Executive Summary

Protecting Forests in the Congo Basin: An Empirical Basis for Performance-Linked Financing for the Republic of Congo

July 22, 2025 | Dieter Wang, Philipp Kollenda, Veerle de Smit, Kanta Kumari Rigaud, Tsegaye Ginbo Gatiso, Alexander Golub

World Bank Policy Research Working Papers No. 11177. Link to page

Highlights

1. The paper develops a model-based benchmark to define key performance indicators (KPIs) and sustainability performance targets (SPTs) for reducing deforestation in the Republic of Congo.
2. The analysis shows that benchmarks based solely on historical reference levels underestimate future deforestation risk and disadvantage High-Forest, Low-Deforestation (HFLD) countries.
3. The REACH methodology isolates policy actions from exogenous factors such as global commodity prices, exchange rates, and climatic variability, resulting in a KPI that is more robust to factors beyond the influence of the government.
4. The Feasibility–Ambitiousness (FAB) framework supports the selection of deforestation targets that are both achievable and sufficiently ambitious compared with a business-as-usual (BAU) trajectory.
5. The paper provides a transparent, data-driven framework to inform sustainability-linked and results-based financing instruments for forest conservation that can be replicated in other HFLD countries

The Republic of Congo (ROC) stands at a critical economic juncture, balancing export-driven growth with sustainable forest management. The country's dense, moist lowland and submontane forest ecosystems, part of the Congo Basin, are under threat due to economic exploitation. Unlocking public and private financing is essential to support sustainable growth while creating jobs and addressing pressing environmental challenges. However, the country's significant debt burden severely constrains its fiscal space, making it difficult to mobilize additional concessional or tap into new financing sources and deploy innovative instruments.

The ROC is a high forest, low deforestation (HFLD) country but maintaining this status will be challenging. Forest cover declined by 452,000 hectares, representing a 1.9% loss, between 2000 and 2020 (World Bank 2025, forthcoming). Aside from demographic and weather factors, deforestation has been directly linked to global commodity prices and exchange rates: historically, when forest-related exports became more profitable, forest losses rose subsequently. This is particularly true for the northern high forest cover provinces of Sangha and Likouala which are exposed to shifts in land use and timber extraction.

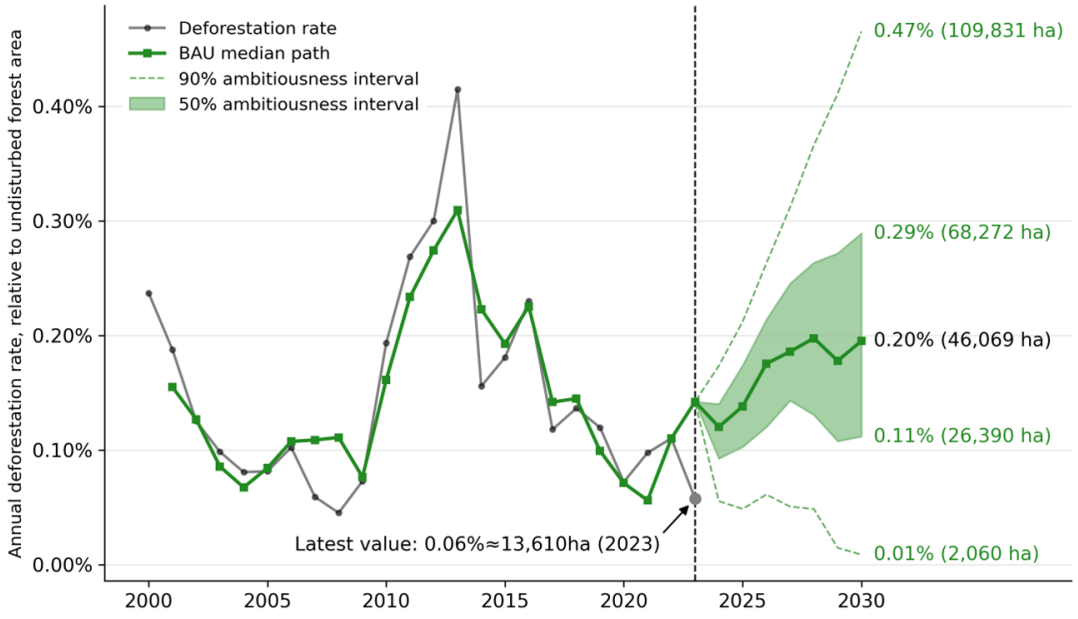
The Congolese economy needs to diversify beyond oil extraction, but doing so will increase the pressure on forests. In the past, high oil prices and stable export revenue effectively drew economic focus away from agriculture and timber extraction, thereby lowering deforestation

pressure. As the country diversifies away from oil, extracting forest resources may become comparably more profitable, raising concerns about intensified logging and agricultural expansion. While reducing reliance on oil is beneficial for a diversified growth strategy, it can also lead to increased forest loss if forest governance and sustainable land-use policies are not strengthened.

Despite its considerable natural capital, climate finance flows fall significantly short of ROC's needs estimated at US$ 820 million annually. As the country diversifies away from oil dependence, lower fiscal revenues and debt burden will likely compound the challenge of mobilizing resources. Climate and carbon financing is a promising avenue to leverage the forest capital effectively and narrow the financial gap, while also supporting the country's broader economic development. Instruments such as sustainability-linked bonds or loans (SLBs and SLLs) tie financing costs to performance outcomes, adding financial materiality to policy commitments. These have the potential to not only yield carbon credits but also preserve biodiversity and foster ecosystem services.

Attracting financing for forest conservation requires robust measurements of avoided deforestation, especially for performance-linked financing. This can only be achieved by first quantifying how much forest is at risk of being lost. Such a deforestation benchmark should not disadvantage HFLD countries for their low historical deforestation rates and suggest low "forest at risk" numbers going forward. It is equally important to protect countries from being penalized for higher deforestation that is driven by external or exogenous factors, like global commodity prices, which are beyond the government's direct control. Performance- or KPI-linked financing should only reward or penalize for policy actions within an issuer's control.

Figure ES.1: Tracing out the historical and future forest-at-risk under the BAU scenario



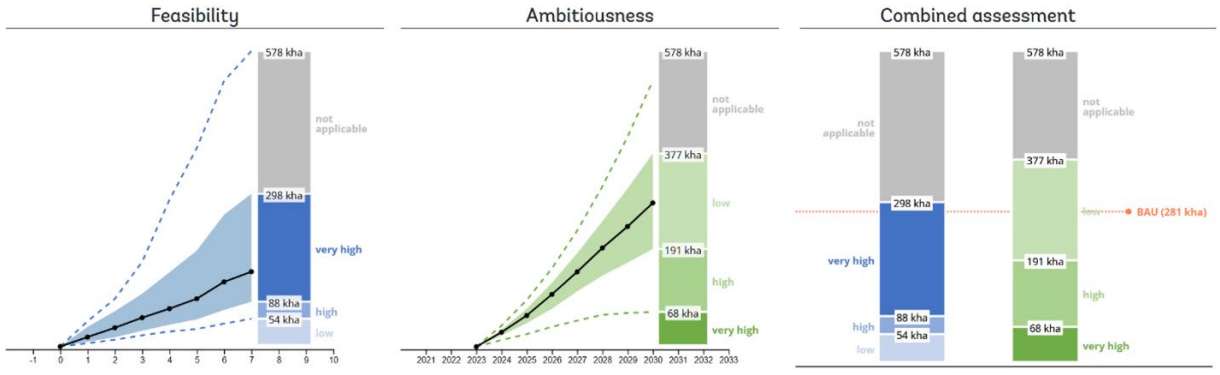
Source: Wang et al. (2025)

The REACH methodology provides a reliable benchmark for key performance indicators (KPIs) by considering exogenous, climatic, demographic, and economic factors influencing deforestation. The REACH model isolates factors within the ROC's control, such as policy action or forest protection legislation, from exogenous factors outside its influence, such as global commodity prices or exchange rates. By focusing solely on the exogenous drivers and recent trends, the REACH model projects a business-as-usual (BAU) scenario for deforestation, effectively net of government action. Validated against historical data, this BAU scenario is extrapolated into the near future to predict the likely forest-at-risk trajectory (see Figure ES1). Without strong policy reforms and improved governance, exogenous factors will increase the forest-at-risk. Financing instruments should facilitate and incentivize the ROC to improve upon this scenario.

The current analysis reveals both encouraging trends and emerging challenges in forest conservation, emphasizing the need for proactive policy measures to sustain progress. Deforestation in 2023 was significantly lower than expected, signaling positive momentum. However, increasing pressure from external drivers since 2021 highlights the urgency of managing forests more sustainably. A benchmark based solely on historical reference levels would be 46% lower than the expected deforestation under a business-as-usual (BAU) scenario that takes into account changing pressure on forests from external factors. This underscores how the former benchmarks can unfairly penalize HFLD countries.

In practice, setting forest protection targets requires balancing between ambition and feasibility. The Feasibility and Ambitiousness (FAB) approach assists policymakers in selecting targets that significantly improve business-as-usual scenario outcomes while drawing on lessons from peer countries (see Figure ES.2). Comparable peers tended to experience a steady increase in deforestation. Assuming similar dynamics apply for RoC, then deforestation reduction targets between 88 to 298 thousand hectares are very highly feasible. However, such targets would likely be achieved without any policy intervention under the BAU scenarios, which identifies targets between 191 and 377 thousand hectares as low ambition. Combining these results, the study identifies a total deforestation target range of 88,000 to 191,000 hectares between 2023 and 2030 as highly ambitious and very highly feasible.

Figure ES.2: Feasibility and Ambitiousness (FAB) Assessment for Accumulated Deforestation until 2030



Source: Wang et al. (2025)

The evidence-based approach presented in this report enhances transparency, facilitates robust monitoring, and open a pathway to a range of financial instruments for closing the ROC's financing gap. This is especially important in the near term as the country seeks to diversify its economy, and to safeguard its critical natural forest assets and leverage financing. This development of key performance indicators set against ambitious, yet feasible targets, is transferable to other tropical forest countries with extensive forest cover, offering a replicable framework for tackling similar challenges.

References

Wang, Dieter; Kollenda, Philipp; de Smit, Veerle; Rigaud, Kanta Kumari; Gatiso, Tsegaye Ginbo; Golub, Alexander. 2025. Protecting Forests in the Congo Basin: An Empirical Basis for Performance-Linked Financing for the Republic of Congo. Policy Research Working Paper; 11177. © World Bank. http://hdl.handle.net/10986/43476 License: CC BY 3.0 IGO