

VCMI



THE ROLE OF VCMI AND PHILANTHROPIC FUNDERS

In supporting country
carbon market readiness

DECEMBER 2023

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How to Use This Report

This report catalogues country needs in carbon market readiness, examines existing carbon market capacity building initiatives and identifies gaps in current levels of readiness support offerings. These findings are organized by distinct chapters for country needs, existing support landscape, and strategic recommendations. Descriptions of identified host country needs are found in Chapter 3. The current landscape of carbon market readiness support initiatives is described in Chapter 4, with summarized results shown in Figure 2 in Section 4.2.

These findings informed the development of strategic recommendations for how philanthropies can best leverage their unique strengths to support and enhance carbon market access. These recommendations for philanthropies are housed in the Executive Summary, with additional details in Section 5.2. This report also highlights elements of these recommendations that could be supported by the Voluntary Carbon Market Integrity Initiative (VCMI) by leveraging their unique strengths and placement within the market and to inform future phases of their Access Strategies Toolkit.

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ACRONYMS

ACMI	Africa Carbon Markets Initiative	IPs & LCs	Indigenous Peoples and Local Communities
A6WP	Article 6 Capacity Building Work Programme	ISFL	Initiative for Sustainable Forest Landscapes
A6EMP	Article 6 Early Mover Programme	ITMOs	Internationally Transferred Mitigation Outcomes
ASF	Article 6 Support Facility	LDCs	Least Developed Countries
ADB	Asia Development Bank	LEAF	Lowering Emissions by Accelerating Forest finance
B-PMI	Business PMI	MDBs	Multilateral Development Banks
CA	Corresponding Adjustment	MRV	Monitoring, Reporting and Verification
CCP	Core Carbon Principles	NBS	Nature-Based Solutions
CDM	Clean Development Mechanism	NDC	Nationally Determined Contribution
CFI	Climate Finance Innovators	PMI	Partnership for Market Implementation
CMM-WG	Carbon Market Mechanisms Working Group	PMR	Partnership for Market Readiness
CP4D	Carbon Payment for Development Facility	REDD+	Reducing Emissions from Deforestation and Forest Degradation
CW	Climate Warehouse	SIDS	Small Island Developing States
DFI	Development Finance Institutions	SCALE	Scaling Climate Ambition by Lowering Emissions
EAA	Eastern Africa Alliance on Carbon Markets and Climate Finance	SEforALL	Sustainable Energy for All
ETA	Energy Transition Accelerator	SPAR6C	Supporting Preparedness for Article 6 Cooperation
FCLP	Forest and Climate Leaders' Partnership	TCAF	Transformative Carbon Asset Facility
FCPF	Forest Carbon Partnership Facility	TRA	Article 6 Transfer Readiness Assistance
FPIC	Free, Prior, and Informed Consent	UNDP	United Nations Development Programme
GCMP	Global Carbon Market Project	UNECA	United Nations Economic Commission for Africa
GEAPP	Global Energy Alliance for People and Planet	VCMs	Voluntary Carbon Markets
GGGI	Global Green Growth Institute	VCFI	Voluntary Carbon Markets Integrity Initiative
GHG	Greenhouse Gas	VVBs	Validation and Verification Bodies
IAA6	Integrated Assessment for Article 6	WAA	West African Alliance on Carbon Markets and Climate Finance
ICAP	International Carbon Action Partnership		
ICAT	Initiative for Climate Action Transparency		
ICVCM	Integrity Council for the Voluntary Carbon Market		

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This work was made possible thanks to the experts who generously gave their time and insights through interviews, focus groups, surveys, and report revisions. Special thanks to respondents from the VCMI Country Contact Group, working group participants at Africa Climate Summit and New York Climate Week, and interviewees and report reviewers representing host country governments, countries providing public funding for carbon market readiness, Indigenous peoples and local communities (IPs & LCs) groups and partners, carbon market readiness initiatives, and key funders.

A close-up photograph of several small green seedlings with water droplets on their leaves, growing in dark soil. The seedlings are in various stages of growth, with some showing two leaves and others just starting to emerge. The background is dark and out of focus, emphasizing the vibrant green of the plants.

1. Executive Summary

1. EXECUTIVE SUMMARY

Philanthropic funding has the potential to be instrumental in supporting host countries with advancing high-integrity carbon finance mechanisms. However, the funding must be informed by host countries' needs and build on existing initiatives to address remaining gaps in order to be effective.

This report assesses country needs for maximizing the benefits of carbon markets in support of national climate and sustainable development objectives, evaluates the landscape of existing carbon market readiness initiatives, and identifies remaining gaps between existing initiatives and specific country needs. These findings are accompanied by strategic recommendations on how philanthropic funding can best be channeled to unlock the transformative potential of carbon credits and markets, which will inform any next phase of the Voluntary Carbon Market Integrity Initiative's (VCMI) carbon market access and readiness work.

Based upon desktop research and extensive stakeholder input, four main categories of carbon market readiness support emerged from this research and feedback:

-  Law, Policy & Regulation
-  Institutional Strengthening & Governance
-  Project Implementation
-  Knowledge Capacity Building

Stakeholder input included interviews, working groups, and surveys with host countries, technical assistance providers, key funders, and groups representing Indigenous peoples and local communities (IPs & LCs). All feedback from consultations was aggregated and anonymized.

The research and stakeholder input also informed a landscape mapping of existing carbon market assistance initiatives available to countries (see Figure 2). Twenty-four initiatives were identified and assessed as part of this report, which included examining the categories of carbon market readiness support offered and the geographical coverage, based on available data (see Section 4.2 and Appendix B). Based on this report's chosen parameters, the landscape mapping in Section 4.2 offers a visual representation of the various initiatives that are currently providing carbon readiness services at the country level (see Appendix C for an explanation of why certain initiatives may be missing).

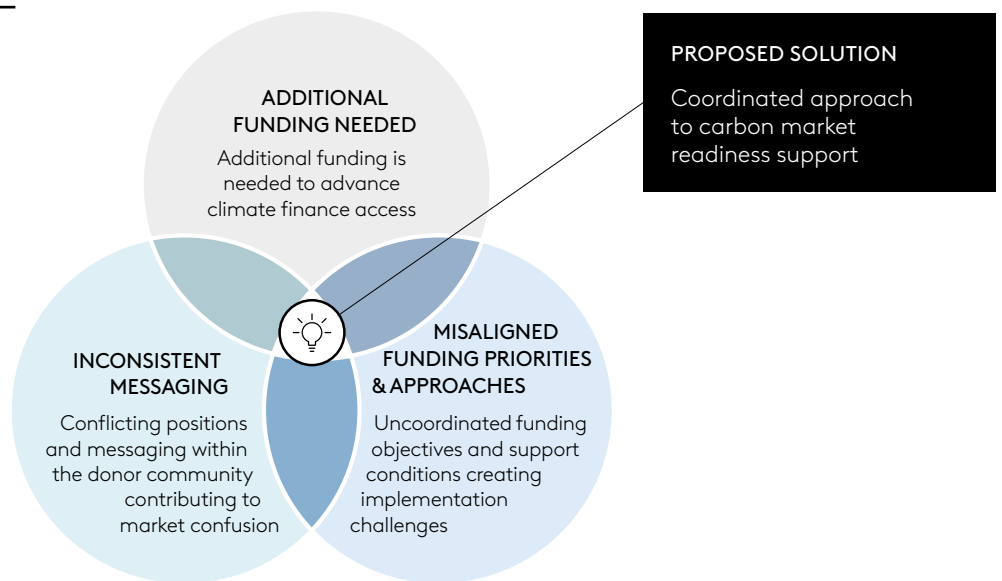
Despite existing initiatives and funding support, needs remain for host countries to access carbon markets across all four categories. By comparing country needs with the support provided by initiatives, key gaps emerged where countries could especially benefit from new or enhanced support efforts.

In addition to needs in the above four categories, the research identified specific gaps related to the role of philanthropy, including the following: inconsistent messaging, misaligned funding priorities and approaches, and need for additional funding. A top priority for the donor community that was raised by technical assistance initiatives and echoed by several host countries was a coordinated approach to carbon market readiness support and communications.

In response to the funding and technical gaps, this report proposes seven recommendations to advance philanthropic support in carbon market readiness.

FIGURE 1

Key funding challenges identified in donor support for carbon market readiness



1.1 Recommendations for philanthropies



Communications & Coordination

1. Align communications and funding approaches across the international donor community to set the record straight on carbon markets and deliver greater impact.

PROPOSED ACTION STEPS:

- a) **Set the record straight on carbon markets:** Establish a joint forum within the donor community to align messaging and fund a strategic communications campaign to promote a coherent and supportive narrative on the critical role of carbon markets in accelerating climate action.
- b) **Deliver greater impact through coordinated funding:** Leverage joint forum to coordinate funding priorities, activities, interventions, and approaches to strategically direct philanthropic funds towards greatest market needs.
- c) **Pool resources to achieve greater scale:** Support a 're-granter' for technical support to disburse pooled resources strategically and neutrally to relevant market stakeholders at all levels.

WHY PHILANTHROPIC SUPPORT IS NEEDED:

Given the disproportionate number of negative portrayals of carbon markets in the media, the trusted voices of philanthropies uniting in favor of carbon markets can drive confidence in the markets. Meanwhile, strategic coordination on funding priorities and the pooling and re-granting of philanthropic funds and resources can mobilize support towards the greatest market and host country needs, minimizing duplication, and better addressing host country needs gaps in support, with the inclusion of IPs & LCs being paramount.



Law, Policy & Regulation

2. Enhance cohesiveness of carbon markets policy development to promote a holistic in-country law, policy, and regulatory approach.

PROPOSED ACTION STEPS:

- a) **Support holistic policy development:** Facilitate coordination between carbon market readiness initiatives within a country to bring individual efforts together into a holistic policy strategy or 'support package' at the country level.
- b) **Facilitate informed national carbon markets strategies:** Develop a tool or guidance framework to help countries understand their NDC achievement trajectories and prepare informed carbon market strategies and policies.

WHY PHILANTHROPIC SUPPORT IS NEEDED:

Host countries need support in navigating how their various climate policies and actions interact, including how carbon markets may impact NDC achievement. While several initiatives providing policy support exist and are promoting positive policy developments, multiple initiatives within a country can create duplication, and occasionally, conflict, in the guidance provided. Facilitated coordination within an individual country can support policy-making outcomes by aligning expert inputs and support. Clarity in guidance and in NDC achievement trajectories can better equip host countries to make carbon market decisions that meet their needs.



Institutional Strengthening & Governance

3. Strengthen host country institutional arrangements and equip governments with the tools needed to effectively operationalize carbon markets.

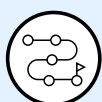
PROPOSED ACTION STEPS:

- a) **Align national governance on carbon markets:** Develop guidance on best practices for cross-ministerial collaboration (e.g., clarifying roles and responsibilities, coordination needs for approval processes, etc.) and fund inter-ministerial coordination costs for the efficient implementation of climate policies and actions.
- b) **Strengthen host country capacity from within:** Fund secondments of carbon markets experts to provide embedded capacity in host countries.
- c) **Promote innovation in MRV:** Promote investments into new and innovative MRV technologies and best practices that are ‘fit-for-purpose’ and ensure their long-term effectiveness through related trainings and maintenance support.

WHY PHILANTHROPIC SUPPORT IS NEEDED:

Once host countries have established holistic climate policies, many face difficulties in establishing the government institutions and procedures needed for carbon market implementation. Host countries need the funding, guidance, and technical resources to institute new processes (e.g., for Article 6 authorization and safeguards-information systems), establish modalities for inter-ministerial collaboration, and implement effective MRV (e.g., carbon project tracking systems, national registries, and forest monitoring systems).

Establishing MRV infrastructure is an additional key need of host countries that is not sufficiently addressed by traditional MRV support and impacts the ability to properly oversee the markets. The size, scale, speed, and innovation of philanthropic funding makes it an ideal source for high-tech MRV support in comparison to alternative funding sources. High-quality MRV is a key component of developing high-integrity projects and markets and can empower host countries to effectively implement carbon markets.



Project Implementation

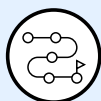
4. Help unlock private capital for high-quality carbon projects and carbon credit generation by de-risking investments.

PROPOSED ACTION STEPS:

- a) **Accelerate private investment for scaling carbon markets:** Establish measures to de-risk carbon market investments for investors, including, for example:
 - Establishing long-term offtake agreements and/or price-floor guarantees in collaboration with corporate investors and relevant financial institutions; and
 - Providing seed funding for first-demonstration projects to promote investment and capacity building in new activity types.

WHY PHILANTHROPIC SUPPORT IS NEEDED:

The levels of risk involved in carbon market projects in comparison to other investment opportunities can dissuade many potential market players, particularly from the private sector. Philanthropic donors are well-placed to provide flexible and affordable financing for early-stage carbon projects to develop proof of concept, build strong enabling environments, and create a demonstration effect to help attract private-sector investment. In addition, philanthropies with designated impact-investing arms can provide riskier capital that enables more risk-averse private investors to access smaller or earlier-stage projects in hard-to-reach markets without affecting their risk-return profiles.



Project Implementation

5. Prioritize IPs & LCs' involvement and benefits in project development, implementation, and transactions to ensure carbon projects deliver fair, equitable, and high-integrity outcomes.

PROPOSED ACTION STEPS:

- a) **Invest in IP & LC carbon market participation and leadership:** Support the full and effective participation of IPs & LCs (e.g., by funding the travel, accommodation, and participation costs of IPs & LCs to access, contribute to, and lead in carbon markets) to incorporate traditional knowledge and practices into scalable climate solutions and to guarantee IPs & LCs are well-equipped to engage in carbon project discussions.
- b) **Ensure equitable and just sharing of benefits:** Develop best-practice models for benefit sharing that can be tailored to the local context for host countries and carbon projects to implement in partnership with IPs & LCs.

WHY PHILANTHROPIC SUPPORT IS NEEDED:

The integration of high-integrity principles into carbon market project development, including equitable participation of and benefit sharing for IPs & LCs, is integral to ensuring that carbon markets lead to positive benefits for climate action and sustainable development. The flexibility and targeted nature of philanthropic funds can allow support to reach local communities and specific projects. Equipping IPs & LCs with the knowledge and skills necessary to engage with project developers and implement fair benefit sharing agreements can promote community interests and ensure the longevity of a project's climate and sustainable development objectives.



Knowledge Capacity Building

6. Increase carbon market knowledge and capacity within host countries for key stakeholders, including:
- Government;
 - Local project developers and Validation and Verification Bodies (VVBs);
 - IPs & LCs; and
 - Local legal experts.

PROPOSED ACTION STEPS:

- a) **Build local cohorts of trained carbon market practitioners and experts:** Develop and deliver a 'Carbon Market Learning Module' or curriculum by leveraging relationships with academic institutions and experienced practitioners to strengthen the policy and technical capabilities of host country stakeholders, including government staff, project developers, VVBs, IPs & LCs, and members of civil society, to understand and adopt the technical and administrative processes for engaging in high-integrity carbon markets.
- b) **Deliver tailored capacity building for IPs & LCs:** Fund community-level trainings and knowledge sharing between IPs & LCs to increase the technical capacity of IPs & LCs to support their continued and effective participation in carbon market projects and amplify their collective voice in carbon market transactions, policy discussions, and international fora.
- c) **Ensure host countries benefit from fair carbon deals:** Provide specialized legal capacity-building support for in-country legal experts to ensure host countries benefit from fair carbon deals and that local counsel can effectively negotiate and support carbon project transactions, including the establishment of a global-shadowing program for host country lawyers to learn the necessary terms and processes of carbon project transactions from international legal experts.

WHY PHILANTHROPIC SUPPORT IS NEEDED:

Knowledge capacity building is a consistent, top need for a spectrum of relevant stakeholders in host countries, including government, carbon project practitioners, IPs & LCs, and legal counsel. A lack of capacity in government staff and in-country VVBs has greatly limited the implementation of carbon market policies and projects, while IPs & LCs are often unable to effectively engage with projects due to not having sufficient familiarity with carbon markets. Philanthropies are well equipped to target funds towards increasing capacity of specific stakeholder groups and reach across key stakeholder groups to provide the necessary support. As mission-driven entities, philanthropies, particularly when working in coalition, can be viewed as trustworthy and neutral actors to support the design and disseminate trainings to relevant stakeholders. Through their trainings, philanthropies can embed the ideas and concepts underpinning carbon market integrity in their learnings.



Knowledge Capacity Building

7. Bolster international buyer confidence in high-integrity carbon markets.

PROPOSED ACTION STEPS:

- a) **Boost global understanding and uptake of demand- and supply-side integrity principles:** Develop materials and host workshops for private-sector buyers in partnership with industry groups and private-sector alliances to understand the evolving nature of carbon markets, including the latest developments of demand- and supply-side integrity initiatives, to promote market confidence.
- b) **Demonstrate that high-integrity carbon markets are achievable today:** Partner with leading corporates to pilot the purchase of high-quality, Core Carbon Principles (CCP)-eligible carbon credit purchases at fair prices and implementation of the VCM Claims Code to highlight tangible examples of high-integrity supply and demand in practice for replication by others.

WHY PHILANTHROPIC SUPPORT IS NEEDED:

Supporting buyer confidence is integral for maintaining demand and ensuring the successful operation of the markets. Philanthropies are well positioned as trusted entities to engage with private-sector buyers to clarify any changes in the market and address any doubts. In partnership with respected private entities, philanthropies can demonstrate successful examples of carbon market engagement and increase private-sector knowledge of the markets.



1.2 Strategic considerations for philanthropic support

Each source of climate finance—public, private, multilateral, philanthropic, or blended—has unique strengths and weaknesses. Compared to governments and international multilateral organizations, philanthropies can operate with agility and speed in decision making and implementation, making it an ideal source for supporting in-country coordination and the development of specialized tools and guidance. Integrating philanthropic funding with official development assistance or government-backed programs could potentially harness the strengths of both, ensuring a broader scope for carbon market initiatives as well as larger funding volumes. However, maintaining some degree of separation allows philanthropic capital to remain agile, providing targeted support where formal programs may be constrained by shifting government priorities or bureaucratic processes.

While philanthropic funding levels are generally smaller than public or multilateral sources, philanthropic resources can be effectively pooled and then strategically directed to address gaps in support. Additionally, philanthropy's flexible nature allows for targeted de-risking of investments that address critical capacity gaps. Philanthropic organizations can support the adoption of high-integrity carbon market principles by investing in projects and initiatives that align with the promotion of high-integrity carbon market principles. Philanthropic organizations often have ties with private-sector entities and can engage them from a position of trust, which can help unlock additional private-sector finance to flow into readiness initiatives that support high-integrity carbon markets.

CONSIDERATIONS FOR PRIORITIZING FUNDING FOR CARBON MARKET READINESS

When making strategic decisions about funding priorities, philanthropies should consider the following elements:

- The existing capability of stakeholders and how to incorporate new efforts to leverage existing capacity (e.g., developing an MRV system that fits the technological capabilities of a host government);
- Utilizing meaningful metrics to gauge progress (i.e., going beyond “number of people trained”);
- Political and regulatory obstacles to the development of carbon markets, and how philanthropic funding can create systematic regulatory change in host countries;
- The potential for partnership with financial institutions to create fit-for-purpose financial mechanisms to facilitate and incentivize carbon project investment and development;
- The potential for on-the-ground partners that have established relationships with stakeholders;
- The willingness of local stakeholders to support the continual innovation and improvement in carbon markets to deliver high-integrity results and ensure carbon markets deliver maximum climate, nature, and social benefits;
- The comparative advantage of philanthropic funding versus other finance sources; and
- Possible funding sources that will supplant philanthropic funding over the long term if continued support will be needed.

2. Introduction



2. INTRODUCTION

VCMI is an international non-profit organization with a mission to enable high-integrity voluntary carbon markets (VCMs) that deliver real and additional benefits to the atmosphere, help protect nature, and accelerate the transition to ambitious, economy-wide climate policies and regulation. The initiative, launched in 2021, aims to enable high-integrity VCMs to help achieve global climate goals, while also delivering benefits

for people and the planet. In June 2023, VCMI published a Claims Code of Practice to provide guidance to companies on how to credibly engage in VCMs as a part of ambitious net-zero decarbonization pathways. VCMI also supports supply-side readiness through its VCM Access Strategy Program and is scoping the next phase of support for carbon market readiness.

2.1 Background

The VCM Access Strategies Program (Program) aims to support countries in which carbon credit projects, programs or interventions are geographically located (or host countries, to remain consistent with Article 6 terminology) to access high-integrity VCMs to channel finance into priority sectors. In Phase I of the program, VCMI, Climate Focus, and the United Nations Development Programme (UNDP)¹ developed the VCM Access Strategy Toolkit (Toolkit) based on the identified needs of policy makers in the Technical Assistance Pilot Program. It serves to provide high-level guidance

to policymakers to “guide their thinking, discussions and preparation for developing carbon market engagement strategies.”²

The Toolkit provides foundational knowledge and considerations to help countries assess their readiness and inventory needs to access international carbon finance. To aid the development of national VCM Access Strategies, the Toolkit outlines five steps for gauging carbon market readiness:

TABLE 1

VCM Access Strategy Toolkit - Considerations for host countries when engaging in high-integrity voluntary carbon markets

STEP	DECISION-MAKING CONSIDERATIONS
Deciding if, and when, to engage with voluntary carbon markets	<ul style="list-style-type: none"> • The potential of engagement with VCMs • Roles the host country government will play • The existing market and mapping of VCM activities
Planning how to finance its Nationally Determined Contribution (NDC)	<ul style="list-style-type: none"> • Finance needs for implementing the NDC • Financing instruments available for implementing the NDC • Finance for mitigation through VCMs
Determining the role for carbon markets in NDC achievement	<ul style="list-style-type: none"> • When emission reductions and removals count towards the host country’s NDC achievement • Double counting and double claiming • A policy on corresponding adjustments (CAs) • Risks related to carbon market engagement
Establishing legal and institutional frameworks	<ul style="list-style-type: none"> • Carbon rights • Institutional and regulatory issues
Ensuring high-integrity carbon market activities	<ul style="list-style-type: none"> • Alignment of VCM activities with host country policies • National carbon accounting rules • High-quality supply of carbon credits • High-integrity use of carbon credits

¹ Voluntary Carbon Market Integrity, July 2023. [Initiative VCM access strategy toolkit](#).

² Voluntary Carbon Market Integrity, Climate Focus and UNDP, 2023. [VCM Access Strategy Toolkit](#).

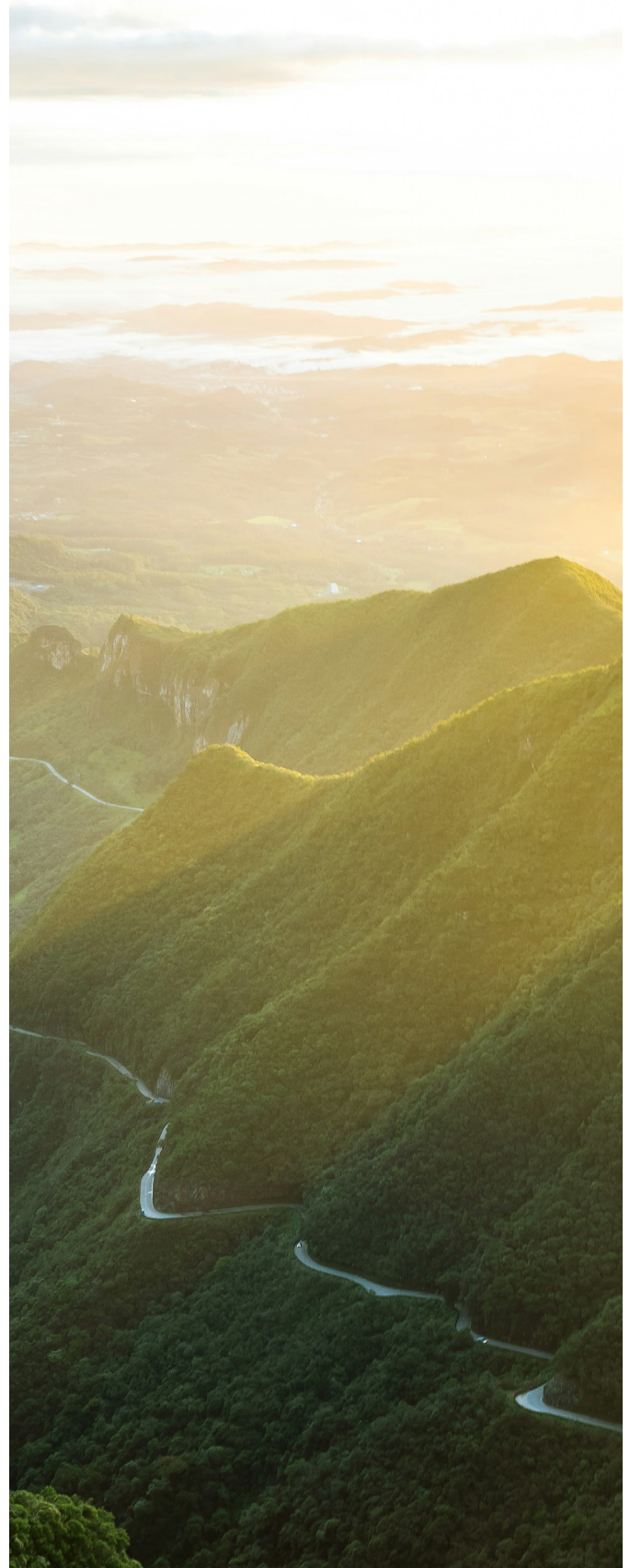
2.2 Report objectives

Since the launch of the Toolkit, VCMi has heard calls from countries for additional implementation support regarding the above themes, and the need for a holistic approach to Article 6 and VCM readiness support. VCMi commissioned this report to inform the design of future programming that could complement its overarching objective to enable high-integrity VCMs that contribute to the Paris Agreement goals, while also delivering benefits for people and the planet.

This report draws on the past work conducted by VCMi and partners and leverages the knowledge gained through the Phase 1 of VCM Access Strategies to present recommendations for any subsequent phase of VCMi's Access Strategies Program. The findings and recommendations contained herein were developed through desktop research and extensive stakeholder input with host countries, technical assistance providers, key funders, and groups representing IPs & LCs. All responses in interviews, focus groups, and surveys were aggregated and anonymized. While research and stakeholder engagement were extensive, they were subject to limitations of stakeholder capacity to provide input and a lack of data availability regarding carbon market readiness initiatives. Further information can be found in Appendix A.

This report aims to:

- Present a mapping of existing carbon finance technical assistance initiatives for voluntary and compliance carbon markets;
- Identify gaps within the landscape of existing carbon market initiatives where host country needs are not addressed; and
- Provide recommendations as to how VCMi and philanthropic funders can catalyze greater host country involvement in high-integrity carbon market mechanisms.



3. Country Carbon Market Readiness Needs



KEY FINDINGS

- There is strong interest from countries to utilize carbon markets, both voluntary and compliance, to achieve their climate objectives, as exhibited by more than two-thirds of countries planning to use carbon markets to meet their NDCs;³ however, capacity gaps hinder their ability to fully engage in carbon finance mechanisms and to maximize the climate and development benefits they can provide.
- Country needs, and the associated initiatives and funding opportunities to address them, fall into four main readiness categories:



Law, Policy & Regulation



Institutional Strengthening & Governance



Project Implementation



Knowledge Capacity Building

- Host countries said that their highest levels of need relate to building knowledge capacity of general and technical carbon market information for all stakeholders, especially government staff, the private sector, carbon project practitioners, and IPs & LCs.
- IP & LC groups raised the need to increase their ability to engage with carbon markets, including through knowledge capacity building across carbon market topics, increasing skills for IPs & LCs to engage fairly in project negotiations with governments and private-sector actors, and ensuring the implementation of equitable benefit sharing mechanisms and safeguards.
- Countries also noted that while significant support for law and policy already exists, more is needed. In some cases, there are multiple efforts related to law and policy in a single country, which can create confusion and conflicts. Support is needed to ensure coherence across these efforts to deliver holistic carbon market policies.

Understanding the needs of host countries in the development of high-integrity carbon finance mechanisms holds utmost importance in advancing carbon market readiness globally and identifying opportunities for future support. While carbon markets are progressing worldwide, many host countries remain in need of continued support to implement and enhance the markets. In particular, countries currently lack clarity surrounding how to operationalize Article 6 at the national level, whether and how VCMs interact with Article 6

and other carbon finance mechanisms, how carbon markets relate to their NDCs, guidance on how to implement general carbon market advice within their own country context, and sufficient technical capacity by local stakeholders to implement projects.⁴ Identifying these areas of need is the first step in ensuring that future support can be effectively directed to fill such gaps.

³ World Bank, May 2022. [Countries on the Cusp of Carbon Markets](#).

⁴ The priority-needs areas of countries have been determined through the analysis of stakeholder input via interviews, focus groups, and a country-needs survey, in addition to desktop research. See Appendix A for details on the report's methodological approach.

3.1 Carbon market needs categories

Amidst a variety of country opinions expressed through research and stakeholder input, four key categories of carbon market readiness needs and opportunities emerged:

-  Law, Policy & Regulation
-  Institutional Strengthening & Governance
-  Project Implementation
-  Knowledge Capacity Building

The major areas of carbon market needs and opportunities identified by countries can be characterized by these four categories, as described in Table 2. For example, understanding Article 6 and its guidance falls under ‘Knowledge Capacity Building,’ whereas, developing a national





Article 6 framework would fall under ‘Law, Policy & Regulation.’

In addition to the four categories of carbon market readiness needs, host countries also highlighted the importance of ensuring demand- and supply-side integrity of carbon markets by implementing international best practices and integrity principles, prioritizing environmental and social safeguards, and delivering meaningful and measurable co-benefits, including resilience. Given the importance of integrity as the foundation for well-functioning carbon markets, integrity considerations underpin all four categories of carbon market readiness.

While IP & LC needs did not significantly differ from general country needs, they were often more targeted towards fair and equal participation within project implementation and largely dependent on increased knowledge capacity building. IPs & LCs must be equipped with the general and technical carbon market knowledge and the negotiation skills needed to engage with project developers and government agencies to ensure their partnership in projects and the implementation of safeguards and benefit sharing mechanisms.

TABLE 2

Four key categories of carbon market readiness needs and support opportunities

CATEGORY	DESCRIPTION
 Law, Policy & Regulation	New or amended laws, policies, and regulations to advance carbon markets (e.g., national Article 6 frameworks, clarity on carbon rights, reducing emissions from deforestation and degradation (REDD+) nesting, etc.)
 Institutional Strengthening & Governance	New or strengthened institutional arrangements (e.g., cross-ministerial coordination bodies or processes, determining decision-making authority, establishment of new departments or agencies, holistic MRV, registry development, tracking progress, etc.)
 Project Implementation	Project development seed funding, technical assistance facilities, increasing operational capacity (e.g., increasing number of in-country VVBs), and establishing benefit sharing mechanisms
 Knowledge Capacity Building	Increased carbon markets knowledge capacity for government, Indigenous peoples, local communities, private sector, and domestic non-governmental organizations

3.2 Identified country carbon markets readiness needs

Based on analysis and expert consultations, countries need carbon market readiness support across all categories identified in Table 2. These needs span multiple in-country actors, from host country Ministries of Environment and other

pertinent government agencies to private-sector entities and IPs & LCs. The pertinent government institutions and additional stakeholders will vary from country to country.



Law, Policy & Regulation

KEY NEEDS:

- Holistic carbon markets policy frameworks;
- Tailored guidance specific national and legal contexts;
- NDC-related data to inform strategic role of VCMs; and
- Implementation of safeguards and clarity on carbon rights.

HOLISTIC CARBON MARKETS POLICY FRAMEWORKS

Many host countries are struggling to identify next steps in their climate regulations, especially given the complicated and sometimes murky relationships between carbon markets and other national climate targets. Countries are expressing a significant need for support to create holistic carbon market policy frameworks that are cohesive and consistent with existing and future climate policies and priorities. While many host countries are receiving policy support from multiple initiatives, further assistance is needed to ensure coherence across those individual efforts as well as to ensure remaining law, policy, and regulatory gaps are addressed. In addition to navigating how to advance carbon markets, they need guidance on how to do so in a way that does not hinder achievement of their NDC or conflict with additional carbon finance or climate policy mechanisms.

TAILORED GUIDANCE SPECIFIC NATIONAL AND LEGAL CONTEXTS

While general advice exists, countries need support in understanding how that guidance may apply to their specific national and legal contexts, which will allow them to proceed with confidence. Enacting effective carbon market laws and policies requires increased familiarity with strategic opportunities and their respective implications for NDCs.

NDC-RELATED DATA TO INFORM STRATEGIC ROLE OF VCMs

Policy makers must be familiar with the content and requirements of the NDC, along with the data used to establish the original targets and data available to measure progress towards achievement. The VCMs must also be understood in relation to other carbon markets that may influence the NDC so that they may be contextualized properly within the government's strategic climate and sustainable development objectives. Once the role of VCMs is understood in the context of the country's climate goals, policy makers seek independent, objective advice on how to scale high-integrity carbon markets in line with their national context and needs.

IMPLEMENTATION OF SAFEGUARDS AND CLARITY ON CARBON RIGHTS

To effectively scale high-integrity carbon markets, policies and facilitative processes are needed to establish environmental and social safeguards including benefit sharing, Free, Prior and Informed Consent (FPIC) requirements, and participatory governance procedures. To move forward with such guidance, many countries also need support in clarifying carbon rights, which requires tailored, nationally specific legal support.



Institutional Strengthening & Governance

KEY NEEDS:

- Country-specific data on the size and impact of the VCM;
- MRV and carbon project registry development;
- Article 6 approval and authorization processes; and
- Long-term institutional capacity.

COUNTRY-SPECIFIC DATA ON THE SIZE AND IMPACT OF THE VCM

Countries expressed the need for improved institutional strengthening and governance frameworks, especially as it relates to increased government oversight over VCMs. Currently, many governments have limited understanding or visibility of crucial information related to the VCM, such as the potential scale of the VCM in their countries, the key players in the market, and reputational risks linked to integrity and climate ambition that may damage the countries' ability to access Article 6 markets, and higher prices associated with higher-quality credits.

MRV AND CARBON PROJECT REGISTRY DEVELOPMENT

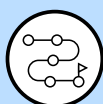
Many countries voiced needing support in developing MRV systems and registries to capture the complete array of carbon market-related activities within the country, including tracking projects in the VCMs, to allow for enhanced government decision making. Relatedly, countries also expressed a need for increased trading capacities, including, specifically, a need for national carbon credit trading platforms.

ARTICLE 6 APPROVAL AND AUTHORIZATION PROCESSES

A crucial piece of governance infrastructure needed by host countries is the establishment and implementation of carbon project approval and authorization processes through which governments can authorize the international transfer of carbon credits under Article 6 of the Paris Agreement. Article 6 deals are already underway in many countries, therefore, governments are eager to ensure the infrastructure is in place to allow these trades to move forward, while simultaneously ensuring that they maintain oversight and control over such transactions.

LONG-TERM INSTITUTIONAL CAPACITY

The expertise provided for countries should ideally become a permanent fixture of a country's institutions. The knowledge and ability to further improve on MRV systems, Article 6 authorization processes, and other important systems, such as standardized social and environmental safeguards requirements for in-country carbon market activities, needs to persist after an external support period ends.



Project Implementation

KEY NEEDS:

- Financial mechanisms to reduce carbon project investment risks; and
- Dedicated resources for IP & LC participation in carbon markets.

FINANCIAL MECHANISMS TO REDUCE CARBON PROJECT INVESTMENT RISKS

The unique risks associated with carbon markets projects in comparison to other financial opportunities has proven to be a barrier to entry for many potential investors, limiting carbon markets development in some host countries. Respondents from host countries and initiatives voiced the need for financial mechanisms that can reduce risk levels and catalyze investments, especially for innovative or new sectors and project types.

DEDICATED RESOURCES FOR IP & LC PARTICIPATION IN CARBON MARKETS

Project implementation is also dependent upon high-integrity design and operation of projects. Needs related

to carbon market integrity include support for establishing, implementing, and monitoring environmental and social safeguards. In particular, the promotion of co-benefits and implementation of strong benefit sharing mechanisms are key elements of high-integrity carbon markets and carbon projects. IPs & LCs need direct access to carbon finance flows and training opportunities, rather than all resources flowing through the governments. IPs & LCs also need the relevant skills to engage in constructive negotiations with project developers and government agencies to ensure their rights and ownership within projects. Promoting financial access and robust benefit sharing mechanisms supports the full and effective participation of these communities.



Knowledge Capacity Building

KEY NEEDS:

- Increased general and technical carbon markets knowledge for:
 - Government staff and policy makers to develop and operationalize carbon markets frameworks;
 - Host country project developers and VVBs to implement high-integrity projects;
 - Private sector buyers to increase market confidence;
 - In-country legal counsel to ensure host countries can effectively engage in carbon market transactions; and
 - IPs & LCs to ensure fair and effective participation in carbon market projects.

INCREASED CARBON MARKETS KNOWLEDGE FOR GOVERNMENT STAFF AND POLICY MAKERS

The greatest and most multi-faceted need highlighted by host countries is knowledge capacity building, especially in the context of ensuring the integrity of carbon markets. Primarily, governments identified the need for support in understanding how carbon markets work and how they may be leveraged to support their national climate and sustainable-development objectives, including NDC achievement. Countries are seeking trainings for government staff and policy makers on how to advance carbon markets for national benefit, including how to develop and implement holistic carbon policy, all while maintaining a high level of integrity. As the landscape of carbon markets evolves rapidly, these trainings are needed frequently for a broad set of government stakeholders, including Ministries of Finance.

INCREASED CARBON MARKETS KNOWLEDGE FOR HOST COUNTRY PROJECT DEVELOPERS AND VVBs

Knowledge capacity building is also greatly needed for the private sector, both on the supply side and the demand side. On the supply side, host country project developers need to understand how the markets operate, associated policies that may impact project viability, and pathways and processes for engaging in high-integrity carbon markets. Increasing project developer familiarity with best practices for carbon projects was raised as a key need by host countries across national income levels to allow for the implementation of carbon projects within host countries. To fill this gap, the private sector needs to have sufficient project development and implementation expertise, and there needs to be a sufficient number of in-country VVBs and technical practitioners to help projects comply with carbon standard auditing requirements. The current lack of in-country private project developers and VVBs leads to increased costs and time lags for local projects due to the need to fly in foreign experts. Expanding local private-sector capacity to support the carbon markets can feed the growth of market development.

INCREASED CARBON MARKETS KNOWLEDGE FOR PRIVATE SECTOR BUYERS

On the demand side, international private-sector buyers of carbon credits need enhanced market confidence, knowledge on market operations, and increased understanding on how to understand and manage risk associated with carbon market projects.

INCREASED CARBON MARKETS KNOWLEDGE FOR IN-COUNTRY LEGAL COUNSEL

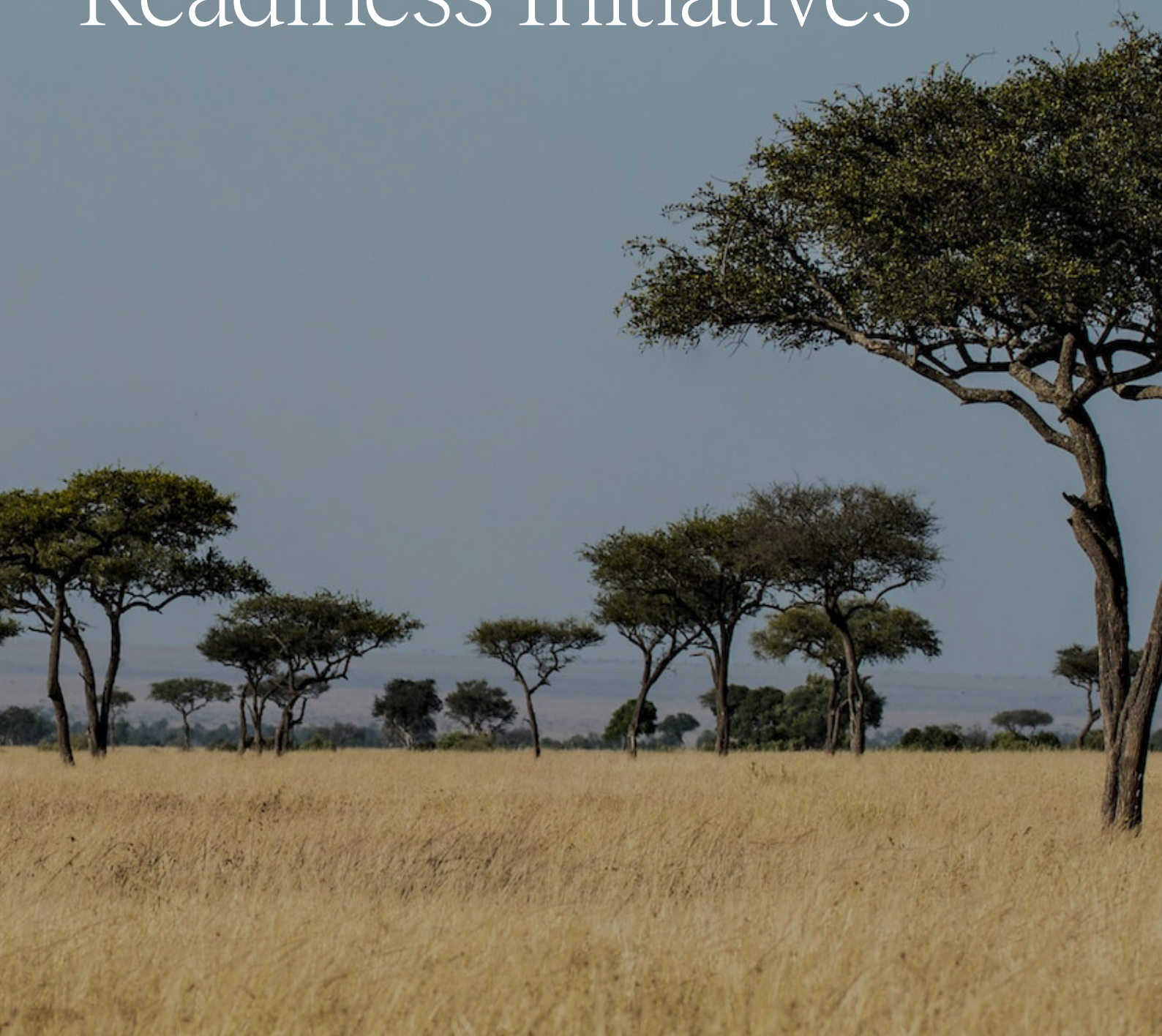
As carbon market participation grows, legal capacity is also needed to ensure host countries can effectively negotiate transactions with equal or greater understanding of the carbon deal terms and implications as their counterparties, particularly regarding integrity aspects. Such knowledge must include how to execute the various types of carbon market transactions, including for VCMs and Article 6, along with the interconnections. Capacity building must be prioritized for in-country legal experts to ensure local counsel can effectively negotiate and support carbon project transactions.

INCREASED CARBON MARKETS KNOWLEDGE FOR IPS & LCS

Knowledge capacity building opportunities are especially needed for IPs & LCs. Carbon markets, and carbon finance mechanisms more broadly, must be implemented with appropriate involvement from IPs & LCs. Local community involvement and support is a key marker of high-integrity projects. However, their effective involvement is directly dependent upon their familiarity with the markets and their technical capacity to engage with the topics at hand. Merely inviting communities to participate without equipping them with the pertinent information is as problematic as not including them at all. Despite extensive interface with the carbon projects themselves, there is a lack of training opportunities for IPs & LCs.

4.

Landscape of Existing Carbon Markets Readiness Initiatives



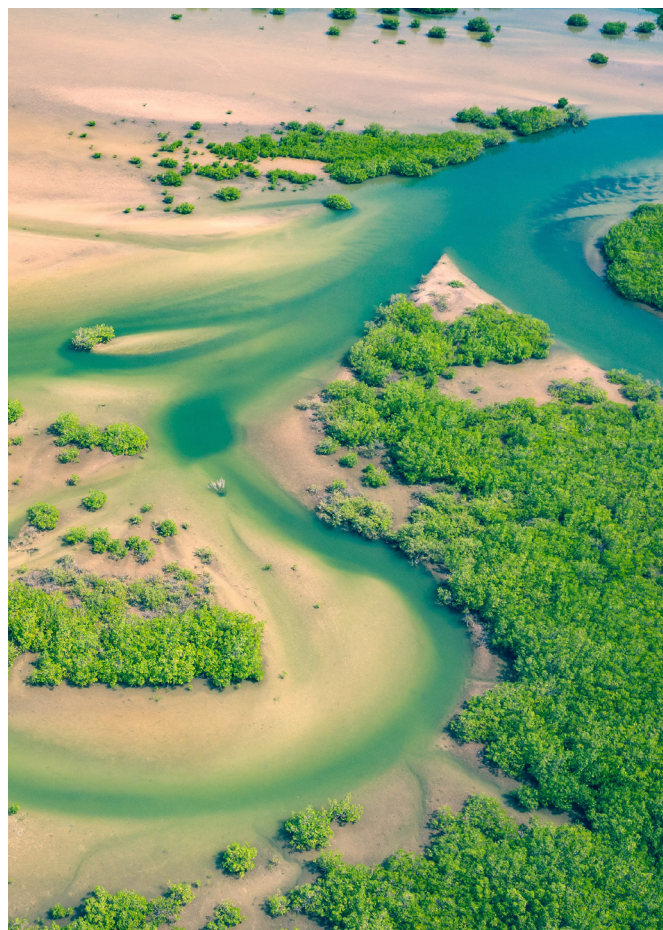
KEY FINDINGS

- Up-to-date, transparent, accurate, and comprehensive data on the magnitude and flows of donor funding for carbon market readiness is not available in an accessible and usable way, hindering the ability to understand where donor funding is going and at what levels.
- The most common carbon market categories addressed by current readiness initiatives are for ‘Law, Policy and Regulation’ support and ‘Knowledge Capacity Building’ to understand and address the interlinkages between the voluntary carbon market and Article 6 of the Paris Agreement; however, countries noted that significant gaps remain and that additional support is needed. Many countries noted that the rapid evolution of carbon markets necessitates consistently up-to-date technical assistance.
- While few initiatives offer standalone programming related to the promotion of carbon market integrity, integrity best practices are incorporated in the programming of most initiatives across all four readiness categories.
- Many of the initiatives evaluated have a regional focus on carbon market readiness support in Africa; however, other regions are well represented as recipients of support from global initiatives or other efforts. The sector-specific initiatives assessed have a strong focus on nature and the forest sector. Latin American countries explicitly raised the need for sectoral capacity building for leveraging carbon markets to support climate action in the agriculture sector.

4.1 Carbon market readiness support sources & activities

Carbon market readiness efforts are funded and implemented by a network of domestic governmental entities (e.g., the Japanese Ministry of Environment), multilateral development banks (MDBs) (e.g., the World Bank), multilateral and bilateral development finance institutions (DFI) (e.g., the Asian Development Bank), and philanthropies (e.g., the Childrens Investment Fund Foundation, Bezos Earth Fund). With few exceptions, the researched carbon market readiness efforts fall into the four carbon market readiness categories:

-  Law, Policy & Regulation
-  Institutional Strengthening & Governance
-  Project Implementation
-  Knowledge Capacity Building



4. LANDSCAPE OF EXISTING CARBON MARKETS READINESS INITIATIVES

The diffuse nature of funding sources for carbon market readiness creates difficulties in accurately determining the overall scope and quantum of carbon market readiness funding in the aggregate or within a specific time frame. The various funding sources researched rarely elaborated on critical information, including:

- Detailed descriptions of activities to be funded;
- The timeframe for which the funding is allocated;
- How funding is distributed across the initiative's time frame (e.g., upfront or spread evenly throughout);
- Quantified impacts of the initiatives funded; and
- Information regarding the current status of ongoing initiatives.

Without the information described above, it was not possible to meaningfully determine how much carbon market readiness funding had been committed or disbursed, the full suite of activities supported, and the regional distribution of funding for carbon market readiness.

An example of a project database that contained most, if not all, of the information above is the International Climate Initiative's (IKI) project database. The IKI project database was instrumental to understanding not only the IKI's work but also the projects of other organizations that implemented carbon market readiness initiatives.

4.2 Existing carbon market readiness initiatives

The landscape mapping of existing carbon market technical assistance initiatives provided information on the types and, to some degree, the level of support currently available to countries in advancing carbon market integrity, development, and operation. In total, 24 different initiatives were identified and assessed (see Appendix B for the list of initiatives assessed), with a focus on how their support aligns with the specific country needs. The analysis prioritized currently active readiness initiatives that operate at a multi-country

scale. Initiatives that are newly forming, small-scale, or lack a readiness component were not included (see Appendix C for further explanation of why certain initiatives may be missing).

Figure 2 below presents a matrix categorizing the carbon market readiness initiatives assessed by their regional scope (i.e., regional versus global) and thematic or sectoral focus (i.e., compliance or voluntary carbon market readiness, Article 6-specific support, and sector-specific efforts).



4. LANDSCAPE OF EXISTING CARBON MARKETS READINESS INITIATIVES

FIGURE 2

Carbon market readiness landscape mapping results of selected initiatives (not exhaustive)



Descriptions of selected initiatives and the selection criteria are housed in Appendix B and Appendix C, respectively.

4. LANDSCAPE OF EXISTING CARBON MARKETS READINESS INITIATIVES

4.2.1 ANALYSIS OF READINESS SUPPORT PROVIDED

The 24 initiatives assessed represent a spectrum of needed carbon market readiness support; however, this is not an exhaustive list of all carbon market readiness efforts globally (see Appendix C for further explanation of why certain initiatives may be missing). The assessment involved a qualitative evaluation of the information available on the initiative websites and in various reports. Each initiative was ‘scored’ for the extent of support provided under each category, according to the information available. Notably, due to the lack of comprehensive, publicly available data regarding funding amounts and the effectiveness of the support provided, these factors are not considered. Instead, the evaluation centers on how the initiatives describe their goals, priorities, and their program objectives.

The ratings reflect the assessed level of support provided by these initiatives to enhance host country opportunities in carbon markets. ‘Extremely High Support’ signifies initiatives

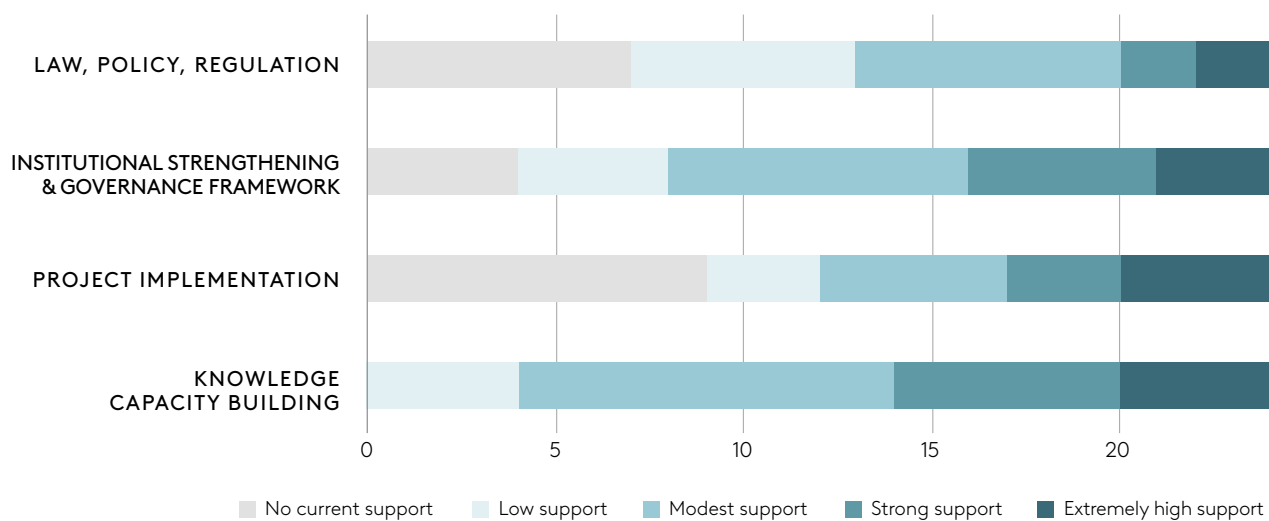
that are exceptionally well supported and have the potential to fully address the readiness needs for that category that were identified by countries, while ‘Strong Support’ indicates robust, but not comprehensive support. ‘Modest Support’ reflects a medium level of assistance that partially addresses the readiness needs under that category; whereas ‘Low Support’ indicates examples of some, limited assistance under that category. ‘No Current Support’ indicated the absence of engagement and support in that particular readiness area.

Figure 3 offers an aggregated summary of the findings of the assessment for the 24 initiatives. Additional takeaways for each readiness category are summarized below along with case study examples of a selection of initiatives.

One notable observation from this analysis is that nearly all initiatives embed integrity as part of their broader support offerings—whether encouraging the incorporation of integrity considerations in policy development or promoting best practices and lessons learned for developing high-quality carbon projects.

FIGURE 3

Aggregated results of the breadth and extent of carbon market readiness support provided by the 24 initiatives assessed

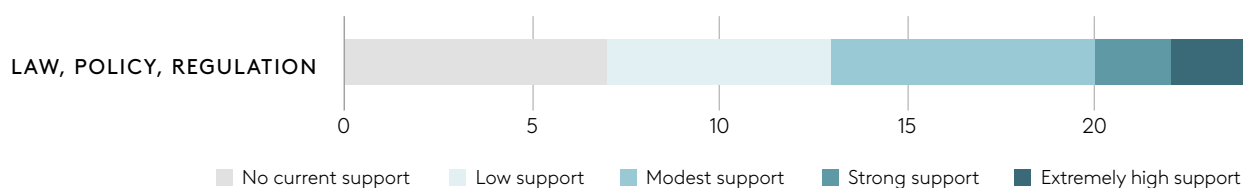




Law, Policy & Regulation

FIGURE 4

Aggregated results of the level of Law, Policy & Regulation support provided by the 24 carbon market readiness initiatives assessed



OBSERVATIONS CONCERNING MAPPING RESULTS:

The majority of initiatives assessed offer ‘Modest’ to ‘Extremely High Support,’ reflecting the lack of existing national law and policy frameworks that enable carbon markets, and the lack of legal expertise within countries to develop such frameworks independently.

The low number of initiatives capable of providing support beyond the ‘Strong’ level highlights the shortage of specialized providers equipped to offer the intricate legal and policy guidance essential for implementing these frameworks. In addition, donors may be hesitant to engage in law and policy support due to the lengthy timelines involved in developing and promulgating policies, as well as the bespoke nature of support needed for each national context.

INTERSECTION WITH NEEDS ASSESSMENT:

The limited number of initiatives that offer ‘Strong’ and ‘Extremely High Support’ in this category contrasts with the overwhelming need communicated by countries for law, policy, and regulatory aid, especially while navigating the development of carbon market policy that is synergistic with ongoing national climate priorities.

Despite the significant need in this area, it is important to note that several respondents, in interviews and surveys, voiced that host countries may be wary of philanthropic financing in law and policy assistance due to a fear that donor objectives may influence local law.

CASE STUDY

The **West African Alliance on Carbon Markets and Climate Finance (WAA)** was established in 2017 to improve the readiness of West African countries to engage in global carbon markets, gain advantages from technology sharing, and secure climate finance. The WAA included members across the West Africa region, including Benin, Cape Verde, Cote d’Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Nigeria, Liberia, Burkina Faso, Sierra Leone, Senegal, and Togo.

In June 2022, WAA released its *Blueprint for Article 6 Readiness*⁵, a pivotal resource designed to guide member countries in developing national Article 6 strategies for market-based cooperation. This blueprint involves a range of objectives, including the clarification of Article 6 participation goals, the establishment of institutional frameworks, support for transitioning from the Clean Development Mechanism (CDM) to Article 6.4, negotiation of bilateral agreements, and the promotion of non-market approaches to international cooperation. Structured around four key building blocks—NDC integration, Article 6 policy development, institutional frameworks, and infrastructure—the Blueprint equips member nations with a comprehensive roadmap to enhance their climate cooperation efforts and ensure alignment with international requirements, a significant step forward in climate action for West Africa.



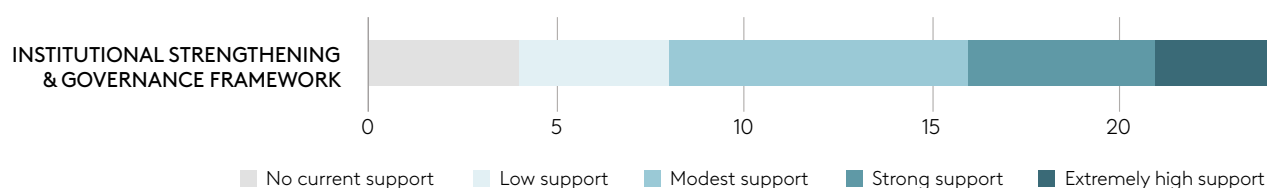
⁵ West African Climate Alliance, June 2022. [Blueprint for Article 6 Readiness in member countries of the West African Alliance.](#)



Institutional Strengthening & Governance

FIGURE 5

Aggregated results of the level of Institutional Strengthening & Governance Framework support provided by the 24 carbon market readiness initiatives assessed



OBSERVATIONS CONCERNING MAPPING RESULTS:

A majority of the initiatives assessed provide 'Modest' to 'Extremely High' support for efforts in the 'Institutional Strengthening & Governance' category. The prevalence of initiatives providing this type of readiness support indicates a demand for and capability for providing this type of support. Initiatives provide a diverse set of support, such as establishing and operationalizing MRV systems, and developing carbon pricing instruments to help countries enhance their carbon market readiness.

INTERSECTION WITH NEEDS ASSESSMENT:

Despite the relatively high number of initiatives supporting readiness in this category, countries have identified several remaining technical needs, such as government staff capacity to review methodologies and programs, registry development, and MRV infrastructure implementation.

CASE STUDY

The **Paris Agreement Article 6 Implementation Partnership (A6IP)** was launched in November 2022 to promote international coordination of Article 6 Capacity Building, develop information platform for Article 6 implementation, and support piloting and knowledge products. The Article 6 Implementation Partnership includes 70 member countries from all around the world and 30 institutions.⁶



The A6IP has undertaken assessments evaluating institutional arrangements, regulatory frameworks, technical knowledge, and stakeholder coordination for Article 6. Key findings were that most countries lacked understanding of Article 6 guidance and reporting.⁷ There is a need of cross-country learning, tailored solutions for each country, private-sector engagement, and inter-ministerial coordination for effective implementation of Article 6. To address these gaps, the A6IP efforts involve enhancing Article 6 understanding and NDC alignment, fostering capacity building collaboration, mutual learning from global experiences, and promoting cooperation among regional bodies, partner institutions, and the private sector. The A6IP has systematically identified needs and provided concrete resources to strengthen institutional and regulatory frameworks for Article 6.

⁶ Ministry of Environment of Japan, September 2023. [Progress and Plans for the Article 6 Implementation Partnership](#).

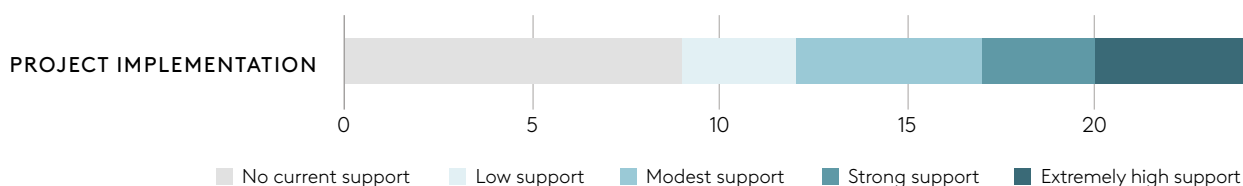
⁷ Article 6 Implementation Partnership, September 2023. [Summary of Regional Activities for Article 6 and Lessons Learned](#).



Project Implementation

FIGURE 6

Aggregated results of the level of Project Implementation support provided by the 24 carbon market readiness initiatives assessed



OBSERVATIONS CONCERNING MAPPING RESULTS:

The lack of initiatives supporting project implementation at a 'Strong' or 'Extremely High' level of support may be due to lack of specialized capacity in most initiatives to support localized carbon project development efforts.

INTERSECTION WITH NEEDS ASSESSMENT:

Country respondents voiced a particular need for an increased number of in-country project developers and auditors to allow for efficient project development. They seek philanthropic support for first demonstration seed funding and increased local carbon project practitioners.

CASE STUDY

The **Partnership for Market Implementation (PMI)**⁸ was launched in 2021 to address the growing need for assistance in implementing carbon pricing among countries. The PMI included members across Bangladesh, Brazil, Botswana, Chile, China, Colombia, Ecuador, Guinea, Indonesia, Kazakhstan, Malaysia, Mexico, Montenegro, Pakistan, Panama, Peru, Rwanda, Senegal, Turkey, Uganda, Ukraine, and Vietnam.



PMI's core objectives revolve around supporting countries and jurisdictions committed to carbon pricing⁹, developing a robust knowledge base on carbon pricing instruments, facilitating best-practice adoption, and promoting international and national cooperation in carbon pricing discussions. PMI's implementation support focuses on strengthening domestic capacity, refining legislative and policy frameworks, and expanding the reach of carbon pricing into new sectors. Business PMI (**B-PMI**)¹⁰, a subset of PMI, focuses on private-sector engagement and project implementation. It deploys experienced professionals to support carbon pricing and market mechanisms in PMI jurisdictions. By tailoring its support to the unique needs and commitments of each participant, PMI and B-PMI play a vital role in advancing the global transition towards effective carbon pricing mechanisms and greenhouse gas (**GHG**) mitigation strategies.

8 Partnership for Market Implementation, 2023. [History of Partnership for Market Implementation](#).

9 Partnership for Market Implementation Facility, 2022. [Meeting the Growing Need for Carbon Pricing Support](#).

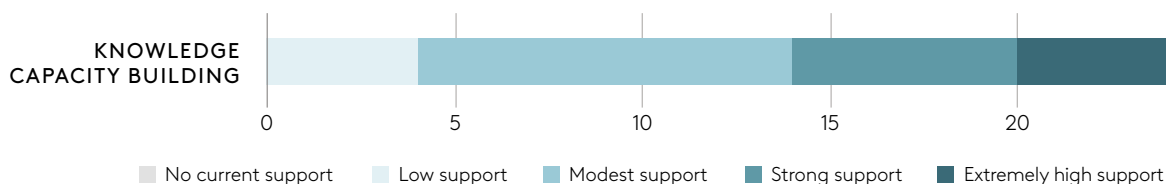
10 International Emissions Trading Association, 2022. [B-PMI Initiative](#).



Knowledge Capacity Building

FIGURE 7

Aggregated results of the level of Knowledge Capacity Building support provided by the 24 carbon market readiness initiatives assessed



OBSERVATIONS CONCERNING MAPPING RESULTS:

Unlike the other categories of support, every initiative offered some level of support in this category. This reflects the relative ease of providing this kind of support as it involves the creation of a knowledge base or the deployment of expertise to countries. In addition, there are ready participants for an exchange of knowledge and best practices in carbon markets.

INTERSECTION WITH NEEDS ASSESSMENT:

Country respondents voiced high levels of need for knowledge capacity building across stakeholders, with a particular emphasis in providing resources to, and growing the knowledge of, IPs & LCs. Several governments requested philanthropic support first and foremost in knowledge development at the community level, followed by remaining needs in private-sector and government technical capacity. Gaps in local legal expertise was also highlighted by many as a barrier to carbon project transactions, for which capacity building is needed to train local counsel on structuring and negotiating Emission Reduction Purchase Agreements.

CASE STUDY

The **African Carbon Markets Initiative (ACMI)** was launched at COP27 by the Global Energy Alliance for People and Planet (**GEAPP**), Sustainable Energy for All (**SEforALL**) and the United Nations Economic Commission for Africa (**UNECA**). ACMI aims to scale the generation and use of African carbon credits and contribute to regional climate action, job creation, and support of energy access and biodiversity.

Several of ACMI's programs¹¹ are actively engaged in strengthening knowledge capacity across the region. This initiative involves building a blueprint for national VCMs and informing countries on the importance of VCMs, connecting committed African countries with technical assistance providers and funding partners, and providing dedicated trainings on MRV methods to build local capability. Additionally, ACMI will establish an accelerator/incubator which will offer technical assistance to project developers and simplify carbon credit certification processes.



¹¹ Africa Carbon Markets Initiative, January 2023. [Action Programs](#).

4. LANDSCAPE OF EXISTING CARBON MARKETS READINESS INITIATIVES

4.2.2 REGIONAL AND SECTORAL TRENDS

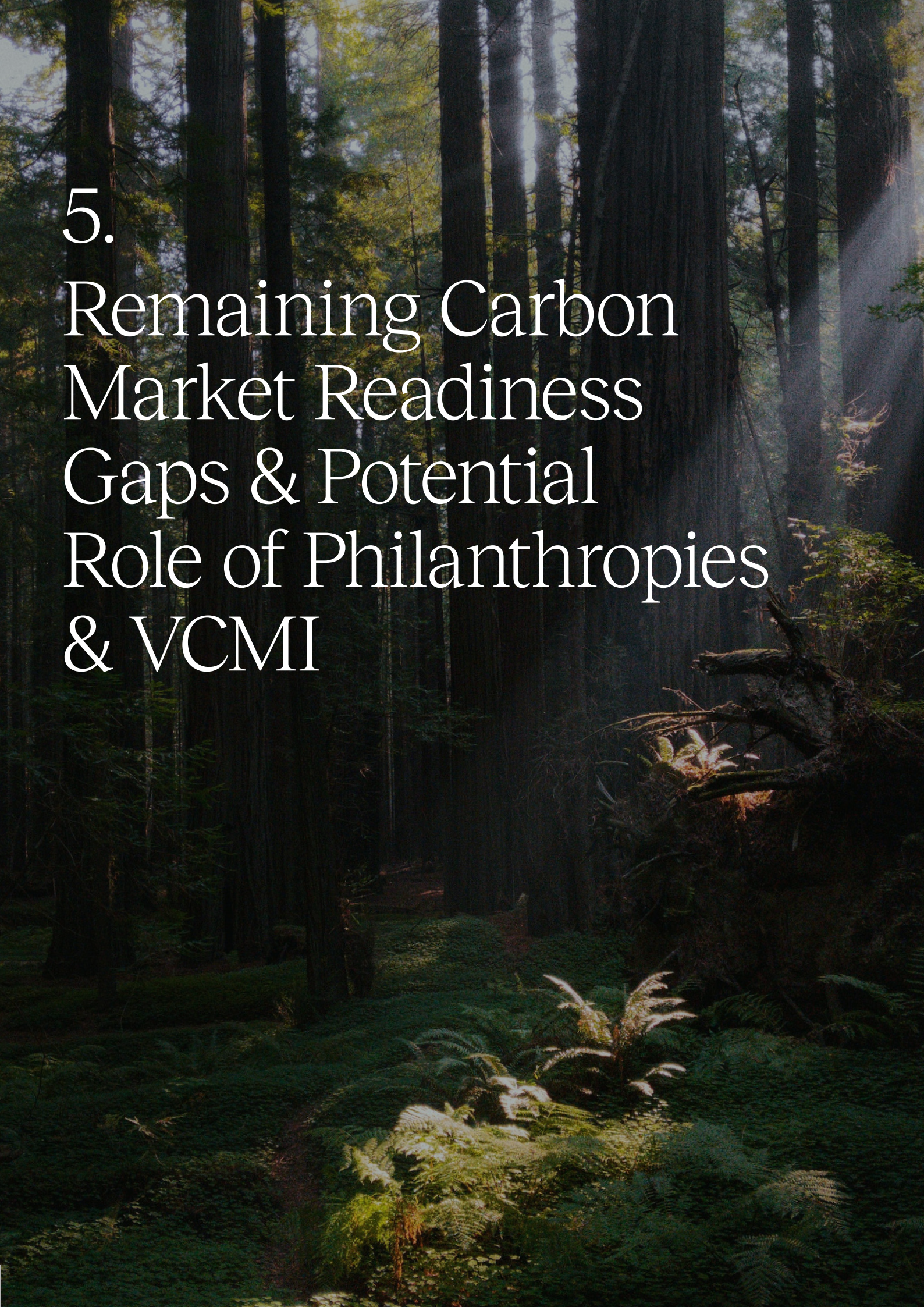
The initiatives were also reviewed to discern any regional or sectoral trends. Of note, many of the initiatives evaluated are focused on carbon market readiness support within Africa. Despite the regional emphasis observed in Africa, most regions do have access to support from global initiatives or other efforts. For instance, while Latin America is not currently served by a regionally-specific initiative, these countries are making progress through several global and sectoral initiatives to build capacity for carbon market participation. Similarly, while there was a notable absence of initiatives specifically targeting Least Developed Countries (LDCs) and small island developing states (SIDS), assistance for these countries is largely captured by other regional initiatives.

Given a large market emphasis on nature-based solutions (NBS) and forest carbon projects within the three main tropical forest basins, countries lacking forest and mangrove ecosystems, in particular, may feel deprioritized in carbon markets. Such countries include those in the Middle East and Northern Africa, along with select SIDS. Despite this challenge for market entrance within these regions, global market efforts to scale NBS must advance rapidly and not be discouraged. However, regions that cannot support large-scale NBS activities may require specific assistance in identifying sectors that can be scaled via carbon markets within their local context (e.g., waste management, industrial processes, etc.), along with assistance to determine the best sources of carbon finance for the country.

In terms of sectoral trends emerging from the analysis, NBS and forest projects represented the largest sectoral focus of reviewed initiatives. Several countries raised the need for dedicated carbon market capacity building support within the agricultural sector, an opinion highlighted most notably by South American countries, as well as for waste management. As carbon markets and carbon credit demand continue to evolve, it will be important for initiatives to support readiness across all relevant sectors—in particular agriculture and agroforestry—and at both the project- and jurisdictional-scales.

There are also key lessons related to carbon markets that can be drawn from NBS and forest sector projects and applied across other sectors. For example, the concept of REDD+ nesting aims to align the accounting and incentives for site-scale REDD+ projects within a jurisdictional REDD+ program. However, within a post-Paris Agreement world, climate action, including carbon projects, across all sectors must align with national accounting efforts in support of countries' NDCs. Philanthropically-funded initiatives can learn from the lessons of REDD+ nesting efforts to support holistic approaches to carbon project development at all scales and within all sectors.





5.
Remaining Carbon
Market Readiness
Gaps & Potential
Role of Philanthropies
& VCMI

KEY FINDINGS

- In addition to the four categories of readiness support discussed in this report, a consistent theme among stakeholders was the critical need for an aligned strategy on communications and donor coordination.
- Philanthropies are uniquely situated to deliver innovative and cross-cutting support to address the technical needs of host countries in ways that other funding sources would be ill-equipped to provide.
- VCMI's unique vantage point and authority within the market enables the initiative to amplify philanthropic assistance by providing overarching strategic support (e.g., working with donors to identify funding priorities and disseminate resources), as well as targeted support (e.g., enhancing international buyer understanding of integrity) to help fill carbon market assistance gaps.

5.1 Remaining carbon market readiness gaps

Despite the capacity building initiatives and funding assistance provided to date, gaps remain in both host country capacity to reach their carbon market potential and in donors' and initiatives' ability to effectively leverage support.

In addition to needs in the carbon market readiness categories, gaps were identified related to the provision of philanthropic funding. While respondents recognized the strengths of philanthropic funding, such as its flexibility and speed, they also highlighted some weaknesses. For example, philanthropic funding was noted to have less transparent or well-known access channels and requirements for application and approval. They also noted its potential lack of durability and scalability due to limited and smaller funds than multilateral funding sources. A prevalent concern was how such funds may be linked to the interests of the philanthropy, rather than being directed towards the needs of the country. This fear especially dissuaded some countries from seeking philanthropic support for law and policy development.

These funding challenges fall into three categories: insufficient funding, misaligned funding priorities and approaches, and inconsistent messaging:

- Insufficient funding speaks to a need for increased levels of readiness funding in general, and in particular for the specific gaps in support expressed by host countries.
- Misaligned funding priorities and approaches address the opaque, duplicative, and uncoordinated funding opportunities. Several funding sources can lack transparency, replicate already existing initiatives, or direct funding towards areas that do not resolve country priority needs.
- Inconsistent messaging includes conflicting perspectives on the market expressed by donors, as well as the market uncertainty stemming from negative media.

Figure 8 below includes questions at the core of resolving these three overlapping challenges. Ultimately, coordination between donors is a key solution for addressing these challenges, which is elaborated in the overarching recommendations in Section 5.2.1 below.

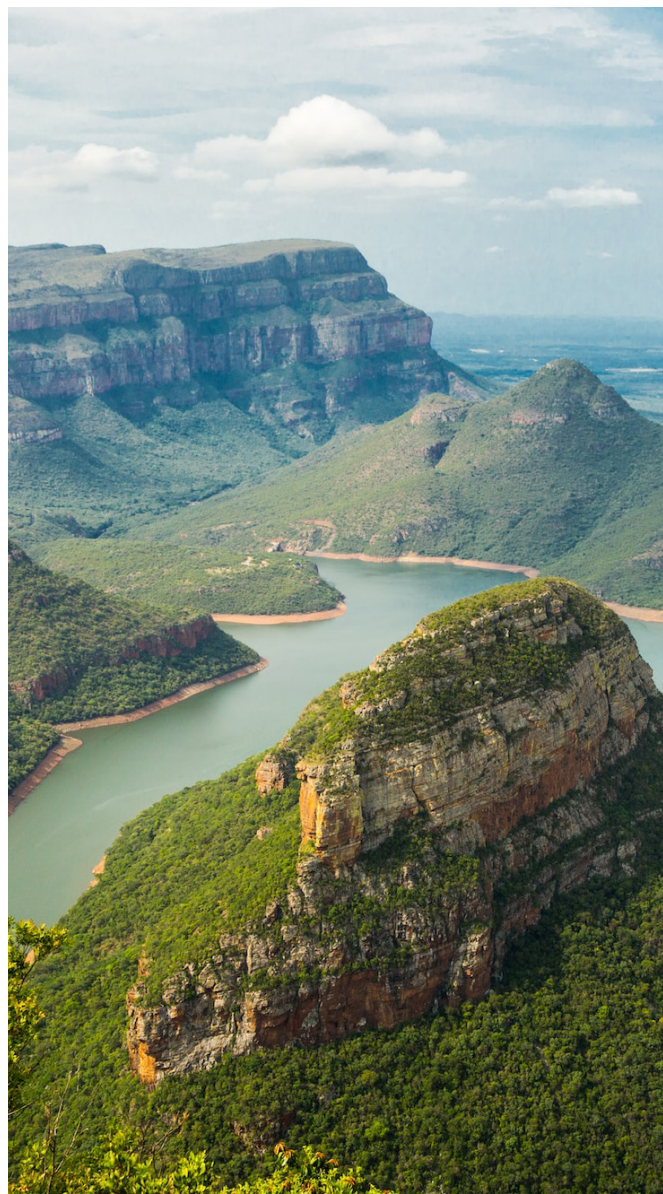
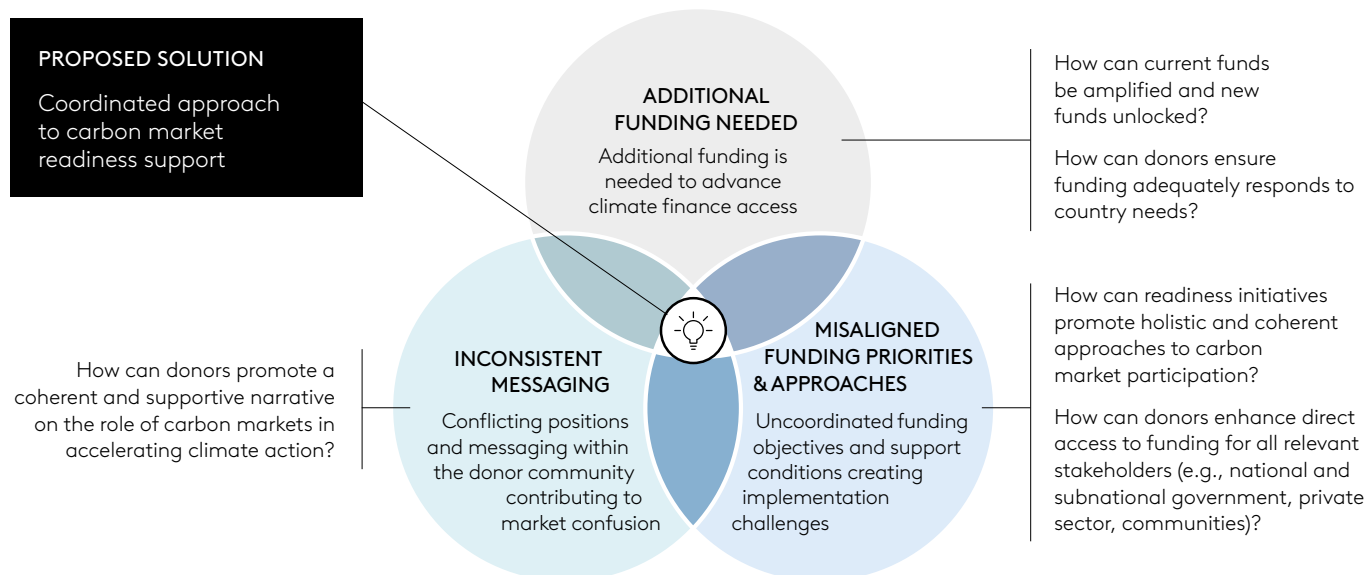


FIGURE 8

Considerations for addressing key funding challenges identified in donor support for carbon market readiness



5.2 Recommendations for philanthropies

Philanthropies are well positioned to provide effective support to a range of stakeholders, including host country governments, carbon project practitioners, IPs & LCs, and buyers, to advance carbon market access. In comparison to private and public funding opportunities, respondents emphasized how philanthropic funding can often be delivered on faster time frames and with fewer conflicts of interest or conditions. However, philanthropic funding may often be provided in smaller quantities than other funding mechanisms and country governments can be wary of philanthropic objectives conflicting with their own needs. Philanthropic funding that can avoid these pitfalls and enhance their strengths will be well equipped to support carbon market access.

For philanthropies eager to strategically support carbon market readiness in an impactful manner, the following recommendations reflect the niche opportunities connecting host country needs and the strengths of where philanthropic support can best add value.

Elements of the recommendations have also been spotlighted to show areas that can be advanced by VCMI using their unique strengths and market placement. Given VCMI’s respected role in the market at the intersection of market supply (via the Access Strategies program) and demand (via the Claims Code of Practice), VCMI is well-equipped to offer strategic support in carbon market communications and coordination and strategic knowledge capacity building

offerings. The VCMI-specific recommendations should not be perceived as implementable by VCMI only, and will likely require input and collaboration from across the carbon market ecosystem to be comprehensively enacted.

5.2.1 OVERARCHING RECOMMENDATIONS FOR PHILANTHROPIES

While the four technical categories of support reflect the technical needs of host countries, stakeholder engagement revealed an additional category of unique donor support. The ‘Communications & Coordination’ category reflects the need for a coordinated funding strategy within the donor community, as well as messaging to best support and scale high-integrity carbon markets. While some of the recent media attention on carbon markets rightfully calls for high-integrity advancements in the markets, others have narrow-focused emphasis on negative portrayals of carbon finance. While the markets should welcome constant feedback and improvement, such articles can diminish carbon markets as a vehicle for increasing investment in climate actions, which can hurt the potential for host countries to leverage these mechanisms to advance their climate and socioeconomic prosperity goals. The recommendations listed below address the needs to counteract negative media against carbon markets and to direct aid to advance carbon markets in a holistic and effective manner.



Communications & Coordination

1. Align communications and funding approaches across the international donor community to set the record straight on carbon markets and deliver greater impact.

PROPOSED ACTION STEPS:

- a) **Set the record straight on carbon markets:** Establish a joint forum within the donor community to align messaging and fund a strategic communications campaign to promote a coherent and supportive narrative on the critical role of carbon markets in accelerating climate action.
- b) **Deliver greater impact through coordinated funding:** Leverage joint forum to coordinate funding priorities, activities, interventions, and approaches to strategically direct philanthropic funds towards greatest market needs.
- c) **Pool resources to achieve greater scale:** Support a 're-granter' for technical support to disburse pooled resources strategically and neutrally to relevant market stakeholders at all levels.

- 1(a) **Set the record straight on carbon markets:** Establish a joint forum within the donor community to align messaging and fund a strategic communications campaign to promote a coherent and supportive narrative on the critical role of carbon markets in accelerating climate action.

Philanthropy must leverage its collective, respected voice to express support for high-integrity carbon markets and drive confidence in the markets. Several respondents noted that conflicting messaging from donors was creating and exacerbating market confusion. Aligning messaging

within the donor community can help minimize this uncertainty and confusion. Additionally, coordinated messaging within the donor community, particularly among large organizations with established audiences, can help combat the disproportionate number of negative portrayals of carbon markets in the media and shape a positive global narrative on the benefits that high-integrity carbon markets and carbon finance mechanisms can provide. Communications that demonstrate and share best practices and positive impacts are as important as expressions of support for promoting the longevity of carbon markets as a climate action tool.

VCMI

VCMI SPECIFIC RECOMMENDATION



A Support the development of expert content on high-integrity carbon markets to advance global donor communications.

VCMI is well positioned to develop targeted and expert content to advance donor-funded strategic communications. VCMI's respected authority on high-integrity principles for buyers and access strategies for host countries positions the initiative as a trusted voice of high-integrity carbon markets. Respondents recognized VCMI's expertise in communication and collaboration, highlighting VCMI's capacity for bringing together both seller and buyer countries to listen to each other's perspectives and identify gaps. Donor-funded strategic communication efforts should place a strong emphasis on promoting integrity and work towards a shared understanding and adoption of criteria that will improve the VCMs credibility.

While recognizing the need for continual improvement of markets, VCMI should leverage their expertise to share best practices and success stories, and to present factual case studies as counter examples to negative media stories. Targeting media organizations and market participants, this content can enhance the capacity of host countries to manage carbon projects by bolstering the investment appeal of high-integrity projects and increasing market confidence. This expert content can be employed by the joint-donor forum to align messaging and promote a supportive narrative of high-integrity carbon markets.

5. REMAINING CARBON MARKET READINESS GAPS

1(b) Deliver greater impact through coordinated funding:

Leverage joint forum to coordinate funding priorities, activities, interventions, and approaches to strategically direct philanthropic funds towards greatest market needs.

Donors in the joint forum should align on priorities and approaches to more effectively address market needs and to reduce duplicative efforts and gaps in support. Currently, despite donors sharing similar high-level objectives to advance climate action, actual support received may not directly address top host country challenges nor most effectively deliver the support. A coordinated approach can resolve these challenges by mobilizing philanthropic support across high-priority needs and providing clarity on which areas are already sufficiently funded and which need new or additional support. The donor forum should also encourage clear data reporting, as the availability of comprehensive funding data is essential for the success of coordinated funding initiatives, enabling informed decision-making and the effective allocation of philanthropic funds to address critical market needs.

1(c) Pool resources to achieve greater scale: Support a 're-granter' for technical support to disburse pooled resources strategically and neutrally to relevant market stakeholders at all levels.

Many respondents cited the relatively small scale of philanthropic funding (compared to multilateral sources) as a weakness; however, one solution to this challenge is to aggregate philanthropic funding and strategically direct pooled resources through a new or existing re-granting entity. The re-granting organization will need strong country relationships, as well as an understanding of and connectivity to local realities to ensure that the resources are responsive to country needs and provide the support sought by countries. For example, a re-granting entity could support host country needs by augmenting government efforts to establish a legal framework for carbon rights or create a financing and capacity building facility for developing carbon projects. Alternatively, a re-granting entity could leverage its strong country relationships to bolster regional level efforts, such as knowledge exchanges that convene IPs & LCs, public and private stakeholders (e.g., the West African Alliance's convening of the West Africa Carbon Market Hub¹²).

VCMI

VCMI SPECIFIC RECOMMENDATION

B

Strategically re-grant philanthropic support to direct funds towards the most needed and impactful methods of addressing host country needs.

VCMI holds a unique role in the market, as well as strong relationships with countries, philanthropies, buyers, and sellers, positioning the organization to understand the realities and needs throughout the market. VCMI already serves as a convener within the market and is well placed to assess carbon market readiness gaps and identify opportunities for needed resources, for example, as an aggregator and re-granter of pooled funding. VCMI's specific role within the re-granting process should be determined based on a capacity assessment and mapping of potential partners and responsibilities.

A re-granting initiative should complement and enhance existing efforts for coordinated donor support. For example, ZOMALAB, Bezos Earth Fund, and the High Tide Foundation are establishing a forum for funder collaboration and coordination for VCM nature financing. A strategic re-granter effort should consider partnering with such efforts.

¹² West African Alliance on Carbon Markets and Climate Finance, October 3, 2023, [Abidjan Call for a West Africa Carbon Market Hub](#).

5.2.2 TARGETED RECOMMENDATIONS FOR PHILANTHROPIES ON READINESS SUPPORT



Law, Policy & Regulation

- 2. Enhance cohesiveness of carbon markets policy development to promote a holistic in-country law, policy, and regulatory approach.

PROPOSED ACTION STEPS:

- a) **Support holistic policy development:** Facilitate coordination between carbon market readiness initiatives within a country to bring individual efforts together into a holistic policy strategy or ‘support package’ at the country level.
- b) **Facilitate informed national carbon markets strategies:** Develop a tool or guidance framework to help countries understand their NDC achievement trajectories and prepare informed carbon market strategies and policies.

2(a) Support holistic policy development: Facilitate coordination between carbon market readiness initiatives within a country to bring individual efforts together into a holistic policy strategy or ‘support package’ at the country level.

Philanthropies have the potential to support holistic policy approaches by helping to coordinate between initiatives within countries to minimize silos and, sometimes, conflicting readiness efforts. This coordination or strategic packaging of carbon market support can bring coherence and clarity to carbon market readiness efforts and empower host countries to make law, policy, and regulatory decisions that advance their national climate priorities alongside carbon markets. Transparency around policy initiatives and policy objectives will better allow host countries to assess how carbon markets may impact NDC achievement and how various climate policies interact. Policy development and coordination support will also require consideration and utilization of the most up-to-date high-integrity principles.

While some host countries adamantly expressed a need to discern pathways that advance carbon markets in accordance with their climate and sustainable development policies, some countries expressed hesitation in accepting donor support for legal and policy development for fear of potential undue influence of donor priorities on their regulations. Similarly, some philanthropies have historically been wary of providing policy support given the lengthy time commitments to achieve results and the bespoke, highly-localized nature of this work. Philanthropies can avoid these concerns by

providing facilitated coordination between the many policy initiatives in a country, which will provide clarity to the opaque policy landscape and better allow host countries to convene internally and develop policy frameworks. The exact ministries, entities, and local stakeholders requiring facilitation support will vary by country, depending on national climate goals and existing frameworks. Where appropriate, philanthropies can fund external expert engagement to support law and policy development within the clear and coordinated framework.

2(b) Facilitate informed national carbon markets strategies: Develop a tool or guidance framework to help countries understand their NDC achievement trajectories and prepare informed carbon markets strategies and policies.

Philanthropies can fill a key gap in helping host countries understand their current trajectory towards their NDC objectives by developing a tool or framework for assessing progress. This will equip host countries with the information necessary to make informed carbon market decisions, such as the role of VCMs in supporting their NDC achievement and identifying surplus carbon credits available for trading under Article 6, as well as reduce country hesitancy to leverage VCMs for fear of not reaching national goals. Armed with information collected from the proposed tool or guidance, host countries will then be better equipped to develop holistic climate and sustainable development policies, including by successfully implementing technical analysis and advice provided through other funding sources.



Institutional Strengthening & Governance

3. Strengthen host country institutional arrangements and equip governments with the tools needed to effectively operationalize carbon markets.

PROPOSED ACTION STEPS:

- a) **Align national governance on carbon markets:** Develop guidance on best practices for cross-ministerial collaboration (e.g., clarifying roles and responsibilities, coordination needs for approval processes, etc.) and fund inter-ministerial coordination costs for the efficient implementation of climate policies and actions.
- b) **Strengthen host country capacity from within:** Fund secondments of carbon markets experts to provide embedded capacity in host countries.
- c) **Promote innovation in MRV:** Promote investments into new and innovative MRV technologies and best practices that are 'fit-for-purpose' and ensure their long-term effectiveness through related trainings and maintenance support.

3(a) Align national governance on carbon markets:

Develop guidance on best practices for cross-ministerial collaboration (e.g., clarifying roles and responsibilities, coordination needs for approval processes, etc.) and fund inter-ministerial coordination costs for the efficient implementation of climate policies and actions.

Host country governments would benefit from best-practice guidance for achieving cross-ministerial collaboration that can be tailored to the national context, allowing for country-specific structures and needs to be reflected in governance arrangements. Philanthropic support to develop the guidance can fill a gap for host countries and meet their institutional and procedural needs for carbon market implementation. Best practices and funding should address process development for Article 6 authorization, assign responsibilities and collaboration channels across departments, and support the development of new departments, as needed. Guidance should also support host countries in identifying where targeted knowledge or technical capacity building is needed for continued operation of carbon markets.

3(b) Strengthen host country capacity from within:

Fund secondments of carbon markets experts to provide embedded capacity in host countries.

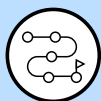
To quickly enhance host countries' capabilities to operationalize carbon markets, philanthropies should fund trusted experts to support consistent and effective law and policy development at the local and international level. Secondments can support host country governments with the increased capacity needed to implement the institutional arrangements. Involving entities and experts trusted by both countries and donors can help instill confidence that the support will be delivered in a manner

most useful to countries' priorities but also aligned with international best practices. Secondments should be supported, while simultaneously advancing the knowledge and technical capacity building of government staff. For example, to preserve the transferred expertise in the government staff, philanthropic funding could augment the salaries of key government employees to incentivize them to stay within their government agencies instead of seeking a higher salary in the public sector.

3(c) Promote innovation in MRV:

Promote investments into new and innovative MRV technologies and best practices that are 'fit-for-purpose' and ensure their long-term effectiveness through related trainings and maintenance support.

Countries wishing to engage in carbon finance mechanisms need to build the national accounting infrastructure and MRV systems needed to effectively track and report carbon finance activity. While several initiatives for MRV readiness already exist, few are prioritizing or testing the latest science and technology available. By mobilizing technologies such as remote sensing, ecosystem-monitoring drones, artificial intelligence, machine learning, and more, philanthropy can support the development of new data sets, lessons learned and best practices. Technological advancements and new science are key to more robust baselines, more accurate monitoring, benefit measurement of co-benefits, etc., all of which are important for the continual improvement of carbon projects and markets. However, it is important for philanthropies to evaluate the existing technological capability of host countries before proposing the use of the most cutting-edge MRV technology and ensure resources for trainings and ongoing maintenance.



Project Implementation

4. Help unlock private capital for high-quality carbon projects and carbon credit generation by de-risking investments.

PROPOSED ACTION STEPS:

- a) **Accelerate private investment for scaling carbon markets:** Establish measures to de-risk carbon market investments for investors, including, for example:
 - Establishing long-term offtake agreements and/or price-floor guarantees in collaboration with corporate investors and relevant financial institutions; and
 - Providing seed funding for first-demonstration projects to promote investment and capacity building in new activity types.

4(a) Accelerate private investment for scaling carbon markets: Establish measures to de-risk carbon market investments for investors, including, for example:

- Establishing long-term offtake agreements and/or price-floor guarantees in collaboration with corporate investors and relevant financial institutions; and
- Providing seed funding for first-demonstration projects to promote investment and capacity building in new activity types.

Philanthropies can play a critical role in increasing market accessibility and appeal by de-risking transactions in the early stages. Carbon finance may have higher levels of risk than other investment opportunities, which can deter investors from considering carbon market projects as a viable investment opportunity. In response, philanthropic support can reduce risk levels by providing flexible and affordable financing options for select carbon projects to support the generation of high-integrity carbon credits.

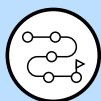
First demonstration seed funding should be used on a case-by-case basis to provide market opportunities for new technologies or credible methodologies. Respondents specifically warned against philanthropies supporting all types of projects (e.g., well-established and commercially-viable projects) with seed funding but did highlight the importance of the particular role philanthropies can play

in getting first demonstration projects into the market to showcase proof of concept, attract continued investments, and promote activities to reduce and remove greenhouse gas emissions. The level of support can be dependent upon impact investing priorities, which may be conducive to supporting smaller projects or those in more nascent or isolated fields. Seed funding must be project specific and should be targeted for sectors in need of support, such as agriculture, waste management, and transportation.

Donors interested in de-risking investments may employ measures such as establishing minimum price guarantees and long-term offtake agreements. For example, the Lowering Emissions by Accelerating Forest finance (**LEAF**) Coalition, a public-private buyer's alliance, aims to halt deforestation by 2030 by channeling carbon finance to forest countries through the purchase of high-quality jurisdictional REDD+ credits at a minimum price of US\$10 per tonne.¹³ One lesson from the LEAF Coalition experience is the importance of coupling demand-side funding signals with upfront finance and capacity building support to enable countries to participate in the financing mechanism.

The establishment of de-risking measures should look to examples of similar strategies to learn best practices and avoid pitfalls, such as potentially contributing to market compression.

¹³ Lowering Emissions by Accelerating Forest Finance, 2023.



Project Implementation

5. Prioritize Indigenous peoples and local communities' (IPs & LCs) involvement and benefits in project development, implementation, and transactions to ensure carbon projects deliver fair, equitable, and high-integrity outcomes.

PROPOSED ACTION STEPS:

- a) **Invest in IP & LC carbon market participation and leadership:** Support the full and effective participation of IPs & LCs (e.g., by funding the travel, accommodation, and participation costs of IPs & LCs to access, contribute to, and lead in carbon markets) to incorporate traditional knowledge and practices into scalable climate solutions and to guarantee IPs & LCs are well equipped to engage in carbon project discussions.
- b) **Ensure equitable and just sharing of benefits:** Develop best-practice models for benefit sharing that can be tailored to the local context for host countries and carbon projects to implement in partnership with IPs & LCs.

5(a) Invest in IP & LC carbon market participation and leadership: Support the full and effective participation of IPs & LCs (e.g., by funding the travel, accommodation, and participation costs of IPs & LCs to access, contribute to, and lead in carbon markets) to incorporate traditional knowledge and practices into scalable climate solutions and to guarantee IPs & LCs are well equipped to engage in carbon project discussions.

Philanthropies can play a key role in enabling the full and effective participation of IPs & LCs. One shortcoming of current approaches for implementing FPIC is the perceived or real conflict of interest that arises when project proponents provide FPIC funding and the related trainings themselves. An avenue for reducing this risk and for increasing the full and effective participation of IPs & LCs is through a pooled-funding facility to support best-practice FPIC implementation, including covering the costs of participating in project meetings and the training necessary for meaningful participation through the entire lifespan of a project. Increasing IP & LC opportunities to engage in projects can increase opportunities for them to not only benefit from projects, but also position them as stakeholders to ensure that carbon projects are operated according to IP & LC priorities and objectives.

5(b) Ensure equitable and just sharing of benefits: Develop best-practice models for benefit sharing that can be tailored to the local context for host countries and carbon projects to implement in partnership with IPs & LCs.

IP & LC involvement in carbon projects should not end at providing FPIC but instead should last throughout the lifetime of a project through project participation and benefit sharing agreements. Donors can provide targeted support by designing guidance for benefit sharing to demonstrate global best practices. Philanthropies can then tailor the guidance to individual countries and apply the models within the local context. The implementation of specialized benefit sharing models helps to ensure the fair participation of IPs & LCs and allows for local norms and conditions to be reflected into agreements. As IPs & LCs must be armed with the capacity to negotiate with companies interested in operating projects within their lands to negotiate fair benefit sharing arrangements, the models should be balanced with the following capacity building recommendations.



Knowledge Capacity Building

6. Increase carbon market knowledge and capacity within host countries for key stakeholders, including:

- Government;
- Local project developers and Validation and Verification Bodies (VVBs);
- IPs & LCs; and
- Local legal experts.

PROPOSED ACTION STEPS:

- a) **Build local cohorts of trained carbon market practitioners and experts:** Develop and deliver a 'Carbon Market Learning Module' or curriculum by leveraging relationships with academic institutions and experienced practitioners to strengthen the policy and technical capabilities of host country stakeholders, including government staff, project developers, VVBs, IPs & LCs, and members of civil society, to understand and adopt the technical and administrative processes for engaging in high-integrity carbon markets.
- b) **Deliver tailored capacity building for IPs & LCs:** Fund community-level trainings and knowledge sharing between IPs & LCs to increase the technical capacity of IPs & LCs to support their continued and effective participation in carbon market projects and amplify their collective voice in carbon market transactions, policy discussions, and international fora.
- c) **Ensure host countries benefit from fair carbon deals:** Provide specialized legal capacity-building support for in-country legal experts to ensure host countries benefit from fair carbon deals and that local counsel can effectively negotiate and support carbon project transactions, including the establishment of a global-shadowing program for host country lawyers to learn the necessary terms and processes of carbon project transactions from international legal experts.

6(a) Build local cohorts of trained carbon market practitioners and experts: Develop and deliver a 'Carbon Market Learning Module' or curriculum by leveraging relationships with academic institutions and experienced practitioners to strengthen the policy and technical capabilities of host country stakeholders, including government staff, project developers, VVBs, IPs & LCs and members of civil society, to understand and adopt the technical and administrative processes for engaging in high-integrity carbon markets.

In response to recipient country expressions of need for market-wide knowledge building, philanthropy can play a key role in increasing familiarity with carbon markets throughout host countries. Through training sessions, workshops, and resources, including the 'Carbon Market Learning Module' or certificate programs, philanthropy can provide carbon market education and guidance towards relevant stakeholders, including project implementers, local communities, farmers and land managers, civil society, and government institutions.

Training sessions should cover a range of topics and levels, including overviews of carbon market structure, compliance and voluntary carbon markets, corresponding

adjustments and their implications for claims, policy development, technical methodology specifications, and registry development. Further trainings can also address high-integrity market structure, including accountability relationships to minimize conflicts of interest, such as between auditors and projects. Specific audiences and topics will vary by country and jurisdiction, requiring philanthropy to assess regional needs when providing this support to ensure that training modules directly address training gaps within each country and to avoid overly general or irrelevant sessions. While core content may be applied across countries, tailoring will be needed for each context to deliver maximum impact. Modules should especially be used to equip government staff with the capacity to operationalize carbon market policies and to build a foundation of expertise within host country private sectors to increase the number of in-country project developers and VVBs. Moreover, setting standards and protocols for VVBs processes is crucial, enabling them to adapt to local contexts and engage with communities effectively. Through knowledge building support, philanthropy will enhance host country ability to advance high-integrity carbon markets.



Build understanding of emerging carbon market guidance in host countries to ensure the implementation of high-integrity carbon markets.

VCMI can leverage its position as a respected voice on integrity to increase the awareness and implementation of high-integrity principles in the carbon markets by leading the development of integrity-related and other curriculum for the 'Carbon Markets Learning Module'. Between the VCMI Claims Code and the Access Strategy Toolkit, VCMI is well equipped to provide guidance on best practices for a range of stakeholders, including host country governments, project developers, and VVBs. Trainings should build local understanding of emerging carbon market guidance and provide technical support for integrity implementation.

For a balanced approach, VCMI may consider partnering with ICVCM on module development. Respondents also requested VCMI use their connections with stakeholders across the markets to facilitate exchanges, especially with regional emphasis, for sharing best practices.

6(b) Deliver tailored capacity building for IPs & LCs: Fund community-level trainings and knowledge sharing between IPs & LCs to increase the technical capacity of IPs & LCs to support their continued and effective participation in carbon market projects and amplify their collective voice in carbon market transactions, policy discussions, and international fora.

IPs & LCs need access to holistic carbon market trainings to ensure their effective participation and partnership with carbon market mechanisms. While recognizing this as a key support gap, host countries need urgent assistance in bringing trainings to local levels. Philanthropies can play a key role in initiating trainings for IPs & LCs through providing targeted funding support.

Trainings should range from basic information about how carbon markets function to technical aspects that will allow communities to actively engage with, and develop, projects. A key component of IP & LC knowledge capacity building should be hosting dedicated outreach discussions with existing relevant initiatives, such as the World Bank Dedicated Grant Mechanism for Indigenous Peoples and Local Communities, to amplify and accelerate the degree to which such communities are trained.

6(c) Ensure host countries benefit from fair carbon deals:

Provide specialized legal capacity building support for in-country legal experts to ensure host countries benefit from fair carbon deals and that local counsel can effectively negotiate and support carbon project transactions,

including the establishment of a global shadowing program for host country lawyers to learn the necessary terms and processes of carbon project transactions from international legal experts.

Direct legal and policy support must be supplemented with capacity building for local legal professionals to establish local skills in carbon transactions and negotiations. Such trainings should be strategically directed towards national bar associations as a conduit for broad dissemination of the knowledge. Growing the in-country legal capacity to draft and negotiate emission reduction purchase agreements, services agreements, loan facilities and other agreements related to project development, carbon monetization and sale will support the longevity and independence of host country markets.

The goal of a shadowing program is to connect relevant experts with government and local stakeholders to advance climate action and increase local legal capacity. This program could take the form of secondments, local trainings or a network of international legal advisors paired with in-country lawyers, while acknowledging the need to navigate confidentiality and any conflicts of interest. The end product of the program can be a list of local counsel that have completed the legal training, which can help in-country project developers conveniently find relevant legal assistance.



Knowledge Capacity Building

7. Bolster international buyer confidence in high-integrity carbon markets.

PROPOSED ACTION STEPS:

- a) **Boost global understanding and uptake of demand- and supply-side integrity principles:** Develop materials and host workshops for private-sector buyers in partnership with industry groups and private-sector alliances to understand the evolving nature of carbon markets, including the latest developments of demand- and supply-side integrity initiatives, to promote market confidence.
- b) **Demonstrate that high-integrity carbon markets are achievable today:** Partner with leading corporates to pilot the purchase of high-quality, Core Carbon Principles (CCP)-eligible carbon credit purchases at fair prices and implementation of the VCM Claims Code to highlight tangible examples of high-integrity supply and demand in practice for replication by others.

- 7(a) Boost global understanding and uptake of demand- and supply-side integrity principles:** Develop materials and host workshops for private-sector buyers in partnership with industry groups and private-sector alliances to understand the evolving nature of carbon markets, including the latest developments of demand- and supply-side integrity initiatives, to promote market confidence.

Philanthropy can play a key role in ensuring that demand remains and increases to match enhanced supply of credits. Philanthropy is well suited to connect with international buyers to increase their understanding of, and confidence in, the market. Buyer engagement can be done through workshops, direct trainings, and targeted thought pieces to build familiarity with markets or address specific buyer concerns.

- 7(b) Demonstrate that high-integrity carbon markets are achievable today:** Partner with leading corporates to pilot

the purchase of high-quality, CCP-eligible carbon credit purchases at fair prices and implementation of the VCM Claims Code to highlight tangible examples of high-integrity supply and demand in practice for replication by others.

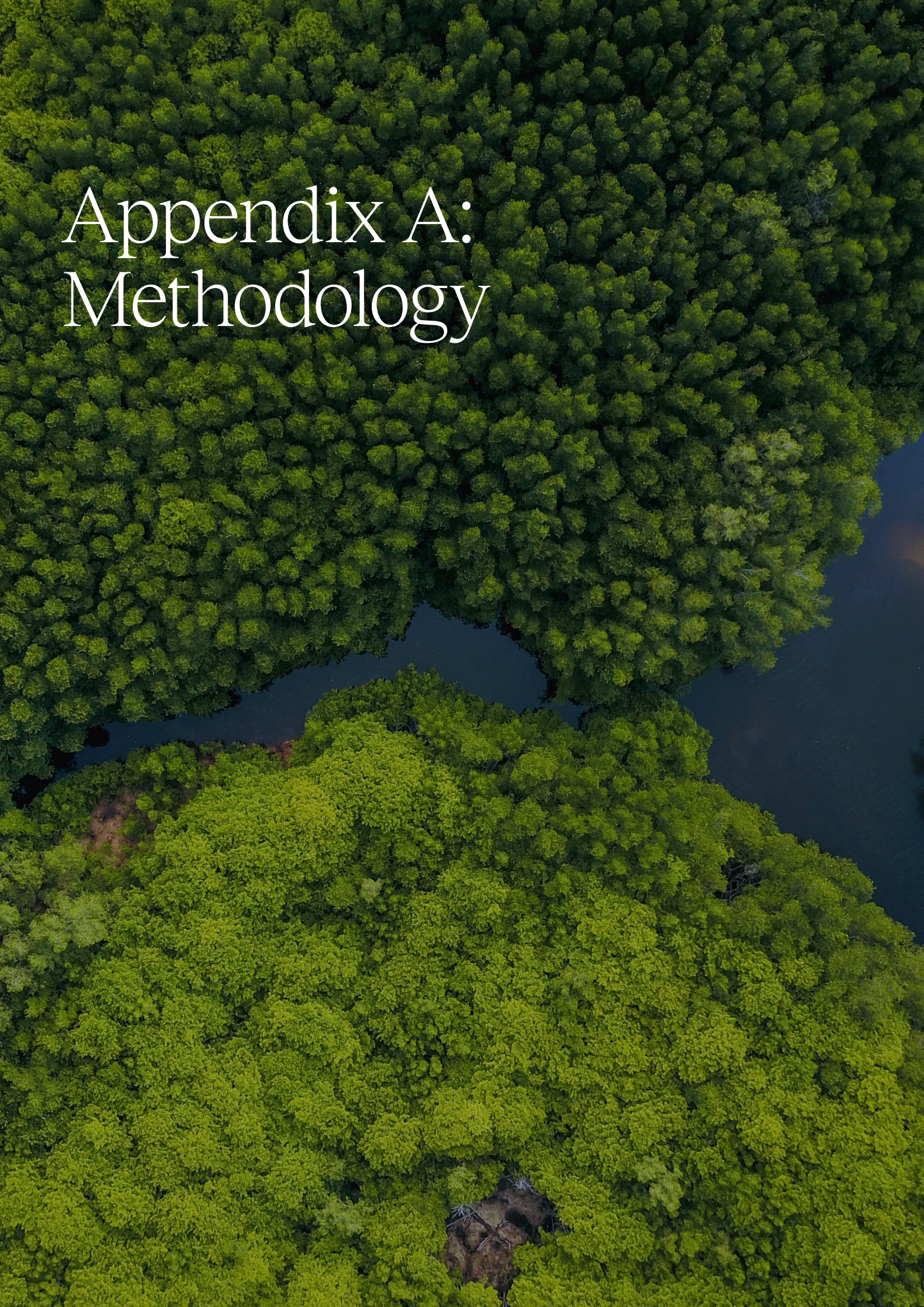
Philanthropies can act as a trusted partner with companies interested in making claims about carbon credit purchases to pilot carbon credit purchases under the latest iteration of the VCM Claims Code. Philanthropies can provide the initial guidance and expertise about making the claims from the carbon credit purchase and the subsequent knowledge dissemination and marketing support to broadcast any lessons learned in the process. Successful pilots will act as templates for similarly-situated corporations to follow. With philanthropic support and examples of success in place, donors can establish continued demand in high-quality carbon credits.

VCM

VCM SPECIFIC RECOMMENDATION

- D** Engage private-sector buyers of carbon credits to understand the evolving nature of carbon markets and promote market confidence.

As a well-respected organization for demand-side integrity, VCM has the connections and platform to capture the attention of global private-sector buyers and educate them on the current status of the carbon markets and to instill confidence in the market. VCM has a responsibility to uphold high-integrity principles in the market, while also engaging with interested buyers at various stages of awareness (e.g., buying credits, setting prices, terms, and conditions) to drive interest and continued demand into the market. VCM should also work with interested buyers to utilize the Claims Code and identify and address any potential market confusion that could lead to lowered uptake. This will require further articulating and socializing the value proposition of the Claims Code to prospective market users. VCM can utilize the learnings from its engagement with private-sector buyers to better inform host countries on how to create enabling environments that would incentivize greater buyer involvement.

An aerial photograph of a dense, lush green forest. A dark, winding river or stream flows through the center of the forest, creating a meandering path. The trees are vibrant green, and the overall scene is a natural, undisturbed landscape. The text 'Appendix A: Methodology' is overlaid in the upper left quadrant in a white, serif font.

Appendix A: Methodology

Appendix A: Methodology

The findings in this report were informed using desktop research and direct stakeholder inputs to understand country needs for carbon market readiness, map the existing landscape of carbon market readiness initiatives, identify readiness gaps, and provide recommendations for how philanthropic funding can be effectively channeled to further unlock carbon markets.

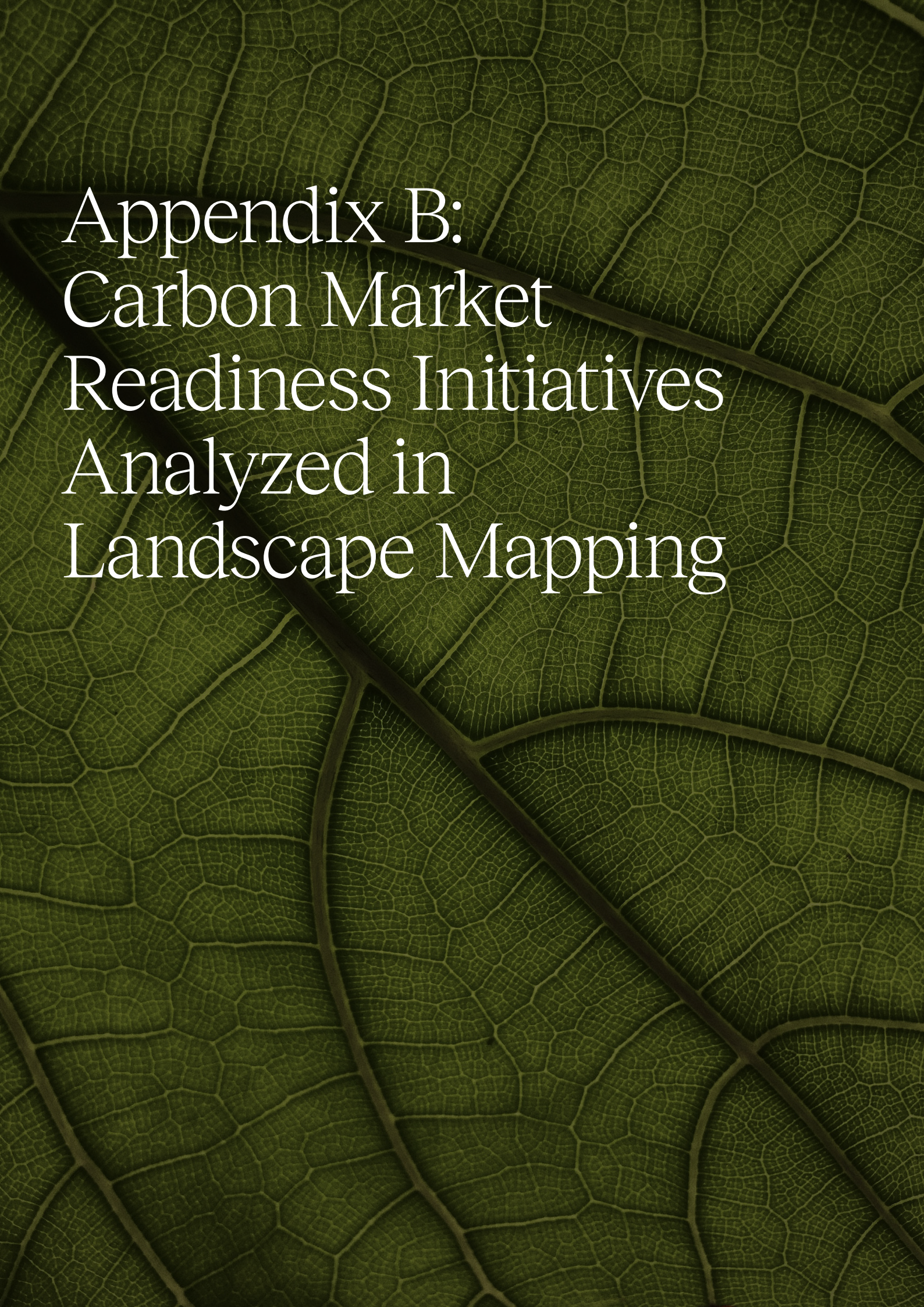
DESKTOP RESEARCH

The desktop research conducted for this analysis involved a multi-faceted approach, combining data from various sources to assess:

- **Existing carbon market technical assistance initiatives:** We reviewed the individual websites of each of the initiatives highlighted in the report to catalogue the types of carbon market readiness support provided;
- **The climate-related portfolios of select funders including philanthropies, international development banks, and private-sector initiatives:** As part of this research, we reviewed the data of 516 philanthropic organizations and 34 DFIs with the aid of third-party websites, including Inside Philanthropy, and, for a subset of funders, individual website reviews; and
- **Existing literature outlining country needs for carbon market readiness:** This literature, comprising reports, studies, and publications, provided initial information on carbon market readiness needs of countries; however, this research was significantly supplemented through stakeholder interviews, focus groups and surveys.

STAKEHOLDER INPUTS THROUGH INTERVIEWS, FOCUS GROUPS AND SURVEYS

Stakeholders provided commentary through interviews, focus groups and surveys to clarify country needs, recognize current support initiatives, and identify funding sources and opportunities for further philanthropic assistance. Targeted interviews were conducted with carbon market technical assistance providers, countries providing public funding for carbon market readiness, country recipients of readiness support, funders of climate readiness support, and groups representing IPs & LCs. Three focus groups were held with (1) members of the West African Alliance for Carbon Markets and Climate Finance and the Eastern African Alliance for Carbon Markets and Climate Finance, (2) the Multilateral Development Banks Working Group on Article 6 of The Paris Agreement and (3) key philanthropic funders. The VCMI Country Contact Group was invited to provide inputs and findings through participation in a country needs and assistance survey. The feedback from all recipients is aggregated and anonymized where findings are presented in this report.



Appendix B:
Carbon Market
Readiness Initiatives
Analyzed in
Landscape Mapping











Appendix B: Carbon Market Readiness Initiatives Analyzed in Landscape Mapping













This table provides an overview of 24 initiatives and programs related to carbon market readiness. These programs receive support from a variety of multilateral, governmental, and philanthropic entities to advance climate action and support countries in their efforts to mitigate carbon emissions through participation in carbon markets. The analysis prioritized

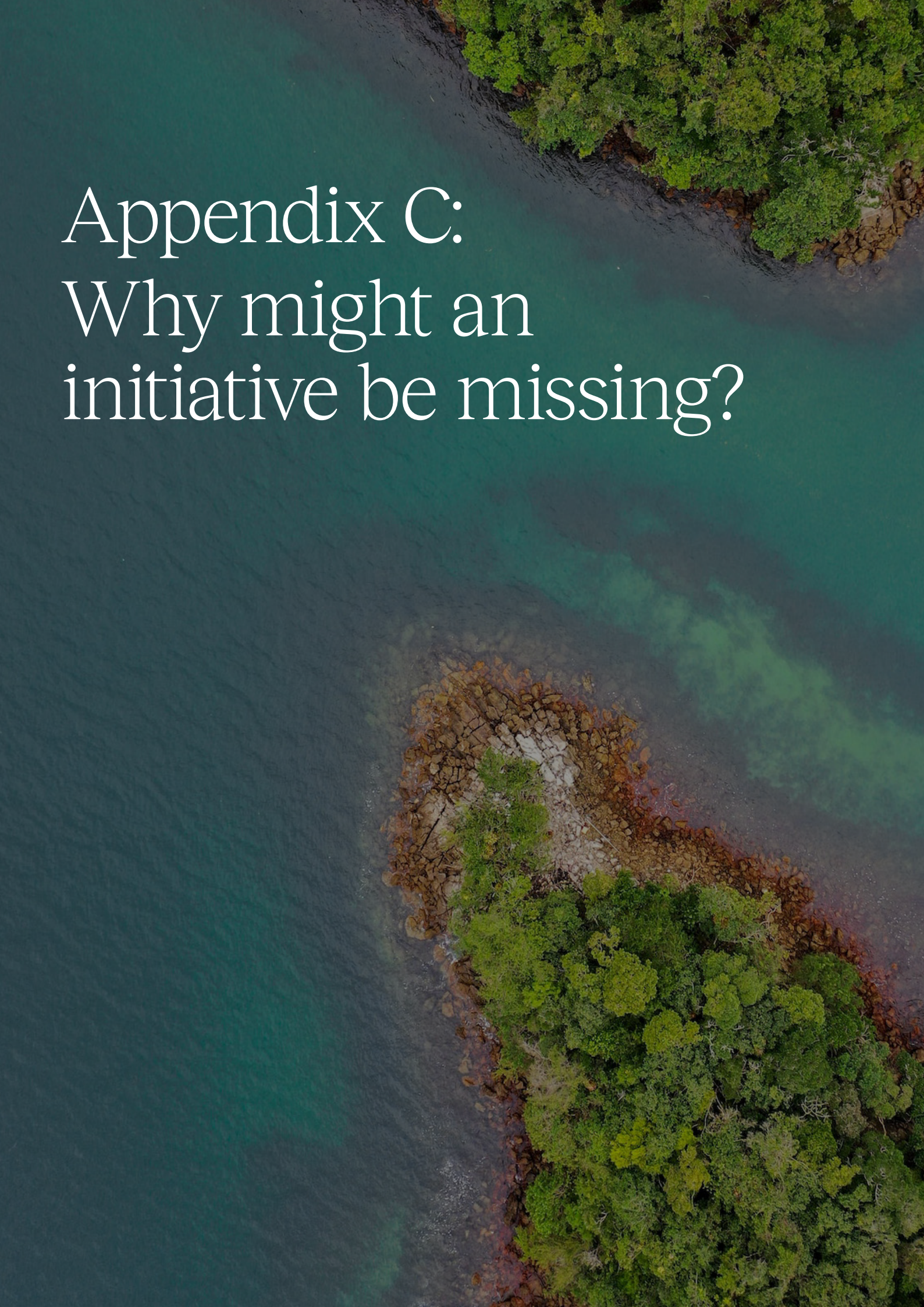
currently active readiness initiatives that operate at a multi-country scale. Initiatives that are newly forming, small-scale, or lack a readiness component were not included (see Appendix C for further explanation of why certain initiatives may be missing).

TABLE 3

Carbon market readiness initiatives analyzed in landscape mapping

<p>Africa Carbon Markets Initiative (ACMI)</p>	<p>ACMI provides policy and project implementation support to accelerate the growth of the VCM in Africa; ACMI has funding support from a variety of government, philanthropic, and private-sector entities.</p>	<p>Article 6 Capacity-Building Work Programme (A6WP)</p>	<p>The A6WP provides a series of capacity building activities, through workshops, trainings, and missions, to meet the identified Article 6 needs from participants.</p>
			
<p>Article 6 Early Mover Programme (A6EMP)</p>	<p>The A6EMP, led by the Gold Standard Foundation and with financial support from the Federal Ministry for Economic Affairs and Climate Action of Germany, helps project developers and governmental stakeholders prepare for Article 6 transfer authorizations through projects that provide practical experience to stakeholders.</p>	<p>Article 6 Support Facility (ASF)</p>	<p>The Asian Development Bank’s (ADB) ASF provides capacity building and policy support to develop member-country readiness to participate in carbon markets, including under Article 6; funding is provided by ADB and the governments of Germany and Sweden.</p>
			
<p>Article 6 Transfer Readiness Assistance (TRA) Project</p>	<p>The TRA, with support from the Swiss State Secretariat for Economic Affairs and South Korea, helps countries prepare for Article 6 transfers and increase their carbon market participation through policy development, in-country implementation support and capacity building.</p>	<p>Carbon Initiative for Development (Ci-Dev)</p>	<p>Ci-Dev, a World Bank fund, catalyzes private finance for innovative energy access business models through climate finance and carbon revenue; funding provided by UK, Climate Cent Foundation, and the Swedish Energy Agency.</p>
			
<p>Carbon Market Mechanisms Working Group (CMM-WG)</p>	<p>The CMM-WG facilitates the exchange of information on regulating and implementing market-based cooperation under Article 6; funding is provided by the German Federal Ministry for Economic Affairs and Climate Action.</p>	<p>Carbon Payment for Development Facility (CP4D)</p>	<p>The CP4D Facility provides gaps and needs assessments, trainings, regulatory support, and digital solutions to countries to generate ITMOs and align with Article 6.</p>
			
<p>Climate Finance Innovators (CFI)</p>	<p>CFI works to increase African participation in Article 6 mechanisms, enhance NDC financing tools, and engage in UNFCCC negotiations to implement climate agreements; funding provided by Germany’s Federal Ministry for the Environment.</p>	<p>Climate Warehouse (CW)</p>	<p>CW, part of the World Bank’s Carbon Markets and Innovation unit, innovates digital infrastructure to enhance transparency and integrity in carbon markets, including initiatives like the Climate Action Data (CAD) Trust, digital MRV systems, national carbon registries, tokenization tools, and knowledge-sharing resources.</p>
			

<p>Eastern Africa Alliance on Carbon Markets and Climate Finance (EAA)</p> 	<p>The EAA coordinates inter-country information sharing among its member countries concerning international carbon markets.</p>	<p>European Bank for Reconstruction and Development Carbon Market Support (EBRD/CMS)</p> 	<p>The EBRDCMS provides a variety of carbon market readiness support including providing in-country capacity building support to develop enabling environments for carbon markets and technical assistance for carbon project development.</p>
<p>Forest Carbon Partnership Facility (FCPF)</p> 	<p>The FCPF is a global partnership focused on reducing emissions from deforestation and forest degradation and supports REDD+ efforts through its Readiness Fund and Carbon Fund. Funding is provided by various governments and organizations.</p>	<p>Global Carbon Market Project (GCMP)</p>	<p>The German Federal Government's GCMP provides capacity building and policy development support to help countries create climate finance instruments and climate-related market mechanisms; the GCMP is co-funded by the German Federal Environment Ministry and the German Federal Ministry for Economic Affairs and Climate Action.</p>
<p>Global Green Growth Institute (GGGI)</p> 	<p>GGGI provides policy advice and technical support to its member countries for long-term low-carbon growth strategies and project pipeline development; GGGI has funding support from the governments of the UK, Denmark, South Korea, Norway, Sweden, New Zealand, Italy, and others.</p>	<p>Initiative for Climate Action Transparency (ICAT)</p> 	<p>ICAT provides in-country trainings and policy support and has also developed a public knowledge base to help countries track their emissions and other climate data; ICAT has donor support from various governmental agencies and philanthropies.</p>
<p>Initiative for Sustainable Forest Landscapes (ISFL)</p> 	<p>ISFL, a multilateral fund under the World Bank, is focused on reducing GHG emissions from the land sector through activities such as REDD+, sustainable agriculture, and improved land-use planning, policies, and practices in developing countries. Funding is provided by Germany, Norway, Switzerland, United Kingdom, and the United States.</p>	<p>Integrated Assessment for Article 6 (IAA6)</p>	<p>IAA6 created a country specific toolbox for the creation of domestic climate mitigation strategies within the Article 6 framework; the European Union is funding the IAA6.</p>
<p>International Carbon Action Partnership (ICAP)</p> 	<p>ICAP is an international forum connecting governments and public authorities with existing or planned emissions trading systems (ETS) and facilitates knowledge exchange and capacity building in ETS design and implementation. Funding is provided by various governments.</p>	<p>Paris Agreement Article 6 Implementation Partnership (A6 Partnership)</p> 	<p>The A6 Partnership facilitates inter-country exchanges on Article 6 expertise and conducts trainings for Article 6 implementation.</p>
<p>Partnership for Market Readiness & Implementation (PMI)</p> 	<p>As the next phase of the World Bank's Partnership for Market Readiness (PMR), the PMI focuses on helping countries implement and operationalize the mechanisms developed in the PMR. Funding is provided by various governments.</p>	<p>Supporting Preparedness for Article 6 Cooperation (SPAR6C)</p> 	<p>SPAR6C aims to develop and implement an Article 6 toolbox that will aid a countries' emissions reduction planning, improve its governance frameworks, and help mitigation activity development; funding provided by Germany's Federal Ministry for Economic Affairs and Climate Action and the International Climate Initiative.</p>
<p>Transformative Carbon Asset Facility (TCAF)</p> 	<p>TCAF is a World Bank trust fund that combines capacity building, results-based climate finance, and carbon market funding to help developing countries implement their NDCs and scale up mitigation actions while attracting private-sector investments in low-carbon technologies. Funding is provided by Canada, Germany, Norway, Switzerland, Climate Cent Foundation, United Kingdom, and Spain.</p>	<p>West Africa Alliance on Carbon Markets and Climate Finance (WAA)</p> 	<p>The WAA fosters member country participation in international negotiations and promotes domestic access to carbon finance with funding from the West African Development Bank (BOAD), Government of Germany and the World Bank.</p>

An aerial photograph of a coastline. The top right corner shows a dense forest of green trees on a rocky shore. The water is a deep turquoise color, with a lighter green area near the shore. The bottom right corner shows a rocky peninsula with a dense forest of green trees. The water is a deep turquoise color, with a lighter green area near the shore.

Appendix C:
Why might an
initiative be missing?

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PAST INITIATIVES

The analysis focused on existing, active carbon market readiness initiatives. Initiatives that have sunset were not included, although the successes and lessons from former initiatives have been integral to identifying best practices for carbon market support.

NEW & EMERGING INITIATIVES

A number of new carbon market readiness initiatives offer nascent readiness offerings. While excluded from this initial assessment, these near-term support programs are worth noting. For example, initiatives such as the Energy Transition Accelerator (**ETA**), Scaling Climate Ambition by Lowering Emissions (**SCALE**), the Forest and Climate Leaders' Partnership (**FCLP**), and new efforts by the LEAF Coalition and the UN-REDD Programme are currently defining their carbon market readiness support offerings. The newly established Kawari Fund also merits mention for its goals to support and advocate for IP & LC involvement in carbon markets. Most of these initiatives have already provided other carbon market services, but their carbon market readiness elements were not yet operational at the time of writing. These initiatives are recognized as important future players on carbon market readiness support.

SMALLER-SCALE & SINGLE-COUNTRY INITIATIVES

The analysis only focused on programmatic-scale initiatives. There are several examples of more specialized carbon market readiness support, including those funded by philanthropies; however, these smaller-scale examples were not incorporated into the landscape mapping.

DEMAND-SIDE INITIATIVES WITHOUT A READINESS COMPONENT

Initiatives solely focused on carbon credit demand signals were flagged by respondents as important but insufficient for enabling host country participation in carbon markets. Emerging buyers' clubs, for example, will be most successful if the promise of ex-post payments or transactions are accompanied by upfront finance for readiness.



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