

CLIMATE CHANGE FINANCING THROUGH CARBON FUNDS AND THE CLEAN DEVELOPMENT MECHANISM: LESSONS FROM CAMEROON

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ABSTRACT

Climate change presents one of the major threats to sustainable development in Africa south of the Sahara. However, the low level of government resources in this part of Africa implies that a larger share of what is needed to deal with the problem has to come from external sources. The purpose of this paper is to evaluate the contributions of bilateral and multilateral public finance institutions and the Clean Development Mechanism (CDM) to the financing of climate change mitigation and adaptation in Cameroon. Through a literature review and field study, we find that since its takeoff in 2005, the CDM has been a very limited source of resources for climate change financing in the country. This is explained by the low publicity the mechanism has had in Cameroon, limited expertise, the overall unfavourable context for private investments in Cameroon and the high costs of setting up a CDM project. Carbon financing from bilateral and multilateral institutions constitute the major source of funding for the fight against climate change in Cameroon. However, Cameroon is still a minor recipient as compared to other countries and in terms of its financing needs. This is explained by the low absorption capacity of the country, the complexity of funding procedures and certain perceived risks associated with this form of financing. If existing sources of financing are not stepped up and alternative sources sought, then climate change and its effects will continue to slow down the development of the country and limit opportunities available to future generations.

Keywords: Climate Change, Carbon Markets, CDM, Carbon Funds, Bilateral Development Agencies, Carbon Financing

INTRODUCTION

Cameroon like most countries is not spared by the effects of the changing world climate. Average annual temperatures in the country are predicted to increase between 1.5°C and 4.5°C by 2100 with a 1.6°C to 3.3°C rise in coastal zones and a 2.1°C to 4.5°C rise in the Soudano-Sahelian region (MINEP, 2005). This temperature rise could in fact reach as high as 2°C by 2060. A number of studies and models predict that average rainfall will continue to decrease, leading to a prolonged dry season in Cameroon's Northern regions and just a three month rainy season in the South. By 2100, desert conditions are expected to dominate the Northern region. It is predicted that Lake Chad will be nearly completely dried up by 2060 (Centre for Environmental Economics and Policy in Africa, 2006). Runoff is also expected to decrease by 21% causing feeder rivers and streams across the country to dry up as a result of decreased rainfall and increased temperatures. The coastal areas of Cameroon will be exposed to the impacts of sea level rise over the next century. In fact, estimates indicate that approximately 30% of Cameroon's population, or 5.8 million people, currently live in coastal regions and are at risk from rising sea levels (Molua, 2010). A 2010 study predicts that Cameroon will be one of the hardest hit countries in Africa with regards to the economic costs of sea level rise (Stockholm Environment Institute, 2010). Such trends are very preoccupying from a sustainable development perspective given that the pioneer definition proposed for the latter concept defines it one which satisfies the needs of the present generation without endangering the future generations' capacity to satisfy their own. (World Commission on Environment and Development, 1987). The issue with these climate changes is that the latter are the effect of the actions of previous and present generations. The impact of these actions places a constraint on the possibilities of future generations. This raises the question of knowing what mechanisms ought to be put in place to finance mitigation and adaptation to these consequences. While there is no precise internationally agreed definition of climate finance at present, the term broadly refers to resources that can be put in to encourage low-carbon and climate-resilient development. Being a low income country, Cameroon is not in a position to mobilise all the financing needed to address this problem especially if we consider the international dimension of the issue. Isn't it therefore plausible or convenient for foreign assistance to be mobilised to help finance this? The justifications for carbon finance flows from developed to developing countries are ethical as well as economic. Firstly, many of the cheaper opportunities to reduce emissions are found in developing countries. However, poor countries like Cameroon are not immediately capable of taking these opportunities because they have other pressing needs on which to employ their scarce resources. The simple conclusion is that rich countries have to finance poor countries. However, approaches to the financing of climate change are split between proponents of private sector financing through a market mechanism allocating resources needed for adaptation and mitigation and others which argue for the creation of international institutions in charge financing this activity through resources obtained from public sources. Private financing is based on the premise that the market mechanism can be used to give signals and provide incentives for consumers and firms to change their energy use and reduce their carbon emissions (Nordhaus, 2008). Increasing funding for climate action by increasing the resources available to international financial institutions, including the World Bank, the other multilateral development banks and the IMF as well as bilateral development agencies is seen as another way of going about climate finance. Several climate change financing initiatives and funds have been established, at bilateral and multilateral levels, to help developing countries mitigate or adapt to climate change. Porter, Bird, Kaur and Pesksett (2008) identified 14 climate funds and provided a comprehensive assessment of the objectives of these funds and factors affecting their development.

Despite these differences, climate financing today adopts both approaches with carbon markets existing alongside carbon funds. This paper seeks to evaluate the contributions of these two in the financing of climate change mitigation and adaptation in Cameroon. The first part presents carbon funds and their role in financing climate change mitigation and adaptation in Cameroon following which an analysis is made of the opportunities offered by the Clean Development Mechanism and some setbacks it has suffered in the country. Finally, certain policy prescriptions for a more judicious use of these instruments are made.

THE ACTION OF CARBON FUNDS IN CAMEROON

An Overview of Major Donors

The donor agencies are regrouped in a loose coalition called the Congo Basin Forests Partnership which includes multilateral development banks, development agencies and other institutions of the United Nations System. Most agencies operate in Cameroon and other countries of the Congo Basin. Figure I below presents this area.

Figure I. Cameroon in the Congo Basin



Source: WWF from www.worldwildlife.org/CongoBasin

The World Bank and the African Development Bank are the major multilateral development banks involved in financing climate change in Cameroon. The World Bank's Forest Carbon Partnership Facility (FCPF) includes a Readiness Fund which prepares the countries for the grants and the Carbon Fund which effectively does the said compensations to developing countries. Cameroon received its first instalment from the readiness fund on September 15th, 2010 which amounted to US\$200000 (World Bank, 2010). The Readiness mechanism involves technical assistance and building capacities in Cameroon so as to estimate forest carbon stocks and sources of forest emissions. The African Development Bank (AfDB) became a member of the Congo Basin Forests Partnership in 2008. Since then, it has been able to fund projects in Cameroon and others with a regional dimension through the Congo Basin Forest Fund (CBFF). CBFF launched its first call for proposals in June 2008 and 188 concept notes were submitted. Following the selection process, it committed 11.87 million dollars for projects in Cameroon (Norrington-Davies, 2011).

The use of institutions by the United Nations Framework Convention on Climate Change (UNFCCC) to manage climate related funding can be traced back to 1992 with the creation of the Global Environment Facility (GEF) following the Rio summit and the Adaptation Fund from the Kyoto protocol. Climate Change is one of the six focal areas supported by the GEF Trust Fund which is its common funding resource. Although the climate change focal area of the GEF Trust Fund in Cameroon received only 1% of the total GEF funding to the country for the period 1992-2007 (valued at \$270000), the situation was to improve significantly in September 2009 when Cameroon received a grant of 3,500,000 US\$ from the GEF for the conservation of the NGOYLA-MINTOM forest. Nevertheless, GEF financing for climate change played a catalytic role in terms of generating new knowledge on forest margin benchmarks and transformed the way that decision makers think about the factors shaping land use at forest-agriculture interfaces (for example, slash and burn) in the humid tropics. GEF support enabled Cameroon to fulfil all its reporting requirements from all conventions, which are eligible for GEF finances. Also, the Central African region as a whole is eligible for a \$13 million grant for enhancing the institutional capacities on REDD issues for Sustainable Forest Management in the Congo Basin. The proposed project objective is to strengthen the capacities of the Congo basin countries on REDD issues, and help prepare them to take advantage of future, large scale system of positive carbon based incentives for sustainable forest management (Global Environmental Facility, 2008). The following table resumes the state of GEF financing to Cameroon.

Focal area national projects	\$ millions	% of total
Biodiversity	18.24	71.35
Multi-Focal Areas (MFA)	0.20	0.75
Climate change	0.27	1.00
Land degradation	6.35	25.00
POPs	0.49	1.90
Total	25.55	100.00

TableI . GEF Support to Cameroon by Focal Area.

Source: GEF, 2008

Bilateral development agencies are also involved in climate financing in Cameroon. The *Fonds Français pour L'Environnement Mondiale* (FFEM) created by the *Agence Française de Développement* (AFD) encourages the protection of the global environment by granting assistance for projects which will help maintain climatic equilibria. In 2007, the Association of Forest Councils in Cameroon benefited from €1.3 million assistance for the management of community forests so as to fight against climate change amongst other objectives (Association des communes forestières du Cameroun, 2007). Within the debt relief initiative of the “Contrat de Désendettement pour le Développement” (C2D), Cameroon benefited from a debt cancellation in the form of a debt-nature swap of \$25 million to be invested in the forest sector in 2006. In April 2009, the small initiatives program of the FFEM was launched following which the project for the composting of household waste in DSCHANG was adopted to be co-financed by the fund. Cameroon is also a beneficiary of the funds project for the replacement of refrigerators in Africa (AFROC) in which the FFEM contributed €0.75 million. At the regional level, in Central Africa, the FFEM has contributed in a €1 million project for the use of sawdust for cogeneration by forestry companies in the Congo Basin. In 2006 the fund provided support for Central African countries in the REDD process by bringing in savoir faire in the evaluation of carbon stocks in trees, providing elements which help evaluate the impact of

forest conservation on carbon stocks and assisting countries of the Congo Basin in the REDD negotiation process. The USAID's Central African Regional Program for the Environment (CARPE) focuses on mitigating the effects of global climate change by protecting the forest resources of Central Africa. Working with regional and local partners in nine Central African countries, CARPE is helping to preserve the country's vast carbon sinks with significant climate change benefits. Its goal is therefore to reduce the rate of deforestation of the tropical forests in the Congo basin, in order to conserve the biological diversity contained in those forests and to avert potentially negative changes in the global and regional climate. In terms of technical assistance, it facilitates dialogue between stakeholders in the sector, collects data on forest management so as to assist policy makers in decisions and has also funded studies to determine the effects climate change may have in the region. The program also provides satellite images of the region to Cameroon and other States in the region in collaboration with the National Aeronautics and Space Association (NASA). It also helps development policy and planning by providing geographic information systems (GIS), remote sensing and Global Positioning Systems (GPS) to the region. This has helped Cameroon in the development of a "Forest Atlas" to monitor logging and as such ensure sustainable logging (USAID). This program which promotes sustainable use of carbon sinks thus participated in sustainable development in many ways.

As concerns the International Climate Initiative managed by the German Federal Ministry of Environment, it contributes towards the management of the Sangha Trinational Park. The pilot phase of the REDD was launched in Cameroon for 2007-2010 with support from the German Development Bank, the German Technical Cooperation Agency (GTZ) and the European Space Agency and a REDD interministerial steering committee was set up presided by the Ministry of Environment and Nature Protection.

The Japan International Cooperation Agency (JICA) on its part has committed \$ 3 million dollars for the development of a National Adaptation Plan of Action (NAPA) for the country which is one of the requirements for access to financing from the adaptation fund. Cameroon's NAPA was

On the Question of Climate Aid Efficiency

The country's capacity to manage climate aid is limited due to institutional shortcomings. International donors tend to assume that once funding is available, developing countries have enough 'absorptive capacity' to receive and spend this money in a cost effective manner. However, Cameroon does not have all policies or mechanisms in place to deal with the receipt and disbursement of adaptation funds and the implementation of adaptation actions. There is as yet no National Implementing Entity for the Adaptation Fund. Also, the National Climate Observatory is yet to go operational. Insufficient capacity is also reflected by the understaffing of most of the structures which are in charge of receiving and channelling climate aid. Consequently, the country heavily depends on external partners to carry out its programs and this poses a problem of effectiveness and sustainability. In addition to these, coordination among the numerous ministries dealing with climate change issues is not given. Dkamela (2011) resumes this 'coordination tragedy' in three points ; the ministries' reflex to keep a tight hold over their respective fields; the large number of (mostly non-functioning) inter- and intrasectoral coordination committees and services; and the institutional instability characterised by changes in—sometimes even the breakdown of—government structure through ministerial reorganisations that very often undermine coordination processes. These institutional limits go a long way to inhibit Cameroon's absorption of the finances from the global climate regime through the foreign assistance channel. The land tenure system in Cameroon and the high level of corruption reduces the

capacity of funds to finance climate change in Cameroon since the disbursed funds may not trickle down in their entirety to the local population who are the main drivers of climate change processes (Onana, 2010.). The property rights system in Cameroon seems to only vaguely recognize the rights of indigenes. The recentness of the emergence of carbon as an important resource in Cameroon, as in many other countries, explains this absence of clear legislation which may lead to indigenous people and locals losing out on carbon remuneration (Dkamela, 2009). In effect, Cameroon legislation does not recognize customary ownership of land and it can be construed that local communities cannot on the basis of their ancestral rights claim ownership over the carbon stored in the trees in their communities since most of these forests are considered State property. Moreover, the National REDD readiness planning linked to the Forest Carbon Partnership Facility (FCPF) in Cameroon has so far not involved the effective participation of indigenous peoples and local communities. The plan itself points out that there has not yet been a reflection between native populations dependant on the forest, indigenous people and the government on the implication of the REDD process. (MINEP, 2008) Even where there seem to be a suspicion of goodwill concerning the treatment of indigenes, it is unclear how the benefit sharing will be done between the state and the indigenes. A study by the Forest Peoples' Program (FPP) at the Takamanda national park for example revealed that the local population was even unaware of the proposed REDD project and did not know how it was going to impact their livelihood and this has led to resentment with the locals barring access from the park to authorities (Freudenthal et al, 2011). If this system of foreign assistance has to be of any use, then the incentives to avoid forest degradation and deforestation must trickle down to the local forest communities following a clearly defined benefit sharing mechanism. Given the rate of corruption in the country, there is a risk that the disbursed funds under climate aid schemes would end up in the pockets of corrupt bureaucrats since Cameroon regularly occupies the bottom ranks in governance and corruption indices (Transparency International, 2007).

The provision of assistance in the form of concessional loans will lead to an increase in the overall debts of the country in the long run because the debt will eventually have to be repaid. The risk is that by counting loans as part of climate finance, what is actually being counted is funds that flow back to lenders. The major characteristic of the World Bank funds for example is that loans as well as grants are provided to recipient countries, implying that Cameroon will have to pay to adapt to climate change. Globally, a greater share of the financing for climate change is channelled to mitigation and not adaptation activities. This means that a high proportion of the allocated sums have been channelled mostly to emerging economies like Brazil and China with higher rates of emissions than to the developing countries like Cameroon which need assistance more on adaptation than mitigation. It is estimated that only 4.86% of the available funds so far have been allocated to forests and only 7.45% for adaptation (Oxfam, 2010). Under REDD rules, countries with traditionally low levels of deforestation like Cameroon cannot have access to as much finance as those with higher rates. The major financing partners in Cameroon like the GEF for example use the modality of co-financing. In each project, the donors only finance part of the total sum required and the country looks for the rest either from its own resources or from other partners. The procedure for designing these projects is as such lengthened and the limited financial means of the host country in financing the projects which could qualify for climate aid implies that some could easily be shelved. The effectiveness of climate aid efforts cannot avoid being compromised by too many donors with different systems and policies. As problems with traditional development aid have shown, the proliferation of donors – each with their own rules and reporting requirements – places large burdens on the

already overstretched and often weak public administrations of Cameroon. The stated objectives of the numerous donors in Cameroon seem to overlap. They fragment their funding in more or less similar issue areas like capacity building, sustainable forest management and national REDD policies and strategies. The multiple donor initiatives in Cameroon seem to indicate that progress on implementing the good intentions expressed in the Paris Declaration on aid efficiency remains limited.

CAMEROON AND THE TRADE IN CARBON: WHAT APPRAISAL?

Cameroon's involvement in the carbon trade is essentially limited to the Clean Development Mechanism (CDM) which is the framework for trade in carbon between developed and developing countries. Although a few projects are in the pipeline, only one has effectively taken off thus raising doubts as to the mechanism's ability to mobilize the required financing for adaptation and mitigation.

The CDM Project Portfolio in Cameroon

Over 30 projects idea notes have been submitted so far to the CDM national Committee. Of these, 9 received non-objection letters and one is effectively producing Certified Emissions Reduction (CERs) for the carbon market (MINEP, 2009).

There are thirteen (13) project idea notes in the Energy sector submitted by private and public project developers in five (5) domains: the production of electricity from the cogeneration of sawdust (3 projects), the production of electricity from different types of biomass (1 project), energy efficiency (4 projects), Hydroelectricity (1 project) and solar energy . The hydro project developed by the rural municipality of Ngoyla in the Eastern forestry area and the Rural Electrification Agency is expected to generate a total CER volume estimated to 150,000 tonnes CO₂e per year. Landfills are the major source of methane release into the atmosphere in Cameroon. The national legislation however does not mandate methane capture. The amount of garbage dumped is estimated by HYSACAM at 1000 and 800 metric tonnes per day respectively for Douala and Yaoundé which are the two most important cities in Cameroon. These represent only 50% of the waste produced in these towns. Seven (7) CDM project idea notes have been deposited by public and private project developers in four (4) different domains: the capturing and flaring of methane emitted from solid waste dumps (2 projects), production of compost from solid wastes (2 projects), liquid wastes (1 project), and the maintenance of technical machines (1 projects). Out of the seven registered projects, HYSACAM's project on the capture and flaring of methane is approved and registered and has gone operational already. The project targets methane recovery and destruction through flaring and electricity generation using a generator set at the landfill sites of Douala and Yaoundé. The productive use of the collected landfill gas will be an environmentally sound manner to handle municipal solid waste management in Yaoundé and Douala while improving HYSACAM incomes and local and global environment as well. The two projects submitted by HYSACAM will lead to a 287 000 tonnes of CO₂e GHG reduction for Yaoundé and 280000 tonnes of CO₂e for Douala.

Land Use, Land Use Change and Forestry (LULUCF) have the highest potential for mitigation in Cameroon. They account for more than 50% of the gases emitted in the country. The key sector under LULUCF that provides a mitigation and adaptation opportunity is forestry related activities, including afforestation and reforestation for which Cameroon bears significant potential and benefits. In this sector there are 16 project idea notes submitted by public and private actors in 4 different domains: industrial forest plantation (1 project), community forest plantations (5 projects) community reforestation

(6 projects), agroforestry (4 projects). All 16 projects submitted received the approval of the CDM National Committee in spite of the difficulties faced thenceforth in getting financing and ensuring their institutional take off.

A Mechanism whose Impact is yet to be Felt

Of all the project ideas presented above, only the HYSACAM gas flaring project at NKOLFOULOU is effectively generating CERs for the carbon market. If this mechanism has not taken root in Cameroon, it is for the most part due to the unfavourable institutional and business context coupled with the fact that corporate bodies in the country have been slow at embracing it. The limited expertises of institutions which are supposed to steer the CDM as well as the generally inauspicious investment climate in Cameroon are factors which explain this unfavourable context. Government institutions should normally play a key role in the development of CDM activities especially at the early stages like identification, evaluation and approval of projects. These institutions are expected to judge if the proposed project meets the set national government's criteria. It goes without saying therefore that the public servants in charge must have the required expertise for the execution of these tasks. Sadly, the elaboration of national CDM projects is usually slowed down by the limited number of experts in the ministries and other structures in charge of defining the national procedures for the approval of CDM projects. The elaboration of CDM project is faced with the problem of the absence of a good number of high level experts at the ministries specialized in the development, follow up and improvement of projects initiated by private structures. This shortcoming results from the fact that the training system in Cameroon used to lay very little emphasis on climate change and nature protection and the culture of environmental education is relatively recent in Cameroon. The success of the CDM depends on the availability of technical scientific expertise in the CDM National Committee which evaluates the Project Idea Note. However, the administrative structure of this committee seems to suggest that it was put up not with the aim of concentrating scientific expertise in the committee but with an aim of ensuring diversity in the competences of the committee members and dispersion of activities over the different ministries. Such a hybrid structure only serves to slow down the functioning of the organ.

Africa, including Cameroon, is generally considered a high risk destination for foreign direct investments (FDI). In effect, the country receives very little FDI from the rest of the world. Investments in the CDM sector are not an exception to this situation. It has been well documented that whether the development of CDM projects is attractive in a country depends also on the general policy and legislative framework for investments and on the specific framework for the approval of CDM projects (Schneider, 2008). In the 2012 "Doing Business" report which measures the ease of doing business, Cameroon ranked 161 out of 183 countries(Doing Business). This does not augur well for attracting foreign private investments in the CDM in Cameroon. This difficulty in attracting foreign investment in general and investments in the CDM in particular have long been blamed for the slow takeoff of the CDM in places like Cameroon despite the attempts to increase awareness of CDM opportunities in Africa through such initiatives as the Nairobi Framework.

What partly explains the setback the CDM has faced in Cameroon is the fact that people and the business sector in particular are not sufficiently informed of the opportunities offered by carbon markets. In a sense, we can say that there has been very little sensitization and active policies aimed at bringing the CDM to the people. Reading from the description of the role of the CDM National Committee spelt out in ministerial decision n° 0009/MINEP/CAB of 16th January 2006, it is clear that this structure is in charge promoting the CDM and its opportunities in Cameroon. This consists of the elaboration of a national

strategy for the promotion of the CDM in Cameroon, informing stakeholders on the CDM and its opportunities, encouraging the involvement of the banking sector and attracting foreign capital to finance CDM projects, representing Cameroon in international for a so as to showcase the opportunities Cameroon offers to CDM investors. It is therefore important for this structure to have a national communication strategy for the CDM. However reading from the text creating this Committee, it can be noticed that it has no clearly defined structures in charge of the specific missions listed above. This is further compounded by the absence of a specific budget for sensitization which has led to inefficient or quasi-inexistent sensitization. The CDM website for Cameroon is also offline which makes it difficult for potential investors to quickly have information on CDM opportunities. The absence of a strategy for the promotion of the CDM in Cameroon has led to major stakeholders not knowing the opportunities it offers. This is particularly preoccupying because as a new venture, success or failure of the initiative depends a lot on the provision of information to the civil society and businesses about what they stand to gain from it.

The role of local enterprises in the CDM carbon market is to identify, develop and implement bankable projects which lead to reduction of the level of GHGs in the atmosphere. They are therefore mainly economic agents operating in the domain in which emission reductions can be made. Their contribution can only be effective if they have the necessary expertise in the domain of the CDM. We however notice that in Cameroon, most enterprises do not have staff trained in all the aspects regarding the development and implementation of a CDM project. This greatly limits their capacity to participate in the carbon market and they often make use of external experts especially for the conception of the technical, legal and financial aspects of the project. Also, the initial cost of mounting a carbon project is very high and this necessarily implies that local banks would have to finance this newly emerging sector of the economy if local businesses identify interesting projects. However, local banks do not also have staff specially trained in the domain of carbon finance. In the absence of competent staff to analyse the worth of carbon projects, local banks are lukewarm about financing the activities of local agents wishing to venture into the carbon market.

Transaction cost per ton of carbon dioxide for large projects is very small or even negligible, while for small-scale projects it is quite high. Similarly, transaction costs are much higher in absolute terms when dealing with multiple parties rather than a single party. As a result investors usually prefer large-scale projects with only a few partners rather than dealing with many partners with small pieces of land. In Cameroon however, most rural people are small landholders. The prospect of high transaction costs associated with small-scale projects makes these ventures unattractive to investors. For small-scale projects, the cost and time required to register a CDM project is often prohibitive. The current CDM process encourages large-scale projects that can quickly reap CER credits at the lowest possible cost. However, the projects in Cameroon are for the most part small ones which limit their capacity to attract international investors. The HYSACAM project at NKOLFOULOU for example required a staggering 2.6 billion francs investment which is not within the reach of the average small and medium sized enterprises which form the majority of Cameroon's economic landscape.

Cameroon has a lot of potential in the LULUCF sector of the CDM but this segment seems to be the orphan in the mechanism. Land use alone accounts for 50% of the emissions in Cameroon. However, for want of appropriate methodology, this sector does not generate CERs under the CDM in Cameroon. This greatly reduces the potentials of the mechanism for the country and implies that participation in the market is not done with full capacity. Buyers are less attracted to CERs

generated from LULUCF because these carbon credits are only temporary credits since the carbon sequestered in forests can eventually be re-emitted. Also, annex 1 countries which are the main buyers of CERs cannot use credits earned from LULUCF projects to cover more than 1% of their emission reductions compliance requirements (Ellis & Kamel, 2007).

CONCLUSION AND RECOMMENDATIONS

The primary objective of this paper was to appraise the contributions of Carbon Funds and the CDM in the financing of climate change mitigation and adaptation with Cameroon as a case study. Although in a global manner, both mechanisms cannot be said to have lived up to expectations, it can be said that the Carbon Funds have been more successful in financing climate change in Cameroon than the Clean Development Mechanism since only one CDM project has reached its operational phase. If this mechanism is to serve as a serious tool for financing climate change, then certain improvements will be needed. The sensitisation of national actors about the CDM can ease the elaboration of projects for the carbon market. There is also a need for a real national strategy consisting of marketing the CDM and the opportunities it offers to local project developers and foreign investors alike. This calls for a sustained dissemination of information between the key actors and a concerted action among them to start a national dialogue through the use of tools like information clearing houses, roundtable discussions, workshops, conferences, websites and media campaigns. Good governance is critical for most market mechanisms to function properly. A stable and well-defined regulatory environment is necessary to promote international carbon investments, just like with foreign direct investment. This is because most carbon sequestration projects have a long gestation period and any investment is liable to be risky unless backed by long-term economic and political stability. Moreover, governments are important buyers and sellers of environmental services and also act as intermediaries. It is therefore essential to have good governance practices at national and local levels in order to attract and sustain international carbon projects. Preferential tax regimes could also be put in place for importers and exporters involved in CDM projects. Given the already high costs of setting up a CDM project, it is evident that the lack of an encouraging fiscal system for this sector reduces the investors' capacity to break even. Knowhow is also an important element of competitiveness which can be leveraged to improve Cameroon's gains from the CDM. This calls for capacity building for national actors in terms of training these actors on the creation of Project Idea Notes (PIN) and Project Description Documents (PDD) as well as the training of national experts on the financial and legal aspects of transactions on CERs generated by CDM projects. It is also important to work towards the creation of a national Designated Operating Entity which would serve to reduce project transaction costs since it has been documented that the use of external DOEs increase costs. The CDM national committee would benefit a lot from technical and financial assistance which could take place within the framework of international cooperation which would improve their competence in their domain of intervention. It is also important to address the question of the composition of the CDM national committee. In effect, a staffing system making use of more experts on the CDM procedures and methodology would greatly improve the efficiency of the institution. As concerns Climate Funds, their actions in Cameroon would be more efficient if the assistance provided follows the prescriptions of the Paris Declaration on aid efficiency. This could be improved at the national level by setting up appropriate institutions like the National Climate Change Observatory and reinforcing the capacities of existing ones. The efficiency of climate aid will greatly depend on the local populations who are the main drivers of climate change. It is therefore important for financial incentives to trickle down to them. The forest and wildlife taxes distribution mechanism in Cameroon offers many valuable lessons, especially with

regard to the need for transparency and accountability. It is a system to distribute certain taxes between the state (50%), riparian forest councils (40%) and villages bordering forests (10%). These lessons should be kept in mind in the preparation of any future mechanism for sharing benefits generated by REDD+ for example. It such a system that would give the local population an incentive to carry out action which would preserve the forests for future generations and ensure that these forests continue to help in making the planet habitable in future.

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