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Climate Finance Readiness and Carbon Markets in Congo Basin Member States

1. Introduction

In 2020, the presidents of six Central African countries took part in a webinar called "Towards COP 26: Using Carbon Finance to Accelerate Development in Congo Basin Member States," which brought together nearly 200 experts, practitioners, and stakeholders. The author of this essay took part in the webinar and has been invited by Central African government representatives to contribute. This essay examines, in particular, 'climate finance readiness' and the potential of 'carbon markets' in the region today. The essay is accompanied by a report written by the author, which presents the underlying analysis of the topics at the level of each of the six Central African states. For each country, the report provides data and context regarding the (1) socioeconomic and environmental trends and direction of their National Determined Contributions (NDCs); (2) legitimacy of the state; (3) readiness of the local private sector; (4) capacity of local financial institutions; (5) direct role of the state in climate finance; and (6) greenhouse gas emission profiles as suggested by the data. (Paintsil et al.2023)(Medinilla et al.)(Nanima2020)(Gouett and Attridge, 2021)

This essay provides a synthesis of these reports, conducted for each country at independent and stand-alone levels, to give a view of the region. First, the essay sets out what climate finance readiness is and why it matters. The second half of the essay examines the state, potential, and prospects for Congo Basin representatives to access the power of 'carbon markets' in their transition. It is this potential that the six Congo Basin Member States are eager to rise to – trying to create a favourable environment for ENGIE because it is the most significant 'carbon sink' in the world. (Nago and Krott, 2022)(Inogwabini, 2024)(Bakamana2021)

1.1. Background and Context

"Climate finance readiness refers to the state of being prepared to access climate finance for a range of activities, such as Nationally Appropriate Mitigation Actions (NAMAs), National Adaptation Programmes of Action (NAPAs), and project-level activities, e.g. deforestation reduction activities or renewable energy projects. The Congo Basin forests are under increasing pressure, with many drivers threatening these unique habitats and ecosystems. Historically and currently, the Congo Basin region is the least industrialised and has the most minor infrastructure on the continent. The population remains rural-based (several Congo Basin countries have 75% of their populations in rural areas). A key driver is poverty, a lack of infrastructure, and a lack of development opportunities available to the population of the Congo Basin countries.

These are fundamentally farming societies with enormous demands on the forests for subsistence and commercial use. Thus, emissions from deforestation (land-use change and forestry) have increased over the past two decades. Considering these factors and the limited understanding of climate change and its associated obligation to find finance for climate change activities, adaptation and mitigation programs, the readiness to access climate finance emerges as a significant challenge for the Congo Basin. Nonetheless, many of the drivers of deforestation are structural, including the lack of development, governance, and institutional issues, and they remain primarily untackled by REDD+ interventions. This initiative seeks to work with Pam, in collaboration with other expert institutions, in the RECs and within the CLDP pool in 2011 to investigate climate finance readiness and carbon markets in greater detail."

2. Climate Finance Readiness

Climate finance is a critical enabler for a country's national efforts in climate change. It is essential to the many relationships that constitute the development landscape. Climate finance aims explicitly to meet the goals of the Paris Agreement while reducing global greenhouse gas emissions and promoting the Paris Agreement's objectives. Finance costs are projected to reach US $48-$67 billion annually by 2050. It is vital to attract and use pre-2020 climate finance to address economies. These global sustainable development goals are not affordable by 85% of the population. Climate finance also supports mitigation or defence investments in climate-related sectors, ensuring the central government is consistent with the long-term goals and goals of the National Integrated Financial Framework.

The main challenge is to increase the availability of climate finance for the CBCS region and ensure that it is correctly aimed at achieving the priority climate action needed to meet the national determinants. Complementary to the COP 21 Paris Agreement since 2008, the Kyoto Protocol Mechanism. A growing interest in the promise of carbon markets has been evident, fueled by remarkable cases of developing countries (the sources of project-based activity in the KP Mechanism) accessing private climate finance. While high-quality projects have already performed exceptionally well under the KP Mechanism, several potential challenges are relevant to the CBCS region, with the unlocking of these two countries' climate finance and (national) forest governance and REDD+ programs as a possible entry point.

2.1. Definition and Importance

Climate finance has a variety of definitions, but it generally refers to the flow of funds from developed to developing countries that can assist in supporting activities that will respond to climate change. Climate finance is often referenced to help finance the implementation activities, policy changes, and investments supporting climate change adaptation and mitigation. In addition, the finance may support actions that will help developing countries shift to low-emission and climate-resilient sustainable development.

Climate finance from public or philanthropic sources tends to focus on investment possibilities with relatively low returns and long-term engagement. They interest governments and non-governmental stakeholders involved in the agro-forestry sectors in the Congo Basin Member States. These sectors have significant emission reduction potential and support many countries' economies.

The United States of the Forests (USF) Committee, during its ministerial meetings held since 2000, has requested increasing "Forest benefits-sharing implementation through payment in full or in part for environmental services." USF has also asked that CIFOR provide technical support to develop national strategies on climate finance readiness, with a specific emphasis on carbon markets.

This study provides critical information for developing a roadmap that Congo Basin Member States can use to develop climate finance readiness programs based on the results of national exercises. The definition of climate finance is deliberately broad to encourage a comprehensive approach to investments in natural resources

in the subregion, which at present tends to suffer from a lack of long-term vision and investment.

However, one of the priorities of the Congo Basin Member States is to define more clearly those resources and investments that can be mobilised through international negotiations. Given the remit of the USF and the Congo Basin Forest Fund (under which this study is funded), a more detailed explanation of carbon markets is provided as a 'vehicle' for climate finance in the Congo Basin.

Climate finance is essential for the Congo Basin Member States due to the need to promote adaptation and mitigation actions for the region's divergent resources. The most significant sources of emissions are from land use changes in the agriculture/forest sectors. At the same time, the primary adaptation actions relate to farming and livelihoods in rural and forested areas of the countries.

Collecting funds related to carbon markets' national and international benefits is essential for implementing positive legislative, policy, and financial environments that facilitate community and government dialogue. Climate finance can be seen in the context of broader international development assistance and overseas development assistance (ODA).

2.2. Challenges and Opportunities

Access to and effectively utilising climate finance in the Congo Basin Member States poses several challenges. Most are linked to weak investment projects, programs, and policy ideas, organisational issues, policy coordination challenges, development financing, and the design of financing mechanisms, access to technical support, knowledge management and dissemination, and the engagement of stakeholders to actively participate in the design of programs as commendable political principles that should be implemented and are recognised by governments in member states. They are integrated into the national frameworks for climate change. It is essential to mention that this should lead to a prospect in which a proper diagnosis of the situation should resonate with the national policies and strategies.

In addition, the member states have been mentioned as requiring financial technical assistance to have departments in charge of developing projects and proposals against financing mechanisms. There is an ongoing dialogue within the national and sub-regional policy mechanisms with the focal points and development stakeholders in addition to the national assignment of the climate

change agenda and the look to climate finance, as mentioned in the nationally determined contributions. Furthermore, given the multiple environmental and social benefits that some REDD+ activities can produce and given that these benefits reflect Sustainable Development Goal aspirations, it is increasingly important to consider ways to align and integrate public REDD+ interventions with existing and emerging carbon markets, considering that Goal 13 of the Agenda presents a global framework for climate action.

3. Carbon Markets

The concept of permit trading (which later gave birth to the idea of the carbon market) through the Coase theorem arises because of the negative externalities of pollution and their effects. Negative externalities of pollution cause inefficiencies in an economy, leading to an under-supply of goods and services with higher social benefits than private profits (e.g. clean air, non-emissions, etc.). The primary rewards of pollution control are tradable emissions allowances and credits; this concept is termed in the US as the Emission Trading Scheme (ETS) and the Cap and Trade system, where the cap is set on emissions. Companies can trade allowances and credits. It is the most cost-efficient way to ensure emissions reductions are met.

Permit markets and investment in cleaner projects will allow poor countries to harness the innovation and investments of rich countries rather than assuming all the burden of reduction themselves, thereby aiding in fulfilling the "common but differentiated responsibilities" of the nations. Carbon markets and their related mechanisms are multi-sectoral markets involved in large-scale abatement and emission reduction objectives. Carbon markets have the potential to support small-scale and household sustainable development interventions, particularly in the fringe of forest and land, agriculture, and energy sectors, making financial resources for climate change mitigation approaches both available and flexible. They also enhance emissions reductions in developing countries by linking investments to additional actions on the ground. Developing carbon markets and similar (stock or renewable) markets in Congo Basin Member States will be challenging due to the potential FDIs these countries would attract.

3.1. Concepts and Mechanisms

Terms and Concepts: A carbon market is the name given to a system that connects those who generate greenhouse gas emissions, or – more accurately – those who can reduce or absorb emissions and greenhouse gases via projects that sequester

carbon or reduce greenhouse gases, to those who have operational or discretionary need for emissions reductions or additional emissions units. A carbon market system operates through the mechanisms of emissions trading and the clean development mechanism (CDM) or activities that remove atmospheric greenhouse gases, resulting in the generation of emissions credits (certified emissions reductions (CERs) from the CDM), which can be traded as carbon credits and can be used for compliance with an emission cap as well as a means of attracting investment by project developers.

In a typical scenario, a carbon market promotes voluntary or mandatory greenhouse gas emission reductions by adopting a cap and trade system at the country level. Ideally, a country would set an emission reduction target in absolute terms, expressed as a function of historical emission experience or potential growth scenarios. Credits gain and lose their value in response to changes in the overall supply-cost conditions in the market. The prices of credits considered in this publication are those of the revenues generated during an auction and offset by the revenues from the sale of emissions allowances. The payment of these carbon credits on an auction for CDM will be known as an indirect tax on an airline ticket. The success of an auction is directly related to the price offered per carbon credit. The lower the price, the easier it is to sell. The higher the price, the more competitive the newer standard model. In terms of volume, the overall benefit of the CDM revenues will be lessened if the RTRS adoptions exceed natural reduction and alternative forms of deforestation in a given year. It should be intentional that committing to a set CER volume overestimated natural abatement would help magnify conservationists' impact and increase the likelihood that potential forest land managers would approach the appliance differently.

3.2. Role in Climate Change Mitigation

A. Contribution of carbon markets to reduce greenhouse gases By allowing emissions reduction to occur where it is most cost-effective and where the most significant mitigation potential can be achieved, carbon markets make it possible to finance infrastructure and technology that directly reduce or sequester emissions. This results in a process where GHGs are removed from the atmosphere or are not released into the atmosphere. Furthermore, they are designed to create investment incentives for additional projects, i.e. they go beyond business as usual and contribute to host countries' sustainable and low-carbon development.

In addition, these incentive mechanisms reduce or, in some cases, replace the need for Overseas Development Assistance (ODA).

B. Contribution of carbon markets to foster sustainable development In terms of growth, carbon markets, which have generated several billion dollars annually in recent years, also provide nationally and internationally new sources of funding for projects and programs designed to promote sustainable development activities that also reduce carbon emissions and thereby stem the tide of climate change.

C. The Congo Basin Member States should be seen as beneficiaries of the carbon market. As demonstrated above, one of the critical pillars of carbon markets is that these instruments can reduce costs for polluting companies or countries. For a desired result, the Congo Basin Member States, which still maintain their forests, can turn this characteristic to reveal the potential role as a subsidiary tool in the fight against climate change. For more than ten years, several researchers have mentioned a potentially positive outcome for the Congo Basin countries and, more generally, Africa through the income from a future carbon market.

4. Congo Basin Member States

The Congo Basin represents the world's second-largest tropical rainforest. It is best known for its vast array of natural resources, including various land-use types, vegetation, and wetland types. The use of resources in the region ranges from the slash-and-burn agriculture practised by remote forest peoples to large-scale logging and mining, as well as the extraction of non-timber resources across the basin. The Congo Basin is recognised by experts in the global environment and climate change conventions as playing a critical role in the global climate system. Being a shared geographical epicentre within the Congo Basin and a shared regional economic development goal, the nine Congo Member States form a region with shared interests and issues central to climate finance readiness and access to carbon market financing; the attention of this study. These States, members of the Observatoire des Forêts d'Afrique Centrale (OFAC), are Cameroon, the Central African Republic, Chad, the Democratic Republic of Congo, Equatorial Guinea, Gabon, the Republic of Congo, and Northern Angola.

The Congo Basin is home to a treasure trove of species, hosting many mammal, bird, amphibian, and plant species. For example, over 400 species of mammals and 10,000 species of plants can be found in the Support Zone alone. Consequently, the assassination of the most diverse environments supporting the Basin's flora and

fauna will likely impact global biodiversity conservation. Moreover, hundreds of millions of people can be lifted out of their natural forest home areas, given that these "pre-modern" civilisations are tributaries of most of the basin's ecosystems. Vast herds of commercial fish and aquatic species are vital to hundreds of thousands of rural semi-sedentary and urban dwellers in the region.

4.1. Geographical and Ecological Significance

The Congo Basin member states are the gateway to Africa's most productive ecosystems. Four ecological zones characterise the Congo Basin (CB), peripherally surrounding the other. It has the world's second-largest tropical rainforest. The forests extend across six countries (e.g., Cameroon, Central African Republic, Congo, Gabon, Democratic Republic of Congo, Sao Tome and Principe), covering more than 3.6 million square kilometres. The biodiversity of the Congo Basin forests is impressive. It provides an essential source of ecosystem goods and services, which are indispensable to millions of people (for instance, food, water, medicine, etc.). The basin contains approximately 20% of the continent's species, 35% of the African rainforest, and 18% of the globe's tropical forest carbon.

The resilience of the world's ecosystems depends on their adaptive capacity. Together with the Amazon, these forests are essential for local and regional climate regulation and the global carbon cycle. Their contribution to water management is particularly prominent, generally safeguarding against heavy soil erosion, river sediment loads, and flooding. The incorporation of "NBS" (e.g., climate change adaptation finance, carbon market) might have synergies, for instance, in reducing greenhouse gas emissions and restoring and preserving ecosystems (e.g., restoration of degraded land). By integrating NBS strategies, carbon markets could address broader sustainable development and climate adaptation objectives, particularly in the Congo Basin region, despite existing concerns, including NBS efficiency and community rights.

4.2. Current Climate Change Challenges

In this section, we discuss the current climate change challenges in the region.

Climate change challenges in the Congo Basin member states. Congo Basin member states, including the Democratic Republic of the Congo, Cameroon, the Republic of the Congo, Gabon, Equatorial Guinea, the Central African Republic, and São Tomé e Príncipe, are threatened by climate change stressors. Although the region contributes little to global greenhouse gas (GHG) emissions, it is considered

one of the most vulnerable. Thus, there is a high impetus for climate action in this region. Deforestation threatens the Congo Basin in some parts, like Gabon, the Republic of Congo, the Central African Republic, and the Democratic Republic of Congo, which reduce carbon sinks for absorbing emissions. More global attention and efforts are needed for greenhouse gas reduction and for enhancing environmental integrity and climate finance to support adaptation, mitigation, and carbon markets in the Congo Basin member states.

Sub-Saharan Africa faces a range of environmental and social stressors and vulnerabilities due to intensifying anthropogenic and natural changes. The increased climate stress impacts a base of people who mostly rely on the environment for their daily lives and well-being, particularly in rural areas. Research shows that the Congo Basin rainforest is degrading, with (in the worst case) severe climatic implications. Critical threats to this region are changes in tree species composition and forest degradation, which may initiate a cycle of increasing risk with negative consequences for people, the availability of climate-locally adapted food, and terrestrial ecosystem functioning. Most people living in these countries are represented by the voices of the least developed countries (LDCs) and small island developing states (SIDs) in the UNFCCC process.

5. Case Studies

Due to the need for more success stories on climate finance and carbon markets in the Congo Basin region, the following four case studies have been developed. The first case study features the ACPC project in Brazzaville, which is working to promote solar water pumps and drip irrigation for the livestock sector. The second case study shows the application of climate and industry funds in Cameroon to transform residues and waste into biofuel pellets. The third case study features the CEP strategy in the DRC through the conversion of degraded land into agroforestry landscapes for sourcing and tracing. Lastly, the fourth case study presents the implementation of REDD+ in Gabon through an FCPF-compliant national strategy and its progression into negotiating sales of carbon credits. The case studies are based on interviews, resources, and feedback from practitioners from various sectors that work or have worked on the ground with the project implementers and local actors. They illustrate the implementation and the complements between funders, carbon markets, and on-the-ground practical actions of regional actors in the Congo Basin Member States.

These case studies are designed to illustrate the benefits, the commercial potential, and the creation of local employment made possible by climate finance targeted for the Congo Basin. In the region, promoting micro-projects with anti-desertification incentives, agroforestry, and household carbon markets are representative of finance, which comes with no co-benefits compared to carbon funds. Although some difficulties were encountered, mitigation projects carried out with climate finance tend to apply a payment for ecosystem services (PES) approach and support the reduction of deforestation projects rather than the promotion of reforestation or afforestation. Large-scale interventions have been identified in only two Member States with carbon project development in Cameroon and Gabon. In Cameroon, a PoA strategy is being implemented to change household behaviour through climate and local funds, which are being operationalised under the National Climate Change Fund (NCCF) portfolio. In addition to the implementation of the NAMA concept and generating sales of carbon credits to Ecuador under a bilateral agreement, Gabon is also using other sources of funds, which include a climate finance readiness portfolio and the 'Etat 2', a climate-conscious company, to co-invest in relevant projects.

5.1. Successful Climate Finance Projects

5.1.1. Case Study: MEM Reconciliations

5.1.1.1. Introduction The MEM Reconciliations project, which is supported by the Food and Agriculture Organization (FAO) and the Central Africa Programme for the Environment (PCAE) and implemented by the Ministry of Rural Infrastructure and Food (MRIF), holds great significance as a unique initiative in the efforts to integrate climate adaptation strategies into the trade agenda. It seeks to ensure that the interests and rights of the four sub-regional Multilateral Development Agencies (MDAs) are duly considered during the negotiation of trade regional agreements. It is paramount to highlight that this project primarily focuses on the European Union-Central Africa region, thus providing an ideal pilot environment for testing and implementing climate adaptation measures. This region has been identified as a critical area for addressing the challenges posed by climate change, and the MEM Reconciliations project plays a crucial role in promoting sustainable development and resilience in this context. Various factors will be considered to comprehensively evaluate the effectiveness and progress of the MEM Reconciliations project. These include the progress report, field mission findings, and project documents, which will collectively inform the analysis. The main objective of this chapter is to assess the degree of success achieved by the MEM

Reconciliations project in integrating climate adaptation strategies into the trade agenda, and its findings will significantly contribute to future endeavours in climate finance readiness. Through the evaluation process, valuable insights will be gained, enabling policymakers and stakeholders to make informed decisions and shape future initiatives in climate finance readiness. By leveraging the lessons learned from the MEM Reconciliations project, efforts can be directed towards building a more sustainable and resilient future, considering the unique challenges and opportunities presented by the European Union-Central Africa region. Together, these efforts will contribute to better climate adaptation strategies, fostering economic growth, social well-being, and environmental sustainability.

5.1.1.2. Project Design The primary objective of the MEM Reconciliation project is to meticulously expand upon and strongly advocate for a diverse range of alternative adaptation strategies, specifically production projects. These projects possess the remarkable potential to foster substantial job creation and effectively strengthen local populations' livelihoods. Additionally, they have the invaluable ability to promote integration and cooperation within communities, all while simultaneously generating and significantly increasing subsidies for non-timber resources. These invaluable resources complement the incomes provided by extracting and exploiting natural forests. Integrating such perspectives and approaches into various initiatives, policies, and ongoing projects can have a profound and transformative impact. By attentively considering the "livelihood" peculiarities, weaknesses, and expectations of the MDAs (Member Designated Authorities), these alternative strategies will be implemented in a manner that genuinely considers the diverse and complex needs of the target communities. Moreover, this project presents a unique opportunity to systematically reform and optimise the regulatory framework surrounding natural resource management. This regulatory framework often poses considerable obstacles and challenges when effectively implementing and potentially scaling up innovative strategies such as collaborative clearing. By addressing these limitations head-on, the project aims to foster an environment conducive to successfully implementing innovative and sustainable practices. Through this progressive approach, the path towards harmonious coexistence between economic development and environmental conservation can be firmly established, yielding long-term benefits for both present and future generations.

5.2. Implementation of Carbon Market Initiatives

5.2.1. Crediting in the CDM One of the most significant success factors in the CDM has been the capacity building and development of regulatory framework achieved globally and at regional levels. About transnational cross-border initiatives, implementing the first REDD response to the Chicago Climate Exchange's compliance REDD Offset Program, the first in the world (in La Dicha, Panama), demonstrated that it is feasible to use a foundation from within the regulatory framework. South-South North used the foundation of the CCX CFI as a stepping stone for its pilot to protect peatlands, which the Dutch Government funded. This shows that while CDM has been costly (US$34,144 per CER in the first commitment period and US$21,135 in its dry run phase), it would potentially be beneficial.

The global CDM market is worth over US$4 billion, with 1.2 billion USD spent on capacity building. However, severe issues of leakage, additionality and carrot-versus-stick remain. This demonstrates that sustainability is a significant question primarily for carbon finance readiness to be successful or not. In summary, the CDM initiatives within the Congo Basin could not have been successful due to numerous methodological and policy constraints. Internal evaluation demonstrates that few, if any, would result in emission reductions through carbon financing. However, they illustrated the success of using a local method to calculate carbon sequestration and to test national monitoring, reporting and verification systems. They provide significant lessons for the future of the region.

6. Policy Recommendations

A. Policy recommendations on enhancing finance

1. Ensure sustained coordination and effective interaction among the stakeholders involved in the negotiation, monitoring, and implementation of carbon market mechanisms to avoid double counting, ensure the overall environmental integrity of trading possibilities, and avoid negative impacts on the mitigation ambitions of developing countries. Policy and legal background need to favour the attainment of adherence to the adopted concepts to ensure there is no impact on mitigation ambition by ensuring high ambition, environmental integrity, social standards, and other protection may be adopted regarding the projects in the forest sector under the various schemes to produce verified emission reductions to be accepted for the international trading process. Decrease barriers such as legal administrative, technical, and financial constraints, and alignment to be

undertaken to facilitate the Member States' access to receive payment for the performance of Results-Based Activities.

B. Policy recommendations on enhancing carbon market infrastructure

1. Create incentives for integrating the local SCOs (e.g., local farmers, indigenous peoples, and other local communities) to enhance project success and increase climate finance. Focalize carbon markets for SCOs to invest in permanence, leverage climate finance, and attract investment. Design laws and governmental directives that encourage investors/developers to share the financial credits and land rentals, thus ensuring that local communities are the most incentivised to ensure and maintain appropriate community-based firewall mechanisms. The locals are critical in providing essential ecological infrastructure for the well-functioning national REDD+ strategy.

6.1. Enhancing Climate Finance Readiness

There is a consensus between Congo Basin Member States and non-state actors to rely on the international carbon markets as one of the Paris Agreement mechanisms that aim to respond to developing countries' needs to combat climate change. However, climate finance and carbon markets require the preparedness of key stakeholders at the country level to access available resources effectively. Therefore, as necessary as it is, climate finance must be a key near-term priority for policy action for Congo Basin Member States. Below are concrete policy recommendations for enhancing climate finance readiness in the countries. Since some of these barriers have been repeatedly identified, it is pivotal to start working on these policy changes, which could lead to broad transformative impacts.

1. Capacity Barriers: Address multiple capacity barriers, not limited to country-related factors. As indicated in the table above, efforts to enhance climate finance readiness in countries should focus on various areas. In particular, a surplus in finance readiness is needed at the subnational level.

2. Financial Mechanisms: Develop and promote win-win financial mechanisms based on climate finance access and readiness synergies. Developed financing models should aim to support countries in addressing capacities. Climate finance readiness programs, such as the sustainable development mechanism, can help attract foreign investment.

3. Ownership: Readiness Programs for Congo Basin Member States should reflect their development priorities, characteristics, and cultural values. The definition of what countries can perceive as sustainable should also be anchored in the local reality and perceptions of forest peoples, indigenous peoples, women, and others.

6.2. Strengthening Carbon Market Infrastructure

• Measure 9: This explores how to optimise existing market mechanisms or, if necessary, set up innovations to safeguard further the interests and impacts of MpGs in national and international carbon markets. This preparedness measure responds to policy requirement 10: "The regulatory framework must provide for the issuance of tCERs under the Str and the gast by a government-appointed Designated National Authority (DNA), according to transparent, predictable, rules-based processes. During national and international negotiations for the design and governance of international carbon markets, governments, experts, and researchers from the Congo Basin Member States could develop more innovative solutions to strengthen and reserve markets for MpGs in international carbon markets."

• Measure 10: Strengthening Rule-Making and Governance for Sustainable Development Co-Benefits in the Practice and Operation of Carbon Markets. This policy analysis and negotiated rule-making approach preparedness measure aims to develop the capacity of professionals to shape and influence how they evolve and can be used (or not) to the advantage of a country's low-carbon development strategies, especially in terms of MpG assets and selecting favourable investors. It responds to several policy requirements, 6 and 17, which highlight the importance of a broad political mandate (or social contract) for an international market mechanism operating rules take a leading role, as well as poverty and carbon governance mechanisms that complement or "lock-in" other fcf investments and national strategies listed in the NLCS and lb strategy. It focuses on the political economy of carbon markets and co-op assistance that can benefit Congo Basin Member States. This offer will construct a focused technical Br supply side to populate new and existing market mechanisms without prejudice to further develop a basic national grasp of climate finance or for political consideration. It is helpful to consider the further admission of investable projects into the FCF portfolio and any rules to oversee the sharing of control over the revenue generated.

7. Conclusion

This essay aims to provide a situation analysis and discuss the role of climate finance and carbon markets in the Congo Basin Member States. This essay found that the main barriers to climate finance for climate-resilient agriculture in the region include poor links to government funding sources, small project sizes, high transaction costs, the perceived risk of dealing with small-scale farmers, and weak environmental and social impact considerations in projects. Barriers to an enabling environment associated with carbon markets include a lack of funding for capacity building and national research, limited engagement with the voluntary carbon market, and weak credentials in land management practices that could provide an entry into this market. Barriers to domestic offset schemes included strong regulatory institutions and integration with other land sector policies. International offset markets would be attractive with an internal carbon price of up to $42 for some deeper woodland areas, based on avoided deforestation only.

However, more precise guidelines on safeguards, land tenure, and benefit sharing for offset credit projects are needed from the UNFCCC to ensure their success and fulfil multiple benefits. While the requirements to develop domestic carbon markets may be unrealistic, the prospects for international offset markets, particularly the voluntary carbon market, show some potential for the Congo Basin Member States. As such, we encourage further research on this subject, such as quantifying the co-benefits of this pathway, an exploration of possible options and instruments to manage better risks accompanied by SLM projects to ease entry to new and emerging carbon markets, and a focus on bioenergy, which has some possibility domestically, or through the Clean Development Mechanism (CDM). Furthermore, more research and case studies specifically investigating the impacts of climate finance readiness initiatives should further demonstrate the effects of these initiatives. There are significant associations throughout the region with donor interests in agribusiness, as well as the emergence of potential donors with climate concerns with the EU and other potential hosts for offsetting related REDD projects. It is, therefore, both relevant and timely that donors, the state, and external NGOs are increasingly focusing on the potential linkage between "climate-friendly" agriculture and market access for CDM and REDD development in the Congo Basin. While there is some link to this research and policy, further critical examination is required to ensure this is an effective and efficient pathway for reducing rural poverty and meeting carbon goals. (Jalón, 2022)(Carvalho et al., 2022)(Doda et al.2021)(Behr et al.2023)

7.1. Summary of Key Findings

The market for emission reduction purchase agreements (ERPA) is complex. There are various carbon pricing mechanisms, namely emissions trading schemes (ETS), carbon tax or baseline-and-credit, and several international and national voluntary carbon credit standards or labels. Nevertheless, based on the Congo Basin Member States (CBMS) experience and literature review, most of the carbon projects in Africa will likely target voluntary offsets or non-ETS markets since Africa, outside South Africa, does not have an ETS yet. For instance, as of the end of 2015, there were 62 projects worldwide that were registered under the voluntary carbon label under the Clean Development Mechanism (CDM) and 625 projects registered under the voluntary market. Under the Paris Agreement, the overall voluntary carbon market has the potential to become more critical in private sector involvement in greenhouse gas actions. (Probst et al., 2023)(Streck, 2021)(West et al.2023)(Pagop & Savard, 2024)

One of the main findings of this essay is that it is likely that carbon investment projects will target the voluntary offset market since African countries do not yet have an ETS. It will take time to establish a regional one. Several advantages and disadvantages of the voluntary carbon market have been identified in the essay. From the African perspective, it is important to maximise revenue and the ability to link to other carbon markets. Nonetheless, the stringent environmental criteria and high cost of transactions might constrain Africa's ability to maximise carbon trading's revenue. (Occhiali, 2024)(Nong et al., 2020)(Daggash & Mac Dowell, 2021)

7.2. Future Directions for Research and Action

We come away from this study familiar with ideas and aspects that can be improved as we think further about climate finance readiness and the potential relevance of carbon markets in the Congo Basin Member States; it would be best to evaluate these first before we turn towards international markets. Study participants particularly stressed that the following should be further investigated:

- Methodologies to inventory, estimate and monitor carbon stocks and land use, land use change and forestry (LULUCF) activities; - Regional development strategies and actions given socially inclusive poverty reduction and sustainable resource management that include a clear vision, measures and action plans for reducing emissions caused by deforestation; - Institutional governance and policies given the goals of sustainable development (envisioning scenario

construction and the legal and regulatory framework that might apply). - The potential of non-market mechanisms (i.e., direct funding mechanisms that do not require creating and purchasing offsets, such as aid, grants, subsidies, microcredit, concessional loans, etc.).

Action-Research Process for Regional Decision-Making in CBMS and Support to the negotiations towards UNFCCC CoP 24 by the 9-CB Official Representatives. Our proposed methodology calls for an incremental deepening of the co-learning process among partners, including off-basin expertise from global and inter-continental networks. In the CBs, we intend to implement this phase with 51 organisations from the CB. Four gender-balanced mixed fact-finding commissions (JPFs) will collect verified data in selected case studies to initiate an off-basin analytical and modelling research by 50+ expert partners and partners' networks. Expanding upon this foundational process, the Action-Research Process for Regional Decision-Making in CBMS and Support to the negotiations towards UNFCCC CoP 24 by the 9-CB Official Representatives encompasses a comprehensive and collaborative approach. With the utmost focus on facilitating a deep understanding and knowledge sharing, our proposed Methodology strives for an intricate and progressive co-learning process among various partners. Emphasising the significance of incorporating expertise from global and inter-continental networks, our approach seeks to integrate off-basin expertise, adding immense value to the entire framework. To effectively implement this forward-thinking approach, fostering active participation from various stakeholders within the CBs is crucial. That is precisely why we intend to engage 51 esteemed organisations from the CB, pooling their collective expertise and insights. Moreover, to ensure an unbiased and comprehensive assessment, we have devised a game-changing strategy involving establishing four gender-balanced mixed fact-finding commissions, commonly called JPFs. These commissions collect verified data in carefully selected case studies, an initial step towards paving the way for off-basin analytical and modelling research. The true power of this research lies in the collaboration between 50+ expert partners and partners' networks, whose combined knowledge and experience form the bedrock of our analytical and modelling study. By harnessing their exceptional expertise, we can delve deeper into the complexities of regional decision-making, unearthing invaluable insights that have far-reaching implications. This holistic and all-encompassing approach enables us to develop evidence-based strategies and recommendations, which ultimately contribute to shaping the trajectory of regional decision-making. The

Action-Research Process for Regional Decision-Making in CBMS and Support to the negotiations towards UNFCCC CoP 24 by the 9-CB Official Representatives represents a meticulous and collaborative endeavour. With the active involvement of diverse partners and a thorough data collection effort, we pave the way for groundbreaking research and influential decision-making at a regional level. Through our unwavering commitment to excellence and innovation, we stand at the forefront of advancing regional decision-making processes, ensuring a more sustainable and prosperous future for all. (Keats, 2020)(Gutierrez et al., 2023)(Olivar-Tost et al., 2020)(Mamun & Natcher, 2023)

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