

# Opportunities and Challenges for Malawi's Carbon Markets

HANNAH SACK





### **Executive summary**

Malawi is one of the poorest countries in the world and is highly vulnerable to climate change. However, access to climate finance remains a key development challenge. Carbon markets offer an opportunity to channel much-needed (private and public) climate finance to the country while creating jobs, protecting ecosystems and expanding energy access. Yet a lack of transparency and regulation has previously undermined the integrity and success of these markets. With the finalisation of Article 6 rules at COP29 and the establishment of the Malawi Carbon Markets Initiative and Carbon Trading Regulatory Framework, the country is taking active steps to ensure responsible trade in its carbon credits. Initiatives such as the Kulera Landscape REDD+ project offer important lessons on how such projects can integrate and empower local communities and result in climate, biodiversity and socio-economic benefits. While significant challenges remain, the transformation of Malawi's carbon market regulation could allow these financing mechanisms to contribute to the country's development agenda.

### Introduction

Malawi is one of the poorest countries in the world, with more than 70% of the population living in extreme poverty.<sup>1</sup> Situated in south-east Africa, it is highly vulnerable to climate change, ranking 167 out of 185 countries on the Notre Dame Global Adaptation Initiative Index<sup>2</sup> in 2022.<sup>3</sup> Floods, droughts and cyclones<sup>4</sup> continue to affect households and agriculture, exacerbating food insecurity and poverty. Access to finance for climate change also remains a key challenge for Malawi. At the 29<sup>th</sup> Conference of the Parties (COP29) under the UN Framework Convention for Climate Change (UNFCCC), inadequate provision of climate finance for developing countries was at the forefront of discussions and a New Collective Quantified Goal for climate finance was established. Despite evidence suggesting that \$1.3 trillion is needed annually by 2035 to meet the needs of developing countries, only \$300 billion has been pledged in commitments, leaving many vulnerable countries disappointed in the outcome of the negotiations.<sup>5</sup>

<sup>1</sup> Food and Agriculture Organization, "Country Factsheet on Small Family Farms: Malawi", accessed April 24, 2025, <u>ttps://</u>openknowledge.fao.org/items/08ee8167-763d-445f-af5d-eebeb7639f05.

<sup>2</sup> The ND-GAIN Country Index brings together more than 40 core indicators to measure the vulnerability to climate disruptions of 182 UN countries from 1995 to the present.

<sup>3</sup> Notre Dame Global Adaptation Initiative, "Rankings", accessed April 24, 2025, <u>https://gain.nd.edu/our-work/country-index/</u>rankings/.

<sup>4</sup> In 2023 Cyclone Freddy resulted in over 1 000 deaths and destroyed 204 833ha of crops. See African Climate Foundation, International Food Policy Research Institute and CGIAR Initiative on Foresight, <u>From Climate Risk to Resilience: Unpacking the</u> <u>Economic Impacts of Climate Change in Malawi</u>, Report (ACF and IFPRI, November 2023). Accessed May 8, 2025.

Natalie Alayza and Gaia Larsen, "How to Reach \$300 Billion – and the Full \$1.3 Trillion – Under the New Climate Finance Goal", World Resources Institute, February 20, 2025.

The financing gap for climate change has led to the development of innovative financing mechanisms such as carbon markets, which are formally recognised as a voluntary mechanism under the UNFCCC for countries to meet their Nationally Determined Contribution (NDC) targets. This involves the trading of carbon credits between countries, where one country offsets its emissions and then trades these in the form of credits to another country for financial returns. The purchasing country can count these reduced emissions toward the achievement of its NDC's mitigation targets.<sup>6</sup> Countries can also enforce compliance carbon markets, whereby certain industries are forced to either cap their emissions at a certain threshold or buy emissions from other companies via a capand-trade system.<sup>7</sup> The <u>EU Emissions Trading System</u> is an example of a compliance carbon market (VCM), where carbon credits are registered by independent carbon credit certifiers such as Verra and the Gold Standard.

Robust regulatory frameworks, transparency mechanisms and inclusive partnerships in project design and implementation are essential to ensure these markets are responsible and equitable, especially in low-income developing countries

These mechanisms enable high-emitting countries and companies to invest in naturebased solutions (NbS) and low-carbon technologies in developing countries while contributing to their own emission reduction targets. However, there has been scepticism about whether carbon markets do result in real, additional and permanent emission reductions. Many African countries have also raised concerns over the use of carbon markets to aid 'land-grabbing' and 'greenwashing' at the expense of local communities.<sup>8</sup> In addition, there has been concern over the extent to which developing countries benefit financially from the sale of carbon credits that have been generated within their borders. However, there is also evidence to suggest that these mechanisms can strengthen African economies while creating jobs, protecting ecosystems and expanding energy access.<sup>9</sup> As such, robust regulatory frameworks, transparency mechanisms and inclusive partnerships in project design and implementation are essential to ensure these markets are responsible and equitable, especially in low-income developing countries.<sup>10</sup>

<sup>6 1</sup> tonne of CO<sub>2</sub> emissions is equivalent to 1 carbon credit.

<sup>7</sup> Montel Team, "Compliance vs. Voluntary Carbon Markets", September 27, 2024.

<sup>8</sup> Patrick Greenfield, "<u>COP29's New Carbon Market Rules Offer Hope After Scandal and Deadlock</u>", *The Guardian*, November 24, 2024.

<sup>9</sup> Africa Carbon Markets Initiative, Roadmap Report: Harnessing Carbon Markets for Africa (ACMI, November 2022).

<sup>10</sup> Greenfield, "COP29's New Carbon Market".

### Africa's carbon market potential

From 2016–2021, the VCM generated nearly \$700 million. However, only 11% of this total stemmed from projects in Africa.<sup>11</sup> Currently, most VCM projects in sub-Saharan Africa are concentrated in Kenya, Zimbabwe, the Democratic Republic of Congo, Ethiopia and Uganda.<sup>12</sup> In 2022 at COP27, the <u>African Carbon Markets Initiative</u> was launched, which aims to increase African countries' participation in the VCM by raising over \$120 billion in carbon credit sales to the continent by 2050, while creating up to 100 million jobs.<sup>13</sup> In addition, at the Africa Climate Summit held in Nairobi in 2023, \$450 million was pledged for African carbon credits.<sup>14</sup> In 2024 the AU hosted the Africa Multistakeholder Conference on Carbon Markets, where the Africa Action Plan on Carbon Markets and its Roadmap were adopted.

Safeguarding protocols in project design and regulation are becoming increasingly important to ensure these projects do not undermine the livelihoods of local communities

While there has been much excitement about Africa's carbon market potential (and the resultant financial benefits), safeguarding protocols in project design and regulation are becoming increasingly important to ensure these projects do not undermine the livelihoods of local communities. As a result, there has been a push to include communities in the design, implementation and management of carbon credit projects. Research suggests that carbon projects in which local communities participate and that seek to enhance their livelihoods through capacity-building activities are more attractive to investors owing to their non-carbon social benefits. For example, certifications such as <u>Verra's Climate, Community and Biodiversity Standards</u> and its Sustainable Development Verified Impact Standard help buyers to identify 'high-quality' credits with intended co-benefits to communities and biodiversity. In addition, the UNFCCC plays a pivotal role in establishing global governing protocols for responsible carbon markets that align with the Paris Agreement's goal of limiting global warming to well below 1.5°C.

<sup>11</sup> Joseph Nganga, Damilola Ogunbiyi and Bogolo Kenewendo, "<u>Time for Action on Africa's Carbon Market Opportunity</u>", The Africa Report, October 19, 2022.

<sup>12</sup> Kenya Institute for Public Policy Research and Analysis, "Accelerating Growth of Carbon Market in Africa", February 1, 2024.

<sup>13</sup> Nadia Ashraf and Karim Karaki, "African Voluntary Carbon Markets: Boom or Bust?" (Discussion Paper 375, ECDPM, 2024).

<sup>14</sup> Ashraf and Karaki, "African Voluntary Carbon Markets".

### The role of Article 6 in achieving Nationally Determined Contributions

At COP26, Article 6 of the Paris Agreement was approved and last year at COP29 the rules for operationalising Article 6 were finalised. Article 6 sets out the overarching rulebook for countries to voluntary cooperate with one another by trading carbon credits to meet their NDCs.<sup>15</sup> Specifically, Article 6.2 provides a framework for how countries approve and report cross-border trading of emission reductions or removals. Countries are required to report all reductions and removals they have transferred to or received from other countries to avoid 'double counting'<sup>16</sup> emissions. Article 6.4 establishes a centralised Paris Agreement Crediting Mechanism to replace the Kyoto Protocol's Clean Development Mechanism. This crediting mechanism includes a governance structure, standards and approved methodologies for developing carbon projects, as well as a registry system.<sup>17</sup> Article 6.4 also enforces mandatory checks with strong environmental and human rights safequards. This is particularly important for developing countries where NbS carbon projects are gaining considerable traction and investment, with possible consequences for local people's access to land and natural resources. Article 6.8 recognises the use of non-market mechanisms (finance, technology transfer and capacity building) as critical tools to facilitate effective and responsible carbon trading.

Article 6 does not, however, formally regulate the VCM. The VCM relies on independent certification organisations, project developers and verifiers to verify that emission reductions are 'real, measurable, and additional'.<sup>18</sup> Yet there has been progress in aligning the VCM with the requirements of Article 6. For example, the Integrity Council for the Voluntary Carbon Market, established at COP26, has developed a global standard for high-integrity carbon credits that seeks to align with the standards and methodologies under Article 6. The <u>10 Core Carbon Principles</u>, developed through a multi-stakeholder process, are used to (voluntarily) assess the integrity of independent carbon-crediting programmes and their methodologies. VCM credit organisations are also increasingly improving their transparency, governance and quality and integrity standards.<sup>19</sup> Ultimately, it will be up to the host country to determine how Article 6 rules apply to the VCM and what rules and procedures are enforced on VCM trading. For example, in Kenya, at least 25% of the benefits from projects registered through the VCM must be transferred to local

<sup>15</sup> Beatriz Granziera, Kelley Hamrick and John Verdieck, "Article 6 Explainer", The Nature Conservancy, accessed April 24, 2025, https://www.nature.org/content/dam/tnc/nature/en/documents/TNC\_Article\_6\_Explainer.pdf.

<sup>16</sup> Double counting is when the same GHG emission reduction or removal is counted by more than one country toward achieving its NDC. To avoid double counting, countries must apply corresponding adjustments to their GHG inventories. For example, when country X buys 1 MtCO<sub>2</sub>e of carbon credits from country Y, country Y has to add 1 MtCO<sub>2</sub>e to its GHG inventory while country X will reduce 1 MtCO<sub>2</sub>e in its GHG inventory.

Integrity Council for the Voluntary Carbon Market, "Article 6 of the Paris Agreement and the Integrity Council's Work", November
7, 2024.

<sup>18</sup> Bassam Fattouh and Andrea Maino, "Article 6 and the Voluntary Carbon Market" (Energy Insight 114, Oxford Institute for Energy Studies, May 2022).

<sup>19</sup> Canela Andrade, "Integrity in the VCM: Do We Need More Certifications?", Clear Blue Markets, February 19, 2025

communities.<sup>20</sup> While not regulated under the UNFCCC, the VCM plays a crucial role in aiding climate finance flows to developing countries, while facilitating investment in NbS, local community development and low-carbon technologies.

### Malawi's carbon market transformation

The finalisation of Article 6 at COP29 marks a major step forward to accelerate the achievement of the Paris Agreement and reduce the costs associated with its implementation. For example, it has been estimated that Article 6 could reduce the costs of NDC implementation by \$250 billion by 2030, facilitating the removal of 50% more emissions at no additional cost.<sup>21</sup> Malawi is one of the lowest-emitting countries in the world and has vast potential for REDD+ projects, NbS and low-carbon technology development. Its participation in both Article 6 and the VCM could thus help the country meet its climate goals. Adaptation remains a priority for Malawi, which has experienced more than 19 major flooding events and seven droughts in the past 50 years.<sup>22</sup> As a result, it is constantly at risk of food insecurity. This is exacerbated by deforestation for fuelwood, which reduces soil quality and affects the country's rich biodiversity. Carbon markets offer an opportunity to channel investment into REDD+ and restoration projects that can help to overcome Malawi's vulnerabilities to climate risks. In addition, by working with local communities in project design, operationalisation and management, high-quality and well-priced credits can be generated, with a percentage of the sales being channelled directly to local communities.

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The Malawian government has taken active steps to regulate its carbon market landscape. However, thus far there has been relatively little carbon market trading in the country, owing to the previous lack of policy and a robust legal framework, along with political risk disincentivising foreign investment. Where projects did exist, profits were rarely channelled to the government or local communities. As such, the market was not transparent, undermining the integrity of benefit-sharing mechanisms, specifically

<sup>20</sup> MSCI, "The Scramble for African Carbon Credits - Should Governments Intervene?" (blog), August 22, 2023.

<sup>21</sup> World Bank, "What You Need to Know About Article 6 of the Paris Agreement", May 17, 2022.

<sup>22</sup> UNFCCC, "Malawi's Revised Nationally Determined Contribution (NDC) to the Paris Agreement 2015–2040" (Policy Brief, UNFCCC, n.d.).

under VCM projects.<sup>23</sup> In addition, most carbon market projects focussed on low-carbon cookstoves, leaving markets for REDD+ and restoration projects relatively untapped.

In 2023, the government announced plans to review all existing carbon market projects and establish an agency to oversee the trade in and marketing of carbon credits. A Carbon Trading Regulatory Framework has also been developed (still to be finalised and fully operationalised) to give the government better oversight of the design, implementation, monitoring and management of carbon markets.<sup>24</sup> While the framework is more focused on Article 6 participation, it also intends to guide and regulate the VCM. Importantly, the framework requires that projects eligible for accreditation contribute to reducing greenhouse gases, as per Malawi's NDC, and provide economic, livelihood or other development benefits in accordance with the country's development goals. The framework will also provide more clarity on the requirements, rules and procedures for participation in carbon markets, lowering the barrier to entry for companies and investors.

In addition, the government has launched the Malawi Carbon Markets Initiative, to be managed jointly by the minister of finance and economic affairs and the minister of natural resources and climate change. The initiative is multi-stakeholder in design, bringing in expertise from various sectors, eg, academia, the private sector and the government. It emphasises the largely untapped potential of Malawi's extensive forest cover, which includes more than 1 million ha of forest reserves and another 1 million ha of land in wildlife conservation parks and reserves.<sup>25</sup> This alone has the potential to bring \$600 million into the country annually. The government has established a Carbon Unit within the Department of Forestry to collate and organise data for project proponents and facilitate the development of forestry offset projects.<sup>26</sup>

Innovative and transparent public–private partnerships also foster trust and robust monitoring and reporting on project outcomes

The government has also expressed confidence in the potential of carbon markets to accelerate the country's development goals, specifically <u>Malawi's 2063 Vision</u>, which aims to ensure food security, job creation and wealth formation while preserving Malawi's natural resources. As with many African countries, it is crucial to integrate environmental

<sup>23 &</sup>lt;u>"Cash from Greenhouse Gas Emission: Inside Malawi's Carbon Market", The Times, February 10, 2024.</u>

<sup>24</sup> Charles Mpaka, "<u>Malawi Moves to Regulate Carbon Trading Amid Transparency Concerns in Global Market</u>", *Global Issues*, May 27, 2024.

<sup>25</sup> Theodora Stankova, "<u>Malawi Launches Carbon Markets Initiative, Sees Huge Potential for Carbon Trading</u>", *Carbon Herald*, June 27, 2023.

<sup>26</sup> Ritz Attorneys at Law, "Malawi's Carbon Credit Framework and Upcoming Auction: A Guide for Global Investors", July 15, 2024.

and social safeguards into carbon market project design to ensure such projects do not undermine local people's access to land and natural resources. In addition, such safeguards ensure that local communities benefit from the proceeds of carbon credit sales implemented in surrounding areas. Innovative and transparent public–private partnerships also foster trust and robust monitoring and reporting on project outcomes. The <u>Kulera</u> <u>Landscape REDD+ Program</u> is a prime example of how the Malawian government is working with external partners and local communities to advance climate finance through the generation of carbon credits. At the same time, it contributes to national climate goals by preserving indigenous forests and capacitating and supporting local communities through the involvement of community associations.

#### Case study: The Kulera Landscape REDD+ Program

In northern and central Malawi, the Department of National Parks and Wildlife (DNPW) is working with two local community associations (Nyika-Vwaza Association [NVA] and Nkhotakota Wildlife Reserve Association [NAWIRA]) and carbon project developer Terra Global to preserve indigenous forests and generate high-quality carbon credits. This is happening in three protected areas: Nyika National Park, Vwaza Marsh Wildlife Reserve and Nkhotakota Wildlife Reserve. The goals of the Kulera REDD+ Program are to reduce deforestation and forest degradation and to improve livelihoods by managing natural resources as an asset base, creating long-term sustainable alternative livelihoods, improving biodiversity and increasing food security. This unique tri-party agreement strengthens community co-management of the protected areas and leverages all partners' strengths to bring much-needed climate finance to Malawi. The programme covers over 700 000ha of protected area and over 350 000 people living in surrounding areas. It was started by USAID through a local Malawian NGO, Total LandCare. Over its 30-year span it will conserve over 162 632ha of forest that would have been lost in the absence of the programme, resulting in more than 7.2 million tonnes of carbon emission reductions.<sup>27</sup>

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Through the Kulera REDD+ Program, local community associations have been working with the government to conserve indigenous forest and help in the overall management, enforcement and implementation of the programme. These communities have historically

<sup>27</sup> Terra Global Capital, "Kulera Landscape REDD+ Program for Co-Managed Protected Areas in Malawi", accessed April 24, 2025, https://www.terraglobalcapital.com/kulera-landscape-redd-program-co-managed-protected-areas-malawi.

relied on forests for fuelwood and food. The programme ensures sustainable natural resource use and is building their capacity for more climate-smart agriculture, effective wood use and sustainable land-use practices. Through co-management, the communities have established benefit-sharing mechanisms with the government, allowing them to keep bees and extract resources sustainably in the protected areas. These benefit-sharing mechanisms grant communities a 25% share of all resources within the park as well as 25% of the profits generated from park entrance fees. Although benefit sharing of park resources and income is common, benefit sharing from carbon development is a new and innovative way to fund conservation efforts. Through the REDD+ agreement, the community associations and DNPW decide where to allocate funds from the sale of the carbon credits. The Kulera partners draw up two-year budgets to fund activities based on agreed workplans that help reduce deforestation and support biodiversity through livelihood improvements. With these proceeds NVA and NAWIRA have bought bicycles, motorbikes, small livestock (to disincentivise poaching within the protected areas) and climate-smart agriculture inputs. They also employ staff to help with the management and operations of the project and the association as a whole, eg, accountants, field coordinators and fence attendants. The communities now hire the original NGO, Total LandCare, for capacity-building support on sustainable and climate-smart agricultural practices and promote reforestation through youth-focused initiatives and awarenessraising campaigns. The associations have organised management structures with a board of trustees at the highest management level (consisting of five members, including traditional leaders, with the secretary being the Division Manager [North] for DNPW). There are also an executive committee, zone committees and natural resource committees, which work at the village level to ensure the associations remain inclusive and sensitive to traditional governance and cultural structures. The associations also collaborate with the DNPW and Terra Global and are consulted on the price of the credits prior to approval.

Through the programme, the associations use community-based monitoring, with the resulting monitoring and evaluation reports distributed to the associations in local languages. Buyers of carbon credits understand that they are not only buying credits but are also helping to build resilient landscapes and healthy communities, as reported by the communities themselves. Every second year, workplans are redefined and budgets are allocated to support the activities of the associations, which are subject to auditing and financial reporting. As a result of the Kulera REDD+ Program, the communities are partners (as opposed to only being beneficiaries) in the management of the REDD+ project.

### Figure 1 Restoration activities by the Nyika-Vwaza Community Association



Source: Alphius Lipiya, Terra Global Capital

## **Ongoing challenges**

While the Kulera Landscape project has climate, biodiversity and social benefits, there are still many challenges impeding the success of carbon market projects in Malawi. For example, the country attracts few tourists despite its vast natural landscapes and wildlife. This puts significant financial pressure on the government to ensure the financial sustainability of national parks and reduces the profits of local community associations that benefit from park entrance fees. Economic and political instability has also affected the demand for Malawian carbon credits. Other challenges include a lack of access to finance for smallholder farmers and local project developers, insufficient understanding of carbon markets and ongoing equity issues.

Smallholder farmers have limited access to the finance needed to initiate project design or register and certify credits

#### Access to finance for smallholder farmers and local project developers

Smallholder farming accounts for most employment in Malawi. Opportunities for carbon market projects in the sector include mitigation activities such as improving methane and nitrous-oxide emissions, reducing burning and improving land management practices in croplands and grasslands.<sup>28</sup> Such practices will also boost soil health and water retention and increase food security. However, carbon credit buyers and investors often prefer projects that can deliver carbon credits at scale, which limits the extent to which smallholder farmers can participate. In addition, smallholder farmers have limited access to the finance needed to initiate project design or register and certify credits. The price instability of carbon credits also makes the market difficult to predict while initiating projects requires large investments, with projects generally only starting to sell carbon credits after a few years of implementation.

A potential solution to the challenges faced by smallholder farmers and local project developers, posed by the Malawi Carbon Market Initiative, is to use aggregation models. These group farmers/project developers into cooperative models when approaching the market. This reduces the high transaction costs associated with project development while contributing towards best practice and knowledge sharing between local partners.<sup>29</sup> This solution holds considerable potential for carbon markets in Malawi's smallholder farms, offering opportunities to simultaneously improve soil health, reduce deforestation and enhance local livelihoods through diversified income generation.

#### A lack of capacity and understanding of carbon markets

Government departments do not have the technical knowledge to operationalise, measure and report on carbon market projects, which reduces government ownership in these processes. In addition, the lack of available information on how to enter the market poses a significant barrier to entry, particularly for local project developers. The skills needed to design carbon projects are highly technical, including data archiving and establishing baselines. As a result, government and local project developers have had to rely on external experts, resulting in large earning losses owing to a lack of negotiating power.<sup>30</sup> However, with the establishment of the Malawi Carbon Markets Initiative these knowledge and capacity constraints are being addressed. The government also intends

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<sup>28</sup> Gray Maguire, <u>"Supporting Climate-Resilient African Smallholder Farmers Through Carbon Markets</u>" (Policy Briefing 301, South African Institute of International Affairs, 2024).

<sup>29</sup> Commercial Agriculture for Smallholders and Agribusiness, "<u>Carbon Finance for Smallholder Farmers and Agribusinesses:</u> Analytical Briefing on Agroforestry Solutions" (Techno Serve and UKAid, December 2022).

<sup>30</sup> Eric Mtemang'ombe, "Unlocking the Untapped Potential of Malawi's Carbon Market", Nation Online, June 3, 2024.

to capacitate local communities and smallholder farmers through community-based training and extension work to ensure people known how carbon markets work and what benefits they can offer.

#### Equity issues

Most smallholder farmers in Malawi are women. However, women are currently underrepresented in leadership positions. At the 'Exploring Equitable Agricultural Carbon Finance Opportunities in Malawi' conference, the need for targeted training and focused capacity building on gender roles and responsibilities was raised. It is crucial to ensure this information is shared and advocated for via well-established communication channels (community meetings, radio programmes, etc.). It was emphasised that regulations should provide for robust transparency mechanisms to ensure local communities (in particular women) receive equitable shares of carbon credit sales and that such projects do not infringe on their right to land/resources but rather includes them in conservation efforts. Importantly, regulations are needed to ensure fair benefit and resource-sharing agreements are in place. Indigenous people and local communities must also be consulted at all stages of project design through free, prior and informed consent to mitigate any equity risks and rights infractions.<sup>31</sup>

Regulations are needed to ensure fair benefit and resource-sharing agreements are in place

### **Conclusion and recommendations**

Despite its economic and climate vulnerability, Malawi holds much potential for the development of innovative and inclusive carbon markets. With the new Carbon Trading Regulatory Framework underway and the launch of the Malawi Carbon Markets Initiative, the government is investing in its technical capacity to develop, implement, monitor and promote its carbon market. Importantly, these initiatives must invest in capacity-building initiatives for Malawian project developers and partners (including communities) to ensure local knowledge is integrated into project design. In addition, programmes on technical capacity building for carbon project development must be institutionalised to enhance the participation of Malawians in the country's carbon markets.

<sup>31</sup> International Advisory Panel on Biodiversity Credits, Framework for High Integrity Biodiversity Credit Markets (October 2024).

Projects such as the Kulera Landscape REDD+ Program offer important lessons on how public–private partnerships and the inclusion of communities can result in multiple socio-economic, climate and biodiversity co-benefits, while ensuring that equitable benefit-sharing agreements are in place. Malawi's carbon market regulations must make communities partners in the project process while protecting their rights to land and resources. In addition, given the complex and cross-sectoral nature of carbon projects (particularly REDD+ projects), there should be coordination mechanisms between relevant government departments, eg, the DNPW, Department of Climate Change and Department of Forestry. This would make it easier to leverage expertise and establish a coordinated approach in terms of monitoring, reporting and verification.

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Small-scale farmers face significant challenges in accessing Malawi's carbon markets. By building their capacity and implementing innovative aggregation and cooperative models through the Malawi Carbon Markets Initiative, they can diversify their income streams. This will help to reduce poverty and achieve <u>Malawi's 2063 Vision</u>. In addition, targeted gender training and capacity-building programmes for women should be integrated into programmes that focus on scaling up carbon markets for smallholder farmers. Regional lessons and partnership-building opportunities such as the Africa Multistakeholder Conference on Carbon Markets can support and incentivise African countries to work together to ensure that carbon markets are implemented responsibly and that they help achieve the continent's development goals.

Targeted gender training and capacity-building programmes for women should be integrated into programmes that focus on scaling up carbon markets for smallholder farmers

### Author

#### Hannah Sack

is the Community of Practice Manager for the Green Accountability Platform at SouthSouthNorth. She is a former climate change researcher at the South African Institute of International Affairs.

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Jan Smuts House, East Campus, University of the Witwatersrand PO Box 31596, Braamfontein 2017, Johannesburg, South Africa Tel +27 (0)11 339–2021 · Fax +27 (0)11 339–2154 www.saiia.org.za · info@saiia.org.za