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International financial flows to support nature protection and sustainable forest management in Central Africa

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Photo by Ahtziri Gonzalez/CIFOR

Conservation and sustainable management of Central African forests: Efforts by international community

Between 2008 and 2017, international financial partners allocated close to two billion US dollars to nature protection and sustainable management of Central African forests[2]. During this 10-year period, financial flows from bilateral sources accounted for 52.5% and multilateral sources 47.5% of this amount. However, as shown in Figure 1, this Official Development Assistance (ODA) for the forestry and nature protection sector fluctuated significantly from one year to the next with the lowest amount in 2010 and the highest amount in 2015. Without a formal correlation, it is noteworthy that 2015 was the year of the Paris Summit on climate change (UNFCCC CoP21). However, close to 80% of the financial flows were devoted to nature or environmental protection work and about 20% to sustainable forest management. Figure 2 classifies the contributions of the different donors through bilateral and multilateral sources. Germany, by contributing close to 25% of the funding for nature protection and sustainable forest management in Central Africa, heads the list followed by contributions through multilateral sources by the European Union (EU) and the Global Environment Fund (GEF) in that order.

1 (1) CIFOR; (2) CIRAD/CIFOR; (3) PFBC; (4) OFAC; (5) OFAC/CIRAD; 6 (OFAC/FRMi); (7)CIFOR/Université de Mans
2 Three main sources of data: OECD, ITTO and OFAC

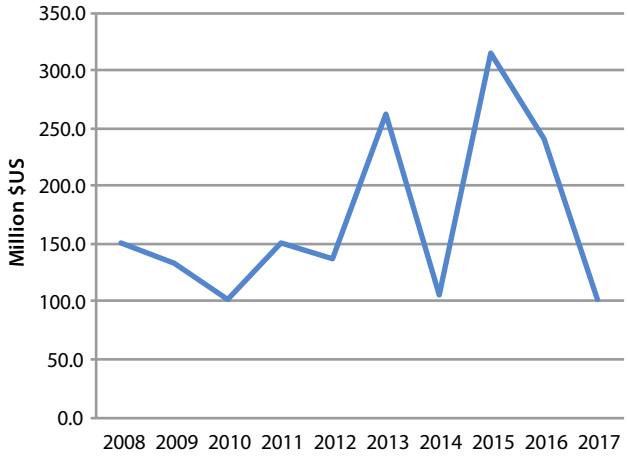


Figure 1. Fluctuations in international financial flows allocated to nature protection and sustainable forest management in COMIFAC member states, 2008-2017.

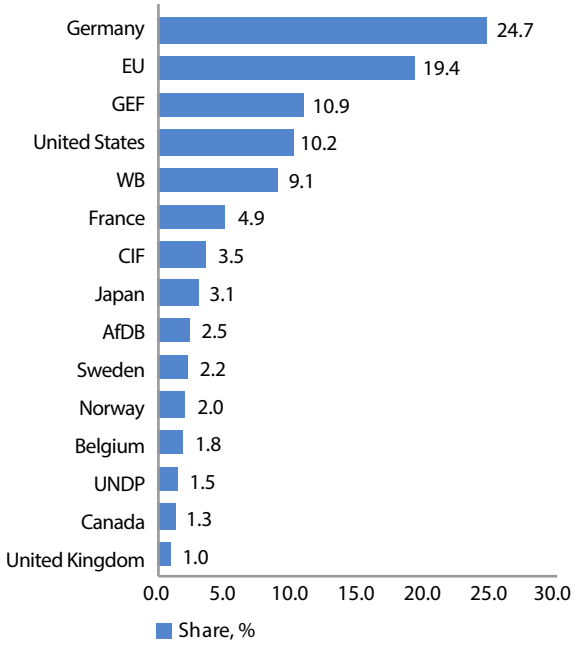


Figure 2. Breakdown of source-neutral contributions from donors, in %.

Contributions of bilateral donors

Bilateral donors disbursed close to US $890 million between 2008 and 2017 to support the Central African countries' nature protection and sustainable forest management activities. Germany was the leading donor (47.2%), giving close to half of the total amount, (see Box 1) followed by the US (19.5%) and France (9.4%).

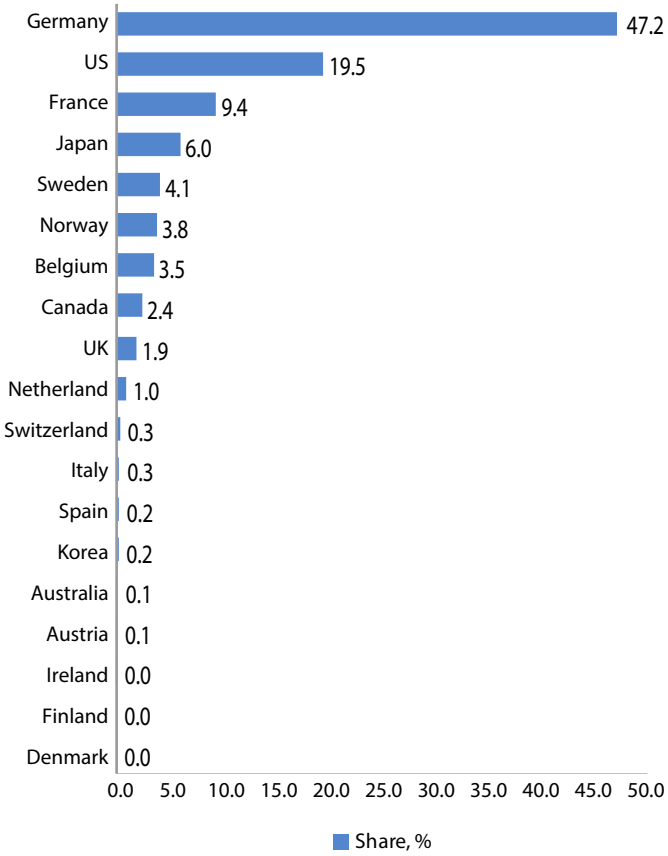


Figure 3. Allocation of contributions (in %) from the various bilateral donors to nature protection and sustainable forest management in the COMIFAC countries, 2008-2017

Contributions from multilateral donors

Between 2008 and 2017, funding from multilateral sources reached about US $806 million. The EU was the main contributor (assessed at close to 41%) followed by GEF and the World Bank. The EU prioritises funding to programmes with a long-term perspective, such as the ECOFAC programme that has been in progress for close to 30 years. It is to be noted that until 2017 Central African countries were almost ignored by the Green Climate Fund (GCF), which was designed as a mechanism, launched with the 2015 Paris Agreement, to provide large amounts of funding for environmental activities. Nevertheless, a GCF project was approved for Rwanda in 2018 costing USD 33.8 million; unfortunately no payments have been made yet. Rwanda is also the only recipient of some US $10 million from the Adaptation Fund.

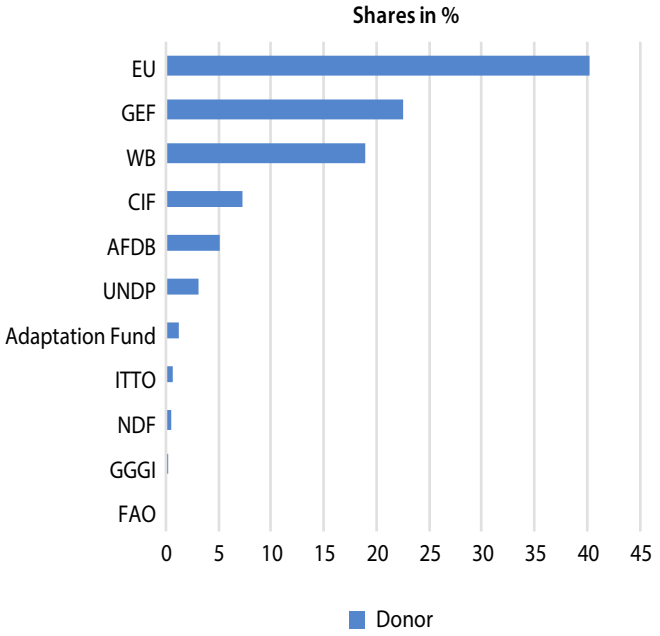


Figure 4. Allocation of contributions (in %) from the various multilateral donor to nature protection and sustainable forest management in the COMIFAC countries, 2008-2017.

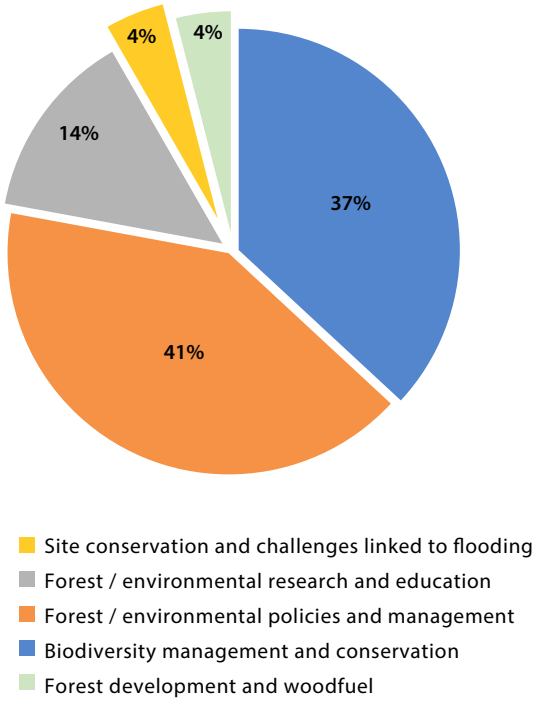


Figure 5. Areas covered by international funding for nature protection and sustainable forest management in COMIFAC member states, 2008-2017.

Beneficiary countries

On the whole, about 70% of the funding for nature protection and sustainable forest management in Central Africa has been directed to three countries, namely, Democratic Republic of Congo (40%), Chad (17%) and Cameroon (14%). Rwanda and Gabon have received less than 10%, and countries like Equatorial Guinea and Sao Tome less than 1%.

Topics targeted by international funding

Out of the subjects covered by these international funding, Figure 5 shows that forest and environmental policy and management come first (41%) followed by biodiversity management and conservation (36.9%), and forest and environmental research and education (13.8%) while site conservation, flood prevention and control, forestry development and woodfuel related issues shared merely 8.3% of this fundingz. Yet, the pressure levied by the local, national, regional and international markets on the natural forests through ever-growing demand for woodfuel products and others e.g. non-wood forest products, should draw more attention from both the national and the international communities, so that forest production activities gradually focus more on plantations.

Congo Basin compared to the other two major tropical basins

For the three tropical basins, bilateral funding donors have been increasingly drawn to climate change mitigation projects.

Figures 6 and 7 represent bilateral funding agencies in tropical forest areas and clearly indicate that the Congo Basin receives relatively less bilateral funding than the Southeast Asia and Amazon basins. Hence, 80% of Norway's financing goes to the Amazon basin, while 87%, 64%, 55% and 58% respectively from Japan, France, Sweden and the United States benefit South-East Asia.

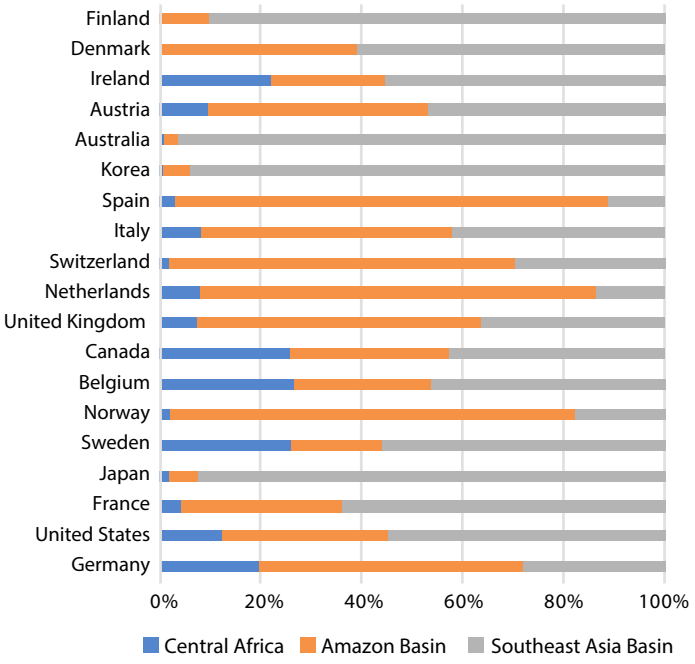
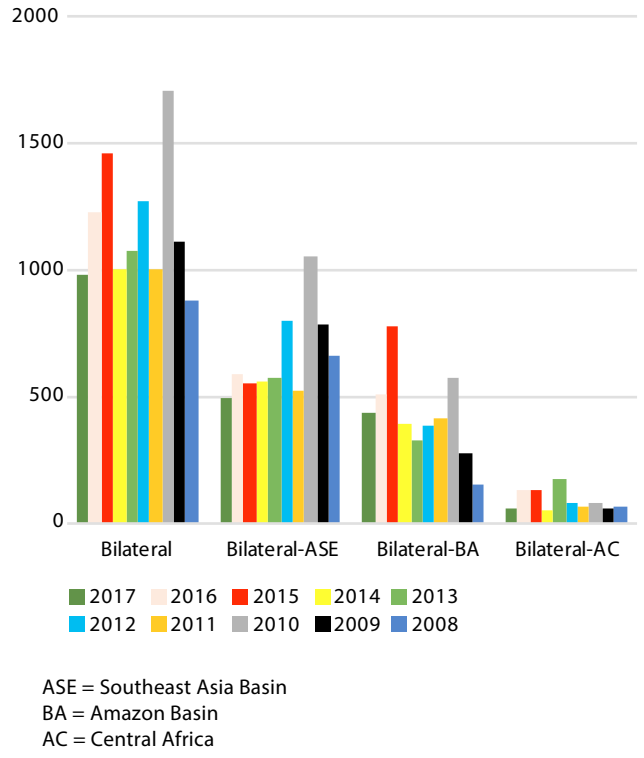


Figure 6. Distribution of donor contributions through bilateral funding for the major tropical basins as a % of their contributions for the years 2008-2017.



ASE = Southeast Asia Basin
BA = Amazon Basin
AC = Central Africa

Figure 7. Bilateral financial flows in millions of US dollars for forest and environmental projects in the major tropical basins, 2008-2017.

Figures 8 and 9 show that the European Union prioritises Central Africa over the Amazon and Southeast Asia basins. The Eu's contributions are followed by those of two other multilateral sources, the GEF and the World Bank. Meanwhile, GEF funding is mainly directed to the Amazon and Southeast Asia basins.

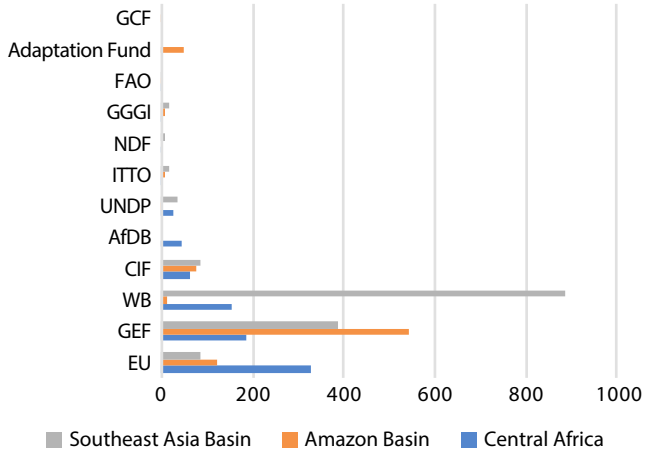
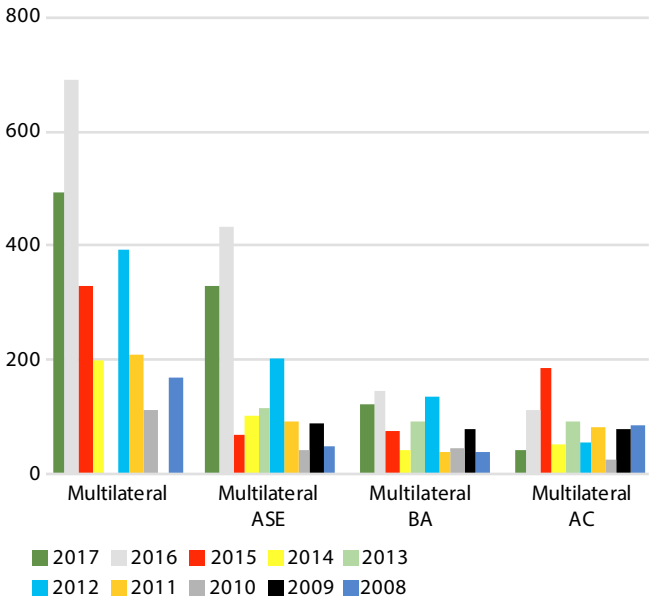


Figure 8. Disbursement of multilateral donor funds to the major tropical basins in millions of US dollars for the years 2008-2017.



ASE = Southeast Asia Basin
BA = Amazon Basin
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Figure 9. Multilateral financial flows in millions of US dollars for forestry and environmental projects in the major tropical basins, 2008-2017.

Private sector contributions still very limited

The private sector contributions to forest and environmental protection in Central Africa is very limited since investments are considered high risk and expected to yield low returns. They involve essentially the following five mechanisms:

- **Timber certification:** this mechanism was introduced to promote legality, sustainable forest management and improvements to the value chain. Certification has made it possible for forest concessions belonging to French private companies and consultancy firms to be very active in the Congo Basin working through public-private partnerships. Investments are mainly from public loans and grants, and private sector contributions. Rougier estimated the added cost for certification at about 0.7% of the company's turnover.
- **The purchasing of carbon credits through REDD+** is a mechanism that has been tried a few times (Ibi Batéké project in 2009 in DRC and Mai Ndombe) but has not been successful in the Congo Basin where voluntary carbon markets have become the main sources.
- **Environmental and Social Management Plans (ESMP)** by foreign companies located in Central Africa are funded by private or private-public sources, e.g. the Nachtigal hydropower construction project (NHPC), which is being developed by a consortium composed of the State of Cameroon, *Électricité de France* (EDF), and the World Bank's International Finance Corporation (IFC). The ESMP includes a compensation mechanism to make up for the loss of forestland due to the construction of a dam. It also includes provisions for the payment of environmental services to the riparian communities for their sustainable forest management and forest restoration work. Agro-industries such as SOSUCAM, a sugar company with private international capital, including French capital, also has an ESMP.
- **Restoration of forest landscapes** is a new concept financed by investment funds and public-private partnerships. It was designed to help business companies and institutional investors achieve carbon neutrality and provide compensation for their carbon emissions by funding forestry, agroforestry and tropical forestry restoration projects. The African Forest Landscape Restoration Initiative (**AFR100**) involves seven Congo Basin countries. BMZ (German ministry) is one of the main public AFR100 contributors, alongside the World Bank and GEF, which committed a total of US $1 billion, while the private sector contributed about US $500 million. There are not many private companies that have joined the project up to now.
- Lastly, there are **foundations**: some foundations call on private companies as part of their Corporate Social and environmental Responsibility (CSR) facility, e.g. companies located in Europe that have investments in Congo Basin such as Stihl, the German power tools equipment company, or rely on a mixture of funding sources that includes public funding. In Central Africa, these sources are not yet well established, although some projects are currently in the preparation stage. Foundations such as *Good Planet* are financing agroforestry, reforestation and forest conservation projects but are not yet working in the Congo Basin. *Good Planet* is funded by individuals and corporate donors and by a carbon compensation mechanism.

In sum:

Between 2008 and 2017, Central Africa (Congo Basin) was only able to attract 11.5% of the international financial flows slated for nature protection and sustainable forest management in tropical areas, far less than the Amazon Basin (34%) and especially the Southeast Asia Basin (54.5%).

Bilateral fund donors are not attracted to Central Africa. Of the US $11.7 billion that was disbursed to the forest-environment sector in the tropical zones between 2008 and 2017, only US $890 million, i.e. 7.6% was earmarked for Central Africa. The most symbolic example is Norway. Norway allocated US $1.7 billion to support the forest-environment sector in tropical areas during the 2008-2017 decade and only 2% was gotten by Central Africa. Norway is the leading donor for the Amazon Basin to which it grants over 80% of its funding for nature protection and sustainable management of tropical forests. Part of the explanation for the Norway case can be linked to the diplomatic relations between Norway and Central Africa. Until recently Norway did not have any diplomatic representation in Central Africa, and the Norwegian Agency for Development Cooperation, NORAD, was not represented in most of the countries in the CA sub-region.

Another reason why the Amazon Basin and especially the Southeast Asia Basin attract international finances more readily might be the greater capacity of countries in these two sub-regions to carry debt. The Gross Domestic Product (GDP) of the 10 COMIFAC member states hardly amounted to US $136 billion in 2017 while that of Indonesia was over US $1 trillion and that of Brazil, over US $2 trillion[3]. Also, the majority of the bilateral funders finance the forest-environment sector in Central Africa through grants while they sometimes use loans for the countries in the other two tropical sub-regions.

3 Source: http://datatopics.worldbank.org/world-development-indicators

For multilateral funding agencies, the financial attractiveness of the Congo Basin (US$806 billion) and the Amazon Basin (US$812 billion) are practically equal although the Amazon Basin is much bigger. however, having received US$1.5 billion between 2008-2017 Southeast Asia appears considerably more attractive. Here again, the appeal of Southeast Asia seems connected to its creditworthiness because its biggest creditor is the World Bank, which allocated US $885 million to this sub-region, mainly through loans. Furthermore, until 2017 the Congo Basin did not have any projects approved by the Green Climate Fund (GCF). In 2018, a Rwandan project was approved but no payments had been made by the first quarter of 2019.

On the other hand, the European Union stands out as an exception since Central Africa seems to be its top priority for forest-environment sector funding: close to US $329 million as compared to the Amazon Basin (US $122 million) and the Southeast Asia Basin (US $86.5 million).

Recommendations

For Central Africa to capture more international funding for the forest sector, there are four possible approaches:

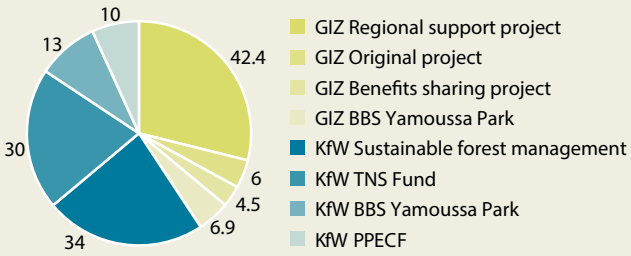
1. Increase diplomatic activity by targeting the bilateral funding agencies that are the least active in Central Africa;
2. Improve governance in ODA management thereby increasing efficiency, decreasing the perception of risk and possibly attracting more operators from the private sector;
3. Strengthen the capacity of the sub-regional forest-environment sector to formulate high quality project proposals that will be evaluated competitively, as is done by for the Green Climate Fund. This capacity building exercise should also include project management and implementation.
4. Recommend coordination of funding agencies to ensure orderly funding of projects and programmes.

Box 1. Germany, leading bilateral financial partner supporting Central African forest ecosystem management

Since the protection of tropical forests is considered part of the protection of world public goods, funding from German development aid is nearly always paid as a grant. Germany, through GIZ and KfW, allocates an estimated 347 million euros to COMIFAC countries (388 million including multi-state funds,) with a focus on two activities: (i) the regional cooperation programme (which is also sub-divided into several projects) with COMIFAC, which received 143 million euros between 2010 and 2019, and (ii) country-projects located in Cameroon, DRC and Rwanda costing a total of 241 million euros (including the multi-country funds).

The support programme for regional forest management comprises several regional projects and accounts for close to 41% of the GIZ and KfW commitments to the COMIFAC countries for the years 2010-2019, in other words 143 million euros (or 147 million euros for the years 2005 to 2022). It is based on a partnership with COMIFAC that was established in 2005 and is still the preferred (and long-term) mechanism for channelling German bilateral assistance to Central African forests.

Development Cooperation programme with COMIFAC (147 M euros)



Sources: GIZ, KfW sites and documents, 2019

At the regional level, since the programme with COMIFAC is the main intervention tool, country-projects are restricted to Cameroon and DRC, but they nonetheless cover all the fields targeted by German development cooperation: sustainable forest management, climate-forests and REDD+ financing, biodiversity protection, and conservation of the protected areas. Projects supported in Rwanda are smaller in scope and are devoted specifically to forest landscape restoration.

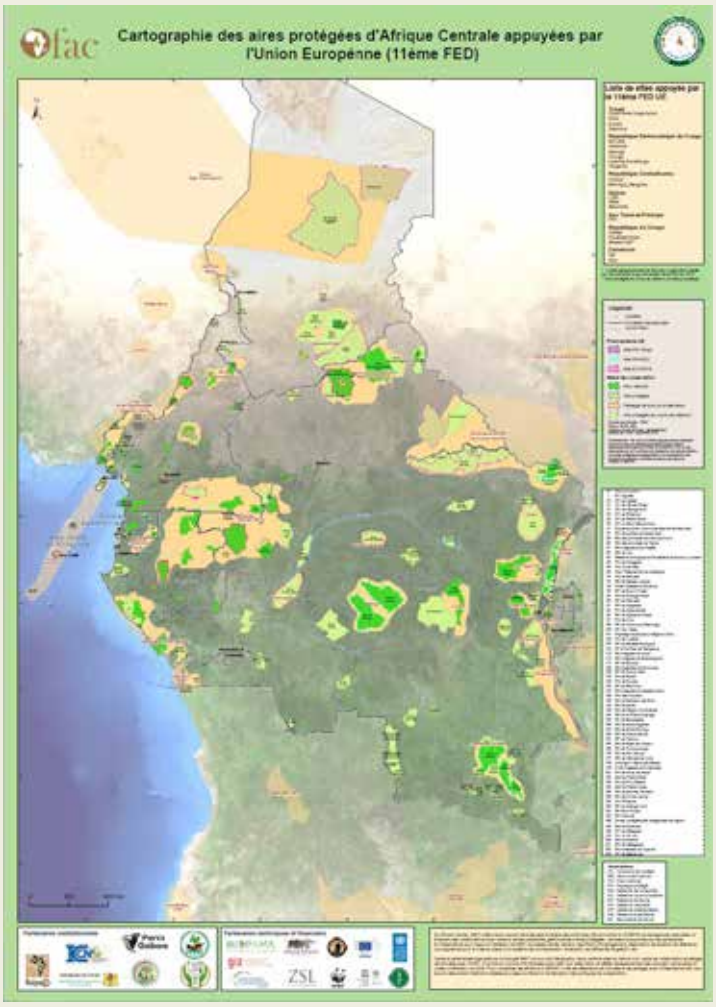
Box 2. European Union (EU) funding for forest ecosystem conservation and sustainable management in Central Africa

Database of the Observatory for Central African Forests

The European Union has been supporting COMIFAC and its observatory since its creation in 2006, and has been investing in conservation issues for many years. Requested by COMIFAC in order to evaluate all the ODA contributions for the implementation of its regional policies, OFAC created a cartographic and analytical platform. Several donors, ,led by the EU, have pledged to contribute to this regional initiative.

The OFAC database on ODA initiatives in this field has 68 EU entries (projects and programmes) in the field of forest ecosystems conservation and sustainable management, of which 35 projects are still in progress. These projects represent over 440 million euros[4] which makes the European Union the leading donor of multilateral funds in conservation work in Central Africa, and thus confirming the EU's promise to make conservation work one of the three priority activities in its relationship with the CA sub-region.

This funding is channelled through the *Regional Indicative Programmes* (61.5 million euros, for the ECOFAC 6 programme) and *National Indicative Programmes* (PIN-RDC) being the biggest, with a budget of 120 million euros. Most of this aid is intended for the protected areas that are managed by public-private partnerships (PPP) comprising NGOs and the supervisory ministries and agencies, with regional integration used to promote a transboundary approach based on *Key Landscapes for Conservation* (See map opposite).



4 Some projects transcend the Central African borders

Consulted Documents

Advisory Group on Finance. Collaborative Partnership on Forests, 2012. 2012 Study on forest financing

Baptiste Marquant et. Al. 2015, Importance des forêts d'afrlque centrale in Ed. Les forêts du Bassin du Congo - Forêts et changements climatiques. Eds : de Wasseige C., Tadoum M., Eba'a Atyi R. et Doumenge C. – 2015. Weyrich. Belgique. 128 p.

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https://www.itto.int/annual_report/

Established in 2007, the Central African Forest Observatory (OFAC) is a specialized unit of the African Forestry Commission (COMIFAC) which provides up-to-date and relevant data on the region's forests and ecosystems, to inform political decision-making and promote better governance and sustainable management of natural resources. OFAC is supported by the RIOFAC project, funded by the European Union.