

Central Africa Economic Outlook 2023

Mobilizing Private
Sector Financing
for Climate and
Green Growth



AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE
DE DEVELOPPEMENT

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LIST OF ABBREVIATIONS

ACCF	Africa Climate Change Fund
ADF-15	Fifteenth Replenishment of the African Development Fund
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
ARII	Africa Regional Integration Index
BCC	Central Bank of the Democratic Republic of Congo
BEAC	Bank of Central African States
CAR	Central African Republic
CDF	Congolese franc (currency of the Democratic Republic of Congo)
CEMAC	Central African Economic and Monetary Community
Central Afr.	Central Africa
COBAC	Central African Banking Commission
DRC	Democratic Republic of Congo
DSSI	Debt Service Suspension Initiative
East Afr.	East Africa
ECA	Economic Commission for Africa
ECCAS	Economic Community of Central African States
ECF	Extended Credit Facility
EFF	Extended Fund Facility
EITI	Extractive Industries Transparency Initiative
Eq. Guinea	Equatorial Guinea
G20	Group of the 20 Most Industrialised Countries
GEF	Global Environment Facility
GHG	Greenhouse Gas
IMF	International Monetary Fund
ISI	Import Substitution Industrialisation
MFI	Microfinance Institution
MPC	Monetary Policy Committee
NDC	Nationally Determined Contribution
North Afr.	North Africa

PREF-CEMAC	CEMAC Economic and Financial Reforms Programme
RFI	Rapid Financing Instrument
SDR	Special Drawing Right
Southern Afr.	Southern Africa
TIAO	Tender Interest Rate
USD	US Dollar
West Afr.	West Africa
WTO	World Trade Organisation

EXECUTIVE SUMMARY

Central Africa experienced accelerated growth in 2022, recording a real GDP growth rate of 5.0% in 2022, up from 3.4% in 2021, according to African Development Bank statistics. This renewed economic activity was driven by favourable commodity prices, particularly in a region with net exporters of not only crude oil, but also minerals and other commodities. This regional growth momentum was mainly sustained by the Democratic Republic of Congo which recorded a real GDP growth rate of 8.5% in 2022.

In 2022, the Central African region experienced pent-up inflation and consolidated fiscal and external positions compared with other regions. Although the region's public finance situation improved in 2022, it remains in deficit. The overall budget balance, including grants, was -0.6% of GDP, that is an improvement of 0.4 percentage point compared to 2021. Despite the improvement in the prices of the region's main exports, the observed deficit was driven by an increase in overall primary expenditure linked to budget support measures implemented by the region's governments in response to the persistent negative effects of the invasion of Ukraine by Russia¹ on energy and food prices. Central Africa's current account balance improved in 2022 compared to 2021, but remained in deficit, reflecting the region's need for financing. It was -1.5% of GDP as against -1.8% in 2021.

Despite internal and external uncertainties, the region's economic outlook remains positive. These uncertainties include global economic developments (geopolitical tensions, the invasion of Ukraine by Russia, natural disasters, including the earthquake in Turkey), as well as the sociopolitical and security situation in some of the region's countries, which could cause supply chain bottlenecks and slow down economic growth. Despite the risks to the region's economic momentum, Central Africa is expected to achieve growth rates of 4.9% in 2023 and 4.6% in 2024. The budget balance is expected to remain in deficit at -0.7% in 2023 and 2024, while the current account deficit (1.5% of GDP in 2022) is projected to widen to 2.6% of GDP in 2023 and 3.3% of GDP in 2024.

In economic and social terms, rising food and energy prices in 2022 deepened household income inequalities in Central African countries. This led to an increase in the number of

¹ Agreed wording at the 2022 African Development Bank Group Annual Meetings in Ghana. Algeria, China, Egypt, Eswatini, Namibia, Nigeria and South Africa entered a reservation and proposed "Russia-Ukraine Conflict".

undernourished people in virtually all the countries in the region. This situation jeopardises energy security and may affect corporate productivity and competitiveness and even social sectors of the region's economies.

Recommendations for macroeconomic policies include the adoption of a mix of policies to combat inflation, options to circumvent tightening financial conditions, and more structural reforms to promote agro-industrialisation. Addressing inflationary pressures is crucial if inflation, especially rising food prices, is to be brought under control as soon as possible. For a region with large areas of arable land, this would mean investing in agriculture to ensure food self-sufficiency and food security for the population. It would also mean investing in infrastructure to support this strategic focus on agricultural production and processing. Such an option necessitates improvements in governance and public investment management which will, in turn, improve the efficiency and transparency of public management. Furthermore, streamlining the macroeconomic framework, particularly debt (which remains a challenge for the region) and consolidating budgetary, monetary and exchange rate policy frameworks should allow the countries in the region to stabilise prices and improve public finance sustainability and external accounts.

Central African countries have enormous green growth potential but make very little use of green economic opportunities and green innovation. The region's young and growing population, as well as its abundant natural capital, put it in an excellent position to transition to green growth. However, the region is performing poorly in terms of green economic opportunities and green innovation, despite performing reasonably well in terms of social inclusion and resource efficiency and sustainability. Climate finance is critical to Central Africa's green growth and climate action initiatives.

Central Africa's economic performance is moderate and calls for a synergy of action by the authorities, especially considering that the region is facing the threat posed by climate change, which could further undermine this moderate performance. The region will need about USD 128 billion between 2020 and 2030 to mitigate and adapt to the effects of climate change, and at least USD 12.8 billion per year between 2020 and 2030 to meet its green growth and sustainable development needs. To meet these requirements, it is necessary to rapidly scale up financial flows.

It is recommended that Central African countries adopt and implement innovative financing instruments to attract private sector financing. Governments in the region should steer private climate financing to sectors that not only pose the lowest risks and generate the highest returns for private sector investors, but also have a very significant impact on green growth. Thus, Central African countries and their stakeholders should design policies and projects to ensure that SMEs, particularly micro-enterprises and women-owned enterprises, have access to private sector capital raised by governments. Increased investment in green infrastructure will enable countries to achieve green growth, but it must be accompanied by investment in social and environmental development. Sustainable infrastructure (energy systems, transport, buildings or industries) will require the largest share of the total financing required to combat climate change.

Concerning actors, Central African countries, the AfDB, other development finance institutions (DFIs) and multilateral development banks (MDBs), as well as the national and international

private sector, have a role to play in increasing the private sector's share of climate financing. *In the countries of the region*, there is an urgent need to strengthen the institutional framework and build capacity to design financially viable projects and access international capital; integrate climate change budgeting into development programmes; establish and strengthen mechanisms to monitor and assess financial flows and needs at the government level; and provide and operate direct access to financing, prioritising the most vulnerable population groups, especially young people and women. **At the level of DFIs and MDBs, including the AfDB**, the aim will be to use the resources at their disposal to finance investment projects and programmes with greater focus on projects that seek to preserve the environment; to mobilise resources through co-financing operations between bilateral and multilateral development agencies to finance actions to combat climate change and promote green growth; to provide any technical assistance required by the region to select, study and design development projects aimed at achieving green growth; and to promote dialogue and consultation on issues related to the region's development through climate change and green growth. These institutions will use their capacity to mobilise resources to reduce investment risks by providing grants and concessional financing to support capacity building and innovation, as well as help to build private sector confidence in regional markets. **National and international private sector actors** with the potential to engage in green growth and climate action, either directly or indirectly, should be willing to assist countries in the region in identifying them. They could also assist the authorities in identifying and articulating the challenges faced, as well as investment opportunities to clearly define the measures to be taken by governments, as well as short-, medium- and long-term investment plans. Lastly, they could collaborate with governments, DFIs and MDBs to mobilise the financing needed to gain the confidence of rating agencies.

Central Africa has abundant natural resources that can support its green and climate finance requirements. The region is rich in natural resources ranging from arable land, water, forests, oil, gas, minerals and wildlife. Oil is one of the most important commodities exported from Central Africa. In 2022, oil exports accounted for more than 50% of total exports in most countries in the region. In 2022, natural forest resources covered 221 036 hectares (or 99.84% of total forest resources), while planted forests covered 356 hectares (or 0.16% of total forest resources). The region can also access external financing to combat climate change.

To increase the contribution of natural resources to financing climate change and green growth, governments should control natural resource exploitation and revenue management. To ensure that Central African countries maximise and rationalise the use of revenue derived from natural resource investments, all actors, including governments, bilateral donors and enterprises should promote better governance and transparency in contract negotiations and operations. The establishment of a common green fund with solid institutional support is strongly recommended. This fund could pool revenue from natural resource extraction in countries of the region to finance climate change and green growth in the region.

Furthermore, the revaluation of the GDP of countries in Central Africa is a welcome development for the region, especially considering that it is home to the Congo Basin, the world's second largest lung after the Amazon. Recognition of the positive externalities associated with the carbon sequestration value of forest ecosystems can broaden the economic base of countries in the region and align them more closely with the inclusive growth agenda. Risk rating agencies and

academics in the region could further investigate the benefits of carbon sequestration to regional GDP and credit value by leveraging the growing number of innovative models, incorporating the pricing of such positive externalities as regional public goods. Natural capital accounts in Central Africa should be developed, transparent and open to the public to build investor confidence in the role of natural capital in financing inclusive economic growth.

CENTRAL AFRICA'S MACROECONOMIC PERFORMANCE AND OUTLOOK

KEY MESSAGES

- **Although Central Africa has suffered many shocks since 2020, it recorded strong growth in 2022.** According to African Development Bank (AfDB) statistics, the region achieved a real GDP growth of 5.0% in 2022, up from 3.4% in 2021. This economic rebound was fuelled by favourable commodity prices in a region with net exporters of not only crude oil, but also minerals and other commodities. This regional growth was higher than that of the African continent as a whole which was estimated at 3.8% in 2022, down from 4.8% in 2021. All regions of Africa experienced an economic slowdown, with the exception of Central Africa where growth accelerated by 1.6 percentage points in 2022. Within the region, this growth was mainly driven by the Democratic Republic of Congo which recorded a real GDP growth rate of 8.5% in 2022.
- **Economic activity in Central Africa in 2023 is projected to occur in an uncertain environment due to various factors.** Geopolitical tensions, the invasion of Ukraine by Russia and natural disasters, particularly the earthquake that occurred in Turkey in February 2023, could cause global supply chain bottlenecks and price shocks for the region's export products. Despite the confluence of these multiple risks, Central Africa is expected to achieve growth rates of 4.9% in 2023 and 4.6% in 2024.
- **In 2022, the Central African region experienced pent-up inflation and consolidated fiscal and external positions compared with other regions.** Inflation in the region stood at 6.7% in 2022, up from 3.9% in 2021, owing to soaring global food prices, the depreciation of the euro against the US dollar, and disruptions in international supply channels. The inflation rate in Central Africa was the lowest on the continent compared to other regions; it was 8.2% in North Africa, 12.6% in Southern Africa, 17% in West Africa and 28.9% in East Africa. Inflation in the region in 2022 was fuelled by the Democratic Republic of Congo (9.1%) and the Central African Republic (7.9%) whose rates were above the regional average. The region's good performance in terms of overall price levels is attributable to the budget support measures (subsidies on petroleum pump prices, price freezes on essential goods, etc.) implemented by governments and the tightening of monetary policy by central banks.

- **Though the region's public finance situation improved in 2022, it remains in deficit.** The overall fiscal balance, including grants, was -0.6% of GDP, that is a 0.4 percentage point improvement compared with the situation in 2021. Despite the improvement in the prices of the region's main exports, the observed deficit was driven by an increase in overall primary expenditure linked to budget support measures implemented by the region's governments in response to the persistent negative effects of the invasion of Ukraine by Russia on energy and food prices. Compared to other regions, Central Africa has the best fiscal performance, with, among other things, the lowest deficit. The average budget balance for all of Africa stood at a deficit of 4.0% of GDP. North Africa recorded a budget deficit of 3.2% of GDP, Southern Africa 3.5%, East Africa 4.3% and West Africa 5.6%. The improvement in the average regional budget balance was driven by Congo and Equatorial Guinea which recorded surpluses of 6.5% and 4.8% of GDP, respectively.
- **Central Africa's current account balance improved in 2022 compared with 2021, but remained in deficit, reflecting the region's need for financing.** It was -1.5% of GDP as against -1.8% in 2021, that is the third best regional performance after Southern Africa (-0.6%) and North Africa (-0.8%). This slight improvement is attributable to: (i) the vitality of the extractive industry and the revitalisation of the non-extractive sector in DRC; (ii) rising oil and gas prices; and (iii) the current account surpluses recorded by Congo (+19.2%) and Equatorial Guinea (+3.9%).
- **In economic and social terms, rising food and energy prices have deepened household income inequalities in Central African countries.** This has resulted in an increase in the number of undernourished people in virtually all the countries in the region. This situation jeopardises energy security and may affect corporate productivity and competitiveness and even social sectors in the region's countries.
- **Regarding economic policy options, it is critical to address inflationary pressures, particularly rising food prices, as soon as possible.** For a region with large areas of arable land, this would involve investing in agriculture to ensure self-sufficiency and food security for the people. It would also entail investing in infrastructure to support this strategic orientation. Such an option requires improving governance and public investment management which, in turn, will improve public management efficiency and transparency. In addition, streamlining the macro-economic framework, particularly debt – which remains a challenge for the region – and consolidating budgetary, monetary and exchange rate policy frameworks should enable the countries of the region to stabilise prices and improve public finance sustainability and external accounts.

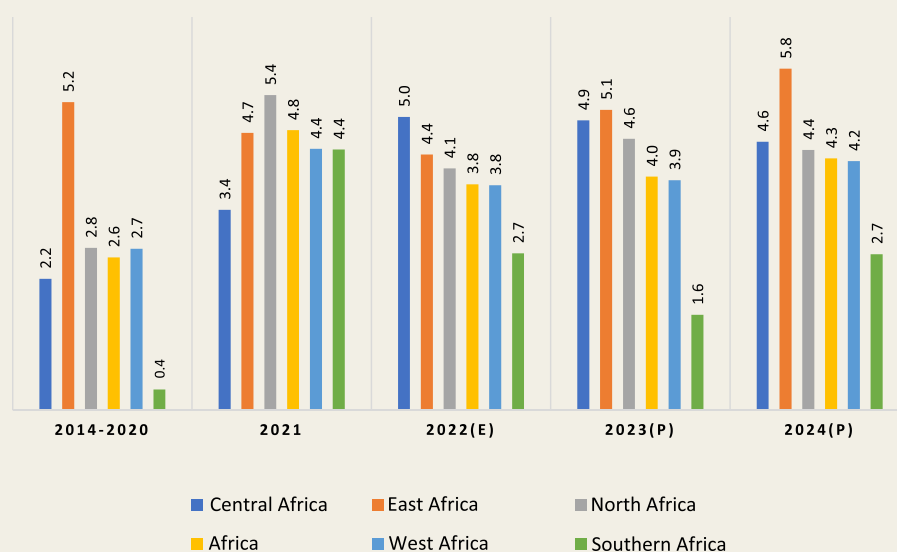
1.1 Regional Growth Performance

1.1.1 Central Africa's Economic Growth Performance and Prospects

In recent years, Africa, like other regions of the world, has been hit by economic, climatic and security crises which have had a significant impact on its economies. According to AfDB statistics, Africa's real GDP growth rate was 3.8% in 2022, down from 4.8% in 2021.

Based on these figures, it was projected that the continent's growth rate would decrease by a percentage point between 2021 and 2022. The main causes of this economic slowdown were the lingering effects of the COVID-19 pandemic, various geopolitical tensions, and the consequences of the invasion of Ukraine by Russia. However, economic growth varied from one region to another on the continent. In 2022, all regions, except Southern and West Africa, achieved economic growth rates above the African average (Figure 1).

Figure 1: Real GDP Growth Rate by African Region During the 2014-2024 Period (%)



Real GDP growth in the Central African region was 5.0% in 2022, as against 3.4% in 2021. This growth was mainly buoyed by favorable commodity prices

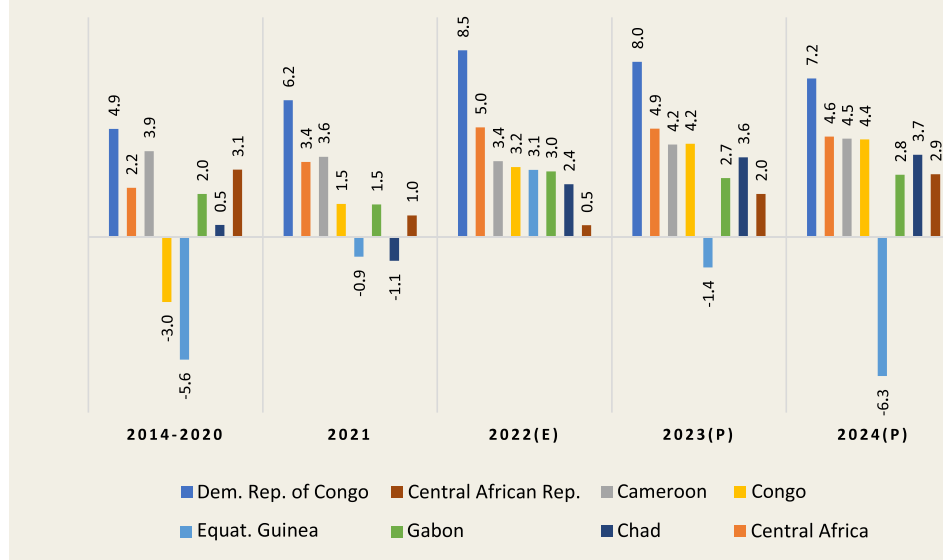
Source: AfDB Statistics Department, April 2023; e: estimates; p: projections

Real GDP growth in the Central African region was 5.0% in 2022, as against 3.4% in 2021. This growth was mainly buoyed by favourable commodity prices. Overall growth was boosted by high export prices in a region with net exporters of crude oil, minerals and other commodities. This 5.0% regional growth rate reflected the region's strong economic performance compared to the African average of 3.8%. The region's good economic performance in 2022 varied from one country to another (Figure 2).

Regional growth driven by DRC's economic performance

DRC was Central Africa's growth engine in 2022. The country recorded the best economic performance in the region with a real GDP growth rate of 8.5% in 2022, up from 6.2% in 2021 (Figure 2). This performance was mainly driven by increased public investment and the vitality of the mining sector (particularly copper and cobalt whose production increased by 30.9% and 19.5%, respectively) owing to rising ore prices.

Figure 2: Real GDP Growth Rate by Country in Central African Region During the 2014-2024 Period (%)



Source: AfDB Statistics Department, April 2023; e: estimates; p: projections

Economic slowdown in some countries in the region

The economic performance of Cameroon, the Republic of Congo, Equatorial Guinea, Gabon, Chad, and the Central African Republic was below the region's average economic performance².

Cameroon achieved a 3.4% growth rate in 2022, as against 3.6% in 2021, due mainly to continued investment and the revitalisation of the non-oil sector. This performance was driven by a buoyant agricultural sector which accounts for 25% of GDP on average and higher prices for agricultural products, while the fossil fuel sector (including oil) also played a major role in Cameroon's economic recovery thanks to an increase in natural gas production.

Equatorial Guinea's economy, which is heavily dependent on oil production, recorded a real GDP growth of 3.1% in 2022 after contracting

by 0.9% in 2021. The positive economic performance achieved in 2022 was due not only to rising oil prices, but also and above all to the increase in gas production and the growth of the trade sector following the easing of COVID-19 containment measures. It should be noted that this performance marked the beginning of the country's economic recovery after it had been in recession since 2015.

The economy of the Republic of Congo recovered in 2022, with a 3.2% growth rate compared to 1.5% in 2021. This performance reflected the buoyancy of the oil sector (+7.1% growth) which was boosted by rising oil prices (+45.3%), as well as the non-oil sector (+2.3%). The agricultural sector (+4.9%, especially food crop production), the timber industry (+6.5%) and the transport sector (+4.2%) were the main non-oil growth drivers.

In 2022, the Chadian economy recorded its best performance since 2014 with a 2.4%

² Arithmetic mean weighted by the size of the population of the country in the region.

growth rate, compared with a 1.1% contraction of real GDP in 2021. This performance was mainly due to the resumption of oil production which was fuelled by rising world oil prices in the context of post-COVID recovery and the invasion of Ukraine by Russia. The country is faced with major development challenges which were aggravated recently by its heavy dependence on oil revenue, the adoption of an unsuitable debt policy and growing security spending.

In 2022, the Gabonese economy achieved a growth rate of 3.0%, compared with 1.5% in 2021. This achievement was due to the good performance of the oil, mining and timber sectors. However, the economy remains dependent on three factors which affect its vitality: (i) heavy reliance on the oil sector; (ii) high cost of factors of production due to inadequate infrastructure (transport and electricity); and (iii) dependence on imports of food and capital goods.

Economic growth in the Central African Republic stood at 0.5% in 2022, compared with 1% in 2021. Prolonged fuel shortages, decreasing public investment, declining output, especially in the primary and secondary sectors, and the ongoing impact of the invasion of Ukraine by Russia on food prices have had a negative impact on the country's economy.

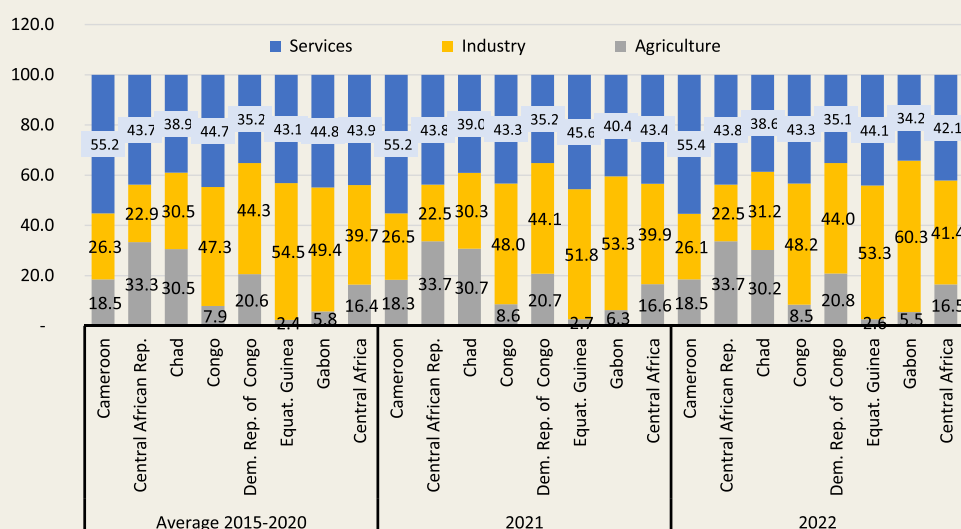
1.1.2 Breakdown of Nominal GDP and Real GDP Growth Rate – Supply and Demand Sides

1.1.2.1 Breakdown of Nominal GDP, Supply and Demand Sides

At the regional level, the services sector was the most vibrant, accounting for 42.1% of nominal GDP in 2022. The industrial sector accounted for 41.4% of nominal GDP in 2022 (see Figure 3). The contribution of the agricultural sector to regional GDP remained low at 16.5% of nominal GDP. Unlike in 2021, the industrial sector's share of GDP increased from 39.9% to 41.4% in 2022, while the agricultural and services sectors' shares fell from 16.6% to 16.5% and 43.4% to 42.1%, respectively, between 2021 and 2022.

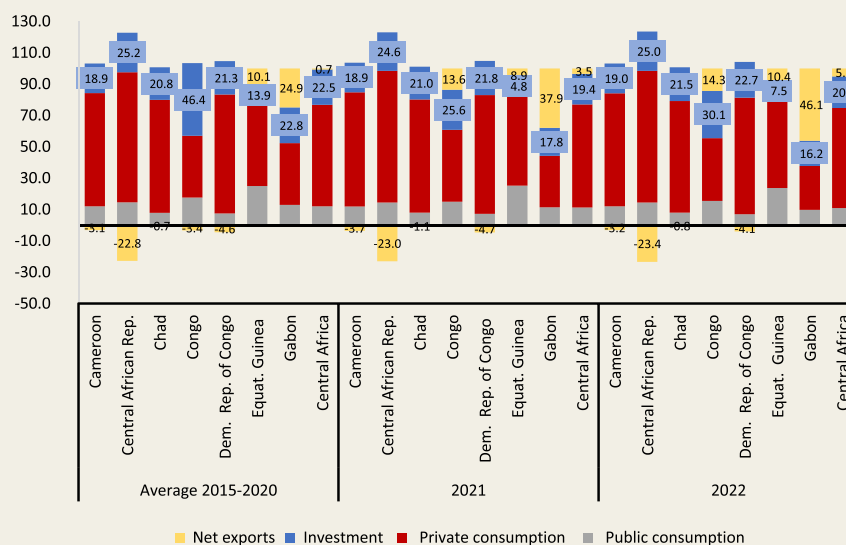
On the demand side, private consumption remained the main nominal GDP component in 2022 like in previous years, accounting for 63.8% of the region's nominal GDP, with investment accounting for 20.1%, public consumption 10.9% and net exports 5.2% (see Figure 4). In addition, the share of total consumption in nominal GDP dipped from 77.1% in 2021 to 74.7% in 2022, allowing for increases in the shares of investment (19.4% in 2021 as against 20.1% in 2022) and net exports (3.5% in 2021 as against 5.2% in 2022) in GDP.

Figure 3: Sector Contribution to Nominal GDP at Basic Prices (%)



Source: AfDB Statistics Department, April 2023

Figure 4: Nominal GDP Use Structure (%)



Source: AfDB Statistics Department, April 2023

1.1.2.2 Breakdown of GDP Growth Rate, Supply and Demand Sides

At the regional level, the thriving services sector contributed the most to real GDP growth, with 2.5 percentage points in 2022. The lifting of all COVID-19 containment measures revitalised the services sector. The

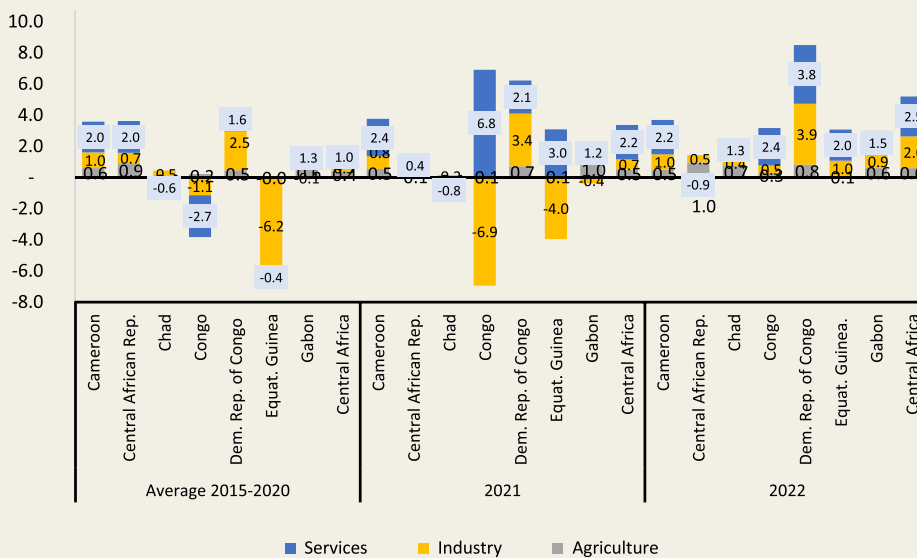
industrial sector contributed 2.0 percentage points to real GDP growth in 2022 and the primary sector only 0.6 percentage point (Figure 5). The positive performance of the secondary and tertiary sectors in DRC and the Republic of Congo contributed significantly to the region's GDP growth in 2022. This was most likely due to the implementation of policies to revitalise

activities in the manufacturing and agribusiness sectors following the relaxation of COVID-19 pandemic containment measures.

The low contribution of the primary sector to GDP growth, which is virtually constant,

appears to stem more from structural factors (climate change, dependence on mining and oil). The primary sector's low contribution to real GDP growth in 2022 was almost homogeneous across the region except for CAR.

Figure 5: Sector Contribution to Real GDP Growth (%) – Supply Side



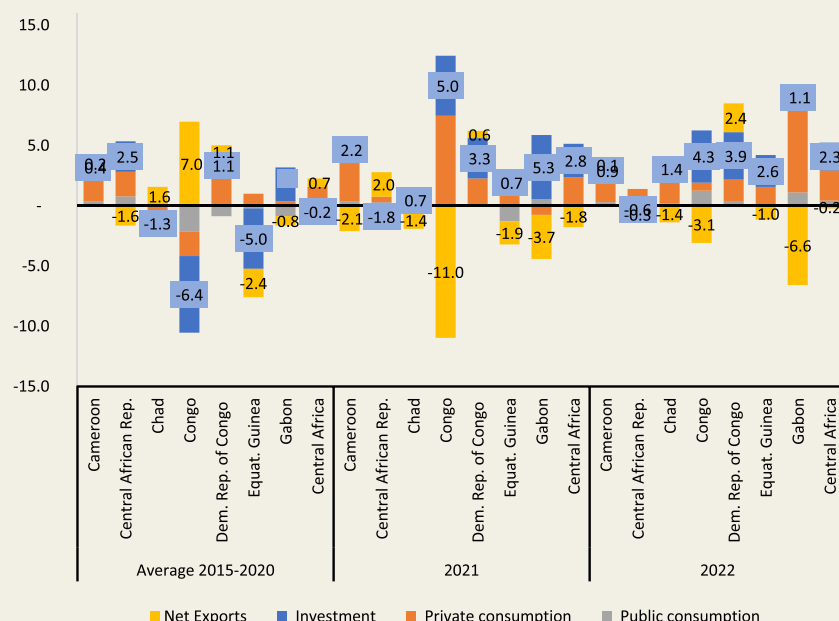
Source: AfDB Statistics Department (ECST), April 2023

On the demand side, household consumption contributed the most to real GDP growth in the region in 2022, with a 2.5 percentage point contribution. Investment contributed 2.3

percentage points and public consumption 0.4 percentage point. In contrast, net exports reduced regional GDP growth by 0.2 percentage point in 2022 (see Figure 6).

High global food and energy prices have led to a sharp fall in real per capita income in Central African countries, thus eroding household welfare and exacerbating poverty and inequality

Figure 6: Contribution to GDP Growth – Demand Side (at market prices) (%)



Source: AfDB Statistics Department, April 2023

These results stemmed from the countries' interventionist economic recovery policies following the 2020 recession due to COVID-19. Household consumption in Gabon and Cameroon boosted the region's economic recovery, with private consumption contributing 7.4 percentage points to economic growth in Gabon and 2.1 percentage points in Cameroon. DRC and the Republic of Congo also contributed significantly to the region's real GDP growth in 2022, with 3.9 and 4.3 percentage points, respectively.

1.1.3 Economic Outlook and Risks in the Region

Overall, the Central African region's economic outlook for 2023 and 2024 is favourable. According to Bank projections, the region's real GDP growth rate would stand at 4.9% in 2023 and 4.6% in 2024. This performance will be achieved thanks to the structural reforms implemented to support non-extractive sectors, as well as an increase in external demand and

the price of the main products exported by countries in the region.

However, internal and external factors could affect these economic performances.

External factors such as geopolitical tensions, particularly the invasion of Ukraine by Russia, natural disasters (especially floods in Cameroon), the consequences of the earthquake that occurred in Türkiye in February 2023, and the economic situation in the region's main economic partners (China and the European Union) will constrain regional economic growth, thus causing bottlenecks in global supply chains and commodity price shocks. Internal factors like the negative impacts of climate change in countries (floods, droughts, etc., which have an adverse effect on food availability), presidential and legislative elections in some countries in the region (in August 2023 in Gabon and December 2023 in DRC), political tensions, and food and domestic insecurity could impact economic activity in the region. Soaring food and energy prices,

tighter global financial conditions, and the resulting increase in domestic debt servicing costs will all have an impact on regional growth trends.

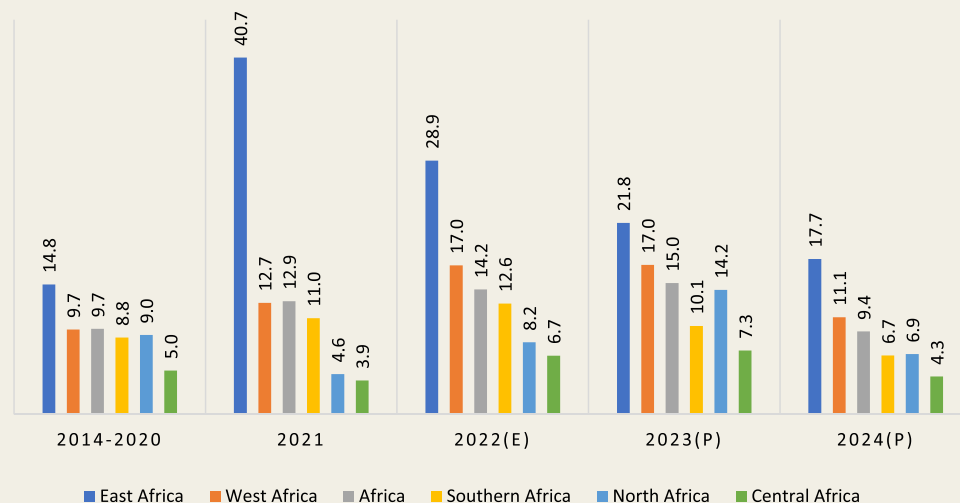
Overall, the main barriers to Africa's economic growth in general include the absence of a forward-looking vision, political instability, security crises, small market size, low purchasing power, difficulties in accessing financing, and low levels of human capital. These factors seriously impede the continent's industrialisation. Other barriers specific to the Central African region are inadequate and/or poor-quality infrastructure in general, unreliable energy supply and an undeveloped urban-rural road network.

1.2 Trends in Macroeconomic Fundamentals

1.2.1 Inflation Trends, Implications and Outlook

The average inflation rate in the Central Africa region stood at 6.7% in 2022, up by 2.8 percentage points compared with 2021 (3.9%). This increase was mainly due to rising global food prices, procurement difficulties faced by importers due to increased transport costs, and the invasion of Ukraine by Russia. The inflation rate in Central Africa was the lowest compared to other regions; it was 8.2% in North Africa, 12.6% in Southern Africa, 17% in West Africa and 28.9% in East Africa.

Figure 7: Inflation Rate Trends by Region During the 2021-2024 Period (%)



Source: African Development Bank statistics

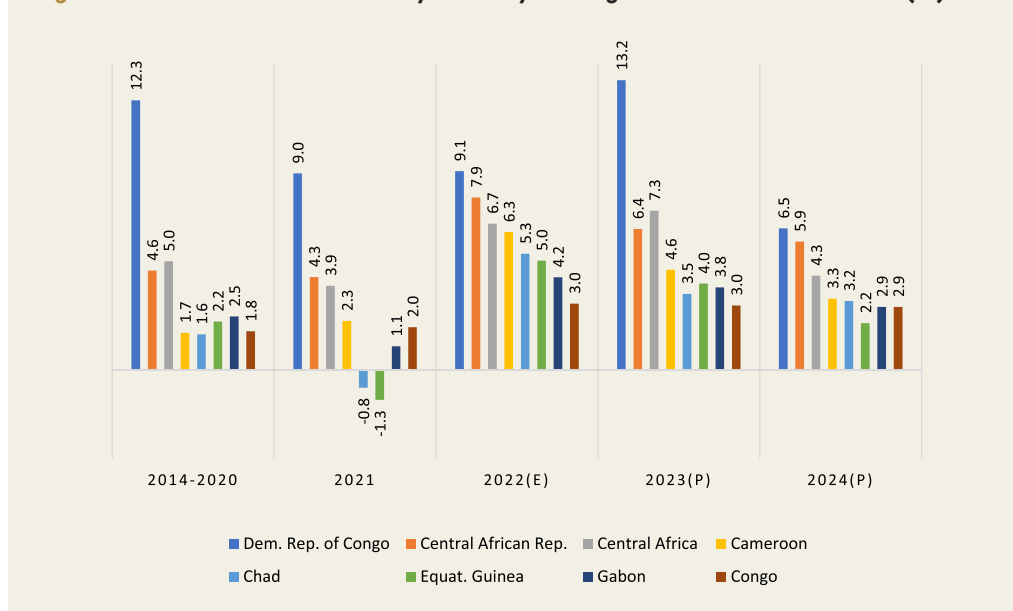
Among all CEMAC member countries which have a common monetary policy with an inflation threshold of 3%, only the Republic of Congo recorded an inflation rate within the community threshold in 2022. The largest increases were observed in Chad and Equatorial Guinea, with inflation rates rising from -0.8% and -1.3% in 2021 to 5.3% and 5% respectively.

The Central African Republic recorded an inflation rate of 7.9% in 2022, up from 4.3% in 2021. DRC, the region's only non-CEMAC member country, recorded the highest inflation rate of 9.1% in 2022, up from 9% in 2021 (Figure 8). Inflation rose in 2022, despite the budget support measures (subsidies on the pump prices of petroleum products, price

freezes on essential goods, etc.) adopted by the region's governments and the tightening of monetary policy by central banks. This was mainly due to two factors: firstly, the disruption

of international supply channels and, secondly, soaring global food prices and the depreciation of the euro against the US dollar.

Figure 8: Inflation Rate Trends by Country During the 2021-2024 Period (%)



Source: African Development Bank statistics

1.2.2 Exchange Rate Trends, Implications and Outlook

The Central African region comprises two groups of countries: CEMAC member countries and DRC. The CFA franc which is pegged to the euro at a fixed parity is the official currency of the six CEMAC member countries. These countries have a common monetary policy implemented by a supranational institution, the Bank of Central African States (BEAC). The Congolese franc is the official currency of DRC and the Central Bank of Congo is in charge of its monetary policy.

In recent years, exchange rate depreciation has been one of the major drivers of inflation in Central Africa. Despite rising international commodity prices, the CFA franc and Congolese franc depreciated against the US dollar in

2022. This was due to the US Federal Reserve's aggressive interest rate hikes in 2022, global uncertainty which prompted investors to abandon emerging market assets in favour of the US Treasury "safe haven" bills, dwindling international reserves, widening trade deficits, imported inflation caused by rising energy and food prices imputable to the invasion of Ukraine by Russia, and low foreign exchange inflows, especially for commodity exporting countries. In real terms, the CFA franc depreciated against the US dollar (-5.9%), the euro (-1.0%) and the British pound sterling (-0.4%). Conversely, it appreciated against the Chinese yuan (0.6%). Regarding contributions to overall REER variations within CEMAC during the second quarter of 2022, the absolute contribution of REER to exports was -1.3%, as against -0.3% during the first quarter, while the contribution to imports was -1.1%, as opposed to 0.9% during the previous quarter.

The real effective exchange rate (REER) of exports declined by 5.2% during the second quarter of 2022, compared to -1.1% during the previous quarter. The decline in REER was due to the depreciation of the nominal effective exchange rate (NEER) of exports (-4.7%), as well as the favourable inflation differential for CEMAC (-1.6%) compared to its main competitors in non-oil commodity markets, with the exception of Indonesia (+1.2%), Malaysia (+1.2%), Ecuador (+0.7) and Australia (+ 0.5%).

The REER of imports declined by 1.1% during the second quarter of 2022 due to the combined effect of the depreciation of the NEER of imports (-1.1%) and the low level of inflation in CEMAC member countries relative to their main suppliers, with the exception of China (+1.9%), the United Arab Emirates (+1.7%) and Côte d'Ivoire (+0.8%).

The overall REER of CEMAC, which measures price competitiveness, increased during the fourth quarter of 2022, indicating the loss of competitive positions in international markets with respect to the previous quarter. As a result, the overall REER increased by 2.2% on a quarterly basis after decreasing by 1.7% during the third quarter of 2022. CEMAC economies lost competitive positions in international markets during the fourth quarter of 2022 due mainly to the decline in export competitiveness (+3.2%) and import competitiveness (+1.9%). In real terms, the CFA franc appreciated against the currencies of the major economies during the period under review, with the exception of the United Kingdom. During the period under review, the CFA franc appreciated against the Chinese yuan (+6.6%), the US dollar (+3.0%) and the euro (+0.1%), but depreciated against the British pound sterling (-0.9%). Concerning

contributions to the variation in the overall CEMAC REER during the fourth quarter of 2022, the REER of imports contributed 1.4% and the REER of exports 0.8%.

The REER of exports rose by 3.2% during the fourth quarter of 2022 after falling by 2.6% during the previous quarter. This trend was driven by the rise in the nominal effective exchange rate (NEER) of exports (+3.4%, compared to -1.6% during the third quarter of 2022, which was offset by a favourable inflation differential for CEMAC (-1.7%) with respect to its main competitors in non-oil commodity markets, excepting Spain (+1.7%), Ecuador (+1.0%), Uruguay (+0.7%) and Brazil (+0.7%).

The REER of imports rose by 1.9% during the fourth quarter of 2022, after falling by 1.4% during the previous quarter. This situation is attributable to the combined effect of the appreciation of the NEER of imports (+1.9%, up from -0.9% during the previous quarter) and the unfavourable inflation differential between CEMAC and its main suppliers, excluding Türkiye (-7.2%), Italy (-4.3%), France (-2.0%) and Germany (-0.9%).

The official exchange rate in DRC³ was CDF 2 000.0 to the US dollar at the end of December 2021, compared to CDF 1 971.8 in 2020. It should be noted that the average official exchange rate at the end of the period under review was CDF 1 990.8 per US dollar, as against CDF 1 862.9 in 2020. On the parallel market, the exchange rate was CDF 2 044.7 to the US dollar, compared to CDF 2 020.0 in 2020. At the end of December 2021, the national currency depreciated by 1.41% on the nominal market and 1.21% on the parallel market, compared with 15.16% and 14.57% respectively in 2020.

³ At the end of December 2022, no data was available on the BCC website. This paragraph is an excerpt from the BCC's Monetary Policy Report 2021 which was published in October 2022.

Furthermore, two sub-periods can be considered regarding exchange rate trends at the end of the period in 2021:

- The first period from January to June was characterised by a relatively high depreciation, with a monthly average of 0.14% on the official market. This was due to a relative decrease in foreign exchange. During this sub-period, foreign exchange transactions, including tax and non-tax revenue repurchases, external financing repurchases, interbank purchases, disbursements under the Rapid Credit Facility (RCF) and Special Drawing Right (SDR) allocations, generated USD 1.4 billion for the Congolese central bank.
- The second sub-period from July to December 2021 was marked by a drop in the level of depreciation of the Congolese franc, with a monthly average of 0.10% on the nominal market. This situation reflected the improvement in the current account balance and external support. Foreign exchange transactions yielded a total of USD 3.2 billion.

1.2.3 Monetary Policy Trends, Implications and Outlook

BEAC tightened its monetary policy throughout 2022. The faster-than-expected acceleration of inflationary pressures, mainly due to the sharp rise in global food prices and the depreciation of the euro against the US dollar, as well as disruptions in international supply chains, led to the tightening of monetary policy. With a tender interest rate (TIAO) of 4.00% and a projected average annual inflation rate of 5.2% in 2022, the real interest rate would have become negative, indicating a rather accommodating monetary policy amid rising inflation. Such a policy would have somewhat stimulated domestic demand which would have further fuelled inflation in the CEMAC region, hence the tightening of monetary policy.

Thus, BEAC tightened its monetary policy again at the end of the Monetary Policy Committee (MPC) meeting in September 2022, after having done so in March 2022.

The key tender interest rate, BEAC's key rate, was raised from 4.0% to 4.5% and the marginal lending facility rate from 5.75% to 6.25%. It maintained the deposit facility rate at 0.00%, the minimum reserve ratio on demand liabilities at 7.0% and on term liabilities at 4.5%.

In anticipation of a sustained rise in inflation related to the invasion of Ukraine by Russia to around 6.4% by end-December 2023, above the Community threshold of 3.00%, and to preserve internal monetary stability, the MPC decided at its March 2023 meeting to raise the tender interest rate from 4.50% to 5.00% and the marginal lending facility rate from 6.25% to 6.75%.

On the monetary side, money supply and credit to the economy are expected to increase by 9.9% and 10.01%, respectively.

The foreign currency liquidity coverage ratio is expected to increase to 77.0%, compared to 73.1% in December 2022, and foreign exchange reserves are expected to cover 4.9 months of imports of goods and services in 2023, compared to 3.9 months in 2022.

Concerning the money market, the MPC noted: (i) a significant defragmentation of the interbank market and a steady increase in transactions, with an average monthly outstanding amount of 472.9 billion in January 2023, up from 372.9 billion in October 2022; (ii) a decline in the 7-day weighted average interest rate (WAIR) on unsecured transactions from 6.09% at end-October 2022 to 5.50% three months later; (iii) an increase in the WAIR for repurchase transactions from 4.50% to 5.00% over the same period; (iv) an increase in the amount of government securities outstanding by 12.8% to 5 314.7 billion between January

2022 and January 2023; (v) an increase in the cost of issuance of all Treasury instruments; and (vi) a more vibrant secondary market for government securities, with institutional and retail investors holding 17.5% of securities as of 31 January 2023, compared to 10.6% a year earlier.

The Central Bank of the Democratic Republic of Congo (BCC) also tightened its monetary policy. The key interest rate rose from 7.50% in January to 8.25% in November 2022 and credit to the private sector from 17.8% in 2021 to 39.6% in 2022.

At its March 2023 meeting, the BCC's MPC noted that cumulative inflation rate had reached 5.1% as of 17 March, compared with a forecast of 9.7% at end-December, due largely to the rise in food prices. The Committee also noted that the external position of the economy remained positive and that the foreign exchange market remained stable overall in the first quarter of 2023. Based on these analyses, it decided to tighten monetary policy further by raising the key interest rate from 8.25% to 9.00%.

1.2.4 Domestic Resource Mobilisation, Budgetary Situation, Implications and Outlook

In 2022, the region's overall deficit budget balance, including grants, was -0.6% of GDP, that is an improvement of 0.4 percentage point compared to the level reached in 2021. Despite the improvement in the prices of the region's main exports, the observed deficit was driven by an increase in total primary expenditure linked to budget support measures

(subsidies on petroleum pump prices, price freezes on essential goods, etc.) taken by the region's governments in response to the persistent negative effects of the invasion of Ukraine by Russia on energy and food prices. In 2022, total revenue increased by 23% - including oil revenue (38.4%) and non-oil revenue (13.6%) - while total expenditure rose by 10.9%, including current expenditure (6.8%) and capital expenditure (4.1%).

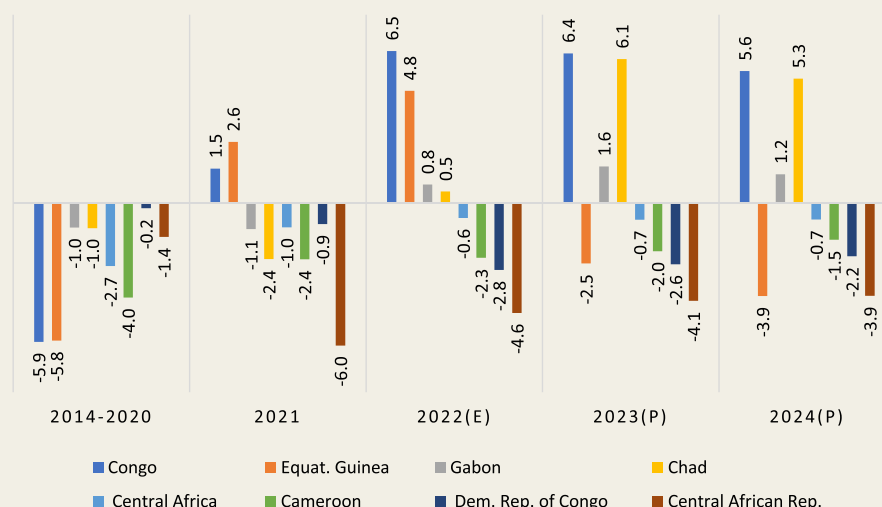
Compared to other regions, Central Africa has the best fiscal performance with the lowest budget deficit. The average budget balance for all of Africa (excluding Libya) stood at a deficit of 4% of GDP. As regards the regions, West Africa had a balance of -5.6% of GDP, East Africa 4.3%, Southern Africa -5.1% of GDP, and North Africa -6.5% of GDP.

In 2022, Congo and Equatorial Guinea recorded the best fiscal performance with budget surpluses of 6.5% and 4.8% of GDP respectively, followed by Gabon and Chad with surpluses of 0.8% and 0.5% of GDP respectively (Figure 9). Cameroon, DRC and CAR recorded budget deficits of -2.3%, -2.8% and -4.6% of GDP respectively.

Almost all countries in the region witnessed a significant improvement in their overall budget balance, including grants, compared with 2021, except DRC whose balance worsened from -0.9% of GDP in 2021 to -2.8% of GDP in 2022. The widening of DRC's budget deficit was due to an increase in government employees' salaries, reflecting the DRC Government's desire to improve their social conditions, and to the reduction in business tax from 15% to 3%.

Compared to other regions, Central Africa has the best fiscal performance with the lowest budget deficit

Figure 9: Budget Balance Trends by Country During the 2021-2024 Period (as a % of GDP)



Source: African Development Bank statistics

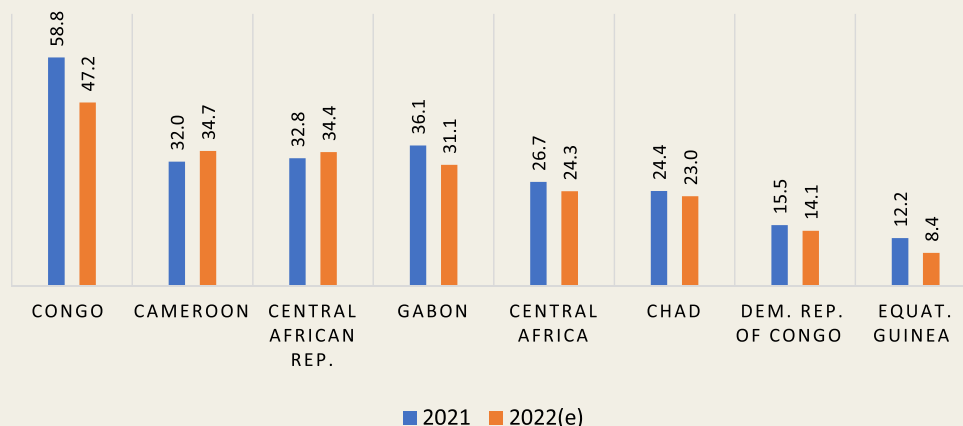
The region's public debt ratio reached 24.3% of GDP in 2022

1.2.5 Public Debt Dynamics and Implications for Debt Relief

The region's public debt ratio reached 24.3% of GDP in 2022. According to the IMF's latest analysis in 2022, **Cameroon's** debt profile is at high risk of debt distress but remains sustainable. **Congo** is in debt distress, with a debt-to-GDP ratio of 109.7%, down from 114.4% in 2021. It should be noted that Congo restructured its debt with its main creditors, namely China and the three major oil companies (Glencor, Trafigura and Orion), and benefited from the Debt Service Suspension Initiative (DSSI) in 2020 and 2021. **Gabon's** debt ratio fell to 52.6% of GDP from 66% in 2021, as a result of reduced financing needs and the consolidation of economic growth. **CAR's** public debt was estimated at 49% of GDP in 2022, compared

with 47.77% in 2021 and 44.06% in 2020. According to the latest Debt Sustainability Analysis – DSA (IMF, 2021), the country remains at high risk of external and global debt distress. **DRC's** public debt remains moderate, increasing by one percentage point between 2021 and 2022 to 24.7% of GDP. With a public debt-to-GDP ratio of 55.9% in 2021, including external debt of 25.5% and domestic debt of 30.4%, **Chad** remains a “country at high risk of debt distress”. It was one of the first countries to benefit from the Debt Service Suspension Initiative (DSSI) in 2020. The composition of the external public debt has changed drastically, with the share of multilateral external debt falling sharply in favour of the commercial debt (mainly Glencore). The second renegotiation of Glencore's debt in November 2022 led to the conclusion of the IMF's ECF programme.

Figure 10: External Public Debt Trends by Country During the 2021-2022 Period (as a % of GDP)



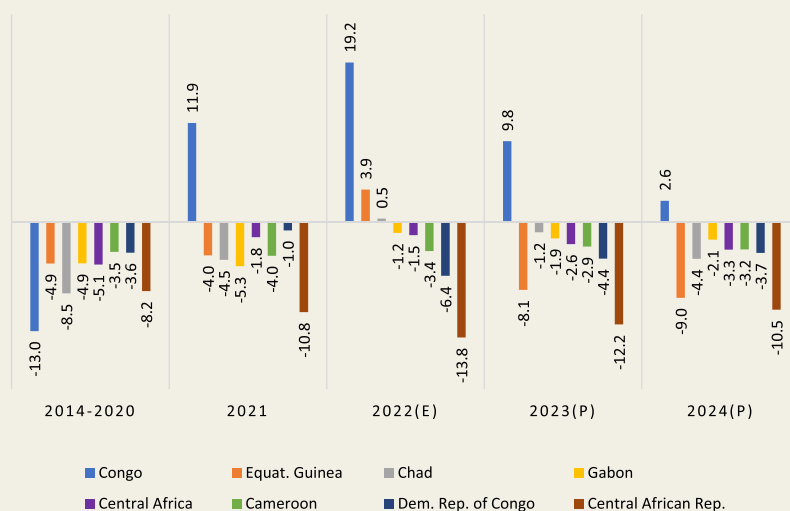
Source: African Development Bank statistics

1.2.6 External Sector, Implications and Outlook

The external positions of Central African countries show divergent trends. The current account situation varies from country to country, with oil-exporting countries (Congo and Equatorial Guinea) recording surpluses of 19.2% and 3.9% of GDP respectively in 2022. The current account deficits of the other

countries, especially DRC and CAR, widened in 2022 due to rising food and energy imports. DRC, CAR and Cameroon recorded current account deficits of 6.4%, 13.8% and 3.4% of GDP respectively in 2022. Gabon's current account deficit narrowed from 5.3% of GDP in 2021 to about 1.2% of GDP at the end of 2022. The regional current account deficit (1.5% of GDP in 2022) is projected to widen to 2.6% of GDP in 2023 and 3.3% of GDP in 2024.

Figure 11: Trends in Current Account Balances by Country During the 2021-2024 Period (as a % of GDP)



Source: African Development Bank statistics

As of 31 January 2023, BEAC's foreign exchange reserves stood at EUR 10.3 billion, an increase of 41.6% year-on-year. They peaked at EUR 10.7 billion in December 2022, with a record 12-month cumulative change of EUR 3.5 billion, almost double the peak reached in 2011. This positive trend is mainly due to the rise in crude oil prices, efforts to repatriate export earnings and the significant increase in foreign currency retrocessions (+ EUR 849.14 million) by primary banks on behalf of their clients in the extractive sector authorised to hold foreign currency accounts and for the management of site rehabilitation funds (SR funds). According to component, the foreign exchange reserves comprised 78.9% in external demand assets, 12.8% in other external foreign currency holdings managed by the BEAC trading room, 4.9% in assets held with the IMF and 3.5% in gold stocks.

BEAC's net foreign assets more than doubled (+104.9%) year-on-year to EUR 4.83 billion at end-December 2022, EUR 1.44 billion above the EUR 3.39 billion target set with the IMF for the end of the second half of 2022. The increase in BEAC's net foreign assets was largely due to the rise in crude oil and gas prices since the second half of 2021, despite the government's use of SDR allocations and IMF loans, as well as the repatriation of export earnings, especially by oil companies that opened foreign currency accounts in local banks.

DRC's international reserves at the end of December 2021⁴ totalled USD 2 751.33 million, or 2.61 months of imports of goods and services with own resources, compared with USD 708.9 million, or 0.65 month, at the same

time in 2020. This level of reserves in 2021 represented an increase of USD 2 042.4 million over the level in 2020. It should be noted that the sharp increase in international reserves was the result of the following factors: (a) the receipt of SDR allocations of 1 025 million from the International Monetary Fund on 31 August 2021; (b) the receipt of USD 216.9 million and USD 212.3 million on 20 July and 17 December 2021, respectively, from the IMF under the first and second tranches of the Rapid Credit Facility, for the implementation of the Government's economic programme; and (c) direct and indirect purchases of foreign exchange (purchases through foreign exchange auctions, repurchases of tax and non-tax revenue), due to an improvement in the supply of foreign exchange in the market following the massive inflow of foreign exchange related to the export of goods and more effort to mobilise public revenue.

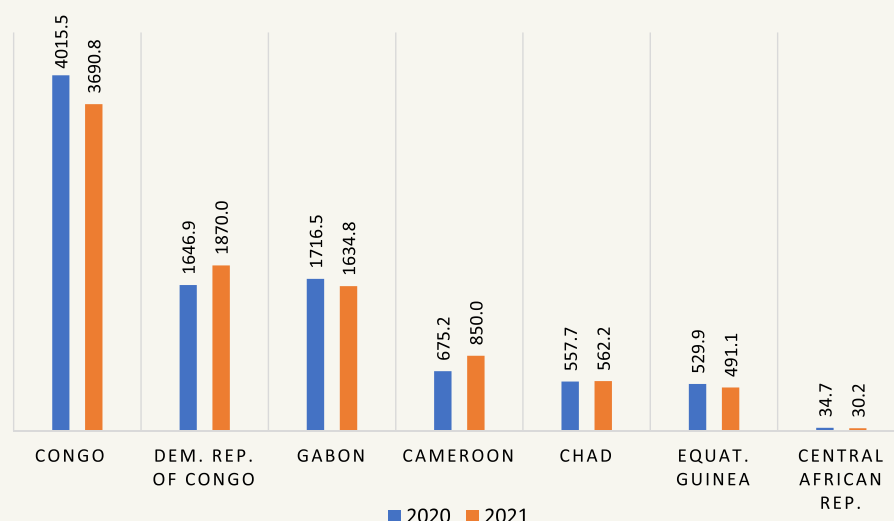
1.2.7 External Financial Flows to Central Africa

External financial flows, such as remittances, official development assistance (ODA), foreign direct investment (FDI) and other forms of international financing, play an important role in the economies of Central African countries. These flows have serious implications for economic growth, poverty reduction and financial stability in the region.

FDI has been an important source of financing for some countries, notably Congo, DRC and Gabon, while other countries in the region, such as CAR, have attracted less FDI.

⁴ At the end of December 2022, no data was available on the BCC website. This paragraph is an excerpt from the BCC's Monetary Policy Report 2021 which was published in October 2022.

Figure 12: Foreign Direct Investment Inflows by Country During the 2020-2021 Period (USD million)



Source: Statistics Department, African Development Bank, April 2023

Regarding remittances, the trends observed concern only three countries in the region, namely Cameroon, Gabon and DRC. Remittances can be an important source of income for households. The average amount of remittances received in 2022 was USD 1.695 billion for Central Africa, far below the amounts observed in the other regions: USD 47.82 billion for North Africa (67.5% of the amount

for Egypt and 23.8% for Morocco) and USD 30.5 billion for West Africa. Nigeria is by far the largest recipient of remittances in the West African region, with USD 19.5 billion (64% of the West African total) in 2021. In addition, strengthening financial inclusion and reducing transaction costs can help to maximise the impact of remittances on poverty reduction and economic development.

Table 1: Remittances by Country in 2021 (USD million)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Average
Cameroon	210.4	244.1	283.3	241.7	269.0	316.8	333.6	355.6	334.1	350.2	293.9
CAR	-	-	-	-	-	-	-	-	-	-	-
Chad	-	-	-	-	-	-	-	-	-	-	-
Congo	-	-	-	-	-	-	-	-	-	-	-
DRC	855.9	1001.4	756.4	1166.6	593.5	1076.3	1822.7	2076.3	1109.1	1330.9	1178.9
Equatorial Guinea											
Gabon	22.6	16.5	29.5	18.5	14.0	14.0	14.0	14.0	14.0	14.0	17.1
Central Africa	1088.8	1262.0	1069.2	1426.7	876.5	1407.1	2170.3	2445.9	1457.2	1695.1	1489.9

Source: Statistics Department, African Development Bank, April 2023

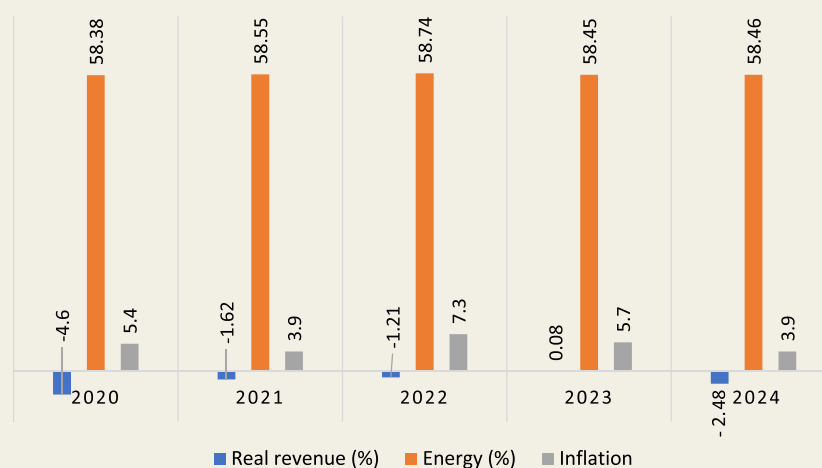
1.3 Socio-economic Impact of Rising Food and Energy Prices

The invasion of Ukraine by Russia in February 2022 caused significant disruptions in global commodity markets. Crude oil prices averaged USD 102.8 per barrel between March and October 2022 (the same applied to fertiliser prices which skyrocketed on international markets and wheat prices which shot up from USD 364.9 per tonne in February to USD 446.5 per tonne in March 2022). The escalation of the cost of energy and other commodities has led to an increase in the price of staples.

1.3.1 Impact on Extreme Poverty and Inequality

The impact of rising food and energy prices is determined by the characteristics of African households. High global food and energy prices have led to a sharp fall in real per capita income in Central African countries, thus eroding household welfare and exacerbating poverty and inequality. Rising prices of energy and agricultural products have also led to inflationary pressures in these countries (Figure 13).

Figure 13: Estimated Impact of Food and Energy Price Inflation on Real Per Capita Household Income in Central Africa Between 2020 and 2024



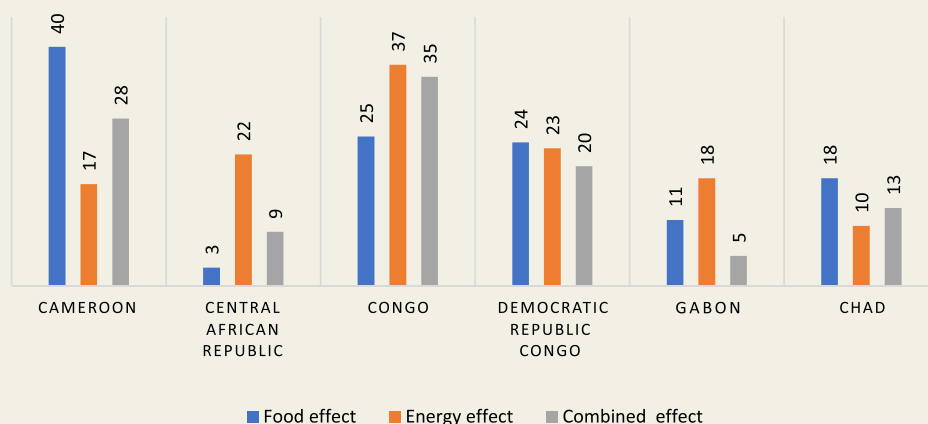
Source: World Bank data (2022) and African Economic Outlook Projections (2022)

Cameroon, the Republic of Congo and the Democratic Republic of Congo experience the highest food impact⁵ (Figure 14). They also experience the highest combined impact. The Republic of Congo and the Democratic Republic of Congo experience the highest energy impact, in addition to the food impact and the combined impact. However, of all the

Central African countries, only the Central African Republic experiences a single impact (energy impact). The countries experiencing the highest combined impact are the same as those feeling the highest food impact, but different from those feeling the highest energy impact. Therefore, the combined impact is not exactly equal to the sum of the food and energy impacts.

⁵ This figure shows the impact of food and energy price inflation on poverty in Central African countries. The countries experiencing the highest combined food impact differ from those experiencing the highest energy impact. Similarly, the countries feeling the highest combined impact differ from those with the highest combined food and energy impact because the individual impacts cancel or reinforce each other, depending on the income distribution structure in each country.

Figure 14: Estimated Impact of Food and Energy Price Inflation on Extreme Poverty by Central African Country in 2022

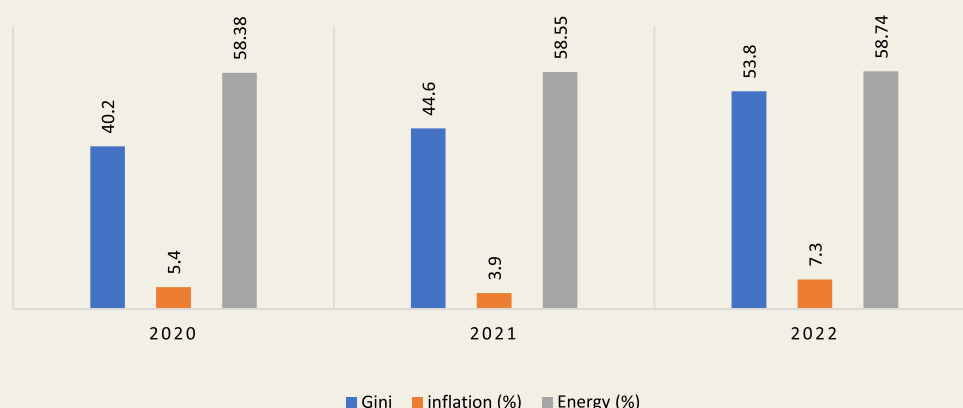


Source: Africa's Macroeconomic Performance and Outlook (MEO) Report (2023)

Rising food and energy prices have also exacerbated household income inequality in Central African countries. Due to cumulative increases in food and energy prices in 2022, income inequality (as measured by the Gini

Index⁶) increased by 9.2% in Central Africa. Overall, Central African countries with greater variations in food and energy price inflation experienced an increase in inequality in 2022.

Figure 15: Estimated Impact of Food and Energy Price Inflation on Inequality in Central Africa in 2022



Sources: World Bank data (2022), African Economic Outlook Projections (2022) and Standardised World Income Inequality Database (2022)

⁶ Gini Index data for 2020, 2021 and 2022 are not available for all Central African countries. For the purposes of this report, the Excel forecasting technique was used to obtain estimated values for these three years.

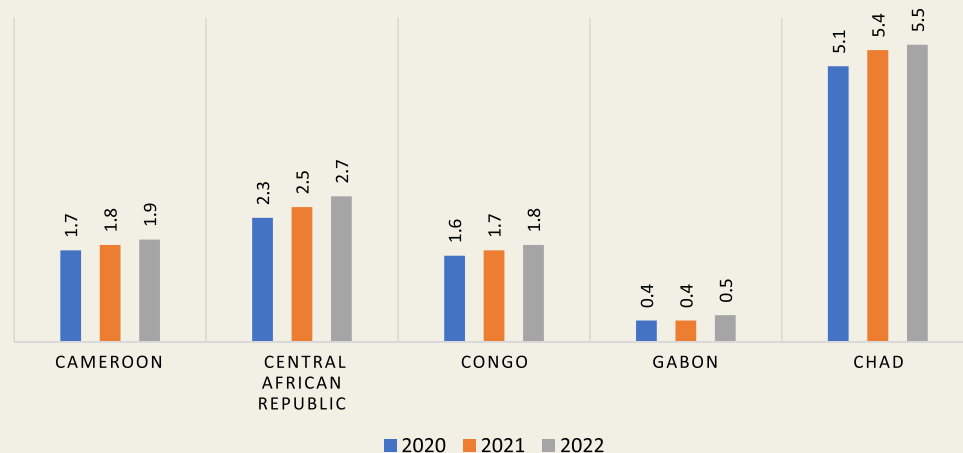
1.3.2 Impact on Food and Nutrition Security

The rise in food and energy prices following the invasion of Ukraine by Russia in 2022 has led to an increase in the number of undernourished people in virtually all countries in Central Africa. The main reason for this is the region's heavy dependence on agricultural inputs. Before the recent increases in food and energy prices following the invasion of Ukraine by Russia, Central African countries had few undernourished people. However, following the invasion of Ukraine by Russia in 2022, the number of undernourished people increased in virtually all Central African countries (Figure 16),

resulting in food and energy price hikes. On average, between 2020 and 2022, the number of undernourished people increased by 25% in Gabon, 17.4% in the Central African Republic, 12.5% in the Republic of Congo, 11.8% in Cameroon and 7.8% in Chad. The Central African Republic and Gabon have the highest rates of undernourished people in Central Africa. The high levels of undernourishment in these countries reflect the growing prevalence of severe food insecurity. Therefore, recent increases in food and energy prices could exacerbate food insecurity and malnutrition in the region, jeopardising the achievement of SDGs 1 and 2⁷.

Rising energy prices and their effects on energy security could have an impact on corporate productivity and competitiveness

Figure 16: Number of Undernourished People in Central African Countries Between 2020 and 2022 (in million)



Source: FAO data (2022)

1.3.3 Impact on Energy Security and Implications

The impact of rising food and energy prices varies according to a country's level of development and whether it is a net importer

or exporter of energy. The recent rise in energy prices has a negative impact on energy security, defined as continuous and adequate access to electricity⁸. However, the impact varies according to the level of development of a country and whether it is a net importer or exporter of energy.

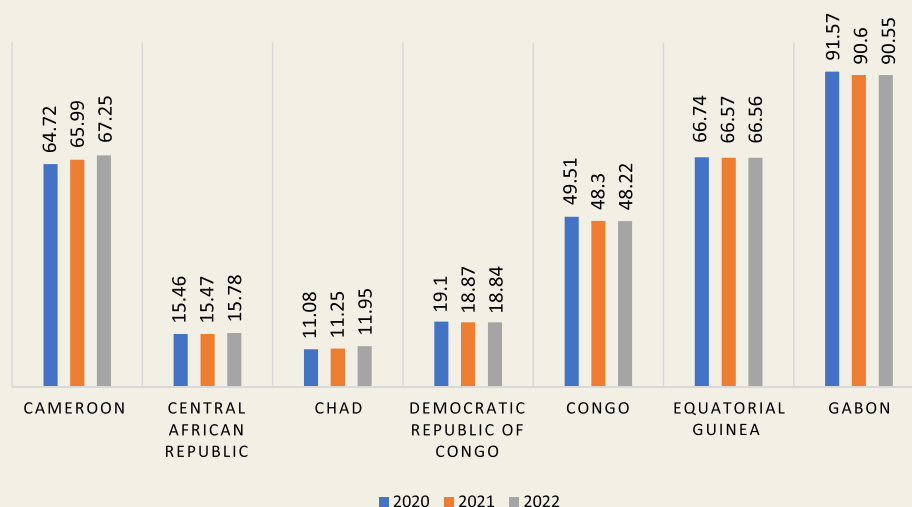
⁷ The data used were taken from the FAO database (2022) for all Central African countries except Equatorial Guinea and the Democratic Republic of Congo, for which data are not available. The Excel forecasting technique was used to estimate the 2022 data for all countries.

⁸ Data on access to electricity for 2021 and 2022 were estimated using the Excel forecasting technique for all Central African countries.

Access to electricity is much lower in the Central African Republic, Chad and the Democratic Republic of Congo. Between 2020 and 2022, electricity access in the Central African Republic, Chad and the Democratic Republic of Congo

averaged 15.57%, 11.42% and 18.93% respectively. Rising energy prices and their effects on energy security could have an impact on corporate productivity and competitiveness, as well as the social sector of economies.

Figure 17: Trends in Electricity Access in Central African Countries Between 2020 and 2022 (as a % of population)



Source: World Bank data (2022)

1.4 Medium-term Economic Outlook and Risks

The main risks to the macroeconomic outlook of the Central African region in 2023 are caused by several factors. These include natural and climatic hazards (the earthquake in Türkiye and Syria, floods and droughts), volatile export commodity prices, weak external demand from countries in the region, the security situation in the region and persistent deficits in energy availability.

According to Bank projections, economic growth in Central Africa will slow slightly to 4.9% in 2023 and 4.6% in 2024 as global demand picks up and domestic conditions improve to support consumer demand and investment. This growth rate is expected to continue throughout the 2023-2024 period, against the backdrop of the war in Ukraine

which is severely disrupting economic activity, investment and trade in the short term, the fading of demand stimulus effects and the gradual lifting of fiscal and monetary support measures.

Specifically, Cameroon's GDP growth rate is expected to reach 4.2% in 2023 and 4.5% in 2024, driven by a gradual improvement in the international economic situation, increased domestic gas production and rising global commodity prices.

Growth prospects for the Republic of Congo remain good in the short term, with growth accelerating over the next two years. Growth rates of 4.2% in 2023 and 4.4% in 2024 are projected, driven on the demand side by consumption, investment and exports.

The outlook for Gabon is favourable, with growth rates of 2.7% in 2023 and 2.8% in

2024, driven by strong demand for export products (oil, manganese, timber and palm oil) and ongoing economic reforms. However, this outlook could be overshadowed by the negative impact of the invasion of Ukraine by Russia and potential instability related to the presidential election scheduled for August 2023.

According to Bank projections, CAR will emerge from the crisis with good growth prospects, with growth rates of 2.0% and 2.9% in 2023 and 2024 respectively. This growth will be driven by agriculture, mining, manufacturing and trade.

DRC, undoubtedly the region's locomotive, has very bright economic prospects with projected growth rates of 8.0% in 2023 and 7.2% in 2024, driven by the extractive industry sector. Priority investments under current economic programmes such as the Agricultural Transformation Programme will boost economic growth.

Chad's economic prospects are also good, with projected growth rates of 3.6% in 2023 and 3.7% in 2024, underpinned by the buoyancy of the oil sector. However, this positive outlook remains fragile due to the deteriorating living conditions of poor households hit by global inflation and the country's high exposure to the effects of climate change, volatile oil prices and political and security shocks.

Only Equatorial Guinea's economic outlook for 2023 and 2024 is less rosy due to ageing oil fields and the consequences of the invasion of Ukraine by Russia. As a result, the prospect of falling oil prices, coupled with ageing oil fields, poses a risk to the social programmes envisaged by the Government. According to Bank projections, Equatorial Guinea's real GDP will contract by 1.4% in 2023 and 6.3% in 2024.

Overall, the medium-term growth outlook for Central Africa remains shrouded in uncertainty as global risks continue to mount. The

major risks include:

- a sharp slowdown in the global economy, which could reduce demand for exports from these countries;
- uncertainties related to the invasion of Ukraine by Russia;
- continued high inflation and the resurgence of the COVID-19 pandemic in China;
- continued dependence on commodity exports, which limits the potential for a green transition and manufacturing sectorled structural transformation;
- growing regional conflicts, especially in the Democratic Republic of Congo and Chad, and socio-political risks in the Central African Republic related to a possible constitutional amendment;
- the prolonged tightening of global financial conditions and the high cost of capital, coupled with a decline in financial flows, could increase the risk of debt overhang for some countries;
- the depreciation of the euro against the dollar, resulting in an increase in dollar-denominated external debt servicing and higher import prices;
- the use of a large portion of the SDR allocations received from the IMF, resulting in the deterioration of the external position;
- the possible use of margins generated by the restructuring of consolidated claims on public treasuries;
- the rapid increase in the price of food and manufactured goods imported by Central African countries as a result of the continuation of the Russia-Ukraine crisis and the increase in freight costs;
- the level of oil prices, with a high degree of uncertainty about future oil price developments and a high risk of a medium-term decline in global demand trends if the Russian-Ukrainian crisis were to end;
- an increase in the price of petroleum products and a rapid adjustment in the price of essential goods to prevent the

collapse of businesses affected by national price freeze policies;

- geopolitical tensions and the escalation of the conflict following the invasion of Ukraine by Russia, which continue to pose serious risks to global supply chains and commodity price trends.

1.5 Policy Options for Addressing the Macroeconomic and Socio-economic Consequences of Rising Inflation and Moderate Growth

1.5.1 Monetary, Budgetary and Structural Policy Mix and Policy Coordination to Address Rising Inflation

Budgetary institutions and governance should be strengthened to improve public finance management and avoid the accumulation of domestic arrears, particularly by improving their credibility and cash management. Improving public investment management will enhance efficiency and transparency. Strengthening monetary policy and exchange rate frameworks will promote price stability and external sustainability. Continued efforts to build up reserves, while strengthening the shock-absorbing role of the exchange rate, are essential to build resilience to external shocks, especially food and energy shocks.

Similarly, the independence and governance of the Central Bank of DRC, as well as the reform process aimed at strengthening the frameworks for banking regulation, supervision and resolution should be pursued. **Continued efforts to improve transparency in the mining, oil and gas sectors**, as well as the anti-corruption framework, the business climate and governance can bolster private sector development, thus ensuring climate resilience and green growth.

1.5.2 Options for Mitigating the Tightening of Financial Conditions

Since the debt issue is a challenge for the region, any tightening of regional and global financial conditions would have an impact on the countries of the region. Therefore, clear debt strategies need to be adopted and effectively implemented by the countries concerned. For example, debt management should be better coordinated between the region's governments and their creditors. Given the current tightening of global financial conditions, such an approach is essential if the region is to avoid a debt crisis.

Financial conditions reflect the availability of financing for the economy. They are closely monitored by the central bank as their evolution is strongly correlated with that of future growth, as they influence spending, investment and savings. Against the backdrop of inflationary pressures in the region, unconventional measures can be used to ease the tightening of financial conditions. These include:

- ***Liquidity-providing transactions using traditional instruments***

Besides the traditional approaches to providing liquidity to the banking sector through open market transactions (interest rate steering, bank liquidity management and monetary policy guidance signals) and standing facilities (loans or marginal deposits), central banks can provide unlimited amounts of liquidity at fixed rates (enabling banks to obtain unlimited capital from central banks to support their short-term financing) and extend the maturity of refinancing.

The shortfall in agricultural production observed in Central Africa for the 2021-2022 crop year was due not only to climatic hazards affecting the Sahelian countries of the region, but also to lack of agricultural inputs

- **Asset purchase transactions**

The aim of asset purchase transactions is to inject massive amounts of short-term liquidity into markets and to lower long-term interest rates. By facilitating access to credit for economic agents (households and enterprises) and reducing its cost, these measures increase the impact of monetary policy on the real economy. Such asset purchases may also target securities backed by non-performing loans to clean up commercial banks' balance sheets and avoid a credit crunch.

1.5.3 Structural Reforms to Support Agro-Industrialisation and Social Protection Programmes

The shortfall in agricultural production in Central Africa for the 2021-2022 crop year was due not only to the climatic hazards affecting the Sahelian countries of the region, but also to lack of agricultural inputs.

This situation mainly affects rural dwellers who are generally poor and vulnerable, as well as agro-industrialisation which is essential for economic diversification. To address the many complex environmental and socio-economic challenges facing the region's farming

communities, the following urgent actions should be taken:

- Consider territorial approaches as a framework for agricultural and rural development and improve coordination between sectors and levels of governance, as well as between private and public actors.
- Enable the emergence of modern science and technology-based innovations, strong rural organisations and agro-ecological innovations that together promote sustainable intensification and strengthen the resilience of smallholder farming systems.
- Consider integrating climate-smart agricultural practices into extension programmes and creating the necessary technical, policy and investment conditions to encourage farming communities to adopt them.
- Design social protection programmes to help improve agricultural productivity and employment, protect the livelihoods of the most vulnerable groups, strengthen their resilience and make rural transformation as inclusive as possible.
- Create inclusive and sustainable value chains to strengthen rural economies and youth employment.

PRIVATE SECTOR FINANCING FOR CLIMATE ACTION AND GREEN GROWTH IN CENTRAL AFRICA

KEY MESSAGES

- **Central African countries have great potential for achieving green growth through green industrialisation.** The region's young and growing population, as well as its abundant natural capital, put it in an excellent position to transition to green growth. However, the region is performing poorly in terms of green economic opportunities and green innovation, despite performing reasonably well in terms of social inclusion, and resource efficiency and sustainability.
- **However, Central Africa currently makes little use of green economic opportunities and green innovation.** Countries performing well in terms of green growth are also those with high levels of climate change resilience and preparedness. This means that investing in green growth also brings benefits in terms of resilience to climate risks and contributes to achieving the sustainable development goals. Financing will be crucial to Central Africa's transition to green growth and response to climate change.
- **Central Africa has an estimated financing need of USD 128 billion between 2020 and 2030, that is an average of USD 11.6 billion per year,** to mitigate and adapt to the effects of climate change and to meet green growth and sustainable development needs. Mobilising and allocating these resources require the use of all available sources of financing, especially the private sector and innovative financing mechanisms and instruments.
- **Central African countries will need to design and develop innovative policies, programmes and financial instruments.** The aim is to unlock private sector financing for green growth that reduces investment risk and maximises returns, while facilitating and guaranteeing access by micro, small- and medium-size enterprises (MSMEs) to private sector capital mobilised by governments, particularly micro-enterprises and those owned by women and young people. Promising green growth sectors include renewable energy systems, transport, construction and sustainable industries. Increased investment must also be accompanied by significant results in terms of social development and environmental protection.

- **Increased investment in infrastructure will unlock green growth in countries, but it must also be accompanied by investment in social and environmental development outcomes.** Sustainable infrastructure (energy systems, transport, construction or industry) will require the largest share of the total financing required to combat climate change.

2.1 Green Growth Imperative and Role of Private Sector Financing

The challenges of financing environmental protection and green growth are significant in Central African countries. While there is no universal approach for all countries to address these challenges, promoting green growth must not follow paths that deplete natural capital and make livelihoods more vulnerable to climate change and other environmental, social and economic risks. Therefore, it is necessary to find appropriate incentives that both combat climate change and promote a green, resilient and sustainable economy. Financing mechanisms now need to be diversified and better integrate the aspirations of all stakeholders, especially the private sector which is increasingly assuming its social responsibilities.

2.1.1 Defining Green Growth within the Central African Context

Sustained GDP growth in Central Africa over the past decades has not been accompanied by a significant reduction in the incidence of poverty or creation of decent jobs. Therefore, this trend requires a paradigm shift in economic growth and development. In addition, the recent economic, energy, financial, food and health crises that the world has faced call for a paradigm shift towards new models of sustainable economic growth and development that better integrate risks, especially climate risks. Continental and international institutions such as the AfDB, the World Bank and the OECD are advocating the adoption of green growth policies and pathways that combine increased production, poverty reduction, the creation of decent jobs, the protection of natural assets, the strengthening of climate resilience, etc.

The AfDB defines green growth as *“the promotion and maximisation of opportunities for economic growth by building resilience, managing natural assets efficiently and sustainably, including enhancing agricultural productivity, and promoting sustainable infrastructure⁹.”*

In Central Africa, green growth can be understood as low-carbon growth that conserves natural resources (both renewable and non-renewable) and takes into account economic development aspirations.

2.1.2 Green Growth Requirements and General Orientation in Central Africa

Economic growth in Central Africa is heavily dependent on the oil, mining and agricultural sectors - in short, on natural resources.

Therefore, the region needs to strengthen policies and pathways for the effective and sustainable management of its immense natural capital, especially the Congo Basin forests and water resources. The rapid destruction of natural resources, particularly the Congo Basin forests, over the last decade could increase the vulnerability of populations to the effects and impacts of climate change, reduce the productive capacity of many natural resource-dependent sectors, and thus ultimately slow down economic growth in the region. Central Africa is already well on the way to managing its natural capital, as evidenced by the fact that in 2021 it had the highest Green Growth Index (GGI) score in Africa (Acosta et al., 2022). However, the region underperforms in terms of social inclusion (access to basic services and social protection, and the creation of green economic opportunities). Acosta et al (2022) add that the region needs to increase investment and innovation in

To counter the effects of climate change, the increasing degradation of natural resources and the low rate of job creation, the countries of the region urgently need to promote more sustainable methods of consumption and production

⁹ AfDB (2016).

green growth to bridge the sustainable growth gap.

To counter the effects of climate change, the increasing degradation of natural resources and the low rate of job creation, the countries of the region urgently need to promote more sustainable methods of consumption and production that create decent jobs. Green growth is considered as an essential response to the imperatives of sustainable development as it is based on policies aimed at streamlining the use of resources, reducing the production of waste or promoting its recycling, and creating new and decent jobs through innovative and appropriate investments.

The green economy can open up new domestic and export market opportunities for African countries, thereby boosting economic growth. This is possible through new economic opportunities and potential new jobs in sectors such as agriculture, energy, resource-intensive manufacturing, recycling, construction and transport.

2.1.3 Central Africa's Climate Targets and their Contribution to Green Growth

Central African countries began their transition by developing the Central African Green Economy Development Support Programme (PADEVAC), programmes to combat desertification and drought and national biodiversity strategies and action plans (NBSAP), and by implementing climate change mitigation and adaptation measures outlined in their NDCs. These measures focus on improved low-carbon technologies in the agricultural sector, the development of renewable energy and improvement of energy efficiency, the reduction of deforestation and the restoration of degraded

areas. PADEVAC aims to provide logistical and financial support to promoters of “green” projects in the areas of clean energy and technologies, waste recycling and reforestation/ agroforestry. These measures are expected to reduce greenhouse gas emissions in Central African countries by 10% to 35% and promote green growth objectives.

2.1.4 Green Growth Guidelines Outlined in National and Regional Policies

The concept of the green economy and efforts to promote it in Central Africa are not new. While more progress is needed at the national level, a growing number of initiatives have been launched or are underway at the sub-regional level. In 2012, a survey of economic operators and consular chambers showed that 77.5% of respondents had heard of the green economy and that 90% of them considered environmental protection to be a challenge for the green economy. However, half of them considered that it could also be an impediment to the development of their activities¹⁰.

The Economic Community of Central African States (ECCAS) has proposed the establishment of a Green Economy System in Central Africa based on a multi-sector approach to balancing environmental protection and economic development. This strategy will seek to assist Member States in developing or strengthening the political, diplomatic, institutional, legal and technical framework, as well as in conducting training/research, securing funding and structuring partnerships.

To this end, ECCAS has developed the Central African Green Economy Development Support Programme (PADEVAC) and set up the Central African Green Economy Fund, both of which

¹⁰ <https://www.cpccaf.org/files/QVOU4ekPiUuclisXkBehOA.pdf>

were adopted by ECCAS ministers in the Brazzaville Declaration on 16 May 2012. PADEVAC focuses on the following sectors: (i) energy and clean technologies; (ii) urban planning and sustainable construction; (iii) reforestation and agroforestry; (iv) water and sanitation; (v) non-timber forest product (NTFP) development; (vi) ecotourism; (vii) genetic and biological resource development; (viii) waste recycling; (ix) carbon economy; and (x) climate change economy.

To that end, one of the strategic objectives of the ECCAS Medium-term Indicative Strategic Plan (2021-2025) is to accelerate the structuring and operationalization of the green economy system in Central Africa and ensure corporate and environmental accountability.

In the same vein, the Bank of Central African States (BEAC), in partnership with the International Finance Corporation (IFC) and the Sustainable Banking and Finance Network (SBFN), organised an international forum on the theme “Pathways to Sustainable Finance” from

8 to 9 May 2023. One of the objectives of the forum was to develop a common vision for sustainable finance in the Central African Economic and Monetary Community (CEMAC).

The aim of the common vision for green or sustainable finance to be developed is to promote the real economy and long-term projects by prioritising financial transactions that take into account extra-financial (environmental, social and governance – ESG) criteria. These criteria include carbon emissions, biodiversity protection, waste management and social impacts.

2.1.5 Progress Towards and Key Drivers of Green Growth

Central Africa has made significant progress in recent years in the efficient and sustainable management and protection of its natural capital (Acosta et al., 2022). This progress has been driven by a combination of national, regional and international efforts and initiatives.

The progress observed in the greening of Central African economies is partly due to the actions of Central African States

Box 1: Impact of Mining on Green Growth in DRC

Scientists predict that tipping points in the global climate system will be reached as a result of human pressure on natural resources (water, forest, mining, etc.) and how they are produced, used and consumed. Since the outbreak of the COVID-19 crisis, the country's economic performance has been driven by a buoyant mining sector which has ensured the resilience of the Congolese economy in the face of various shocks. Over the past three years, the real GDP growth rate of the mining sector has increased from 9.7% in 2020 to 20.8% in 2022, rising to 10.1% in 2021.

As a result, the country depends on the economic spin-offs of mining, but there is an urgent need to improve mining practices for the collective good, in accordance with approved instruments. It is necessary to mobilise and involve all actors in the mining sector (civil society, public sector and private sector) around the common goal of achieving green growth and seeking ways to address the issues and challenges of sustainable development in the mining sector. At present, DRC needs to address issues such as (i) weak capacity; (ii) poor coordination between central and provincial services, as well as with local authorities; (iii) need to form a team of experts to assess compliance by mining companies with or the existence of environmental and social management plans (ESMPs); (iv) mining pollution; and (v) the dissemination of and awareness raising on legal and regulatory instruments relating to environmental management to ensure better climate change adaptation.

Environmental and social management plans (ESMPs) are essential for sustainable mining. More importantly, they need to be effectively implemented. In DRC, some mining companies operate in accordance with international rules and have produced comprehensive and good quality environmental reports, but most environmental reports (to which the authors had access) are incomplete in terms of environmental data (for example, data on the quantity and quality of liquid effluents, solid discharges and atmospheric emissions produced by mining companies). Key issues such as water, energy, pollution and waste should be addressed to make mining more sustainable.

Several innovative methods are now available to improve air quality, reduce pollution risks and better manage mining waste which can be very harmful to the environment. One of the most effective levers is to characterise, predict, control and treat waste. It is also important to adopt methods to minimize the production of waste and to recycle it. In short, it is possible to conduct mining activities harmoniously within a physical environment that protects people and contributes to economic development.

Source: Second Nationally Determined Contribution (2nd NDC) of the Gabonese Republic, 2020, page 13.

The strategic role of the Congo Basin forests in regulating the global climate has encouraged the funding of reforestation and forest conservation policies in several countries in the region, including Congo, Gabon, DRC and Cameroon.

In addition, national policies to develop some natural resource value chains are promoting methods of sustainable production and consumption. Some countries in the region, such as Gabon, are engaged in this green growth drive.

Box 2: Timber Management Model in Gabon

Gabon, like many other African countries, has exported logs for over a century, first to Europe, then to the United States and South-East Asia. However, logs account for only about 8% of the timber value chain (jobs created during log harvesting, extraction and transportation account for 8% of the total number of jobs created, and 92% of jobs in the sector concern processing). By banning the export of logs and developing wood processing in the country, Gabon could increase tenfold the value of its forestry sector and the jobs it creates. By supplementing timber harvested from natural forests with plantations of fast-growing species, the industry could further double this value-added, making the forest an essential resource for the Gabonese economy and supporting hundreds of thousands of socially and environmentally sustainable jobs (there are currently 30 000 in the forestry sector) for a category of Gabonese whose livelihoods depend on sustainable forest management. Gabon could literally use its forests (in a sustainable way) to save forests by developing a sustainable industry and economy capable of replacing oil and gas in its economy, thus combining a sustainable economy with the preservation of the carbon sink.

Source: Second Nationally Determined Contribution (2nd NDC) of the Gabonese Republic, 2020, page 13.

The progress observed in the greening of Central African economies is partly due to the actions of Central African States which have developed and financed green economy projects using their own resources, but also to the actions of civil society and international financial and development institutions which are prioritising environmental, social and governance (ESG) criteria in their lending operations. This has prompted public actors to mainstream environmental and social standards in development projects, thus embarking on the path to green growth. However, not all private investments by national financial institutions take ESG criteria into account in the best way possible, which does not encourage countries to rapidly adopt greener practices. Similarly, the failure of individual countries to territorialize ESG criteria hampers the widespread adoption of environmentally and climate-friendly practices.

The private sector, which consists mainly of SMEs, is a key driver of economic growth in Central Africa. The achievement of green growth objectives is largely dependent on the adoption of ESG criteria by SMEs which are expanding rapidly in Africa and require financing to be transformed and to develop their activities. Therefore, considering ESG criteria when lending could be a key factor in promoting green growth. SMEs are also the main source of wealth and job creation in most African countries and, as drivers of innovation and technology transfer, they can also promote the adoption of clean and green technologies. The introduction of appropriate policies and incentives could make it easier for the private sector to adopt environmentally-and climate-friendly practices.

2.2 Private Sector Financing Landscape in the Region

Achieving green growth and strengthening

the resilience of Central African economies to climate change depend on the mobilisation of financial resources. Climate change will cause a loss of between 2% and 5% of African countries' GDP by 2030 (FUND, 2019)¹¹. Losses could be bigger in highly vulnerable countries such as CAR and DRC (IIED, 2021), hence the need for greater mobilisation of financing.

The Paris Agreement calls on the world's governments to take global and concerted action on climate change through nationally determined contributions. The Central African countries that signed the Paris Agreement made commitments and defined climate actions, all of which have been updated in line with the provisions of the Agreement. However, financial constraints could reduce the possibility of implementing the actions defined.

Climate finance is defined as the financing of activities to mitigate (reduce or prevent greenhouse gas emissions) and adapt (reduce vulnerability and build resilience) to the effects of climate change, while green growth finance is much broader and includes investment in activities that enable economic growth and sustainable development. While international institutions such as the OECD, the NDC Partnership and the Climate Policy Initiative have developed databases for analysing climate finance, there are no sources for identifying green growth finance. The rest of the analysis uses climate finance as an indicator and key component of green growth finance.

More comprehensive reporting on needs, flows and gaps is needed to assess progress in financing green growth. More importantly, data on synergies between climate finance and other development goals can help to identify gaps and ensure a more equitable distribution of resources.

On average, these countries will need about USD 128 billion annually to implement adaptation and mitigation actions over the decade 2020-2030, or about USD 11.6 billion per year for the region

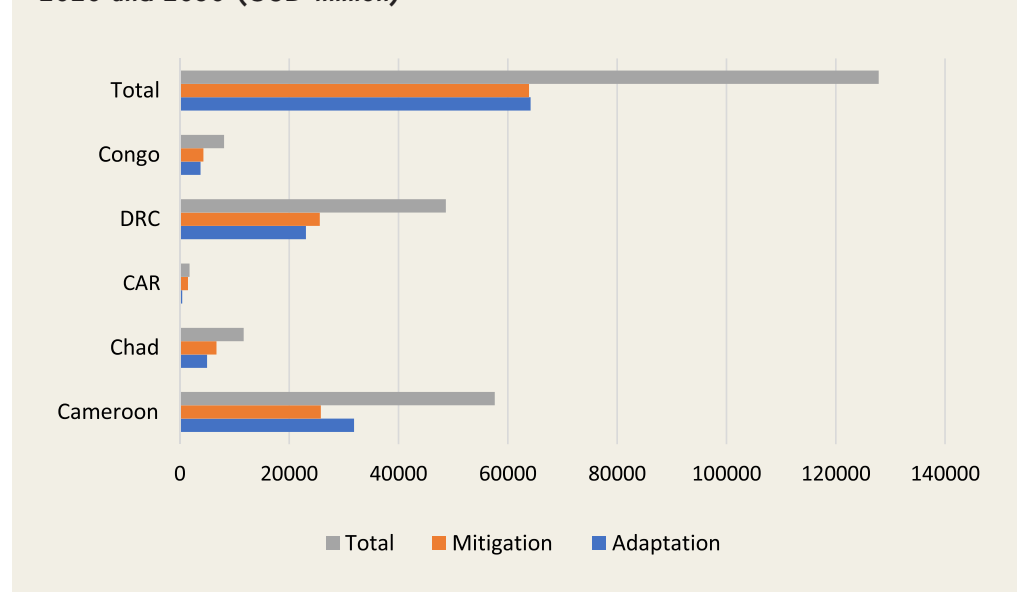
¹¹ Source: Adapt Cost/East Africa based on the national FUND model.

2.2.1 Financing Needs for Climate Action and Green Growth in Central Africa

Central Africa needs to mobilise significant financial resources to support climate action and green growth. All seven countries in the

region have prepared their NDCs, but only five have been able to estimate the costs of climate action. On average, these countries will need about USD 128 billion annually to implement adaptation and mitigation actions over the decade 2020-2030, or about USD 11.6 billion per year for the region (Figure 18).

Figure 18: Financing Needs for Climate Action in Central African Countries Between 2020 and 2030 (USD million)



Source: NDC of Central African countries

Cameroon and DRC have greater climate finance needs than Chad, Congo and CAR. However, the countries of the region hope that international sources will be able to help finance a large portion of the current needs. In Chad, for example, about 94% of mitigation finance needs and 75% of adaptation finance needs depend on international support (Republic of Chad, revised NDC 2021). Similarly, in Congo, about 97.86% of mitigation finance needs and 73.22% of adaptation finance needs depend on international finance (Republic of the Congo, NDC 2021).

The countries' investment needs are mainly in energy transition, clean technologies, energy, agriculture and industry, waste and related

sectors, reforestation and sustainable forest management programmes, etc.

A – Climate Finance Needs for Mitigation in Central Africa

Central African countries need USD 63.8 billion over the 2020-2030 decade to reduce net emissions in the region to levels compatible with a 1.5°C global temperature rise by the end of the century.

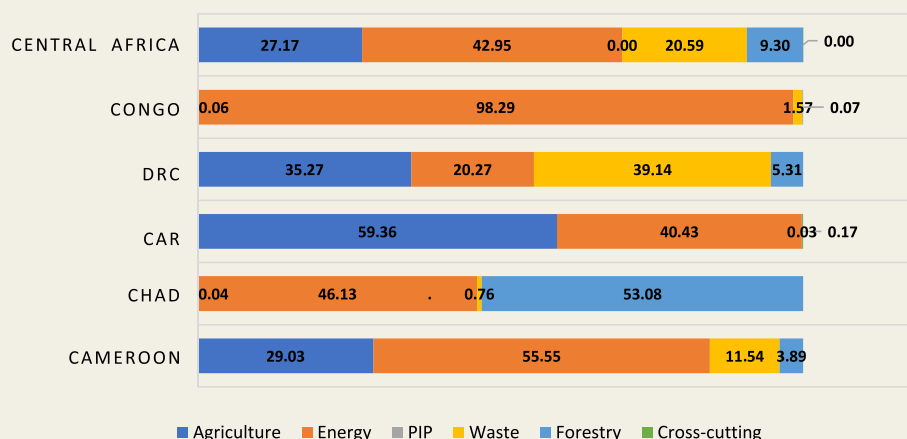
Energy, renewable energy, energy efficiency and sustainable energy transmission account for about 43% of the region's financing needs, with larger shares in countries such as Congo and Cameroon (Figure 19). This focus on

the energy sector is due to the huge investments required to generate green renewable energy.

In terms of financial needs for mitigation, the agricultural and waste sectors rank second

and third respectively. Forestry requires 9.3% of the total financing needs over the decade, although this percentage should be relativised as some countries, such as Chad, combine forestry and agricultural sector needs.

Figure 19: Financing Needs for Climate Action (Mitigation) by Sector in Central African Countries Between 2020 and 2030 (%)



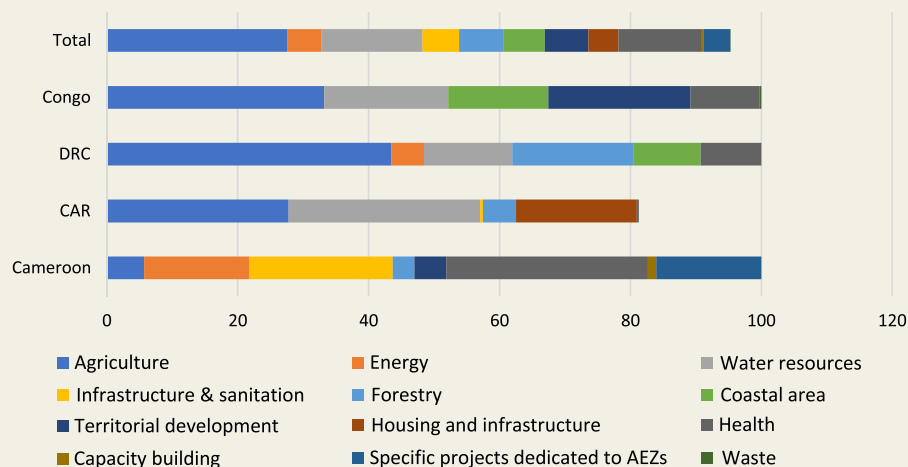
Source: NDC of Central African countries

B – Climate Action Finance Requirements for Climate Adaptation in Central Africa

Central Africa will also require USD 64.2 billion

to adapt to climate change. The agricultural and energy sectors account for more than half of the region's climate adaptation needs (Figure 20).

Figure 20: Financing Needs for Climate Action (Adaptation) by Sector in Central African Countries Between 2020 and 2030 (%)



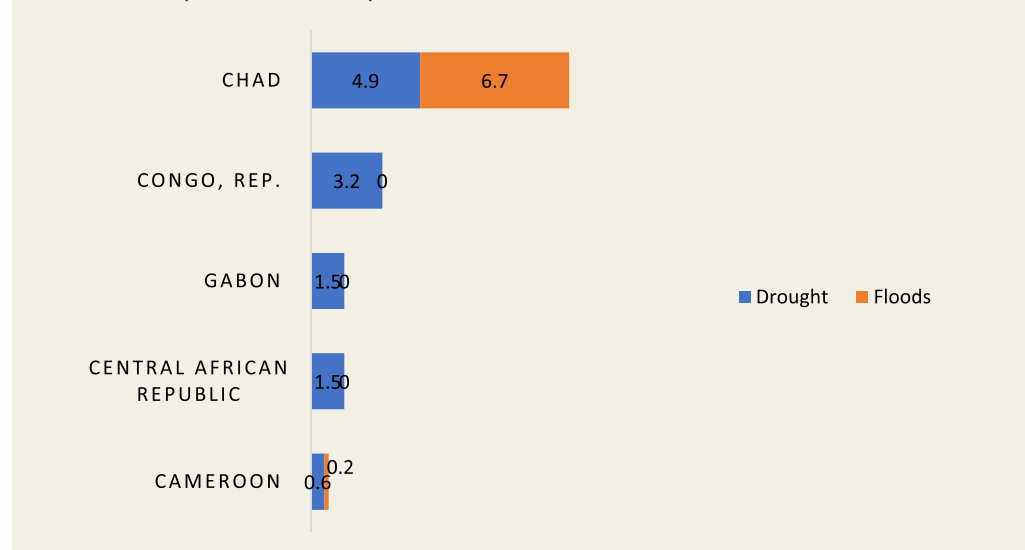
Source: NDC of Central African countries

C – Expected GDP Contribution to Climate Action Finance in Central Africa

Government contributions for specific climate action implementation are expected to be quite small. However, a country like Chad is expected to invest 11.6% of its GDP to address the damaging effects of floods and

droughts. Cameroon, on the other hand, will devote less than 1% of its GDP for that purpose (Figure 21). However, not all Central African countries were able to estimate their financial needs for climate change adaptation or mitigation. Some countries have not estimated their needs properly due to lack of reliable data or technical expertise (AfDB, 2022a).

Figure 21: Potential for Initial Private Sector Investment in Adaptation to Droughts and Floods (as a % of GDP)



Source: <https://www.ifc.org/wps/wcm/connect/775d1c2f-a9f3-4b7d-b0d7-72738b42e3b8/Working-Paper-Adapting-to-Natural-Disasters-in-Africa.pdf?MOD=AJPERES&CVID=ohpHufW>

2.2.2 Financial Flows for Climate Action and Green Growth

A – Climate Action Finance Flows in Central Africa

The mobilisation of financial resources for climate action, particularly external financing, is generally limited in African countries. The seven Central African countries received about USD 3.2 billion over the period 2012-2020, an average of USD 352 million per

year (Table 2)¹². DRC received the most external climate finance, while Equatorial Guinea received the least.

Adaptation projects accounted for about 57% of financing received by the region during the 2012-2020 period. This was undoubtedly due to the funding earmarked for the protection of the Congo Basin forests where mitigation projects accounted for nearly 16.1% of total funding received and cross-cutting mitigation and adaptation projects for 26.9%.

¹² Climate-Related Development Finance (CRDF) 2000-2020: <https://webfs.oecd.org/climate/DonorPerspective/CRDF-DP-2012-2020.xlsx>.

Almost all climate financing received by Central Africa comes from public sources (about 92.2%)

A shift in funding towards mitigation would help to better protect the Congo Basin forests and meet the region's need for green growth.

All countries in the sub-region received funding far short of their needs, with investment gaps varying from one country to another. To

ensure adequate funding, it is necessary to identify internal sources of financing. Under the Paris Agreement, countries committed to meeting 15% of their NDC needs from domestic sources, but current financing trends show that they will not be able to meet current and future needs.

Table 2: Climate Financing Received by Central African Countries Between 2012 and 2020 (USD million)

Country\Year	Cameroon	CAR	Chad	Congo	DRC	Equatorial Guinea	Gabon	Central Africa
2012	21.64	6.12	24.71	39.00	67.71	0.82	1.25	161.25
2013	25.29	3.07	44.19	0.16	173.79	0.01	1.54	248.05
2014	134.33	10.54	13.54	0.89	113.08	0.33	147.60	420.31
2015	45.39	6.32	45.54	69.04	234.71	0.04	0.12	401.16
2016	55.85	9.11	229.92	1.13	154.28	-	1.78	452.07
2017	214.14	7.81	15.71	0.97	99.93	0.03	0.22	338.81
2018	89.97	67.17	73.63	46.25	173.90	0.00	1.29	452.22
2019	123.62	33.86	74.31	36.22	51.82	0.02	0.17	320.03
2020	49.13	46.32	68.47	7.33	196.08	0.02	4.05	371.39
Total	759.4	190.3	590.0	201.0	1 265.3	1.3	158.0	3 165.3
Average	84.4	21.1	65.6	22.3	140.6	0.1	17.6	351.7

Source: OECD, 2023, <https://oe.cd/development-climate>

B – Analysis of Climate Finance Flows by Sector in Central Africa

The agricultural and forestry sectors receive most financial flows. The analysis of climate finance flows by sector shows that half of the climate finance received by Central African countries between 2019 and 2020 was earmarked for the agricultural, forestry, water resources, and environmental protection (biodiversity) sectors (Figure 22¹¹). About 9% of the funding is earmarked for cross-cutting climate actions covering several sectors.

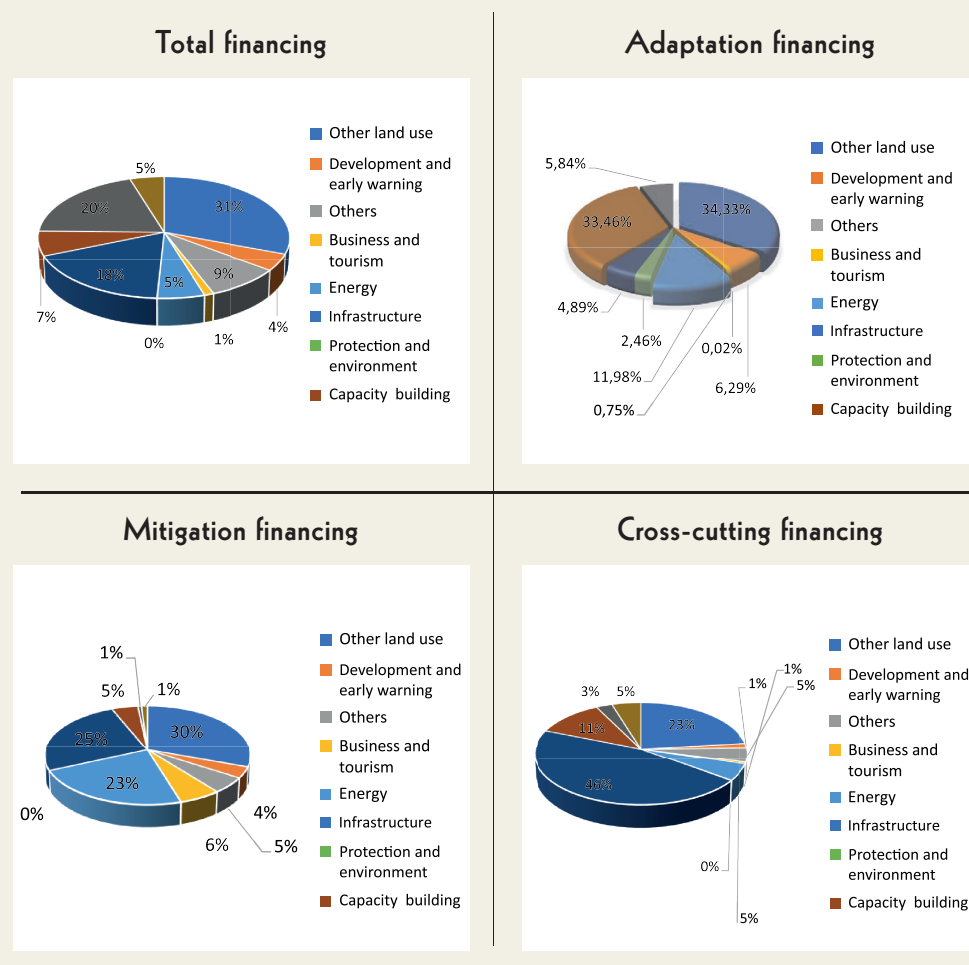
Capital-intensive sectors are most prejudiced.

Sustainable energy infrastructure (energy systems, transport and buildings), low-carbon transport systems and sustainable buildings are key elements of green growth, but high capital requirements, governance barriers, lengthy construction processes and lack of incentives prevent these sectors from attracting more private financing (Wodajo, 2021).

The agricultural and forestry sectors, which are critical to green growth, require more funding to meet the needs of a growing population and thus reduce pressure on natural ecosystems.

There have been diverse private finance instruments for green growth and climate action in recent years

Figure 22: Climate Finance Flows by Sector Received by Central African Countries



Source: OECD, 2023, <https://oe.cd/development-climate>

C – Main Sources of Financial Flows for Climate Action in Central Africa

Almost all climate financing received by Central Africa comes from public sources

(about 92.2%), especially multilateral development finance institutions (about 61.5%) (Table 3). Governments are the second largest source of climate finance in Central African countries.

¹³ <https://www.climatepolicyinitiative.org/dataviz/landscape-of-climate-finance-in-africa-interactive-data-tools/>

Table 3: Climate Finance Flows Received by Central African Countries by Source of Financing in 2019 and 2020

Sources of financing	Cameroon		CAR		Chad		Congo		DRC		Gabon		Equ. Guinea.		Central Africa	
	Amount (USD million)	Share (%)	Amount (USD million)	Share (%)	Amount (USD million)	Share (%)	Amount (USD million)	Share (%)	Amount (USD million)	Share (%)	Amount (USD million)	Share (%)	Amount (USD million)	Share (%)	Amount (USD million)	Share (%)
Private sources	10.6	2.58	2.98	2.95	83.18	28.46	0.64	1.12	8.04	1.90	0.26	0.32	3.14	7.74	108.30	7.80
Commercial financial institutions	5.76	1.53	0	0.00	55.59	19.02	0	0.00	0	0.00	0	0.00	0	0.00	61.56	4.43
Enterprises	2.56	0.66	0	0.00	27.17	9.30	0	0.00	0.17	0.04	0	0.00	0	0.00	29.90	2.15
Institutional investors	1.22	0.31	2.98	2.95	0.43	0.15	0.00	0.01	0.31	0.07	0.26	0.32	2.50	6.17	7.69	0.55
Other	0.32	0.08	0	0.00	0	0.00	0.64	1.11	7.57	1.79	0	0.00	0.64	1.57	9.16	0.66
Public sources	380.43	97.42	97.71	97.05	209.05	71.54	56.63	98.88	415.57	98.10	82.98	99.68	37.40	92.26	1279.78	92.20
Bilateral development finance institutions	2.30	0.59	10.98	10.90	35.18	12.04	0	0.00	58.58	13.83	0.06	0.07	0	0.00	107.10	7.72
Governments	69.05	17.68	25.69	25.51	28.78	9.85	11.25	19.65	77.49	18.29	47.78	57.40	1.77	4.36	261.80	18.86
Multilateral climate funds	7.51	1.92	4.56	4.53	5.64	1.93	12.41	21.66	18.90	4.46	4.31	5.18	3.65	8.99	56.98	4.10
Multilateral development finance institutions	301.53	77.22	56.49	56.10	139.45	47.72	32.97	57.57	260.34	61.46	30.83	37.04	31.59	77.92	853.19	61.47
Public enterprises and financial institutions	0.05	0.01	0	0	0	0	0	0	0.26	0.06	0	0	0	0.00	0.308	0.022
Total	390.50	100	100.69	100	292.24	100	57.265	100	423.61	100	83.24	100	40.54	100	1388.08	100

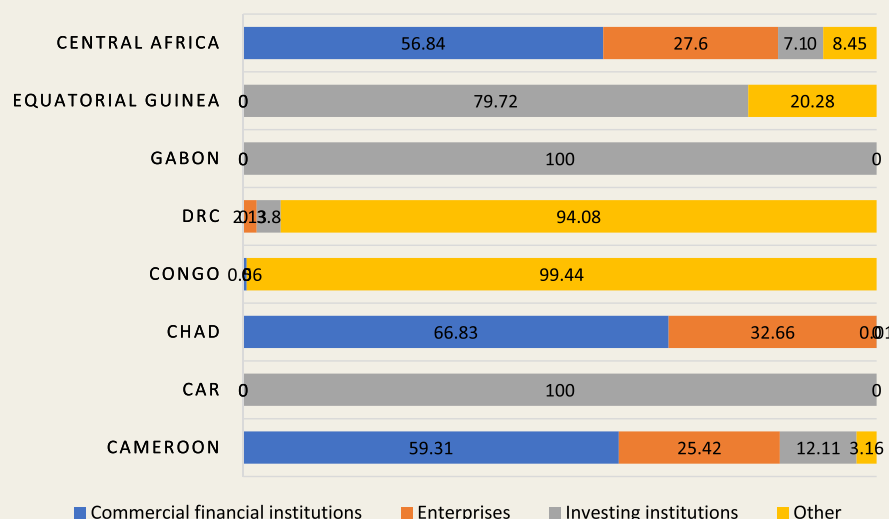
Source: Climate Policy Initiative, 2022

2.2.3 Current Sources of Private Sector Financing in Central Africa

Enterprises and commercial financial institutions are the main sources of private

climate finance in Central Africa. Institutional investors, households/individuals and funds make a more modest contribution to private financing, but are actors with great potential for climate finance (Figure 23).

Figure 23: Private Sector Climate Finance Flows by Institution During the 2019-2020 Period



Source: Climate Policy Initiative, 2022

Due to lack of data at the regional level, it is difficult to carry out a detailed analysis of the destination of private investment. As at the continental level, private investment in climate action is probably directed towards sectors that are vital to the population, particularly the energy (renewable energy) and agricultural sectors and other forms of land use, and fisheries. Investments can be made in other sectors such as water resources, industry, transport, ICT, construction and infrastructure with small amounts of money.

It should be noted that progress has been made in mobilising more climate finance, especially with the establishment of the Green Climate Fund (GCF) and the Africa Climate Change Fund (ACCF). These funds support African countries in building their resilience to the adverse effects of climate change and

in their transition to sustainable low-carbon growth, in line with their NDCs.

The private sector uses different types of financial mechanisms to support climate action, including equity capital, concessional and non-concessional debt, guarantees and securities, grants and technical assistance. These mechanisms should enable the private sector to increase its climate finance, particularly in high value-added sub-sectors such as renewable energy, waste and public transport.

According to the OECD's analysis of climate finance by source, the European Union, Germany, France, the United States, Switzerland, Belgium and Spain are the main sources of climate finance in Central Africa (Table 4). The EU, Germany and France provide most financing (more than 80%) received by Cameroon

Reducing the investment gap in climate action and green growth also entails setting up regional investment projects involving several countries in the zone

and CAR, while France and Spain provide 93% of funding received by Gabon and Equatorial Guinea. The EU and France contribute nearly 93% of climate finance received by the Republic of Congo, while the EU, Switzerland and

Germany contribute nearly 80% of climate finance received by Chad. Lastly, four countries, namely Germany, the EU, Belgium and the United States, provide nearly 80% of DRC's climate finance.

Table 4: Climate Finance Flows Received by Central African Countries by Donor Country in 2019 and 2020

Country	Cameroon	CAR	Chad	Congo	DRC	Equatorial Guinea	Gabon
Australia	0.39%	-	-	-	0.08%	-	-
Austria	-	-	0.05%	-	0.05%	-	-
Belgium	0.07%	1.75%	0.59%	-	16.69%	-	-
Canada	1.02%	-	-	-	1.10%	-	0.07%
EU Institutions	43.10%	52.03%	48.79%	57.44%	17.56%	-	-
Finland	0,10%	-	-	-	-	-	-
France	17.70%	15.58%	14.05%	35.64%	2.50%	3.69%	93.68%
Germany	25.83%	12.98%	14.57%	2.64%	36.14%	-	-
Ireland	-	2.17%	0.88%	0.00%	0.87%	-	-
Italy	0.84%	0.69%	0.75%	0.42%	0.42%	-	-
Japan	7.58%	6.31%	2.30%	3.30%	4.35%	0.57%	5.70%
Korea	0.45%	0.28%	-	0.02%	0.45%	2.11%	0.05%
Luxembourg	0,11%	-	0,01%	-	0,14%	-	-
Norway	0.49%	-	-	0.38%	4.80%	-	0.50%
Spain	0,07%	0.20%	0.47%	0.02%	0.36%	93.64%	-
Sweden	1.85%	7.98%	1.46%	0.11%	3.42%	-	-
Switzerland	-	-	16.08%	-	0.17%	-	-
United Kingdom	0.08%	0.04%	-	-	0.57%	-	-
USA	0.32%	0.00%	-	0.04%	10.35%	0.00%	-

Source: OECD, 2023, <https://oe.cd/development-climate>

2.2.4 Emerging Innovative Sources of Private Sector Financing for Climate Action and Green Growth in Central Africa and their Performance

There have been diverse private finance instruments for green growth and climate action in recent years. These innovations include green bonds and loans, sustainable development bonds and loans, the voluntary carbon market, sustainable debt finance, debt for climate swaps, debt for nature swaps and social bonds. These instruments, which are more widely used in other developing regions, are currently underutilised in Africa as a whole. The Bank is currently assisting its regional member countries by exploring alternative green instruments such as debt for nature swaps (D4N).

In 2022, for example, Africa accounted for only 0.1% of all green bonds issued globally. Moreover, no Central African country is a major beneficiary of these bonds. Central African countries, especially the private sector, can use this instrument to bridge their green investment gap. The advantage of these instruments is that they are mainly issued by enterprises and are, therefore, advantageous regarding cost and transparency. *However, it may be difficult to mobilise these instruments if enterprises do not have large-scale projects or adequate technical capacity. In addition, the current legal and regulatory context in Central African countries may hinder such initiatives.*

Another instrument that can be used is debt conversion, especially into green, environmental or climate investments. This involves investing previous debt repayments in climate action or action to support green growth. It involves huge transaction costs (negotiations). The voluntary carbon market or voluntary carbon credit market is also an important source of private finance for climate action in Africa in general and in Central Africa in particular.

Central Africa has rich forest resources, the protection of which can generate significant financial flows in the voluntary carbon market. The Congo Basin forests can absorb about 1.2 billion tonnes of CO₂ per year, or about 8% of the world's forest carbon. This instrument can enable the region to mobilise significant financial resources and create green opportunities and jobs.

2.2.5 Conditions for the Success of Innovative Private Sector Financing Sources and Mechanisms

Most climate finance mechanisms have a private sector window, but the mobilisation of private climate finance has been slow. The main difficulty should be the upfront investment required and the lengthy procedures to access funding through innovative climate finance mechanisms, which is not the case through traditional finance mechanisms where the tools for assessing and approving projects are already harmonised (OECD, 2023). Innovative climate finance mechanisms require specific technical expertise that is lacking in both the private and public sectors in African countries, which does not encourage the use of these sources and mechanisms. In addition, the private sector in most African countries lacks technical expertise on climate change, which limits its participation in climate finance.

Capacity building programmes should be implemented to enable widespread adoption of these innovative mechanisms. The low level of private sector participation in climate finance is due in part to the sector's lack of exposure to low-carbon, economically and financially viable climate projects. In addition, the adoption of innovative mechanisms depends on the policy and regulatory framework in force at the national level. Hence, efforts are needed to adapt countries' existing legal and regulatory frameworks to the requirements of these mechanisms. The simplification of

the procedures of innovative climate finance mechanisms would also facilitate private sector participation.

2.3 Gaps in Private Sector Financing for Climate Action and Green Growth

The analysis of climate action and green growth financing gaps depends on the availability of data. Data on financing for green growth is not available and only five of the seven Central African countries have been able to estimate their climate finance needs in their NDCs. Two countries (Chad and CAR) have broken down their financing needs into unconditional needs (covered by national public sources of financing) and conditional needs (covered by private sources of financing or international support).

Furthermore, no country has distinguished between conditional needs that required private sources of funding and those that required international assistance. According to the AfDB (2021), NDC focal points in several African countries acknowledge a lack of information and data on the contribution of private climate finance in their countries.

According to the focal points, more than three-quarters of African countries' NDCs do not include information on private finance requirements for climate action. This situation makes a detailed analysis of private sector financing needs for climate action and green growth difficult. However, this study attempts to analyse conditional needs based on the available information. Therefore, technical assistance programmes for countries are needed to improve the quality of future NDCs.

2.3.1 Climate Change Financing Gap in Central Africa

Estimating climate finance gaps is a complex exercise given the lack of disaggregated data on climate finance mobilisation needs and trends for the first NDC implementation period (2015-2020). However, based on the data provided by Cameroon in its updated NDC, it appears that 70.84% of the climate finance mobilised during the 2015-2020 period came from domestic public sources, compared with 29.16% from international public and private donors¹⁴.

The case of Cameroon fairly illustrates the financing gap that needs to be filled due to a lack of capacity to mobilise resources from existing climate funds, insufficient domestic public resources, and the reluctance of the private sector to participate in green finance. A comparison of the results obtained with the projections of the first NDC shows that Cameroon's financial mobilisation was estimated at 0.43% of the financing needs for the same period, corresponding to an average financing gap of 99.57%, of which 99.11% was domestic and 99.81% external. It is estimated that Cameroon will need USD 57.64 billion during the 2020-2030 period to meet its targets, of which 65.7% will come from external financing sources, including private sector investment. For their part, Chad and CAR plan to mobilise between 80% and 94% of private and international financing during the 2020-2030 period.

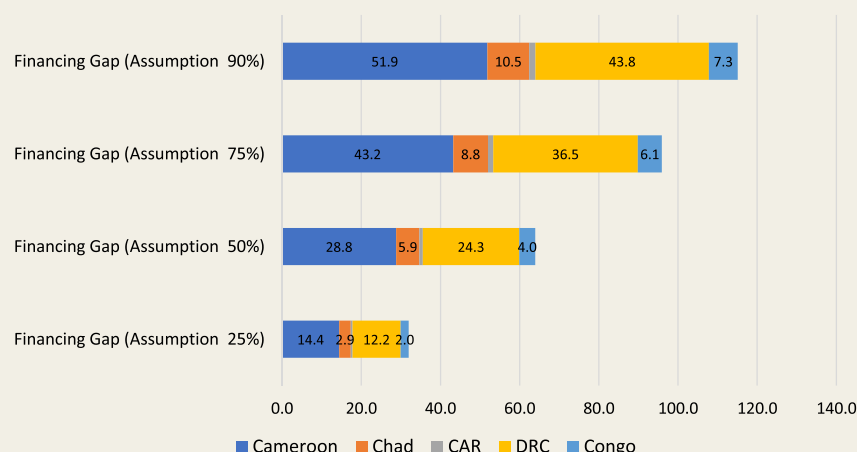
The financing gap in Central African countries will range between USD 32 billion and USD 115 billion, depending on whether contribution will be low or high (Figure 24). The current

¹⁴ Report on the Implementation of Cameroon's NDC between 2015 and 2020.

challenges of climate change and green growth require greater efforts to mobilise additional finance, particularly from the national and inter-

national private sectors. Narrowing the financing gaps will require a significant increase in private climate finance flows.

Figure 24: Gaps in Private Sector Financing for Climate Action with Respect to the Financing Needs Contained in Central African Countries' NDCs



The financing gap averages 3% of the GDP of Central Africa, with Chad and Cameroon

having the highest gaps compared to the other countries in the region (see Table 5).

Table 5: Climate Finance Gap in Central African Countries

Country	Financing Gap as a % of GDP (upper bound)	Financing Gap as a % of GDP	Financing Gap as a % of GDP (lower bound)
Gabon	1.7	1.1	0.5
CAR	1.7	1.0	0.3
Equatorial Guinea	2.1	1.4	0.6
Congo	4.6	3.0	1.5
DRC	5.4	3.6	1.8
Cameroon	7.6	5.1	2.5
Chad	7.8	4.9	2.0
Central Africa	4	3	1

2.3.2 Explanatory Factors and Solutions for Closing the Private Sector Financing Gap in the Region

Huge private sector financing gaps in various sectors offer tremendous investment oppor-

tunities for the domestic and international private sector

There is a significant financing gap in all sectors in Africa. The countries of Central Africa, despite their abundant mineral and

energy resources, require substantial energy sector investment to meet their populations' need for energy services. The International Energy Agency (2022) estimates at around USD 45 billion per year until 2030 the investment required in the energy sector to achieve SDG7. These needs cannot be met with public funding alone, which is already under strain. Therefore, an inflow of significant private financing is needed to make up the shortfall.

The gap in private-sector financing for green growth and climate action can be closed by increasing the level of public financing.

A high level of public sector participation in climate investments could not only bring down the level of risk of investments in these sectors, but also send positive signals to private investors about the attractiveness of the climate and green growth sectors at national level. Therefore, the public sector can act as a catalyst to bridge the gap in private financing for climate action and green growth. In the climate and green growth sectors, investments in low-carbon transport, renewable energy or construction all require operational infrastructure, including a reliable supply of electricity, without which investors will shy away from these sectors.

The level of per capita income is also positively associated with current levels of private financing. It serves as a reliable indicator to investors of the quality of life in a country and the of potential for a return on investment. Reducing risks at national level could also help

Central African countries to increase the level of private investment in the climate and green economy sector. Investors are less attracted to countries where they perceive a significant risk of losing their investments or property rights, or of contracts not being enforced, or of cumbersome and restrictive administrative and tax procedures relating to profit repatriation, or of frequent payment delays. One possible solution would be to introduce specific reforms and incentives for each business sector, according to their level of development in each of the Central African countries.

Reducing the investment gap in climate action and green growth also entails setting up regional investment projects involving several countries in the zone, since the size of the domestic market determines the volume of private financing mobilised. Small domestic markets reduce the volume of revenues and lengthen payback periods, thereby discouraging private investors.

Potential investors could thus benefit from the economies of scale offered by a larger market and easily identifiable investment opportunities. The top five countries in terms of attracting climate financing between 2019 and 2020 are South Africa, Nigeria, Kenya, Morocco and Egypt. Regional integration could provide an effective solution to the financing gap and pave the way for integrated approaches to combating climate change.

Table 6: Examples of private investment in green growth

Country	Examples of private investment in green growth
Cameroon	<p>The Project for the Decentralised Production of Electricity and Enhancement of Rural Electrification for Agriculture and Rural Development in Cameroon, financed by the EU (41%) and the GoC (59%), is carrying out feasibility studies on 10 hydroelectric sites and building two mini-grids with a total installed capacity of 1.8 MW at a total cost of USD 26 million.</p> <p>Source: https://www.usaid.gov/sites/default/files/2022-05/PAOP-Market-Assessment-Brief-Cameroon-French.pdf</p>
Central African Republic	<p>The Central African Logging Company (SEFCA) has developed a project on cogeneration, that is, a project for the generation of electricity from forest residues, as a strategy to reduce deforestation and forest degradation. The project is currently being appraised for funding by the European Union.</p> <p>Source: https://redd.unfccc.int/uploads/2_252_sn-redd_2B_de_la_rca_28_juillet_2021-finale.pdf</p>
Congo	<p>UNICONGO and ATIBT have collaborated on a number of occasions, including on the new Forestry Code, the deployment of the computerised system for verifying the legality of timber in Congo (SIVL), and recognition of certification under the legality verification system (SVL). The purpose of this agreement is to strengthen and formalise this joint effort to ensure the sustainable and responsible development of the forestry and timber sub-sector in the Republic of Congo.</p> <p>Source: https://www.atibt.org/fr/news/12963/unicongo-et-atibt-signent-un-partenariat-pour-lappui-au-secteur-prive-foret-bois-en-republique-du-congo</p>
Congo, Dem. Rep.	<p>The International Solar Alliance (ISA) has launched a pilot project to promote solar energy applications in the agricultural sector across nine of its member countries in Sub-Saharan Africa over the next two years. These countries are Benin, DRC, Mali, Niger, Sudan, Senegal, South Sudan, Togo and Uganda. The project, which will cost a total of USD 2 million and be funded with support from the United Nations Development Programme (UNDP), is part of the "Scaling Solar Applications for Agriculture Use (SSAAU)" programme.</p> <p>Source: https://www.agenceecofin.com/aide-au-developpement/2803-106895-afrique-subsaharienne-un-programme-de-2-millions-pour-promouvoir-le-pompape-solaire-dans-l-agriculture</p>
Gabon	<p>Implementation of farming systems supported by artisanal fishing. The main resource of this system is fishing, supplemented by agricultural activities. These farming systems occupy almost 38 million hectares (2% of the total surface area of Sub-Saharan Africa). Of this total, around 5 million hectares are cultivated. Nearly 4% of the cultivated area is irrigated. Raising domestic animals (mainly small ruminants) contributes significantly to income or household consumption.</p> <p>Source: http://www.ifdd.francophonie.org/media/docs/publications/522_Agricult_Etude_NEC-TAR.pdf</p>
Equatorial Guinea	<p>Equatorial Guinea has built and started operating a gas liquefaction plant and installed gas turbines with a total capacity of 90 MW for the city of Malabo. Over the next few years, it will also build a 120 MW hydroelectric power station at Djibloho on the mainland, equivalent to the country's entire current electrical capacity.</p> <p>Source: https://www.cifor.org/publications/pdf_files/OccPapers/OP-120.pdf</p>

2.4 Obstacles to and Opportunities for Mobilising Private Sector Financing for Green Growth in Central Africa

2.4.1 Obstacles to increasing private sector financing for green growth and climate action in Central Africa

Composition of the private sector in Africa and the political and economic framework as determining factors in the mobilisation of private sector financing

The private sector in Central Africa is two-tiered: the first tier is made up of a very large number of micro and small enterprises, and the second comprises a small number of large enterprises. The tax burden falls mainly on large enterprises, which have also been committing financial resources in recent years to supporting sustainable development through corporate social responsibility. To increase private sector financing for green growth, it is necessary to build up a large class of medium-sized enterprises that can raise financing to support investment in sustainable development. There is a need for policies that could encourage the growth and transformation of micro and small enterprises into medium-sized enterprises.

Similarly, private sector investment depends on political stability. Resolving ongoing conflicts will boost the attractiveness of Central Africa. In addition, the structure of financial markets, taxation, regulation, available human resources, level of infrastructure development, etc., can affect the flow of private sector investment (Groh, et al., 2018; Osei-Kyei, et al., 2017). Indeed, these security, political and economic factors affect the risk level of private investment.

Central African countries have put in place climate strategies and plans, but few have developed policies and strategies for mobilising financing for green growth and climate action

All Central African countries have targeted actions for green growth and climate action, but financing for green growth and climate action from the domestic or international private sector has not been the subject of specific strategies or policies (Farka, 2020). All these countries have relied on the private sector to increase the volume of climate financing, but the lack of clarity in defining needs and opportunities, and in establishing clear strategies, limits the commitment of private sector investors interested in projects in the climate sector and the green economy.

A major obstacle to mobilising resources for green growth is the lack of planning and budgeting for green growth policies. The absence of clear policies and strategies to guide the green growth programme means that the needs of many countries remain unrecognised, and financing requirements unquantified.

Low-income African countries and those in fragile contexts are generally less committed to developing green growth policies or regulations, even though they are just as much in need of transitions to green growth. This may also be due to a lack of technical expertise in the development of detailed green growth strategies and plans. The development of policies and regulations that meet the various investment needs of the private sector can be a powerful catalyst for the development of green or sustainable financing.

Risk management as a catalyst for private sector investment on the continent

Risks reduce credit volumes by increasing the probability of investment loss. The adoption of risk management policies, strategies or regulations would facilitate increased investment flows for green growth and climate action.

On the other hand, flexible regulations on the transfer of capital and corporate profits

would encourage an influx of private foreign investment. Ensuring and facilitating the transfer of private corporate profits at all times would promote private sector investment in Central Africa. A well-developed financial sector with flexible regulations on capital transfers will be instrumental in boosting investment flows into Central Africa.

Lack of bankable and clearly available private sector projects

Many African countries, including in Central Africa, have not developed readily available, bankable projects for the green economy and climate action. In many African countries, plans or strategies are still at the idea stage, lacking concrete short-term milestones and targets, as well as the quantified investment requirements needed to assess the investment impact. As a result, many potential investors are unwilling to take risks. Green growth financing opportunities in some sectors of the green economy - especially agriculture, water and waste management - are still largely at the early stages, which increases the risks and costs likely to be borne by private sector promoters. This affects the liquidity of the projects, making them unattractive to private sector investors, especially those looking to recoup their investments in the very short term.

Moreover, major international investors want to invest in project portfolios that extend beyond national borders, to benefit from economies of scale, optimise returns and limit investment costs. Unfortunately, differences in regulations, standards and policies between countries do not always facilitate the pooling of needs and the definition of regional-scale projects.

Furthermore, the composition of the private sector in Central African countries is not conducive to the conclusion of cooperation agreements between enterprises of countries of

the zone, nor to the creation of opportunities for cooperation with large multinational firms.

Owing to their small size, micro and small enterprises have a limited ability to mobilise financing from certain private donors at national or international level. This limits their ability to meet the challenges of green growth and climate change. Implementing specific policies to facilitate access to financing for this category of investors is a major challenge for the development of the green economy or sustainable financing.

Debt as an additional risk factor

The debt burden of Central African countries continues to grow, putting most of them at high risk of debt distress (see Section 1.2.5). Debt overhang could lead these countries to increase fiscal pressure on enterprises already under pressure, and thus limit the volume of private investment. Similarly, these countries could face higher borrowing costs from national and international partners, with the risk of losing market confidence. The debt burden could reduce public and private resources that are available or that could be injected for long-term green growth, leading to a slowdown in economic growth and weaker resilience to climatic and economic risks. In addition, African countries have pledged to unconditionally meet around 15% of their nationally determined contribution (NDC) financing needs from domestic sources, but spending on debt repayment reduces the resources available to support the climate action identified in the NDCs.

Weak technical, human and institutional capacities

African countries face a series of shortcomings that limit their ability to propose bankable projects to private sector investors, and to commit to them for complete project cycles. Moreover, in these countries, the

private sector lacks the human resources needed for the development of projects that could forge partnerships with international private investors. In the same vein, informality does not facilitate links between African micro and small enterprises and their counterparts in high-income countries.

Similarly, innovative mechanisms for financing climate action require specific expertise, which is often difficult for African countries to mobilise. Capacity-building is needed to enable Central African countries to launch green loans and bonds, as is the case in some countries, including Benin. Despite the huge potential for participating in the voluntary carbon market, African countries make little use of it because they lack the expertise.

2.4.2 Private sector financing opportunities for climate and green growth in Central Africa

Improving the attractiveness of Central African countries for green growth and climate action financing requires reforms, institutional arrangements and increased financial commitments through a joint effort by governments and the private sector (AfDB, 2019). According to UN estimates, developing countries need to invest around USD 500 billion per year to adapt to climate change and embark on a low-carbon development path (Olhoff, 2015). Countries will have to carry out reforms in the political, institutional, fiscal and financial sectors to attract more domestic and international private financing, as well as more green growth and climate action financing.

2.4.2.1. Accommodating political, fiscal and regulatory framework

Increased private sector participation is required to develop the technological innovations that will advance Africa's low-

carbon growth trajectory. Increasing private sector financing flows for climate action and green growth in Central Africa must be based on a clear definition of green growth and climate actions and business plans to reassure investors.

The adoption of mechanisms for mobilising and monitoring green and climate investments could also accelerate the flow of private financing. **Similarly, appropriate and targeted fiscal incentives,** taxes or subsidies could encourage investment in green growth and climate protection.

These measures should secure resources for governments, increase the volume of investment in green growth or climate action, and create an environment conducive to attracting private investment. For their part, tax incentives could encourage investors to finance green growth or climate action. However, it will be necessary to ensure that these measures do not create distortions that could put countries in difficulty. That is why Central African countries need to carry out cost-benefit analyses of each tax measure before it is introduced. Ideally, tax reforms should be aligned with short- and long-term green growth and climate change management objectives.

2.4.2.2. Increased use of blended financing instruments

The climate and green growth financing needs in Central Africa are significant, and some can be met mainly by the private sector, depending on whether the good to be produced is public or semi-public. Therefore, innovative and novel nature of solutions to the challenges of green growth and climate change call for collaboration between the public and private sectors, to reduce risks and increase the probability of return on investment, and consequently the volume of investments.

Les financements mixtes, l'utilisation de capitaux catalytiques provenant de sources publiques ou philanthropiques – pour augmenter les investissements du secteur privé dans le développement durable – peuvent réduire les risques financiers et accroître le volume des financements verts et climatiques et garantir que les investissements atteignent les résultats souhaités.

Blended financing or the use of catalytic capital from public or philanthropic sources - to scale up private sector investment in sustainable development - can reduce financial risks and increase the volume of green growth and climate financing, ensuring that investments achieve the desired outcomes. **African countries are already major users of blended financing for climate change**, but no Central African country is among the top ten in terms of mobilising blended financing worldwide (Convergence Blended Finance, 2022).

Blended financing could be used to reduce the infrastructure gap in Central Africa, particularly in the agriculture, waste management, forestry, health and other sectors. The growth of blended financing is also linked to the quality of the political environment and legal and regulatory provisions in the countries concerned.

2.4.2.3. Strengthening national financial institutions to bridge the MSME financing gap

Financing climate action and green growth also requires a dynamic domestic financial and banking sector that supports local enterprises, particularly micro, small and medium-sized enterprises in the green economy. The banking sector remains the main lever for the financing and development of enterprises, but in Africa, enterprises find it difficult to access bank financing. Public measures to broaden the range of financing instruments, strengthen financial inclusion and encourage innovation in

the banking sector will enhance the financing of enterprises in the green economy.

The banking sector is more inclined to finance commercial enterprises, especially those operating in the energy sector, and less so when it comes to agricultural and forestry enterprises. Yet, the sound performance of these enterprises in Central Africa is essential to achieving green growth and reducing net emissions. The development of new guarantee and collateral instruments for green investments by MSMEs could unlock capital flows to certain key green growth sectors at national and regional levels.

2.4.2.4. Developing the use of sustainable development financing instruments such as green bonds and credits, or sustainable development bonds and credits

To date, African countries have made little use of innovative financing instruments for sustainable development, although the use of some of these instruments is already sufficiently organized. Indeed, the green and sustainable development securities market is already being used by some developing countries to increase financing for the green economy sectors. The advantage of these new markets is that they can mobilise national and international financing, while, above all, avoiding the risks and costs of financing via the traditional international financial markets.

These new markets can also help to channel some of the financial resources held by the informal sector. Tapping the potential of the new markets requires the development of appropriate expertise, a sound and suitable legal and regulatory framework, and a stable public sector.

Financing can be increased by developing regional stock markets, in particular through the Central African Stock Exchange (BVMAC),

and by broadening the base of institutional investors, to include, for example, pension funds and regional and international sovereign wealth funds.

2.4.2.5. Tapping into the growing interest of national and international private equity and venture capital markets in African economies

Investment and venture capital corporations can provide an alternative to traditional market financing, better suited to the requirements of green economy investments. Enterprises in the green and sustainable economy are generally innovative, young and not easily eligible for traditional forms of financing. Therefore, investment and venture capital funds can provide capital, including on a long-term basis, for green-growth promoting investments.

The role of this type of investor is underdeveloped in Africa. In this area, however, more and more investors are taking an interest in the African continent. Indeed, the continent's growing need for green and innovative technologies is increasing the interest of investment funds and venture capitalists in meeting the needs of green growth. However, tapping into these potential new markets requires sound knowledge of the players involved, their risk profiles and investment objectives, to ensure that they are aligned with the green growth strategies of the countries. Governments can also reduce fiscal barriers to investment, use fiscal levers, particularly in underserved sectors or regions, and develop regional coordination mechanisms conducive to regional investment.

2.4.2.6. Cautious recourse to emerging carbon markets

The Central African region has one of the world's largest stocks of carbon sinks, which can be harnessed not only to generate financing, but also to promote investment in sectors such as natural resources and biodiver-

sity conservation. The region could mobilise between USD 365 billion and USD 811 billion (AfDB, 2022).

These resources could be used to finance forestry and land use, agriculture, renewable energy and household energy efficiency. However, the lack of technical capacity to develop carbon projects that can generate credits, the absence of regulations and institutions to govern the sale of these credits, or the low level of credit generated due to weak monitoring and verification mechanisms could limit the use of the financial mechanisms offered by the carbon market.

2.4.2.7. Strengthen South-South collaboration to increase private sector investment within the continent

Central African countries face common cross-border issues relating to the sustainable management and optimal use of natural resources. Strengthening collaboration between these countries through the development of regional projects can be facilitated by mobilising certain resources to promote green growth. One of the ways of advancing this South-South cooperation is to set up specialised regional mechanisms for financing, project preparation and development and capacity building to unlock private sector financing.

Countries ought to take advantage of regional economic and research institutions to strengthen links between research and governance, as well as with the private sector. In addition, cooperation between research centres and universities would boost the development of innovative solutions adapted to local contexts. *Strengthening research and development programmes linked to universities is also necessary to strengthen the private sector to establish mechanisms for climate change adaptation and mitigation* (Akame et al., 2016).

One of the largest stocks of carbon sinks in the world is found in Central Africa. It could be harnessed to promote investments in sectors such as natural resources and the conservation of the biodiversity, as well as generating financing. It is possible for Central Africa to mobilize between approximately USD 365 billion and USD 811 billion (AfDB 2022)

2.5 Role of development finance institutions (DFIs) and multilateral development banks (MDBs) in facilitating private sector financing for climate transition and green growth

Transition to a green economy is more urgent than ever. The international community is increasingly recognising the responsibility of current development models for environmental degradation and growing social inequalities. Consequently, sustainable and resilient economic development in the face of climate change across the world in general, and in Africa in particular, requires, among other things, a clear overhaul of national and multilateral financing mechanisms to optimally support the acceleration of the implementation of countries' nationally determined contributions (NDCs) and the achievement of the Sustainable Development Goals (SDGs). This objective cannot be achieved without the support of financial partners such as DFIs and MDBs. To ensure a smooth transition, environmental and social outcomes must be taken into account in equal measure.

2.5.1 Role of DFIs and MDBs in facilitating private financing to combat climate change in Central Africa

Development finance institutions (DFIs) and multilateral development banks (MDBs) remain key players in financing development in African countries, and in the financing of green growth and climate action. These institutions mobilise capital from governments, philanthropists and private funds, and use these resources to finance programmes and projects in developing countries. The OECD Report on Climate Finance (2022) indicates that between 2013 and 2020, 24% to 40% of climate financing was mobilised by multilateral development banks¹⁵. In addition, DFIs and MDBs have

access to preferential credit rates on capital markets, and can use this advantage to finance programmes and projects in the green economy and climate change sector.

In the green economy and climate sector, DFIs and MDBs are the main sources of financing for climate action. They also contribute to the development of national and regional policies and strategies focused on the transition to low-carbon green growth. For example, climate financing provided by public or private donors is collected and distributed by MDBs and DFIs such as the Green Climate Fund, the Climate Investment Fund, the Global Environment Facility, and the Adaptation Fund. Furthermore, DFIs and MDBs support countries in mainstreaming climate risks into their investment decisions and ensuring that appropriate adaptation and mitigation measures are taken. Their expertise in climate change is often leveraged by member countries to integrate climate resilience into development, with the aim of reducing the vulnerability of investments to climate shocks. Lastly, DFIs and MDBs are key players when it comes to supporting climate financing innovations.

MDBs are committed. Mindful of the importance of these institutions in green growth and climate action, the African Development Bank (AfDB), the Asian Development Bank (AsDB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank (IDB) and the World Bank Group (WBG) have collectively committed to keeping their respective institutions focused on climate change. This will include further stimulating private sector investment, and continuing to innovate and promote more robust and transparent methods of monitoring and reporting climate change financing.

¹⁵ OECD (2022), Aggregate Trends of Climate Finance Provided and Mobilised by Developed Countries in 2013-2020, Climate Finance and the USD 100 Billion Goal, OECD Publishing, Paris, <https://doi.org/10.1787/d28f963c-en>.

Plans have been drawn up, but resources are lacking. Although most African countries have drawn up strategies and policies for mitigating and adapting to the effects of climate change, the implementation of these strategies and policies is lagging behind in

most cases, due to a lack of funding and qualified human resources. All Central African countries have drawn up national adaptation plans (NAPs) and nationally determined contributions (NDCs), along with financial assessments.

Box 3: The various climate change funds

1- The Special Climate Change Fund (SCCF)

This fund was established in 2001 under the United Nations Framework Convention on Climate Change (UNFCCC) to finance activities, programmes and measures relating to climate change that are complementary to those funded by resources allocated under the Global Environment Facility (GEF) Climate Change focal area, as well as under bilateral and multilateral funds. The Special Climate Change Fund was set up to support mitigation and adaptation activities in sectors vulnerable to climate change. It also targets technology transfer, focusing on environmentally sound technologies with a view to reducing greenhouse gas emissions and improving the adaptive capacity of stakeholders.

2- The Green Climate Fund (GCF) and the Adaptation Fund (AF)

The two most important financial mechanisms of the UNFCCC are the GCF and the AF. The GCF is intended to combat climate change in developing countries in general, and least developed countries (LDCs) and small island developing states (SIDS) in particular. Meanwhile, the Adaptation Fund, aims to finance concrete adaptation projects and programmes in developing countries that are particularly vulnerable to the adverse effects of climate change. LDCs and SIDS are highly vulnerable to climate change, as they are heavily dependent on primary resources for their survival and have very limited technical, technological and financial capacities to cope with climate shocks. The GCF aims to bring about a paradigm shift in low-emission, climate-resilient developing countries, and, to this end, provides facilities for mitigation and adaptation investments. The GCF has a range of opportunities for mobilising resources in several forms, including grants, loans, equity or guarantees to finance activities that help to build the resilience of communities vulnerable to climate change and to low-carbon development. The GCF has targeted 50% of its adaptation allocation at SIDS, LDCs and African States.

3- Global Environment Facility (GEF)

The Global Environment Facility (GEF) was established in 1991 on the eve of the 1992 Rio Earth Summit. Since 2007, the African Development Bank (AfDB) has been the executing agency of this Facility, which brings together 183 member States and works in partnership with the private sector, international institutions and non-governmental organisations. Through strategic investments, GEF works with its partners to address the world's most pressing environmental challenges. It administers several special funds (the Nagoya Protocol Implementation Fund, the Capacity-building Initiative for Transparency, the Least Developed Countries Fund and the Special Climate Change Fund), and serves as the interim Secretariat of the Adaptation Fund. The GEF mainly finances projects related to biodiversity, climate change, land degradation, desertification and deforestation, as well as chemicals and waste management.

4- The Least Developed Countries Fund (LDCF) and the Clean Technology Fund (CTF)

These two major donors dedicated to African countries are administered by the World Bank. The AfDB's Africa Climate Change Fund (ACCF) is also a climate-action financing mechanism exclusively dedicated to African countries. The ACCF was established in 2014 to build the resilience of African countries to the negative impacts of climate change as they transition to sustainable, low-carbon growth. Bilateral climate financing is also dedicated to sub-Saharan Africa. It complements multilateral climate fund flows, including bilateral climate funds from such countries as Germany, the UK and Norway, which are active in Africa.

2.5.2 Overview of GCF-approved financing for LDCs

In the fight against climate change, the African continent benefits from international and continental mechanisms. In 2020, for example, Africa received USD 11 billion through the GCF mechanisms, behind Asia-Pacific, which received USD 14.52 billion (Climate Analytics, 2021). However, this funding falls far short of the needs of African countries, and although the GCF finances three strategic areas of intervention, namely adaptation, mitigation and cross-cutting, this funding is targeted more at mitigation than adaptation, and yet African countries need adaptation funding as a matter of priority.

Central African countries are already experiencing the adverse impacts of climate change, and investments are needed to prepare the countries, populations and infrastructure to cope with climate change. Since the establishment of the GCF, Central African countries have received USD 284 million, or 6.5% of the total climate financing received from the GCF by African countries (Table 7). Around 95% of the funding received was for climate

projects. The DRC and Chad are the two largest recipients of GCF funding, accounting for 28% and 26%, respectively, of the total funding received by the Central African region. On average, Central African countries received USD 41 million in climate financing, compared with the African average of USD 91 million. This may be attributable to the fact that three of the region's seven countries - Gabon, Congo and Equatorial Guinea - are middle-income countries, and therefore attract less funding.

The most vulnerable sectors to climate change in Africa in general and Central Africa in particular are agriculture, energy, water resources, forestry, livestock, ecosystems and coastal protection. The sectors that have benefited most from GCF support are agriculture, forestry and land use (AFAT), including water resource management (Climate Analytics, 2021). Livestock and coastal protection have received the least funding. The high dependence of African economies, in general, and those of Central Africa, in particular, on (rain-fed) agriculture raises fears that the number of people living below the poverty line could increase as a result of climate change (FAO, 2016).

Table 7: GCF-approved financing for Central African countries

Country	Number of preparation funds received	Number of climate financing received	Amount of preparation funds received (USD thousand)	Climate financing received (USD million)
Cameroon	4	6	802.4	38.5
CAR	5	1	1,471.3	39.9
Chad	7	5	2,941.8	74.8
Congo	3	1	966.9	28.98
DRC	9	6	3,438.7	79.18
Gabon	6	4	2,286.8	22.43
Equatorial Guinea	6	0	1,882.7	0
Central Africa	40	23	13,790.8	283.9
Africa	265	280	157,279.3	4,353.5
Central Africa (average)	5.71	3.29	1,970.1	40.56
Africa (average)	4.91	5.19	2,912.6	90.7

Source. GCF Open Data Library (2023)

2.5.3 Future actions/policies required of DFIs and MDBs

International organisations play an essential role in combating climate change in Central Africa. This role ranges from the development of new environmental and forestry measures to their implementation in this geographical area.

International organisations support the implementation of activities to combat climate change in Central Africa. Support in the context of international cooperation is essential to mobilise the resources (financial, human, technical and technological) needed to enable Central African States to fulfil their responsibilities in terms of climate stabilisation. In this regard, a number of mechanisms have been developed and implemented under several projects. Reducing Emissions from Deforestation and Forest Degradation (REDD+) and the Clean Development Mechanism (CDM) are some of the tools that could help stabilise the climate by protecting forests in the Central African region.

The crucial role of forests as carbon sinks is well known. To reduce deforestation, financial incentives have been put in place, along with mechanisms and projects for cutting greenhouse gas emissions caused by deforestation and forest degradation (REDD).

Pilot phases were implemented in several states by the United Nations REDD Programme Fund, as well as by the World Bank's Forest Carbon Partnership Facility. REDD+, which was set up later, is a process that supports the efforts of Central African states, by providing a policy and incentive framework for reducing deforestation and forest degradation. In this respect, REDD+ helps to increase forest carbon stocks, mainly through conservation measures and, to a lesser extent, through sustainable management measures.. REDD+ came into being in 2005, but its importance "was not fully and formally recognised until December 2015", when the 197 parties to the UNFCCC adopted the Paris Agreement, a landmark international pact aimed at controlling climate change.

The recognition of REDD+ in the Paris Agreement was perceived as a way of highlighting and validating systems that encourage developing countries to conserve forests in a context of poverty reduction and economic development. To test this mechanism, pilot phases have been launched by the International Model Forest Network through the "Model Forest" project, a mechanism that enables sustainable forest management while also taking REDD+ into account. There are several model forests around the world in general, and in Central Africa in particular, including those of Campo Ma'an and Dja et Mpomo in the South Region of Cameroon.

All in all, it is important to have viable financial resources and investments to deal with climate change, to reduce emissions, promote adaptation to effects already underway and build resilience. That said, the benefits derived from these investments remarkably outweigh any costs that may be initially incurred. Consequently, the various players need to take coordinated action, in line with the SDGs to be met. Several measures can be taken at different levels.

At national level. There is an urgent need to:

- strengthen the institutional framework;
- build capacity to develop financially sustainable projects and access international capital (Farka, 2020);
- mainstream climate budgeting into national, local and community development and planning programmes;
- establish and strengthen mechanisms for monitoring and evaluating financial flows and needs at state level;
- ensure and operate direct access to funding, giving priority to the most vulnerable segments of the population, particularly indigenous peoples and women; and
- encourage and develop the management of financing for and by Africa

through support for the establishment or consolidation of national entities and the active participation of African civil society.

As part of this roadmap, and beyond 2020, it is important to include a balanced allocation objective in the adaptation target, by allocating at least 50% of public funding to adaptation, in the form of grants. In other words, adaptation is a special priority for the poorest, most vulnerable and undercapitalised countries. Therefore, it is necessary to rebalance the allocation of funds in their favour. This funding should come from the public budget and in the form of grants, since the poorest countries are faced with impacts for which they are not responsible and with which they cannot cope.

2-What should the AfDB do? Apart from its primary objective of reducing poverty in African countries by contributing to their sustainable economic development and social progress, the AfDB should also:

- Use the resources at its disposal to finance investment projects and programmes, while prioritising projects aimed at preserving the climate environment;
- Mobilise resources through co-financing operations with bilateral and multilateral development agencies to finance the fight against climate change and promote green growth;
- Provide any technical assistance that Africa may need to select, appraise and prepare green growth development projects; and
- Promote dialogue and consultation on issues concerning Africa's development through climate change and green growth.

What should other DFIs and MDBs do?

To achieve significant green growth, Central African countries will need to focus their investments on other non-infrastructure sectors that generate social and environmental development outcomes, such as education and health. To capitalise on this progress, the various stakeholders involved in development and climate change in Central Africa will need to pool their efforts:

- The governments of Central African countries should develop green growth policies and strategies to provide high-level guidance to national and international private and public sector players on priority sectors and areas for investment. These policies should also be supported by detailed priority project costs and regulations to ensure that investments generate the desired green growth outcomes.
- Central African governments should honor their commitments under the Paris Agreement to mobilise USD 100 billion in climate financing for developing countries to support adaptation and mitigation.
- On the other hand, the national and international private sector is increasingly required to demonstrate pro-climate good judgment in the allocation of its investments. They are committed to decarbonisation and sustainability, and should therefore make a concerted effort to ensure that financial allocations are channelled to the African continent.
- MDBs and DFIs, for their part, should leverage their resource mobilisation power to reduce the risks associated with green growth investments in Central Africa by providing grants and concessional financing to support capacity building and innovation, and help build private sector confidence in African markets.

2.6 Policy recommendations

Based on the analyses carried out, policy recommendations have been made for each stakeholder in the green growth and climate action ecosystem in Central Africa.

2.6.1 Governments of Central African countries

Each country must work, in a participatory and inclusive way with all stakeholders, to develop sound green growth policies and guidelines. To this end, governments should in particular:

- i. Develop policies to encourage private sector financing strategies for green growth and climate change (with specific targets, milestones and costs) to provide strong signals to national and international stakeholders on countries' priorities in this sector.
- ii. Establish strong, consistent regulations to educate and raise awareness among the general public about the importance of achieving green growth and combating climate change.
- iii. Establish sound and coherent regulations on the mobilisation of financial resources to promote green growth and climate action.
- iv. Strengthen national data collection and processing capacities to facilitate a clear definition of needs and actions to be implemented.
- v. Enhance governance systems to ensure that the proceeds of private sector finance mobilisation generate the expected and maximum impact for green growth.
- vi. Encourage regional financial integration to deepen potential markets and expand opportunities for investors.
- vii. Promote the use of blended (public and private) financing instruments to secure additional funding from the private sector.
- viii. Identify and implement policies to support

and transform micro and small enterprises through capacity building, incentives, infrastructure development, facilitation of access to financial markets, and the formalisation of the largely informal business landscape in Africa as a whole.

- ix. Identify and articulate investment barriers and opportunities, and clearly define short-, medium- and long-term investment plans.

2.6.2 National and international private sector

Private sector involvement in green growth and climate action is on the rise, but falls short of what is needed, and national and international players should take action to meet the challenge. They should therefore:

- i. Identify national and international private sector actors who can play a direct or indirect role in green growth and climate action.
- ii. Identify and articulate investment barriers and opportunities, and clearly define short-, medium- and long-term investment plans.
- iii. Work with governments, other private sector players, DFIs and MDBs to raise the necessary financing.

2.6.3 Development Finance Institutions (DFIs) and Multilateral Development Banks (MDBs)

DFIs and MDBs can support increased private financing for the green economy

and climate action through initiatives aimed at:

- i. Developing the issuance of concessional financing for green growth and climate change projects, so as not to push countries further into debt.
- ii. Developing and accelerating sustainable debt management mechanisms.
- iii. Promoting the deepening of capital markets to enable greater mobilisation of sustainable financing by providing affordable financing through national capital markets.
- iv. Developing and deploying financing mechanisms for project development to bridge the financing gap.
- i. Financing the transformation of project ideas into investment-ready projects.

2.6.4 The African Development Bank (AfDB)

In its efforts to support African economies, the AfDB should continue to work closely with other MDBs and DFIs to share knowledge that can inform the development of private sector financing instruments tailored to the African context. The Bank should also contribute to the preparation of investment plans and national platforms, and support the continued growth of the African capital market landscape by collecting, managing and disseminating information and data on African capital markets to foster the development of transparent capital market pricing mechanisms and the enhancement of the skills of capital market actors.

NATURAL CAPITAL FOR CLIMATE FINANCE AND GREEN GROWTH IN CENTRAL AFRICA

KEY MESSAGES

- **Countries of the Central African region are richly endowed with natural resources, which account for a significant proportion of their gross domestic product (GDP).** The region has enormous natural resource potential, including agricultural land, water, forests, oil, gas, minerals and wildlife. Oil is one of the region's most exported resources, accounting for over 50% of total exports in most countries.
- **The region is also richly endowed with forest resources.** In terms of surface area, as of 2022, natural forests in Central Africa accounted for 221,036,000 hectares (or 99.84% of total forest resources), and planted forests for 356,000 hectares (or 0.16% of the total). Gabon and Cameroon have iron, Gabon has manganese, Cameroon has aluminium, the Central African Republic has gold and diamonds; Cameroon, Congo and Chad produce sugar and Equatorial Guinea produces methanol. Of all these countries, the DRC is the most endowed with mineral resources. Gabon is the region's leading oil producer. As for gas, Congo has been one of the main producers since 2008. In most countries of the Central African region, more than 10% of agricultural land is arable.
- **The natural resources available to the countries of Central Africa provide an opportunity for financing climate action and green growth. In addition to this opportunity, the region can also tap into international financing sources.** The Global Environment Facility (GEF) and the Adaptation Fund (AF) are both sources of international financing. There is also the Green Climate Fund (GCF) of the United Nations Framework Convention on Climate Change (UNFCCC).
- **In terms of economic policy options for increasing the contribution of natural resources to climate action and green growth, it is essential to control the use and management of natural resource rents.** All actors, such as governments, bilateral donors

and enterprises, have a role to play in promoting full transparency in contract negotiations and in the operations to ensure that Central African countries maximise revenues from natural resource investments.

- **A mutual green fund for Central African countries and institutional support** could be set up through levies on natural resource exploitation in these countries, which would provide joint financing for climate change in the region.

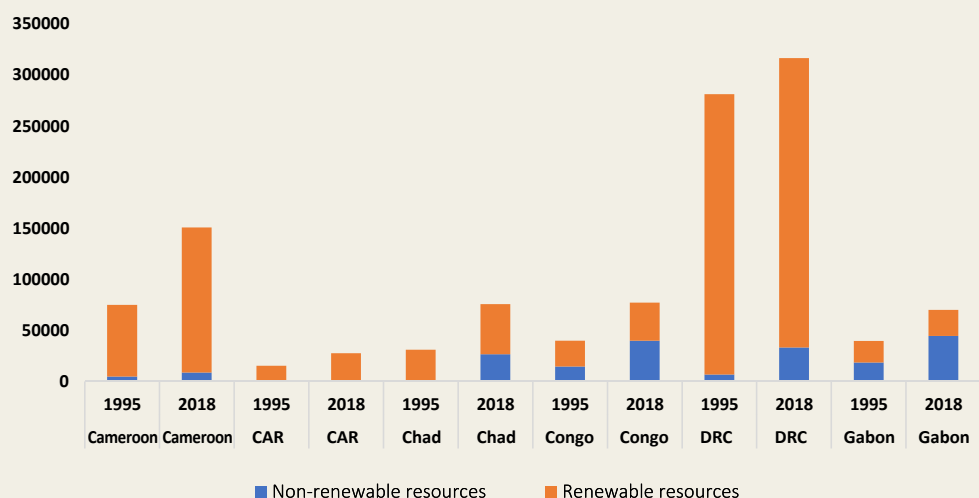
3.1 Overview of Central Africa's natural resources

3.1.1 Overview of the region's natural capital

Central Africa is a region with high natural

and hydrological potential. It is rich in natural resources, including agricultural land, water, forests, oil, gas, minerals and more. These various natural resources are classified as renewable and non-renewable.

Figure 25: Natural capital value in Central Africa over the periods 1995 and 2018



Source: World Bank (2021)

3.1.1.1. Non-renewable resources

Central Africa abounds in various types of subsoil products. Gabon and Cameroon have iron, Gabon manganese, Cameroon has aluminium, the Central African Republic gold and diamonds, Cameroon, Congo and Chad have sugar and Equatorial Guinea has methanol. The production of these non-renewable commodities is growing in terms of contribution to the countries' GDP. The DRC has the highest mineral value (Fig. 26), which increased sharply between 1995 and 2018, particularly in 2017, when it reached USD 49.2 million.

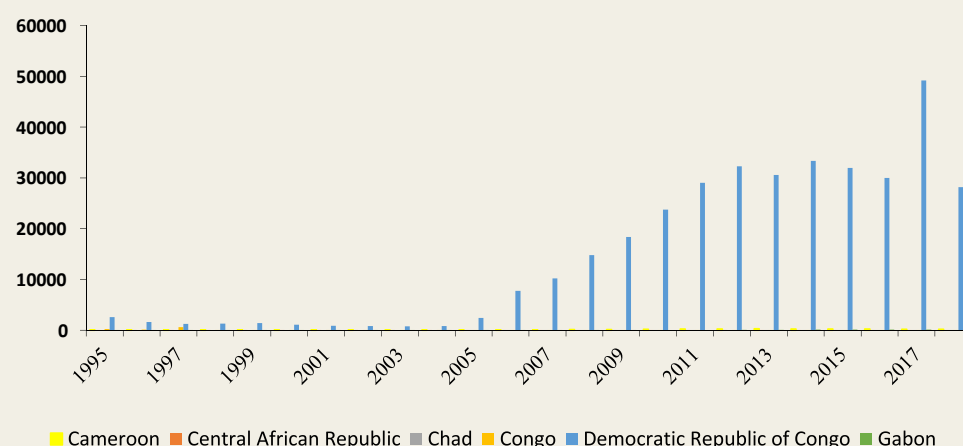
As for peatlands – wetlands where the soil contains a pile of partially decomposed organic

matter - it is estimated that there are 145,500 km² in Central Africa. The peatlands of the central basin of the Congo Basin straddle the Republic of Congo and the Democratic Republic of Congo (DRC). It is worth noting that they cover almost 3% of the earth's surface area (Dargie et al. 2017).

Gabon is the leading oil producer in the Central African region (fig. 27), followed by Congo, whose production also appears to be significant, with an annual production value of over USD 20,000 million between 1995 and 2018. Chad has maintained a certain leadership in this sector since 2003, establishing itself as the region's third-largest producer. In Cameroon, the cost of oil production has been declining since 2014.

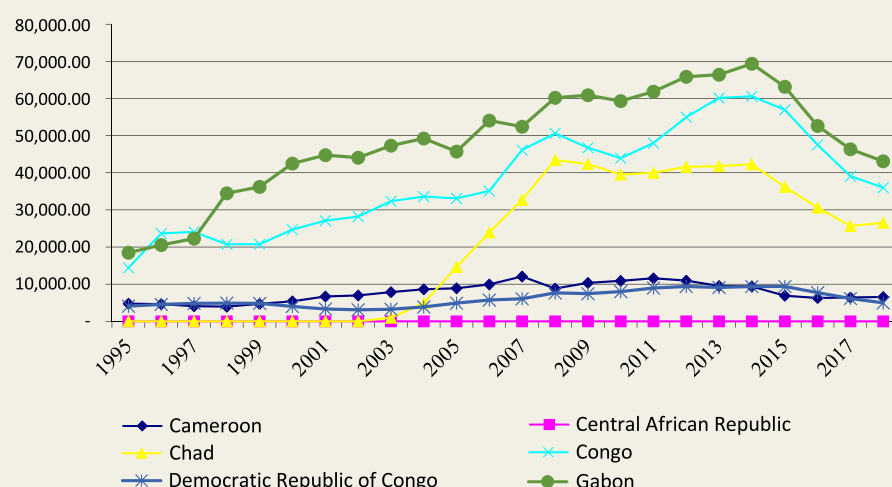
Central Africa is a region with high natural and hydrological resources, including agricultural land, water, forests, oil, gas, minerals and more

Figure 26: Value of minerals in Central African countries 1995-2017



Source: AfDB statistics, 2021

Figure 27: Value of oil in the region

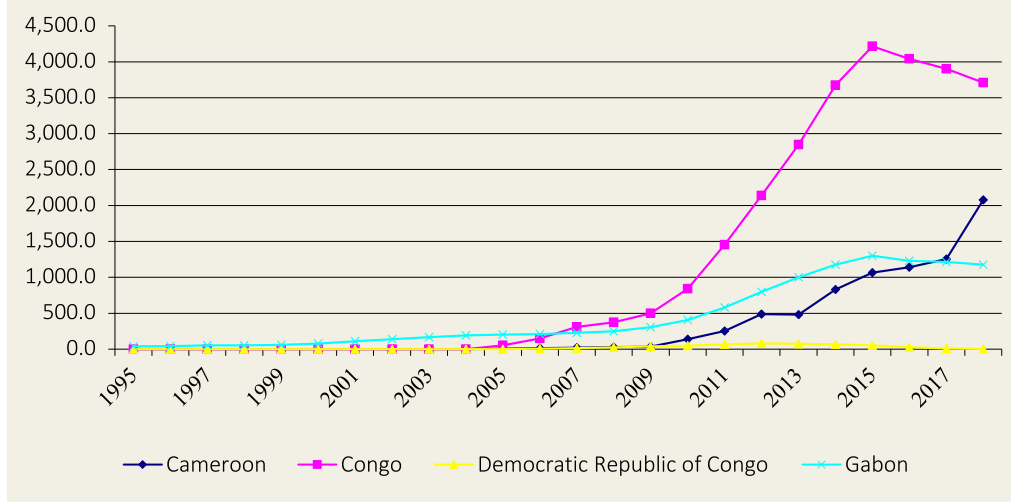


Source: AfDB statistics, 2021

With the exception of Gabon, which has been producing natural gas since the 1990s, the countries of the region endowed with this non-renewable resource became interested in its extraction in the 2000s. Since 2008, Congo has been one of Central Africa's leading gas producers. Its production

costs have risen steadily, reaching USD4.214 billion in 2015. Since 1999, Gabon has improved its policy with rising extraction costs. In Cameroon, natural gas production increased exponentially between 2010 and 2018. During this period, the value rose from USD 50 million to USD 2 billion.

Figure 28: Value of gas in the region 1995-2018

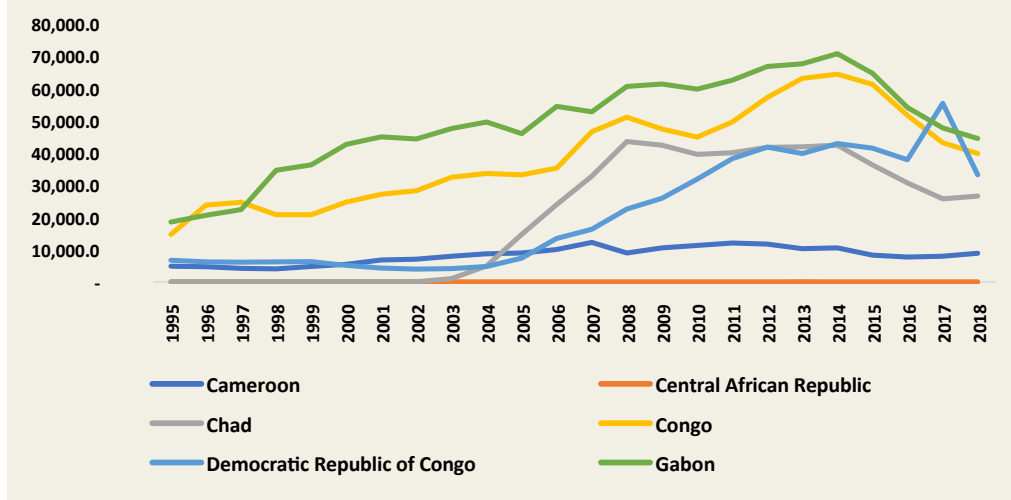


Source: AfDB statistics, 2021

Thus, the total value of nonrenewable assets in Central African countries has grown, albeit unevenly, as shown in Figure 29.

Only the Central African Republic has yet to really benefit from these non-renewable resources.

Figure 29: Total value of nonrenewable assets in Central African countries from 1999 to 2018



Source: AfDB statistics, 2021

3.1.1.2. Renewable resources

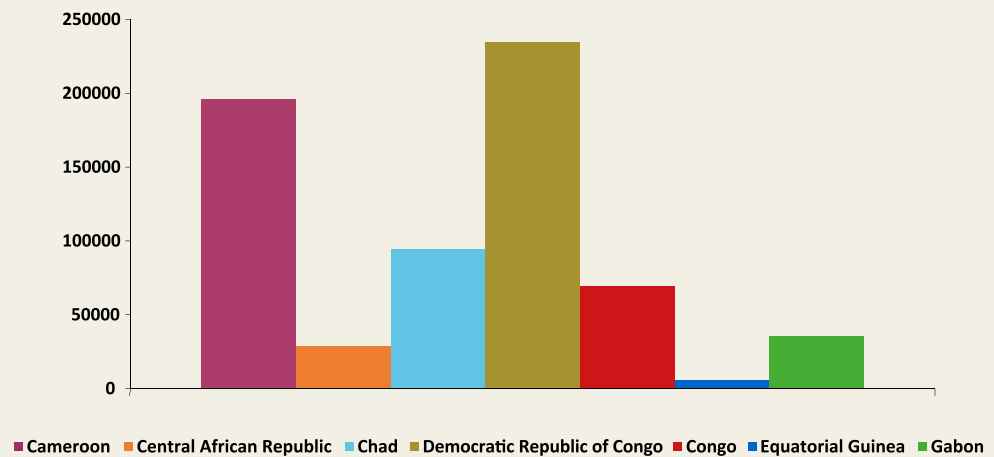
The coasts of Central Africa are rich in fisheries resources. Livestock graze in land-locked countries such as Chad and the

Central African Republic, as well as in the hinterland of Cameroon. The Democratic Republic of Congo accounts for the bulk of Central Africa's fish production (Fig. 30). Its average production between 2000 and 2020

was estimated at more than 234,240 metric tonnes, higher than that of the other countries. Cameroon's average production is also high,

at 195,969.51 tonnes between 2000 and 2020. These are all opportunities for the blue economy.

Figure 30: Average fish production in metric tonnes from 2000 to 2020

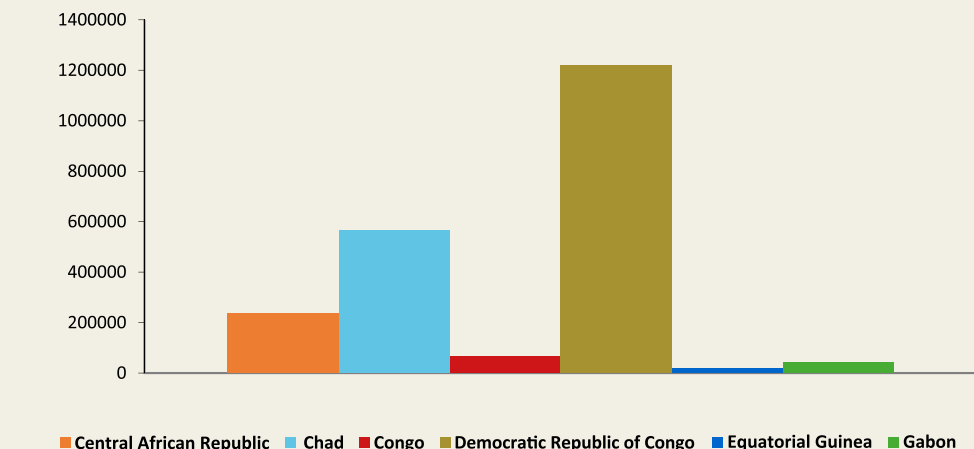


Source: AfDB statistics, 2021

The Democratic Republic of Congo has the largest area of grasslands and pastures (Fig. 31) in Central Africa, estimated at an average of

1,218,283 hectares between 2000 and 2020. Grazing activities are less common in Equatorial Guinea.

Figure 31: Average area in hectares of grasslands and pastures from 2000 to 2020



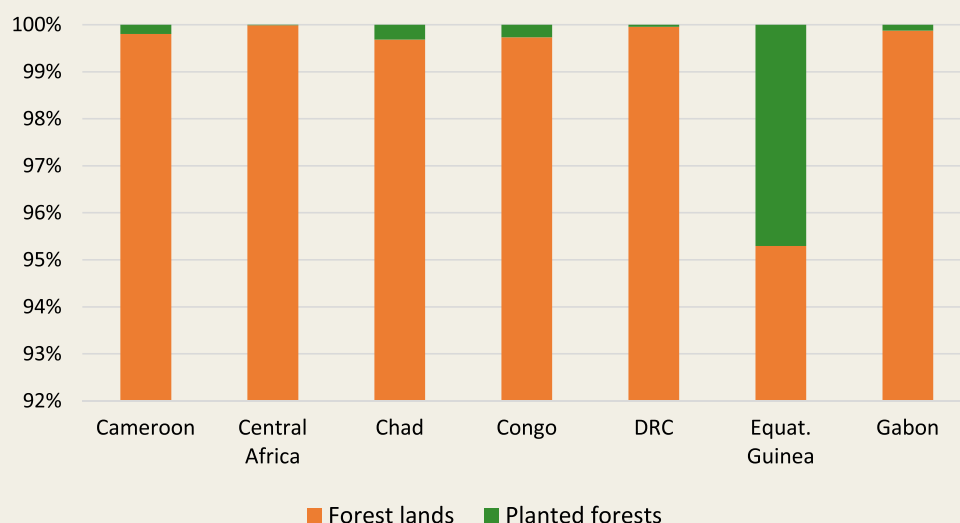
Source: AfDB statistics, 2021

Forests and woodlands cover around 45% of Central Africa's surface area and account for 37% of Africa's total forest cover. As a result, most countries in the region are heavily forested. In Gabon, the forest covers 88% of the country's surface area, while in Cameroon, the Democratic Republic of Congo and Equatorial Guinea forest cover exceeds 50% of the national territory. Chad is an exception due to its location in the northern part of the region and its arid environment.

Central Africa's forest network includes the second largest continuous tropical forest in

the world, and therefore plays a very important role in carbon sequestration and potential climate change mitigation (Forest Declaration Assessment, 2022). The Democratic Republic of Congo alone has 134 million hectares of forest, or 20% of Africa's total forest area. It ranks seventh in the world after Russia, Brazil, Canada, the United States, China and Australia. The Democratic Republic of Congo accounts for 10% of the world's tropical forests and over 60% of the Congo Basin's forests, with a total forest area of around 155.5 million hectares, making it home to the second largest tropical rainforest in the world.

Figure 32: Average area (in hectares) of natural and planted forests from 2000 to 2020



Source: AfDB statistics, 2021

In terms of agriculture, there are several types of crops, especially in the cash crop sector. In Cameroon, cash crops consist of cocoa, coffee, bananas, natural rubber and raw cotton. Gabon's presumed cash crops are cocoa, coffee and natural rubber. In

Equatorial Guinea, cocoa and coffee are the main cash crops. The Central African Republic produces more tobacco, coffee and raw cotton. Due to Chad's location, its climate only supports the production of cottonseed (BEAC, 2021).

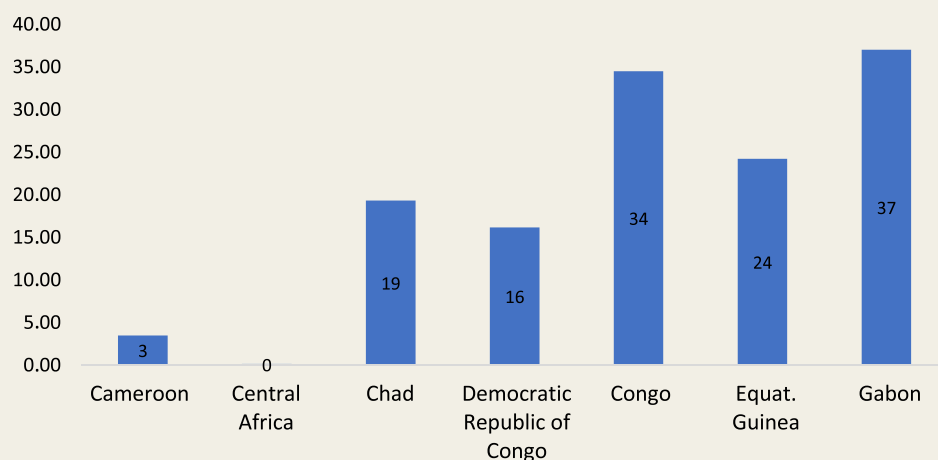
3.2 Approaches to increasing the contribution of natural capital to climate change and green growth financing in the region

3.2.1 Opportunities relating to non-renewable resources (minerals, fossil fuels, etc.)

Non-renewable natural resources offer opportunities for financing climate action and green growth in Central African countries. Mining resources account for a significant proportion

of production in some Central African countries. In Gabon, the average contribution of mining resources to GDP was 37.03% over the 2018-2022 period. In the Republic of Congo, Equatorial Guinea and Chad, over the same 2018-2022 period, mining resources accounted for 34.5%, 24.20% and 19.31% of GDP, respectively. In Cameroon and the Central African Republic, mining resources made up 3.48% and 0.13% of GDP, respectively. Thus, in most countries of the Central African region, mining resources make up more than 15% of GDP.

Figure 33: Share of non-renewable resources in GDP in Central Africa (in %)



Source: UNCTAD statistics (2022)

Petroleum products are the most exported mining resources in the majority of Central African countries. In Chad, they accounted for 89.85% of resource exports over the 2018-2022 period (Fig. 34). In the Republic of Congo and Equatorial Guinea, these products made up 71.68% and 66.92% of exports, respectively over the same 2018-2022 period. In Gabon, Cameroon and the Democratic Republic of Congo, they accounted for 55.76%, 38.13% and 3.36%, respectively, of exported resources over the 2018-2022 period. In the Central African Republic, they made up 0.06%.

In some countries of the Central African region, natural and manufactured gas exports account for a significant proportion of mining resource exports. This is the case in Equatorial Guinea, where natural and manufactured gas exports accounted for 22.22% of exports over the 2018-2022 period. Another example is Cameroon, where natural and manufactured gas exports represented for 5.87% over the 2018-2022 period. Minerals and non-ferrous metals account for a significant share of resource exports from some Central African countries. In the Democratic Republic of Congo, metal ores account for 10.86% of exports and

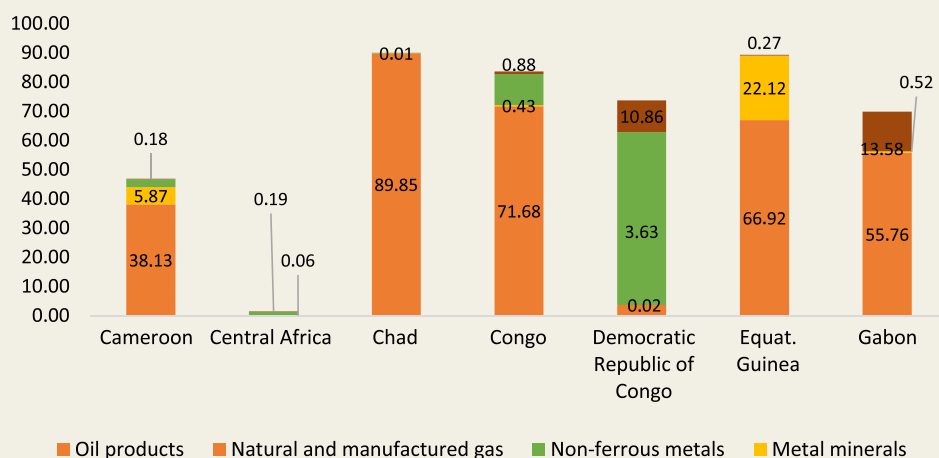
Non-renewable natural resources offer opportunities for financing climate action and green growth in Central African countries

non-ferrous metals for 59.21%. In Gabon, metal ores make up 13.58% of exports.

Petroleum products offer more opportunities

for mobilising financing for most Central African countries, but in some countries, **natural manufactured gases and metal ores also offer opportunities for mobilising financing.**

Figure 34: Exports of non-renewable resources from Central Africa



Source: UNCTAD statistics (2022)

Exports of non-renewable natural resources generate substantial financial resources for Central African countries, particularly oil

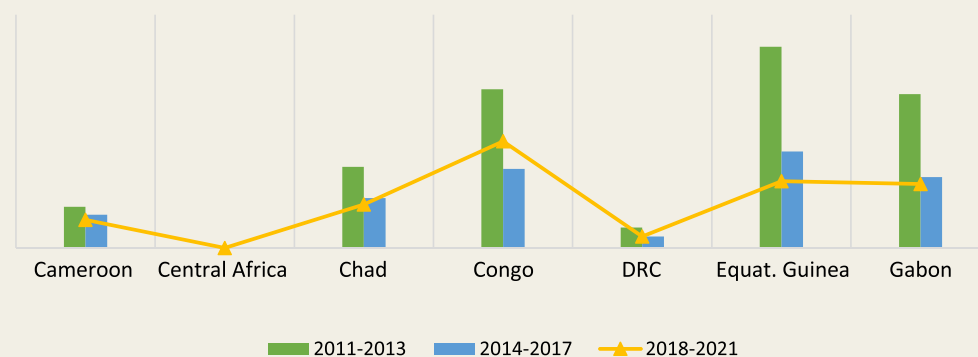
(Table 8), with the exception of the Central African Republic, where the amount of oil exports is insignificant regardless of the period.

Table 8: Exports of oil resources in Central Africa in USD million 2011-2021

Country	2011-2013	2014-2017	2018-2021
Cameroon	2 119	1 707	1 742
Chad	4 179	2 570	2 234
Congo	8 166	4 866	5 487
DRC	1 046	592	588
Equatorial Guinea	10 350	4 961	3 434
Gabon	7 911	3 646	3 296

Source: UNCTAD statistics (2022)

Figure 35: Oil export revenues in Central African countries 2011-2021 (millions USD)

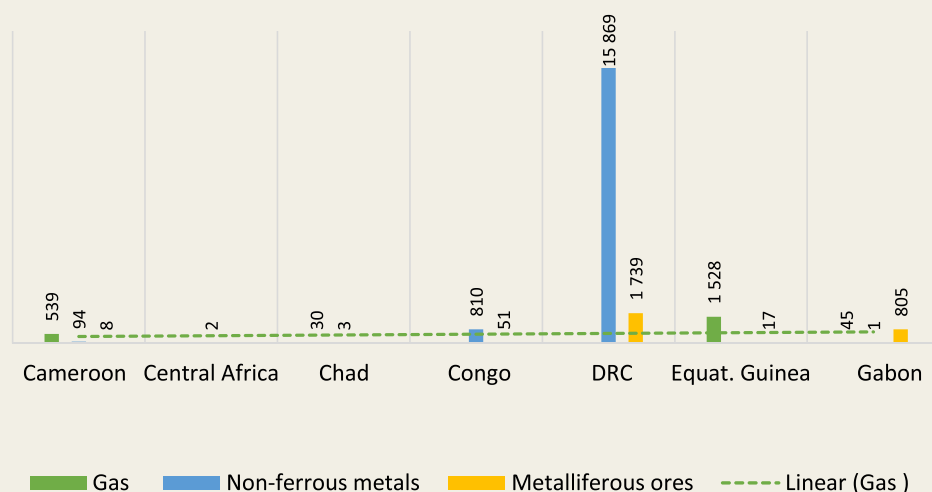


Source: UNCTAD statistics (2022)

In 2021, gas exports yielded USD 539 million for Cameroon (Fig. 36). In Equatorial Guinea and Gabon, gas exports fetched USD 1,528 million and USD 45 million, respectively, in the same year. Ferrous metal exports brought in USD 15,869 million in the DRC, USD 810 million in Congo and USD 94 million in Cameroon. In the Central African Republic, Chad and Gabon, ferrous metal exports yielded USD 2 million, USD 3 million and USD 1 million, respectively.

Concerning metal ores, export revenues were USD 1,739 million for the DRC, USD 805 million for Gabon and USD 51 million for Congo. For Equatorial Guinea and Cameroon, export earnings from metal ores in 2021 were USD 17 million and USD 8 million, respectively. This makes Equatorial Guinea the largest gas export earner in the Central African region. The DRC derives the highest export earnings from non-ferrous metals and metal ores in the region.

Figure 36: Export revenues from gas, non-ferrous metals and metal ores in 2021 (USD million)



Source: UNCTAD statistics (2022)

3.2.2 Opportunities offered by renewable resources (fisheries, forestry, agriculture, grazing, etc.)

Renewable resources also offer enormous opportunities for mobilising financial resources for countries of the Central African region.

They are replenishable over time, and can generate profits endlessly if the extraction rate does not exceed the regeneration rate. In the Central African region, there were 5,080,000 hectares of agricultural land in 2020, of which 1,800,000 hectares, or around 29.03%, were arable¹⁶. Concerning the specific case of the countries, in Cameroon¹⁷, 9,750 hectares were agricultural land in 2020, of which 6,200 hectares, or 63.6%, were arable land. In Chad, the agricultural area in 2020 was 50,238 hectares, of which 5,200 hectares, or 10.5%, were arable. The Republic of Congo had 10,628 hectares of agricultural land in 2020, of which 550 hectares, or 5.18%, were arable. The Democratic Republic of Congo had 33,572 hectares of agricultural land in 2020, of which 13,477 hectares, or 40.1%, were arable. Equatorial Guinea had 189 hectares of agricultural land in 2020, of which 139 hectares, or 73.5%, were arable. Gabon's agricultural area was 2,213 hectares in 2020, of which 325

hectares, or 14.7%, were arable. The Central African Republic has over 15 million hectares of arable land, of which only 5% is farmed annually.

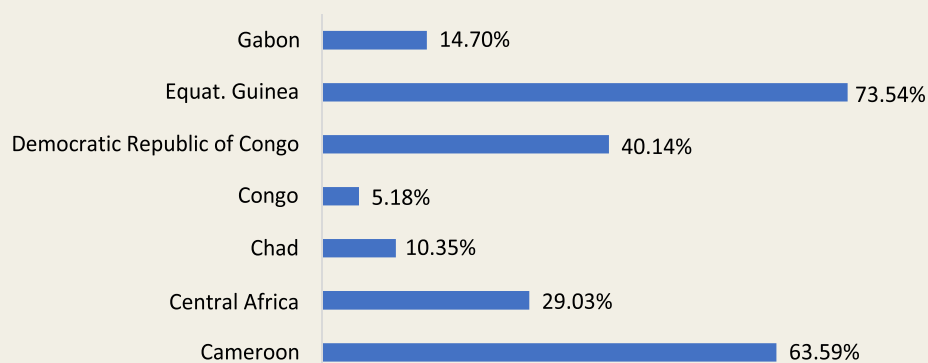
Arable land plays an important role in ecosystem rehabilitation.

The availability of sufficient arable land makes it possible to carry out ecosystem rehabilitation activities (Fig. 34), by reducing environmentally destructive land-use practices. So, regardless of any financial resource mobilisation, the availability of abundant arable land in Central Africa provides a major opportunity for the region's green economic growth. In this region, arable land accounts for between 5.2% and 73.5% of the total agricultural area, with most countries having more than 10% arable land. Equatorial Guinea has the highest share in the Central African region, with arable land accounting for 73.5% of agricultural land. In Gabon, the proportion stands at 14.7%. In Cameroon, the Democratic Republic of Congo and Chad, it is 63.6%, 40.1% and 10.4%, respectively. In the Central African Republic, arable land accounts for 29.0% of agricultural area. The Republic of Congo is the least endowed country in the region, with arable land making up 5.2% of its agricultural land.

¹⁶ We summed up the areas of agricultural and arable land for all seven countries of Central Africa, as defined by the AfDB; The base data is that of the FAO, 2019

¹⁷ FAO data, 2009. <https://www.fao.org/country-profiles/fr/>

Figure 37: Arable land in Central African countries



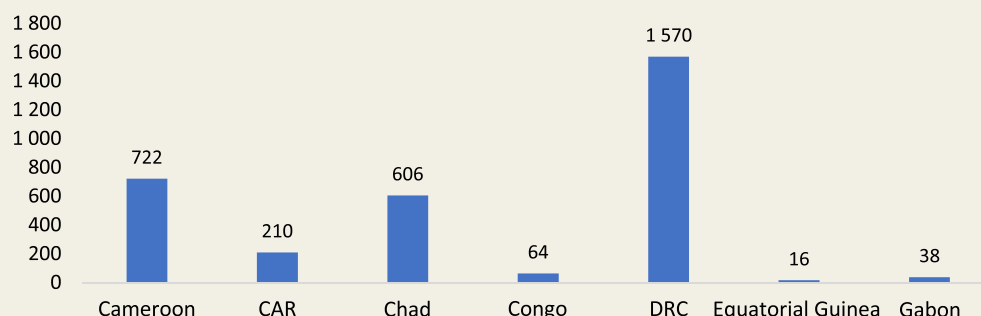
Source: FAO statistics (2020)

The total surface area of forest resources in the Central African region was 221,036,000 hectares (99.84% of forest resources), while planted forests accounted for 356,000 hectares (0.16% of forest resources) in 2022. The area of natural forest in countries of the Central African region ranges from 4,313 to 126,155 hectares. The Democratic Republic of Congo has the largest area of natural forest, at 126,155 hectares. It is followed by Gabon (23,531 hectares), the Central African Republic (22,303 hectares), Congo (21,946 hectares), Cameroon (20,340 hectares) and Chad (4,313 hectares). Just as with arable land, the availability of huge forest resources in Central African countries constitutes a major opportunity for green growth in the region, thanks to their role in the rehabilitation

and protection of the ecosystem. In addition to their role in ecosystem rehabilitation and protection, natural forests also provide other benefits, including extremely high levels of biodiversity, with vast untapped potential for agricultural, pharmaceutical and nutritional applications.

Moreover, grazing land is one of the renewable resources of countries of the Central African region (Fig. 38). The Democratic Republic of Congo has 1,570 hectares of grazing land, while Cameroon, Chad and the Central African Republic have 722, 696 and 210 hectares of grazing land, respectively. As for the Democratic Republic of the Congo, Gabon and Equatorial Guinea, they have 64, 38 and 16 hectares of grazing land, respectively.

Figure 38: Grazing land resource resources in Central Africa

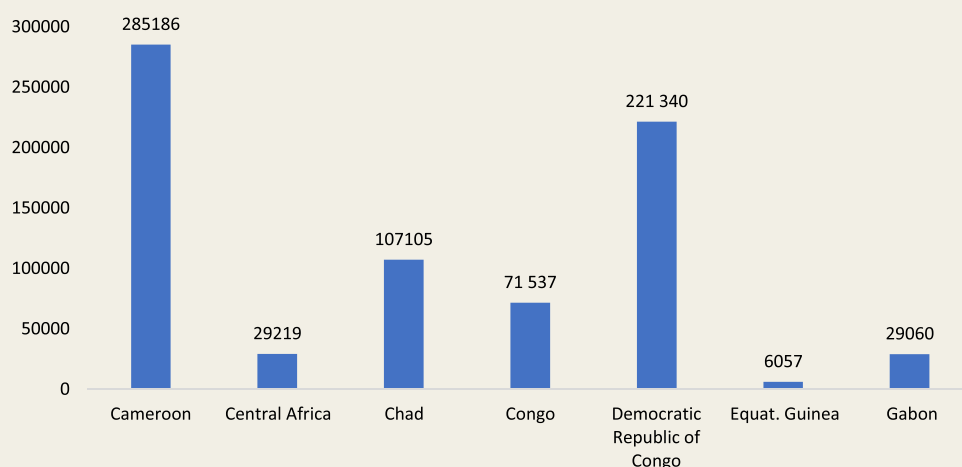


Sources: FAO statistics (2022)

All countries of the Central African region produce fish (Fig. 39). In 2020, fish production was 285,186 tonnes in Cameroon and 221,340 tonnes in the Democratic Republic of Congo. For Chad, the Republic of Congo and the

Central African Republic, fish production stood at 107,105 tonnes, 71,537 tonnes and 29,219 tonnes, respectively. In Gabon and Equatorial Guinea, it amounted to 29,060 tonnes and 6,057 tonnes, respectively.

Figure 39: Fish production in Central Africa in 2020



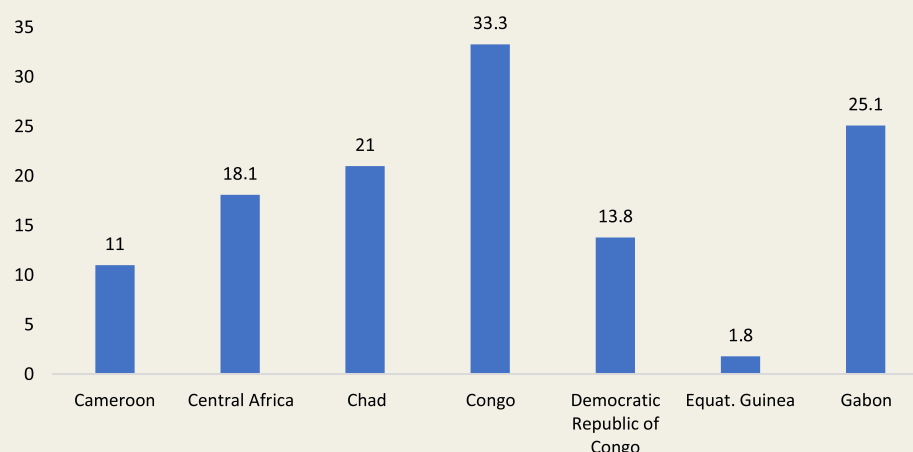
Source: FAO statistics (2020)

3.2.3 Resource conservation opportunities

Faced with the phenomenon of natural resource degradation, the countries of the Central African region have developed measures to protect their forest and marine resources. Protected land and sea areas in the Republic of Congo covered 33.3 hectares in 2021 (Fig. 40). In Gabon, the surface area of protected areas was estimated at 25.1 hectares. In Chad, the Central African Republic, the Demo-

cratic Republic of Congo and Cameroon, they cover an area of 21 hectares, 18.1 hectares, 13.8 hectares and 11 hectares, respectively. In Equatorial Guinea, they cover a surface area of 1.8 hectares. The Republic of Congo has the largest protected land and sea areas in Central Africa. Equatorial Guinea, for its part, has the smallest size of protected area. These protected areas, which are biodiversity reservoirs for endemic, endangered and vulnerable species, etc., can also help the countries of Central Africa to mobilise resources for green growth.

Figure 40: Protected land and sea areas in Central Africa in 2021



Source: FAO statistics (2022)

3.2.4 Other opportunities

In addition to the opportunities offered by renewable and non-renewable natural resources for Central African countries to combat climate change, there are other opportunities provided by the policy measures introduced by countries to combat climate change. In 2015, Cameroon adopted a national plan to combat climate change, which was reassessed in 2021. The new plan defines revisited actions for combating climate change in the country, including the sustainable development of rural and urban areas, the strengthening of sustainable management and enhancement of forests and biodiversity through spatial land monitoring, rehabilitation of degraded lands and reforestation of anthropogenic savannahs, and strengthening of carbon sinks in degraded forests (NDC, 2021).

In Gabon, one of the measures taken by the Government to combat climate change is forest protection. To this end, in 2002, the country launched the creation of 13 national parks covering 3 million hectares, or 11% of the country's surface area. To create these parks, 1.03 million hectares of logging permits were

cancelled between 2004 and 2007. In its Green Gabon Plan, the Government has demonstrated its firm commitment to sustainable forest management. These measures are implemented through the Green Gabon Operational Plan (POGV) [CNC, 2022]. It is worth noting that this Operational Plan promotes the preservation and sustainable management of forest, aquatic and agro-pastoral ecosystems that support the economic activity of seven associated sub-sectors: timber and non-timber forest products, bushmeat, fishing, aquaculture, agriculture and livestock.

Like Cameroon and Gabon, **the Republic of Congo** has also taken steps to combat climate change. One of its strategies focuses on the conservation of forest ecosystems and biodiversity. To this end, through its National Climate Change Adaptation Plan (PNACC) 2022-2026, the Government plans to involve indigenous populations in the negotiation of social clauses with logging and mining companies; raise awareness among the various players involved in forest exploitation about violence and human rights in indigenous communities; initiate pilot projects in non-timber forest product (NTFP) sub-sectors with indigenous communities;

encourage reforestation programmes and the implementation of sustainable fishing and fish farming programmes.

While all these measures concern forest resource protection, other public measures, also proposed by the Government, provide opportunities to combat climate change and achieve green growth. In this respect, worthy of mention are the following measures in the agricultural sector:

- selection of resilient varieties by agricultural research centres and universities;
- establishment of a dynamic agricultural calendar for each crop, with the involvement of agro-meteorologists and agronomists;
- training of extension journalists at rural radio stations in climate risk early warning; and
- use of agro-meteorology to prevent climatic risks

In the area of water and sanitation, the Government plans to enhance the resilience of water resources through innovations and changes in practices, such as building water supply infrastructure in villages and rapidly expanding urban areas, and improving the prevention of extreme weather events and flooding through early warning or improved systems (MEDD, 2021).

Chad also has a number of instruments and programmes for combating climate change. In 2009, the country developed the Chad National Climate Change Adaptation Plan, which includes priority actions such as soil fertility management and restoration, education, information and communication on climate change. The plan was subsequently reviewed, leading to the inclusion of measures relating to the conservation of natural resources, as in the case of Gabon and the Republic of Congo. Thus, a

National Climate Change Strategy (NCCS) was drawn up, providing strategies for effectively combating all factors of environmental degradation and for the conservation and rational use of the country's biological heritage (MEEP, 2017).

The Government of the **Democratic Republic of Congo** has also taken measures that provide opportunities for combating climate change in the country. Mitigation measures cover agriculture, forestry and other land use (AFOLU), including emissions from enteric fermentation, manure management in livestock farming, rice cultivation, agricultural soils, burnt savannahs and agricultural residues, forest emissions and removals, etc., as well as industrial processes and product use (IPPU) in the case of emissions from mining industries (cement, lime, glass, etc.), the chemical industry (ammonia and other acids), the metallurgical industry (iron, steel, lead, aluminium, etc.) and other industrial production (electrical and power equipment, solvents, aerosols, etc.) (MEDD, 2021).

The **Central African Republic** also has instruments and programmes for combating climate change, including a Nationally Determined Contribution (NDC) drawn up in 2016 and revised in 2021, and a National Climate Change Action Plan (NCCAP), with strategies including on gender, as well as a REDD+ strategy. The NCCAP is intended to reduce vulnerability to the adverse effects of climate change by building adaptive capacity and resilience in such areas as agricultural, food security, health, natural resource management and infrastructure.

Climate change adaptation papers for the Central African region also include measures for building the resilience to climate change in rural and urban areas, and which measure are essential for promoting green growth in the country. Moreover, the new CEMAC regulations banning log exports will soon come into force. Furthermore, Gabon has taken the lead by putting an end to log exports and promoting

certification as an instrument of sustainable management.

3.2.5 Opportunities provided by international agreements

Multilateral international agreements can offer African countries opportunities to tap into new resources and markets. An important mechanism for utilising these opportunities is a full commitment to relevant international agreements, such as the implementation of Article 6 of the Paris Agreement concluded under the United Nations Framework Convention on Climate Change (UNFCCC).

Given that the financing needs for measures to combat climate change are greater than the domestic resources of the individual countries, international financing is an important option. **Central African countries can turn to the Global Environment Facility (GEF) for green growth financing.** Established by the World Bank, the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP), the GEF supports environmental projects aimed at combating global warming, soil degradation and water pollution and, more generally, at promoting sustainable development and protecting biodiversity. In particular, the GEF provides financial support for projects that help developing countries achieve the objectives set out in the United Nations Framework Convention on Climate Change, the Convention on Biological Diversity, the United Nations Convention to Combat Desertification and the Stockholm Convention on Persistent Organic Pollutants. As part of the GEF, the Least Developed Countries Fund targets the specific needs of LDCs in relation to climate change, particularly through national global warming adaptation programmes.

Green financing instruments include:

- The GEF, which offers a financing

opportunity that Central African countries could use to combat climate change (Watson and Schalatek, 2021).

- The Adaptation Fund (AF), now mandated to serve the Paris Agreements.
- The Green Climate Fund (GCF) of the United Nations Framework Convention on Climate Change (UNFCCC). Established at the Conference of the Parties (COP) in Durban, the GCF serves as the operating arm of the UNFCCC financial mechanism and the Paris Agreement.
- The International Climate Initiative, launched at the Climate Action Summit 2019, is aimed at reducing emissions, tackling critical concerns such as jobs and gender equality, unlocking finance, building sustainable infrastructure, using nature-based solutions, and advancing adaptation and climate resilience.

3.3 Natural resource Governance in Central Africa

3.3.1 Regional institutions and frameworks for natural resource extraction in Central Africa

In the Central African region, the institutions responsible for natural resource management vary from country to country. In each country, the designated ministry is primarily responsible for natural resource management. These ministries, whose names vary from country to country, set up competent entities in charge of natural resource extraction.

In the Democratic Republic of Congo, for example, the main institution responsible for forest management is the Ministry of Forest Economy (MEF). The natural resource governance framework is defined by the 2000 Forestry Code, supplemented by various related decrees and laws. The main implementing

Multilateral international agreements can offer African countries opportunities to tap into new resources and new markets

decree, published in 2002, defines the conditions for forest management and use. In 2019, a new draft Forestry Code was adopted by the Government. The Government has also taken steps to ensure transparency. To this end, the 2000 Forestry Code makes it mandatory to disclose specific forest-related information, while the 2011 Indigenous Peoples Act requires the publication of information to enable the holding of consultations. Law No. 10-2017 of 9 March 2017 instituting the Code on transparency and accountability in the management of public finance mandates full transparency of public affairs in all sectors and at all political levels. The people's participation is regulated by Law No. 5-2011 of 25 February 2011 on the promotion and protection of the rights of indigenous peoples, which frames in precise terms the participation of indigenous peoples in the process of making decisions on issues that concern them, including their free, informed and prior consent. The communities are also involved in the management of local development funds. The new Forestry Code should enable greater involvement of local authorities in forest management (MEDD, 2021; Tovivo et al., 2020).

In Gabon, natural resources are managed by the Ministry of Water, Forests, Sea and the Environment in charge of Climate Planning and Regional Development, generally known as the Ministry of Water and Forests (MINEF). Forest resources, under the authority of the State, are divided into two categories. The first is the permanent forest domain, comprising production forests; the second is the rural domain, made up of agricultural landscapes encompassing young and mature secondary forests, traditional shifting cultivation areas and villages. In addition to Article 53, which spells out the State's responsibility in terms of protecting natural resources, the Government has rules governing the management of the country's natural resources, and, in particular, legislative and policy provisions aimed at improving forest and

land governance. Forests are regulated by the 2001 Forestry Code, which made it mandatory to implement sustainable management plans for forest concessions. Also worth mentioning are the National Parks Act of 2007, the Environmental Code of 2014, the Sustainable Development Act adopted in 2014, and the Climate Change Act of 2021 (CNC, 2022).

At regional level, the Economic Community of Central African States (ECCAS), established in 1983 and constituting one of the major regional economic groupings in sub-Saharan Africa, defines various management policies in a range of areas, including industry, transport and communications, energy, agriculture, natural resources, and trade. To limit constraints on natural resources, ECCAS has defined sub-regional management tools for settling disputes between its member countries, and for ensuring that natural resources are extracted under appropriate conditions.

Decision makers in African countries have acknowledged that the potential benefits of natural resources are insufficient. For example, many countries have committed to investing in natural resource revenues to improve economic development outcomes (IDEA, 2017). To this end, Central African countries, like the rest of the continent, adopted an African regulatory framework for natural resource management called the African Mining Vision (AMV) in 2009, through the voices of their Heads of State. The AMV is clearly an incentive for transparent, equitable and optimal use of natural resources to support sustainable development and large-scale socio-economic development. The African Development Bank (AfDB), the African Natural Resources Centre (ANRC) and the African Minerals Development Centre (AMDC) are regional institutions that also support African countries, including those in Central Africa, as they strive to improve natural resource governance.

3.3.2 Gaps and new approaches in legal frameworks for effective governance of the region's natural resources

The concept of governance refers to the national decision-making system that maintains checks and balances, and ensures justice and citizen participation in public action. As such, it reopens the debate between the State, the market and civil society. In environmental terms, the legal concept of environmental governance is defined as "the set of rules, practices and institutions that surround the management of the environment in its various forms" (Fontaine, 2007). The legal concept of natural resource management under international environmental law, which prevails in the public sector, remains ambiguous. Conflicts over the management of the optimal use of the world's natural resources have created limitations. The question then arises as to whether it is possible to adopt an intermediate conception, that is, another form of "reasoned" management, as opposed to "maximum" management. This "reasoned management", different from integrated management that aims to "maximise economic and social well-being", could be defined as "management aimed at achieving a lasting balance in the sustainability of natural resources through a shared and mutually supportive desire for their proper and equitable use". This alternative form of management would no longer stop at simply responding to the imperatives of "developing coordinated management of water, land and related resources".

Thus, an intergenerational approach to global natural resource management can, through regional and global governance, restore and strengthen the currently weakened global legal security. To develop an intergenerational legal approach to natural resource management, it is necessary to legally recognise the fundamental nature of natural resources, which stems from the legal recognition of the notions of fragility and scarcity of natural

resources, as well as from the legal recognition of the notion of "environmental territory" that undeniably links human action to the future of endemic environments. Therefore, it is prudent to consider the intergenerational approach to natural resource management and environmental governance not as a fixed concept, but as an iterative process, blending existing institutional spaces, which are locked in a permanent struggle, with institutional spaces yet to be built.

The intergenerational approach to natural resources thus refers to a set of reasoned processes, rules and practices that contribute to the protection, conservation and proper use of the endemic environments in which natural resources are found. It thus refers to the mechanisms and institutions, both formal and informal, that encompass the norms and values, behaviours and modalities around which citizens, organisations and social movements organise themselves. It also refers to the various interest groups defending their differences and exercising their rights in terms of access to and use of natural resources.

The problems of this approach concern both technical, legal and administrative interactions, and attempts to create coherence in the decision-making process. The diversity of scales and geographical players leads to decentralised governance models involving multiple players with heterogeneous logics and overlapping, interlocking or contradictory interests. This new approach should allow each player to manage its natural resources intelligently and sustainably, by facilitating the building of bridges and dialogue between scientific, technical and legal data and local authorities, to create actual joint governance. In this respect, Ramon and Toman (2006) sound a cautionary note on the consequences of not addressing this problem in a proper manner. According to the authors, poorly defined natural resource ownership rights can lead to over-exploitation of resources, a scramble for rents

and even conflict.. To remedy this situation, the authors propose participatory management, involving the private sector, represented by households, in the management of natural resources. Such participation is an important component of natural resource governance indicators (Tovivo et al., 2020).

3.4 Political economy, illicit trade and natural resource-related capital flight in Central Africa

In general, natural resources present political stakes, as reflected in the new geopolitics of natural resources, but also in the management of conflicts in natural-resource endowed countries. Natural resources present several types of stakes: political stakes, which manifest themselves in the new geopolitics of natural resources (Weigel, 1997), and financial stakes, given the weight of these natural resources in the production of countries endowed with them and the rents they represent. The financial stakes are at the heart of financing the fight against climate change.

The various natural resource control measures, such as protected areas and private property regimes whereby a single economic agent is granted discretionary power over resource exploitation decisions (Guillotreau, 1997), can enable Central African countries to better control rents from natural resources and reduce financial losses on these resources, thus increasing the contribution of natural resources to the financing of climate action.

Natural resource governance is also an important aspect of the political economy of natural resources. Natural resource exploitation should be managed through appropriate industrial organisation. Also, in exploiting these natural resources, it is necessary to strike a balance between meeting the needs of present generations and making provision for those of future generations. The latter sub-aspect is part

and parcel of the sustainable management of natural resources, which should be regulated with stringency and caution, including in African countries. Natural resources, particularly forest resources, are often the private property of households, which exploit them for their livelihood. It is quite a challenge to control the exploitation of these resources, given that most of them are privately owned in African countries. This is a crucial aspect that should be taken into account in natural resource governance in Central Africa.

Another aspect of natural resource management is the institutional dimension, which raises the question of the rules governing natural resources, especially in terms of their exploitation. In this respect, most Central African countries have legal frameworks and instruments for the governance of natural resources, which, overall, regulate natural resource exploitation and help to prevent conflicts within communities. In Cameroon, Law No. 94/01 of 20 January 1994 laying down the forestry, wildlife and fisheries regulations and Decree No. 95-531-PM of 23 August 1995 are the main legal instruments regulating forest exploitation in the country. The country's legal framework also contains provisions relating to the management of mining resources, notably Law No. 2016-17 of 14 December 2016 instituting the Mining Code, which regulates mining in Cameroon. This Code distinguishes three main forms of mining: artisanal mining, which uses traditional methods; industrial mining, based on industrial processes; and mechanised semi-artisanal mining, which uses machinery specified by law.

The Republic of Congo also has a legal framework that governs the management and use of natural resources. This framework includes Law No. 16-2000 of 20 November 2000 on the Forestry Code, which aims primarily to establish an appropriate legal context to ensure the conservation and sustainable mana-

gement of forests, based on rational development and participatory management of resources.. This fundamental law is strengthened by a series of subsequent instruments, including Decree No. 2002-437 of 31 December 2002, which sets out the conditions for forest management and use, and ministerial decrees concerning national directives for the sustainable management of forest concessions, the creation of forest management or exploitation units, forest classification and downgrading procedures, and forest taxation. Also worth mentioning is Law No. 37-2008 of 28 November 2008 on wildlife and protected areas. This law reinforces sector-based legislation, in particular that relating to the preservation of wildlife and plants. More specifically, it lays down fundamental principles and general conditions for the conservation and sustainable management of wildlife, habitats and the ecosystems. Law No 4-2005 of 11 April 2005 institutes the Mining Code. This law governs prospecting, research, exploitation, possession, movement and processing of mineral or fossil substances across the country (MEFDD, 2022).

Chad also has several legal instruments designed to ensure good governance of its natural resources. The national strategy and action plan for the implementation of the Great Green Wall initiative in Chad is based on Law No. 36/PR/94 of 3 December 1994 relating to the organisation of the marketing and transport of timber in major built-up areas and the taxation applicable to this activity, with its implementing Decree No. 107/MTE/DG/97 of 14 March 1997; Law No. 14/PR/98 of 17 July 1998 defining the general principles of environmental protection and sustainable natural resource management and Ordinance No. 14/63 of 28 March 1963 regulating hunting and nature protection, as amended by Ordinance No. PR/EFTC of 21/01/66 on wildlife protection.

In the Central African Republic, Law No. 08.022 instituting the Forestry Code specifies

the demarcation of the State's forest domains. Section 8 of the Code specifies that the State's public domain includes ecologically fragile forests, production forests, recreational forests, scientific forests, botanical gardens, State zoological gardens, national parks, protection areas, wildlife reserves, reforestation areas, ecological reserves or biosphere reserves, integral nature reserves, special reserves, wildlife sanctuaries, plant sanctuaries, hunting areas and buffer zones or pre-parks [Central African République (CAR), 2008]. This legal provision states that production forests are those where industrial or artisanal logging activities are carried out in accordance with clearly established standards. This provision is very important for forest resource management in the country, as it defines the domains belonging to the Central African State, which helps to avoid potential conflicts between the State and the population.

Equatorial Guinea also has a number of legal instruments on natural resource management. These include Law No. 1997-01 of 18 February 1997 on the Forestry Code of Equatorial Guinea. Decree No. 7/2017 regulates the cutting of certain species. In September 2020, the Government of the Republic of Equatorial Guinea issued another decree, namely Decree No. 84/2020, prohibiting logging throughout the national territory, and the felling of "protected tree species". This decree also prohibits logging in communal forests and stipulates that any logging in these forests must be subject to an application to the Ministry in charge of forests, indicating the number of cubic metres of timber required and its intended use.

Natural resource rents play an important role in the export earnings of Central African countries, providing an opportunity for green growth financing. **However, the sale of natural resources on informal markets, the misappropriation of rents and all forms of financial leakage reduce the contribution of natural resources to climate action financing.** Hence,

appropriate measures should be developed to discourage corruption and the illicit trade in natural resources, to increase the contribution of natural resources to climate action financing in Central African countries.

Illegal exploitation of natural resources in Central African countries represents a leak and therefore a loss for these countries.

This illegal exploitation takes various forms: endogenous illegal exploitation by the local population, which is common in Central African countries given the land tenure system; exogenous illegal exploitation by non-citizens, whether or not in collaboration with citizens.

Political instability and conflict often provide opportunities for the illegal exploitation of natural resources. Indeed, illegal logging is a growing feature of transnational organized crime in Africa, often facilitated by the collusion of senior officials, with far-reaching security and environmental implications for the countries affected (Browne et al., 2022). Therefore, it is important to develop measures for controlling natural resource exploitation, particularly in times of socio-political unrest.

The illicit trade in natural resources is a source of financing for rebel groups, which are still active in some Central African countries.

Examples include Cameroon where the separatists in the English-speaking regions are fighting, or CAR where the Zeleka rebels have taken up arms. Also, given that, to a certain extent, international relations play a role in the political stability of countries, conflictual situations provide an opportunity for illegal exploitation, not only by rebels but also by foreign countries taking part in stabilisation operations.

Corruption is the root cause of the illegal exploitation of and trade in natural resources in Africa. Given that logging involves heavy equipment and networks of forest roads, illegal logging relies on high-level government collusion

to persist. Illicit financial flows from timber trafficking, in turn, further entrench these senior officials as well as provide ongoing incentives to abuse public power for private gain. (Browne et al., 2022).

3.5 Conclusion and Recommendations

This chapter focuses on harnessing natural capital as a complementary financing option for climate protection and green growth in the Central African region. It provides an overview of the natural wealth available to countries of the region, which, according to analysis, has high natural and hydrological potential, and is rich in natural resources, including agricultural land, water, forests, oil, gas, minerals and wildlife. Moreover, the region is home to a substantial proportion of the world's natural resources, and a wide range of subsoil products. Gabon and Cameroon have iron, Gabon has manganese, Cameroon has aluminium, the Central African Republic has diamonds, Cameroon, Congo and Chad have sugar, and Equatorial Guinea has methanol. The DRC is the richest in minerals. Gabon is the region's leading oil producer. As for gas, Congo has been one of the region's leading gas producers since 2008.

Forests and woodlands cover around 45% of Central Africa's land area, and account for 37% of Africa's total forest cover. As a result, most countries in the region are heavily forested, with Gabon having the highest percentage of forest cover at 85%, and Cameroon, the Central African Republic, the Democratic Republic of Congo and Equatorial Guinea having over 50%. Chad is an exception, due to its location in the north and its arid environment.

Also, the Central African region produces several types of cash crop for export. These crops vary from country to country. Cameroon produces cocoa, coffee, bananas, natural

rubber and raw cotton, while Gabon's cash crops are cocoa, coffee and natural rubber. In Equatorial Guinea, cocoa and coffee are the main cash crops. The Central African Republic is more into tobacco, coffee and raw cotton production. Due to its location and climate, Chad is the only country that produces cottonseed.

Countries of the Central African region are also endowed with renewable resources.

In terms of forest resources, the size of the region's natural forest ranges from 52,000 to 126,155,000 hectares. The **Democratic Republic of Congo** has the largest area of natural forest at 126,155,000 hectares, followed by Gabon (23,531 hectares), **Central African Republic** (22,303 hectares), **Congo** (21,946 hectares), **Cameroon** (20,340 hectares) and **Chad** (4,313 hectares). Most Central African countries also have planted forests: 61 hectares in Cameroon and 58 hectares in the **Democratic Republic of Congo**; 20 hectares in **Chad** and 60 hectares in **Congo**. In **Equatorial Guinea** and **Gabon**, the planted forest area stands at 125 hectares and 30 hectares, respectively. In the **Central African Republic**, the area of planted forest is 2 hectares. The countries of this region also have arable land. In **Cameroon**, 9,750 hectares were agricultural land in 2020, of which 6,200 (63.59%) were arable. In the **Central African Republic**, of the 5,080 hectares of agricultural land in 2020, 1,800 hectares were arable land and represented around 29.03% of the total agricultural area. In **Chad**, the agricultural area in 2020 was 50,238 hectares, of which 5,200 hectares (10.35%) were arable. **Congo** had 10,628 hectares of agricultural land in 2020, of which 550 hectares (5.18%) were arable. The **Democratic Republic of Congo** had 33,572 hectares of agricultural land in 2020, of which 13,477 hectares, or 40.14% of the total, were arable. **Equatorial Guinea** had 189 hectares of agricultural land in 2020, of which 139 hectares (73.54%) were arable. **Gabon's** agricultural area amounted to 2,213 hectares in 2020, of which 325 hectares

(14.69%) was arable land. Taken together, these resources represent opportunities that can help Central African countries to combat climate change and promote green growth.

Meanwhile, countries of the Central African region are facing a shortage of financial resources needed

to combat climate change and promote green growth. Yet these countries are endowed with natural resources that can be used to mobilise resources and supplement financing to combat climate change, either individually or globally. Analysis of the contribution of natural resources to production shows that that they account for a significant proportion of these countries' GDP, particularly in terms of export earnings. In other words, natural resources can be a supplementary source of financing for climate action and green growth in Central Africa, but this requires innovative and appropriate economic policy options.

● **Controlling the use and management of natural resource rents**

Most countries of the Central African region are richly endowed with natural resources.

Non-renewable natural resources account for at least 10% of GDP in the majority of countries in this region.

These countries are also endowed with forestry resources. To ensure better control of these natural resources, it is necessary to plan their exploitation, and draw up protection or corrective measures for protected areas. This will reduce the exploitation of forest resources by rural populations, especially by directing them towards activities other than exploitation. Equatorial Guinea needs to attach greater importance to the issue of protected areas, which are less numerous in the central zone.

Natural resource rents account for at least 10% of export earnings in Central African countries.

Poor management and misappropriation of these rents can impede the contribution of natural resources to the financing of

climate action and green growth. The countries of the Central African region need to redouble their efforts to manage and limit the misappropriation of these rents.

● **Reforming public enterprises**

State-owned enterprises (SOEs) in Central African countries need to be reformed if they are to negotiate favourable resource agreements. Weak SOEs are the cause of bad deals, lost earnings and ill-conceived investments. Strategic areas for SOE reform include corporate governance, transparency, regulation and depoliticisation of SOE management.

● **Strengthening public education and awareness**

Education and awareness raising are essential to combat climate change and encourage green growth. Failure to assume ownership of these issues can generally make stakeholders less interested in implementing the measures concerning them.

● **Strengthening sub-regional cooperation**

Financial, material and intellectual integration should be encouraged to deepen potential markets and broaden the opportunities available to investors, and, based on feedback, also reduce the risks involved in policy or strategy implementation. Moreover, regional integration is a way of improving control over mobile natural capital (wildlife and waterways, for example).

● **Establishing a joint green fund for Central African countries and institutional support**

The African Development Bank (AfDB) can help the countries of the Central African region to set up a Joint Green Fund, which will impose a levy on natural resource

exploitation in the countries and help to collectively finance climate protection in the region. International funding opportunities exist, but the Bank can also support regional initiatives.

There are many ways in which development finance institutions (DFIs) and multilateral development banks (MDBs) can provide institutional support, including by: developing concessional financing for green growth and climate change projects to discourage countries from incurring more debt; accelerating sustainable debt management mechanisms; promoting the deepening of capital markets to enable greater mobilisation of sustainable financing through affordable financing from domestic capital markets; developing and deploying financing mechanisms for project development to bridge the project development gap; and financing the transformation of project ideas into investment-ready projects.

● **Ensuring the involvement of the national and international private sector**

The national and international private sector is a key player in green growth promotion and climate change mitigation, at several levels: policy implementation, education and awareness raising, support for the public sector, support of various types (technical, logistical and managerial), financing, etc.

● **Improving the forest governance framework and its contribution to GDP**

The forests of the Congo Basin cover 228 million hectares and are the second largest in the world after those of the Amazon Basin. They are home to an abundant biodiversity and constitute significant carbon stocks, making them essential for adapting to and mitigating the effects of climate change.

They are also important sources of goods and services: timber and non-timber forest products are essential to national economies and provide livelihoods for local and indigenous populations. Properly valued, these goods and services could add value to the gross domestic product (GDP) of the region's countries.

However, forests face many governance challenges and obstacles, including non-compliance with forest laws and standards, illegal logging and poaching, inequitable sharing of benefits from forest revenues, as well as a lack of the support, capacity and funding required for sustainable management, and a lack of reliable data to inform management decisions.

There is a need for countries in the region to develop a common vision on the governance and enhancement of forests, taking into account the challenges and constraints of forest governance, and agreeing on practical and viable solutions and options to improve forest governance in the sub-region.

- **Revising the legal framework for forest management**

Forest management can only be sustainable if public authorities rethink their position as the "supreme" manager of the forest sector. In this new configuration, the ministries in charge of forests, in particular, are partners in the same capacity as the other services concerned with forest areas, as well as the private sector, civil society, indigenous and local communities, etc. No partner has more legitimacy than the other, even if their roles vary according to institutional positions. This change of perspective opens up forestry to inclusive management. Twenty years after the commitment made by Central African countries to manage forest ecosystems sustainably, this change of perspective is not yet evident, and partnership remains an insufficiently institutionalised practice.

However, a few successful examples of inclusive processes have been noted here and there, and these should be given a closer look to understand the factors behind their success and to draw lessons from them.

The national forestry laws of most Congo Basin countries are ill adapted to current dynamics. Declining global economies, emerging threats from natural disasters and pandemics such as COVID-19 have revealed the vulnerability of the existing legal framework for managing forest ecosystems. In addition, the existing legal context takes into account emerging thematic issues such as transhumance, biodiversity, the effects of climate change, the One Health concept, cross-border management, forest landscape restoration and many other themes that need to be fully integrated into legal provisions to promote sustainable management.

Therefore, the forestry codes and policies of member countries should be fundamentally reviewed to address new global challenges and issues, as well as take advantage of emerging economic opportunities and thus make better use of natural resources in the interests of sustainable economic development and improved well-being for indigenous communities and local populations. The process of revising or updating forestry legal frameworks should not be the exclusive preserve of the forestry services and other state institutions.

- **Building the capacity of players in the forestry, mining and other sectors**

The diversity of the forest attracts the interest of various stakeholders, including the forestry services, the private sector, civil society and the local populations and indigenous communities living within these forest ecosystems. In terms of forest management, the challenge consists in knowing how to manage the interests and inter-

ventions of the various stakeholders in a way that does not negatively impact the diversity and richness of forest resources.

Despite the significant contribution made to national economies by the forestry and mining sectors, as well as other natural resources, the staff working in these sectors are ill-equipped, poorly trained and lack the resources to carry out routine operations such as checks and patrols. One of the many problems faced by sustainable forest management is that the various players in the chain lack the capacity, knowledge and skills to apply forest management best practices.

Central African countries should invest in training staff in the forestry and natural resource sectors. This should be a priority for national governments if they are to ensure effective management of these resources in the medium and long term. There are specialised training institutions such as the Network of Forestry and Environmental Training Institutions of Central Africa (RIFFEAC).

RIFFEAC is mainly tasked with building the human resource skills required to develop policies for the sustainable management of forest resources in the Congo Basin. Since 2006, RIFFEAC has been the technical partner of the Central African Forests Commission (COMIFAC) for the implementation of Strategic Area 7 of its convergence plan, which focuses on capacity building, stakeholder participation, information and training.

- **Improving the control, surveillance and monitoring system**

To improve the management of forestry and mining resources in general, an effective monitoring, control and surveillance system is needed. A good monitoring and surveillance system will help state technical services to

better combat illegal logging activities. As far as monitoring is concerned, it will provide useful data on natural capital. Unfortunately, in most Central African countries, such systems do not exist. As for the other aspects, the systems are ineffective because the staff are inadequate, poorly qualified, ill-equipped and short of resources to carry out their tasks.

National governments are encouraged to set up specialised and reliable monitoring, control and surveillance systems to monitor natural capital. In the sub-region, the Central African Forest Observatory (OFAC), which has been operational since the early 2000s, plays an important role in monitoring forest dynamics and natural capital in the various landscapes of the sub-region.

OFAC is responsible for providing the information needed to promote the sustainable management of forest ecosystems in Central Africa. In this context, the Observatory, with the help of various partners, has set up several environmental data collection and monitoring systems. These tools make it possible to produce various publications, such as Status of the Forests and Status of Protected Areas, as well as online databases accessible to the public. Each year, OFAC organises campaigns to collect baseline data, known as "monitoring indicators", in the 10 countries of the Central African Forests Commission (COMIFAC). The data collected are structured around 5 themes: (i) forest cover, (ii) legal and institutional framework, (iii) forest management, (iv) biodiversity conservation and enhancement, and (v) climate change.

Indicators are regularly revised to reflect new emerging themes and ensure synergy with other regional environmental data collection mechanisms in Central Africa. The collection of monitoring indicators is organised by national groups, made up of focal points - members of

line ministries and departments - and a main correspondent, the country's national COMIFAC coordinator.

● Research & Development

Research also remains marginalised in the context of natural resource management in Central Africa. Research programmes integrating different specialities should be developed to improve knowledge of the resource. Also, appropriate tools and frameworks should be

developed to improve management and governance. To this end, formal platforms of academic institutions need to be set up, where researchers can meet to exchange views on specific issues. Indeed, research should be a lever for providing guidance in decision-making. Unfortunately, research remains fragmented and poorly understood, and lacks clear direction. There is an urgent need to set up a scientific steering committee to coordinate research in the Congo Basin, having at its disposal an appropriate research fund.

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STATISTICAL ANNEXES

Statistical annexes

Table 1: Core indicators, 2022

	Population	Land area	Population density	Gross domestic product	Gross domestic product per capita ^a	Average annual real GDP growth, 2010–22
	(thousands)	(km ² thousands)	(people per km ²)	(\$ millions)	(\$)	(%)
Cameroon	27 915	473	59	123 216	4 414	3.8
Central African Republic	5 579	623	9	5 419	971	-0.1
Chad	17 723	1 259	14	29 790	1 681	2.7
Central African Republic	99 010	2 267	44	133 485	1 348	6.2
Congo, Rep.	5 970	342	17	24 050	4 028	0.3
Equatorial Guinea	1 675	28	60	28 042	16 742	-2.7
Gabon	2 389	258	9	39 274	16 439	3.3
Central Africa	160 262	5 249	31	383 274	2 392	3.3
Africa	1 424 855	29 614	48	8 298 147	5 824	3.5

a. Based on purchasing power parity valuation.

Source: African Development Bank statistics, estimates, and projections and various domestic authorities.

Table 2: Real GDP growth, 2014–24 (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022 (estimated)	2023 (projected)	2024 (projected)
Cameroon	5.9	5.7	4.5	3.5	4.0	3.5	0.3	3.6	3.4	4.2	4.5
Central African Republic	0.1	4.3	4.8	4.5	3.8	3.0	1.0	1.0	0.5	2.0	2.9
Chad	6.9	1.8	-5.6	-2.4	2.3	3.0	-2.2	-1.1	2.4	3.6	3.7
Central African Republic	9.5	6.9	2.4	3.7	5.8	4.4	1.7	6.2	8.5	8.0	7.2
Congo, Rep.	6.7	-3.6	-10.8	-5.6	-2.3	1.1	-6.3	1.5	3.2	4.2	4.4
Equatorial Guinea	0.4	-9.1	-8.8	-5.7	-6.2	-5.5	-4.2	-0.9	3.1	-1.4	-6.3
Gabon	4.3	3.9	2.1	0.5	0.8	3.9	-1.8	1.5	3.0	2.7	2.8
Central Africa	5.9	3.0	0.3	1.2	2.7	2.9	-0.4	3.4	5.0	4.9	4.6
Africa	3.8	3.4	2.1	4.0	3.6	3.0	-1.7	4.8	3.8	4.0	4.3

Source: African Development Bank statistics, estimates, and projections and various domestic authorities.

Table 3: Demand mix and growth rates, 2021-24

	2021					2022 (estimated)				2023 (projected)				2024 (projected)				
	Final consumption		Gross capital formation		External sector	Total final consumption	Total gross capital formation (% real growth)	Secteur extérieur		Total final consumption	Total gross capital formation (% real growth)	Secteur extérieur		Total final consumption	Total gross capital formation (% real growth)	Secteur extérieur		
								Exports	Imports			Exports	Imports			Exports	Imports	Exports
	Private	Public	Private	Public	Public	Private	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	
	(% of GDP)																	
Cameroon	65.0	12.0	20.3	7.8	43.1	48.2	4.8	-12.3	-5.6	-11.8	1.5	3.5	7.0	3.5	1.6	4.5	8.0	6.2
Central African Republic	84.0	14.4	5.3	19.3	16.8	39.9	1.7	-2.5	13.9	13.5	2.4	2.1	7.8	7.4	2.6	5.4	6.4	6.4
Chad	72.1	8.0	17.0	3.9	25.1	26.3	2.7	3.5	3.4	4.2	3.7	2.5	6.9	4.4	4.1	1.9	7.1	4.6
Central African Republic	75.7	7.2	19.7	2.2	28.7	33.4	2.5	12.0	13.4	4.3	4.0	11.5	7.4	3.2	3.1	11.5	6.1	2.9
Congo, Rep.	45.8	15.0	19.5	6.1	51.5	37.9	2.0	16.2	-9.8	-10.2	4.0	13.6	-5.8	-5.0	3.7	7.6	2.5	5.5
Equatorial Guinea	61.1	25.2	1.9	2.8	55.5	46.6	8.3	65.3	2.4	6.2	3.1	0.8	-8.5	-0.8	3.1	0.8	-12.5	-0.8
Gabon	32.9	11.4	15.5	2.3	53.9	16.0	17.7	1.8	-0.7	8.2	4.4	0.8	2.4	1.7	4.6	1.2	1.8	1.7
Central Africa	65.8	11.3	14.8	4.6	32.0	28.5	3.9	12.0	4.9	2.8	3.7	6.2	3.6	1.5	3.7	6.1	2.3	2.2
Africa	66.4	12.8	14.6	9.2	22.0	24.9	4.7	5.9	12.9	15.8	3.4	3.4	4.5	2.5	3.3	6.0	3.0	3.7

Source: African Development Bank statistics, estimates, and projections and various domestic authorities.

Table 4: Public finances, 2021-24 (% of GDP)

	2021			2022 (estimated)			2023 (projected)			2024 (projected)		
	Total revenue and grants	Total expenditure and net lending	Overall balance	Total revenue and grants	Total expenditure and net lending	Overall balance	Total revenue and grants	Total expenditure and net lending	Overall balance	Total revenue and grants	Total expenditure and net lending	Overall balance
Cameroon	14.2	16.5	-2.4	14.4	16.3	-1.9	14.1	14.9	-0.8	14.0	14.7	-0.6
Central African Republic	13.7	19.7	-6.0	16.2	20.9	-4.6	15.9	20.0	-4.1	15.4	19.4	-3.9
Chad	24.5	26.9	-2.4	22.2	21.7	0.5	28.8	22.7	6.1	28.7	23.4	5.3
Central African Republic	14.1	14.9	-0.9	13.4	16.2	-2.8	13.4	16.0	-2.6	13.4	15.6	-2.2
Congo, Rep.	20.5	19.0	1.5	22.4	16.0	6.5	21.9	15.6	6.4	20.2	14.6	5.6
Equatorial Gui- nea	15.4	12.7	2.6	17.2	12.4	4.8	15.2	17.7	-2.5	14.6	18.5	-3.9
Gabon	15.8	16.9	-1.1	16.6	15.8	0.8	16.0	14.5	1.6	15.8	14.6	1.2
Central Africa	15.6	16.6	-1.0	15.8	16.3	-0.5	15.7	16.0	-0.4	15.4	15.8	-0.4
Africa	18.3	23.2	-4.9	18.0	22.0	-0.4	17.4	21.5	-4.1	16.8	20.6	-3.8

Source: African Development Bank statistics, estimates, and projections and various domestic authorities.

Table 5: Monetary indicators

	Inflation (%)				Exchange rate (local currency unit per US dollar)			
	2021	2022 (estimated)	2023 (projected)	2024 (projected)	2019	2020	2021	2022 (estimated)
Cameroon	2.3	6.2	5.9	3.3	586.0	574.3	554.6	623.8
Central African Republic	4.3	7.9	6.4	5.9	586.0	574.3	554.6	623.8
Chad	-0.8	5.3	3.5	3.2	586.0	574.3	554.6	623.8
Central African Republic	9.0	9.1	13.2	6.5	1 647.8	1 851.5	1 990.2	2 007.1
Congo, Rep.	2.0	3.0	3.0	2.9	586.0	574.3	554.6	623.8
Equatorial Guinea	-1.3	5.0	4.0	2.2	586.0	574.3	554.6	623.8
Gabon	1.1	4.2	3.8	2.9	586.0	574.3	554.6	623.8
Central Africa	3.9	6.7	7.7	4.3	-	-	-	-
Africa	12.9	14.2	15.1	9.5	-	-	-	-

Source: African Development Bank statistics, estimates, and projections; various domestic authorities; and the International Monetary Fund International Financial Statistics database.

Table 6: Balance of payments indicators

	Trade balance (\$ millions)				Current account balance (\$ millions)				Current account balance (% du PIB)			
	2021	2022 (estimated)	2023 (projected)	2024 (projected)	2021	2022 (estimated)	2023 (projected)	2024 (projected)	2021	2022 (estimated)	2023 (projected)	2024 (projected)
Cameroon	-520	160	-6.28	-711	-1 808	-765	-1 431	-1 713	-4.0	-1.7	-2.9	-3.1
Central African Republic	-399	-427	-407	-402	-278	-324	-326	-309	-10.8	-13.8	-12.2	-10.5
Chad	1 369	2 916	2 595	2 114	-437	48	-123	-482	-4.5	0.5	-1.2	-4.4
Central African Republic	3 940	2 943	2 093	3 149	-535	-4 186	-3 330	-3 151	-1.0	-6.4	-4.4	-3.7
Congo, Rep.	5 009	6 564	4 935	4 655	1 757	3 089	1 686	492	11.9	19.2	9.8	2.6
Equatorial Guinea	2 860	5 125	4 043	2 507	-485	523	-1 047	-1 119	-4.0	3.9	-8.1	-9.0
Gabon	4 120	5 448	4 882	4 747	-1 061	-273	-429	-493	-5.3	-1.2	-1.9	-2.1
Central Africa	16 379	22 729	17 513	16 059	-2 847	-1 888	-5 001	-6 776	-1.8	-1.1	-2.6	-3.2
Africa	-49 318	-50 466	-74 942	-88 783	-45 875	-60 535	-69 296	-76 207	-1.7	-2.1	-2.3	-2.3

Source: African Development Bank statistics, estimates, and projections.

Table 7: Intra-regional trade, 2021 (millions of dollars)

	Exports to									
	Cameroon	Central African Republic	Chad	Congo	Congo, Dem. Rep.	Equatorial Guinea	Gabon	Central Africa	Africa	World
Cameroon	-	47.2	297.5	23.7	5.4	10.5	43.0	427.3	544.1	4 102.0
Central African Republic	3.5	-	1.8	0.1	0.0	0.0	0.0	5.5	15.2	161.9
Chad	12.5	2.0	-	-	-	-	-	14.5	28.9	2 560.2
Central African Republic	56.2	6.4	0.2	-	2.9	8.6	67.7	142.0	320.9	6 970.0
Congo, Rep.	-	4.3	-	-	-	-	-	4.3	5 127.6	25 500.0
Equatorial Guinea	-	-	-	-	-	-	-	0.0	18.7	5 700.0
Gabon	12.1	4.4	2.7	33.0	26.4	16.9	-	95.6	312.6	5 962.3
								689.2	6 368.0	48 956.4
	Imports from									
	Cameroon	Central African Republic	Chad	Congo	Congo, Dem. Rep.	Equatorial Guinea	Gabon	Central Africa	Africa	World
Cameroon	-	0.1	5.8	24.1	-	25.7	5.6	61.3	1 108.9	6 615.1
Central African Republic	71.8	-	0.4	10.1	9.4	0.0	1.7	93.5	152.0	590.2
Chad	282.7	1.0	-	-	-	-	67.5	351.2	516.7	2 744.9
Central African Republic	63.8	0.1	0.0	-	32.9	0.6	55.6	153.1	539.1	2 302.0
Congo, Rep.	6.9	0.0	0.1	16.8	-	-	13.1	36.9	3 036.1	10 300.0
Equatorial Guinea	-	-	-	-	-	-	-	0.0	252.0	1 900.0
Gabon	63.5	0.0	0.1	23.8	0.0	8.7	-	96.0	326.7	3 443.8
								791.9	5 931.6	27 896.0

Source: United Nations Conference on Trade and Development.

Table 8: Demographic indicators 2022

	Population growth rate	Urban population	Age distribution			
			0-14	15-64	65 and older	Fertility rate
	(%)	(% of total)	(% of population)	(% de la population)		(births per woman)
Cameroon	2.6	57.4	42.2	55.1	2.7	4.4
Central African Republic	2.2	39.7	48.1	49.4	2.5	5.9
Chad	3.2	23.4	47.5	50.5	2.0	6.2
Central African Republic	2.3	68.9	41.5	56.2	2.7	4.1
Congo, Rep.	3.2	45.0	46.5	50.5	2.9	6.1
Equatorial Guinea	2.5	66.2	38.5	58.4	3.1	4.2
Gabon	2.0	85.0	36.3	59.8	3.9	3.5
Central Africa	3.0	46.3	45.5	51.7	2.8	5.6
Africa	2.4	44.1	40.2	56.4	3.5	4.2

Source: African Development Bank statistics and estimates, UNDESA 2022, and various domestic authorities.

Table 9: Poverty and income distribution indicators

	National poverty line ^a		International poverty line (\$2.15 a day)		Gini index ^b	
	Survey year	Population below the poverty line (%)	Survey year	Population below the poverty line (%)	Survey year	Survey year
Cameroon	2014	37.5	2014	25.7	2014	46.6
Central African Republic	2008	62.0	2008	61.9	2008	56.2
Chad	2018	42.3	2018	30.9	2018	37.5
Central African Republic	2011	40.9	2011	35.4	2011	48.9
Congo, Rep.	2012	63.9	2012	69.7	2012	42.1
Equatorial Guinea	2006	76.8	-	-	-	-
Gabon	2017	33.4	2017	2.5	2017	38.0
Central Africa	-	-	-	-	-	-
Africa	-	-	-	-	-	-

a. Defined as two-thirds of average consumption.

b. Based on income distribution.

Source: Various domestic authorities and the World Bank.

Table 10: Access to services

	Telecommunications, 2021				People using at least basic drinking water services, 2020	People using at least basic sanitation services, 2020
	Telecommuni- cations, 2021	Mobile-cellular subscriptions	Internet users	Access to electricity, 2020		
	(per 100 people)	(per 100 people)	(%)	(% of population)	(% of population)	(% of population)
Cameroon	3.2	80.0	45.6	64.7	65.7	44.6
Central African Republic	0.0	33.6	10.6	15.5	37.2	14.1
Chad	0.0	60.2	17.9	11.1	46.2	12.1
Central African Republic	-	96.8	-	49.5	73.8	20.5
Congo, Rep.	-	48.9	22.9	19.1	46.0	15.4
Equatorial Guinea	0.7	39.5	53.9	66.7	-	-
Gabon	1.4	134.3	71.7	91.6	85.3	49.8
Central Africa	1.7	58.0	27.1	28.8	29.7	21.0
Africa	2.3	79.8	42.0	56.0	60.4	41.9

Source: African Development Bank statistics, the International Telecommunication Union World Telecommunication/ICT Indicators database, the United Nations Statistics Division Energy Statistics Database, WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation 2015, and various domestic authorities.

Table 11: Health indicators

	Life expectancy at birth, 2022 (Years)			Prevalence of undernourished, 2020 (% of population)	Health personnel, 2011–21 (per 100,000 people)	
	Total	Male	Female		Medical doctors	Nurses and midwives
Cameroon	61.0	59.4	62.6	6.7	12.4	19.3
Central African Republic	54.5	52.3	56.8	52.2	6.6	23.5
Chad	53.0	51.3	54.8	32.7	5.8	19.8
Central African Republic	63.1	61.5	64.6	31.6	10.0	93.4
Congo, Rep.	59.7	57.5	62.1	39.8	36.2	107.2
Equatorial Guinea	61.2	59.4	63.3	-	35.0	27.0
Gabon	65.7	63.4	68.4	17.2	59.4	268.0
Central Africa	59.3	57.2	61.4	32.9	26.9	80.0
Africa	62.6	60.6	64.6	18.2	36.1	136.8

Source: African Development Bank statistics, UNDESA 2022, the Food and Agriculture Organization, and the World Health Organization.

Table 12: Major diseases

	Healthy life expectancy at birth, 2019			Prevalence of HIV, ages 15–49, 2021	Infant mortality rate, 2021	Under-five mortality rate, 2021
	(Years)			(%) 2021	(per 1,000 live births) 2021	(per 1,000 live births) 2021
	Total	Male	Female	2021	2021	2021
Cameroon	54.5	53.5	55.6	2.9	47.0	69.8
Central African Republic	46.4	44.5	48.4	2.7	75.4	99.9
Chad	52.0	51.3	52.8	1.1	66.0	107.1
Central African Republic	56.3	56.4	56.1	3.8	32.0	43.0
Congo, Rep.	54.1	52.8	55.4	0.7	62.4	79.0
Equatorial Guinea	53.9	53.4	54.1	6.9	57.2	76.8
Gabon	57.6	56.0	59.3	3.0	29.4	39.7
Central Africa	53.9	52.7	55.1	1.5	59.6	80.0
Africa	57.2	56.3	58.1	2.7	46.4	66.6

Source: UNAIDS 2022, the UN Inter-agency Group for Child Mortality Estimation CME Info database, and the World Health Organization Global Health Observatory Data Repository.

Table 13: Education indicators

	Estimated adult literacy rate, 2011–21			Gross enrolment ratio, primary, 2011–21			Government expenditure on educa- tion as a percentage of GDP, 2012–22
	(% ages 15 and older)			(%)			(% of GDP)
	Total	Male	Female	Total	Male	Female	
Cameroon	78.2	83.4	73.1	105.7	111.2	100.2	2.8
Central African Republic	37.5	49.2	26.2	102.0	114.6	89.4	1.9
Chad	26.8	35.4	18.2	89.2	100.3	87.0	2.9
Central African Republic	80.6	85.9	75.4	93.7	95.0	92.4	3.9
Congo, Rep.	80.0	89.5	70.8	118.5	122.2	114.7	2.7
Equatorial Guinea	-	-	-	61.8	62.0	61.6	0.3
Gabon	85.5	86.2	84.7	139.9	142.1	137.7	3.0
Central Africa	72.6	80.9	64.5	111.1	116.2	105.9	2.6
Africa	69.7	76.2	63.6	103.0	104.8	101.0	4.4

Source: African Development Bank statistics, United Nations Educational, Scientific and Cultural Organization Statistical Institute database, and various national authorities.

Table 14: Workforce indicators, 2022

	Employment to population ratio, ages 15 and older			Labour force participation rate, ages 15 and older			Unemployment rate, total
	(%)			(%)			(%)
	Total	Female	Youth	Total	Female	Male	
Cameroon	68.9	64.4	44.2	71.8	67.4	76.2	4.0
Central African Republic	66.1	59.1	45.3	70.6	63.7	77.7	6.4
Chad	58.7	47.9	37.4	59.6	48.4	70.8	1.4
Central African Republic	52.9	51.4	24.7	67.6	66.9	68.3	21.8
Congo, Rep.	62.9	60.4	32.2	66.2	63.1	69.5	5.0
Equatorial Guinea	50.2	46.0	23.0	55.0	51.0	58.4	8.7
Gabon	37.4	27.5	11.0	47.7	39.0	55.9	21.5
Central Africa	63.0	58.7	35.6	66.3	62.0	70.7	5.4
Africa	61.2	49.4	44.4	62.6	53.9	71.8	7.4

Source: International Labour Organisation ILOSTAT database.



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