination so that the Congo Basin's voice can be heard. The CAFI coordination model should also be explored.

Two possible options. For example, ICRAF has set up CIGAR, a hybrid coordination mechanism that enhances thematic and financial coordination.

The first option is to transform coordination into a secretariat.

Countries give a mandate, just as ECCAS gave a mandate to COMIFAC.

Coordination must also be part of the high-level political dialogue.

There are also other issues, for example:

Intact forests are not the objectives of REDD+ and yet if ecosystems (their services) are not paid for, we will not protect.

There is a perspective of policy dialogue in relation to payment for conservation efforts if ecosystems are to be protected.

Regarding the second question, it should be noted that some countries like Gabon wish to get other rewards apart from the REDD+ mechanism. Therefore, the issue is how to organize fair deal financing mechanisms.

CAFI completes bilateral flows and has worked on investment plans, there is a desire from donors to strengthen efficiency and increase verification capacity. There are interesting indications that deforestation is stabilizing. There are already many results, and we can do better in terms of monitoring and evaluation. CAFI's trajectory needs to be changed to focus on performance and results.

In Gabon we have a first deal, but the amount granted is insufficient. Measuring carbon is easier than measuring biodiversity. We need more results and more capacity.

How to link this to our intervention, CAFI's intervention.

First lesson: Data is super-important. The only country that has reliable data is Gabon. There are one or two countries which have submitted reference levels but there are still many countries missing. The priority is to build up the region to benefit from climate finance.

Maybe Central Africa needs a little bit different financing. All the issues on IFLs (Intact Forest Landscapes) allowing countries to remain with high forest cover must be taken into account by donors.

In countries where there is very little to reduce it is difficult, a simple concession increases deforestation. Countries need development but there is a need to demonstrate political commitment.

Another issue is absorption capacity. There are many partners, and we want to mobilize money, we need a lot of coordination and absorption capacity in the countries.

In conclusion, there are prerequisites: reliable data, verification, and political commitment.

China has developed contextualized standards.

Behind the "Fair Deal" is carbon finance.

At the AfDB, 40% of the Bank's commitments are climate finance, but the AfDB is a bit sceptical about the sustainability of some pledges. When we talk about PES (payment for ecosystem services) or carbon, what is important is the governance and transparency of the market. How to access it? Is it a specific market or a classic supply-demand market?

How can we ensure that states have the minimum capacity to operate in these carbon markets, whose capacity to operate is questionable? How can development aid be useful?

Can't we lighten the rules to facilitate access to climate finance?

Put rules before capacities in order to be able to negotiate with other actors.

If we can use official development assistance to strengthen States, it can help.

According to AFD, 3 points must be considered:

The first is the link between climate and biodiversity, e.g., LFI are not taken into account in the climate, with potential drift due to the fact that biodiversity is not taken into account.

The second point is to refer to what Gabon is doing in terms of climate? Can we find a deviant model given the specificities of the CB? Develop specific Congo Basin models and reflect on the prevailing model.

The third point is to know whether we can imagine that this carbon finance is a better integrated element in macro-economic development models. Better integration of carbon finance would

integrate the issue of the country's debt. It is therefore possible to broaden the spectrum of carbon finance and to increase its importance in development.

Link political and economic interest with development and debt.

However, the issue of biodiversity is difficult to track in terms of metrics.

As far as WCS is concerned, there is no incentive to protect IFLs. Nobody is paying for LFIs. WCS is developing an initiative which idea is to create a small portfolio of projects in order to demonstrate that projects related to the protection of LFIs exist. Pilot sites are needed, what is the unit that will be measured?

Second point

Coordination with private finance like Bezos must be revisited.

Strengthen the role of forests in climate finance and biodiversity finance.

We need to review the intervention frameworks at the national level. We need to start from what exists in countries. We should look for ways to actively manage forests apart from protected areas.

Finance for permanence. It's a way, but there are conditions to be met. We're going to start working with Gabon.

We have 8 to 10 years to change the trajectory and the IFLs, which is at least 30% of the solution. In the framework of the GEF, more than 300 million USD are dedicated to LFIs. There is interest in IFLs in countries with high forest cover and low deforestation. We can imagine a workshop under the GEF.

The drifting model: why we are forgetting about climate microfinance. The financing model that will reach the community level is inspired by microfinance, which should reach the communities, this could be a good model.

For the CBFP, the COMIFAC countries are struggling to access funding because all the measurement issues are not within the reach of these countries, so the countries are discouraged and want to give up. So why, on the basis of what we know about the countries' weak capacity, we cannot wonder about ways of supporting them?

Third question: what are the structures that can help the sub-region? What scenario can the sub-region adopt so that the private sector can mitigate the risks? How to combine private and public funds?

1

CAFI. We should distinguish between the role of the private sector in the carbon market and the role as an economic operator. For carbon, no one can pay if we cannot verify, so we need to develop carbon accounting.

Projects must be financed with respect to the real economy.

There is the agro-industry or large-scale economic activities component. The simplest way is to have a project that can generate a return on investment, we need a zero-deforestation project that demonstrates the return on investment.

For AfDB, the forestry sector is a particular sector within a global economy. How can we manage the risks? We have instruments at the AfDB to manage risks. If we manage to put in place real intelligent incentives for the private sector. However, there are still questions to be asked:

How to define private sector taxation regimes in terms of public policy? Two aspects are public policies to accompany the private sector; for the private sector, how to finance? The AfDB is working on the industrialization of the wood sector in Gabon to promote 2nd and 3rd transformation.

For AFD: 2 points; AFD is fortunate to have a wide range of private sector financing. However, we note that overall, in the Congo Basin we are in a difficult institutional situation, absorption capacity is low, and few economic operators take up AFD financing, particularly in the banking sector. There is a need to improve the business climate and practices.

Second point: there is a tremendous potential for private sector investment in conservation. Example 1. The forestry sector, the AFD set up management plans in the Congo Basin 30 years ago, today they need to be renewed and so the States are going to recommit themselves for 30 years. Improving management plans in the Congo Basin.

The wood industry; yes indeed. The point is to know how to respond to the States in terms of agricultural demands? How can we support companies to move towards "deforestation-free" production, but there is also a question about small-scale agricultural producers. We need to offer them "deforestation-free" technical itineraries.