

AFRICAN DEVELOPMENT BANK GROUP



PROJECT: SOUTH KWAMOUTH REDD AGROFORESTRY PILOT PROJECT

COUNTRY: DEMOCRATIC REPUBLIC OF CONGO

PROJECT APPRAISAL REPORT

June 2011

Appraisal Team	Team Leader:	C. DOVONOU,	Operation Officer, CBFF	Ext. 2922
	Member:	V. A. LOSSOMBOT,	Financial Assistant, CDFO	Ext. 6335
	Sector Manager:	C. L. MOLLO NGOMBA,	CBFF	Ext. 3219
	Sector Director:	A. BEILEH,	Acting Director OSAN	Ext. 2037
	Regional Director:	M. KANGA,	ORCE	Ext. 2251
Peer Review	Messrs A. Dagamaïssa,	Forestry Expert, OSAN	Ext. 2495	
	J.M Meng Lihinag,	Agro-economist, OSAN	Ext. 3968	
	M. Fall,	Procurement Officer	Ext. 3604	
	H.R. Shalaby,	Environmentalist, OSAN	Ext. 3006	
	B. Diop,	Environmentalist, CMFO	Ext. 6812	

TABLE OF CONTENTS

		Page
Currency Equivalents, List of Acronyms and Abbreviations, Project Brief, Project Summary, Project Matrix, Project Implementation Schedule		i - xii
I.	STRATEGIC THRUST AND RATIONALE	1
	1.1. Project linkages with country strategy and objectives	1
	1.2. Rationale for Bank’s Involvement	1
	1.3. Donor Coordination	2
II.	PROJECT DESCRIPTION	2
	2.1 Project Objective.....	2
	2.2 Project Component.....	2
	2.3 Technical Solution Retained and Alternatives Explored	4
	2.4 Project Type	4
	2.5 Project Cost.....	4
	2.6 Project Area and Beneficiaries.....	6
	2.7 Participatory Process for Project Identification, Design and Implementation	7
	2.8 Bank Group Experience, Lessons Reflected in Project Design	7
III.	PROJECT FEASIBILITY	8
	3.1 Economic and Financial Performance	8
	3.2 Environmental and Social Impact	9
	3.3 Involuntary Population Displacement.....	10
IV.	IMPLEMENTATION	11
	4.1 Implementation Arrangements.....	11
	4.2 Project Monitoring-Evaluation	15
	4.3 Governance	15
	4.4 Sustainability.....	16
	4.5 Risk Management	17
	4.6 Knowledge Building	17
V.	LEGAL FRAMEWORK.....	18
	5.1 Legal Instrument	18
	5.2 Conditions Related to the CBFF Intervention.....	18
	5.3 Compliance with Bank policies	19
VI.	RECOMMENDATION.....	19

ANNEXES

Appendix 1:	Socio-economic Indicators of DRC
Appendix 2:	ADB Portfolio in the Country
Annex 1:	Map of Project Area
Annex 2:	Detailed Costs by Component and Activity, in Local Currency and Foreign Exchange.
Annex 3:	Procurement Arrangements
Annex 4:	Note on the REDD Coordination Unit

Currency Equivalents

N.A.: the CBFF grants are stated in Euro only

Fiscal Year

1st January - 31 December

Weights and Measures

1 metric tonne	=	2204 pounds
1 kilogramme (kg)	=	2.20 pounds
1 meter (m)	=	3.28 feet
1 millimeter (mm)	=	0.03937 inch
1 kilometer (Km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

LIST OF ACRONYMS AND ABBREVIATIONS

<u>ACRONYM</u>	<u>DEFINITION</u>
ADB	: African Development Bank
CDM	: Clean Development Mechanism
CN-REDD	: REDD National Coordination
COMIFAC	: Central African Forest Commission
DRC	: Democratic Republic of Congo
CBFF	: Congo Basin Forest Fund
ICCN	: Congolese Institute of Nature Conservation
MECNT	: Ministry of Environment, Nature Conservation and Tourism
MRV	: Monitoring-Reporting-Verification
NOVACEL	: <i>Nouvelle Société d'Agriculture et d'Élevage</i>
ONFi	: <i>Office National des Forêts – international</i>
OSFAC	: Central African Forestry Satellite Observatory
REDD	: Reduced Emissions from Deforestation and Forest Degradation

RPP : Readiness Preparation Proposal

WB : World Bank

WRI : World Resource Institute

PROJECT INFORMATION

Client Information

DONEE Government of Democratic Republic of Congo
(DRC)

EXECUTING AGENCY: *Nouvelle Société d'Agriculture et d'Élevage*
(NOVACEL)

Financing Plan

Source	Amount (Euro)	Instrument
CBFF	2,490 millions	Grant
NOVACEL	1,947 million	
Other Donors	-	
TOTAL COST	4,337 millions	

ADB Key Financing Information

Grant amount (rounded off)	2.490 million
Commitment charge*	N/A
Service charge	N/A
Term	N/A
Grace period	N/A
FIRR NPV	N/A
EIRR	N/A

Timeframe – Main Milestones (expected)

Duration	Three	7 March 2010
Concept Note Approval		
Project Approval		June 2011
Effectiveness		June 2011
Last Disbursement		January 2014
Completion		June 2014
Last Repayment		N/A

PROJECT SUMMARY

1. Overview

1.1 On Governing Council (GC) instructions dated 5 December 2009, a mission from the Secretariat of the Congo Basin Forest Fund (CBFF) was conducted in all the countries of the Congo Basin to identify government projects to be submitted to the CBFF for financing. Each country in the Congo Basin including the Democratic Republic of Congo (DRC) produced concept notes for transmission to CBFF for consideration and approval. At its seventh ordinary meeting held in Tunis on 7 March 2010, the Governing Council approved the concept notes and directed the CBFF Secretariat to assist the countries in producing detailed proposals and appraise them as soon as possible. In early April 2010, following the submission by the countries of the detailed proposals, the Secretariat embarked on a mission for appraisal of projects in the various countries, which led to the preparation of this report. The CBFF GC, at its ninth meeting held on 15 and 16 November, 2010 in Libreville, Gabon, approved the financing of the present project to the tune of 2.490 million Euros

1.2 The sector goal of the project is to contribute to reducing global warming and alleviating poverty in the Congo basin region. Its specific objectives are to contribute to: (i) sustainable management of natural resources, particularly forest resources; (ii) the well-being of communities; (iii) improving the regulatory framework for the implementation, at national and international levels, of the Reduced Emissions from Deforestation and Degradation of Tropical Forests (REDD+).

1.3 The project will be implemented over a three-year period by Nouvelle *Société d'Agriculture et d'Élevage (NOVACEL)*. Its total cost is estimated at €4,437,729, financed to the tune of €2.490 million by the CBFF and €1.947 million by NOVACEL. The project will help mitigate deforestation through the promotion of rational land occupancy and use methods. Thus, 10,000 ha will be placed under rational management of which 1,300 ha will be earmarked for agro-forestry; 6 million trees will be planted, deforestation will be reduced by 30% and one million tons of CO₂ will be stored by 2017. The project will also produce 3000 tons of cassava, construct 3 living centers and 500 m² of trading infrastructure, rehabilitate 3 health centers and 3 schools and rehabilitate 50 km of feeder roads.

2. Impact of Project on Beneficiaries

2.1 The beneficiaries, who are also the main partners, are the communities of the villages of Mbankana, Boku, Botulu, Fadiaka, Kimangunu, Engunu, Mpumuyo, Nguanu as well as the Mai Mpili, Lewana and Lidji river valleys. The project primarily targets a group of a minimum of 10,000 remote rural families, representing 50,000 persons 52% of whom are women, and living in the south of the Kwamouth territory. Ultimately, the project is expected to directly or indirectly impact over 100,000 families in Bateke Plateau. The provincial authorities and civil society in general (NGO, local communities, associations, etc.) will benefit from REDD awareness activities to ensure their active participation in the process.

2.2 The impacts of the project will be economic, environmental, climatic and social. The project will mainly contribute to poverty reduction, since the South Kwamouth communities will directly benefit from the multiple jobs the project will provide and the financial spin-offs generated through the promotion of small modern forest farms located in the project area of intervention. Thus, the communities will be trading partners since they will be both project clients and suppliers. They will provide labour and also benefit from better social and health amenities. Overall, the climate will benefit from the increase in carbon stocks resulting from reforestation and agro-forestry. The reforestation and the protection of degraded forests will provide more suitable habitat for local wildlife.

3. Needs Assessment and Project Rationale

3.1 The sector goal of the project is to contribute to reducing climatic warming and alleviating poverty through better management of natural resources. From this perspective, the project is in line with the Bank's Result-Based Country Strategy Paper (RBCSP) for the 2008-2012 period and, notably its second priority of *promoting pro-poor growth*. The project is also in harmony with Pillars (iii) and (v) of the country's Growth and Poverty Reduction Strategy Paper (GPRSP) for the 2007-2011 period, namely: improving access to social services and reducing vulnerability; and promoting community dynamics.

3.2 Furthermore, the project covers three thematic areas of the Congo Basin Forest Fund (CBFF), namely: (i) forest management and sustainable practices; (ii) ecological and socioeconomic monitoring and baseline data; and (iii) livelihoods and economic development. The project is in line with the Central African Forest Commission (COMIFAC) convergence plan (notably Thematic Areas 2, 6 and 9 concerning resource knowledge, development of alternative activities, and poverty reduction and developing financing mechanisms).

4. Bank Value Added

4.1 This project is in a very new field – Reducing Emissions from Deforestation and Degradation (REDD), a sector that is marginally represented in the Bank's portfolio of operations. However, the Bank has long experience in the establishment of woodlands, restoration of degraded forest areas, mentoring and training local communities in agro-forestry etc. This experience was gained notably from the two consecutive *Projet Bois de Feux (PBF)* in the south of Benin, the *Projet d'Appui à l'Aménagement des Forêts au Rwanda (PAFOR)* and the *Projet d'Aménagement des Bassins Versants du Burundi (PABV)*. Lessons learnt from these experiences have helped for a more pragmatic design of the current project, taking into account the peculiarities of the project area and the difficulties associated with participative development in the dense forest region.

5. Knowledge Management

5.1 This project generally covers the vast and uncharted domain of global warming, thus constituting a significant source of knowledge for the Bank, which has very little experience in this area. The inclusion of REDD projects in the Bank's portfolio will enable its technical staff to enhance their knowledge in new areas such as community forestry and REDD in moist dense forest. This experience will complement the Bank funded *Programme d'Appui à la Conservation des Ecosystèmes du Bassin du Congo (PACEBCo)* and the Forest Investment Program (FIP). The Bank is supporting Congo DRC, Burkina Faso and Ghana in the

preparation of their FIP strategy. The objective of the FIP is to promote the sustainable management of forests and to increase investments in order to help the countries in reducing emissions of greenhouse gases due to deforestation and forest degradation.

5.2 All the information collected by this project and similar ones will be recorded and disseminated through annual project reports and project completion reports. This information will further be used to enrich the skills of stakeholders in the REDD approach and in good practices regarding forest management and assistance to vulnerable groups.

SOUTH KWAMOUTH REDD AGROFORESTRY PILOT PROJECT

PROJECT MATRIX (Result Based)

Hierarchy of Objectives	Expected Results	Reach (Target Population)	Performance Indicators	Indicative Targets and Schedules	Assumptions/Risks
<p><u>1. Sector Goal</u></p> <p>Contribute to reducing climatic warming and poverty</p>	<p><u>Impact</u></p> <p>Reduction of greenhouse gases. Reduction of the proportion of the population of South Kwamouth below the poverty line.</p>	<p><u>Beneficiaries</u></p> <p>Communities in South Kwamouth estimated at 100,000 families</p>	<p><u>Impact Indicators</u></p> <p>Quantity of CO2 stored Level of poverty in the project area</p>	<p><u>Anticipated Long Term Progress</u></p> <p>Storage of 1,000,000 tones of CO2 by 2017 Reduction by over 10% of the number of poor families by 2017</p>	<p>Assumptions Political stability, implementation of GPRSP and pacification process, Risk Indicators: Major crisis/ break in dialogue between executive and civil society Mitigation Strategy : Institutional framework conducive to good governance, democracy and implementation of GPRSP supported by the ADB and technical and financial partners</p>
<p><u>2. Specific Objectives</u></p> <p>Sustainable management of natural resources; improving the well-being of the local communities; improving national and international regulation in the sustainable management of forests.</p>	<p><u>Outcomes</u></p> <p>Annual average deforestation rate reduced. Well-being of target population improved. Remoteness of Boku region reduced. Sustainable agro-industry put in place. Sustainable agro-food industry put in place. Sustainable eco-industry put in place. Specific REDD methodology registered. Congolese and international legislative frameworks improved. Local capacity built. A monitoring-</p>	<p><u>Beneficiaries</u></p> <p>+/- 10,000 families in the Maï Mpili, Lidji Valleys and Mbankana, Boku, Fadiaka, Engunu, Kimangulu, Nguanu and Mpumuyo villages</p>	<p><u>Outcome Indicators</u></p> <p>Replanted area, trees planted, CO2 stored Area protected Area exploited Agricultural production by project Biomass production by project Makala production by the project Access to economic infrastructure (markets, road and earth roads...) and social amenities Volume of trade with Kinshasa</p>	<p><u>Anticipated Medium Term Progress</u></p> <p>10,000 ha managed in 2015 / 2,500 ha exploited in 2013 including 1,300 ha in forestry; 6,000,000 trees planted in 2015 / 1,300,000 trees planted in 2014; Deforestation reduced by 30% in project area by 2017; 1,000,000 tones CO2 stored in 2017 / 100,000 tons stored in 2014; 3,000 tons cassava by 2014; 3 living centres created in 2014; 500 m² of trading facilities (markets) rehabilitated in 2013; 3 schools rehabilitated in 2013; 3 health centres rehabilitated in 2014; 1 agro-forestry fair organized</p>	<p>Assumption: insufficient involvement of communities; failure by suppliers, administrative red tape. Risk indicators Exacerbated consequences of climate change: flooding, drought, reduction in production, increase in poverty Mitigation strategy: participatory approach, increased sensitization of communities; corrective measures to improve effectiveness of executing agency and local administration</p>

Hierarchy of Objectives	Expected Results	Reach (Target Population)	Performance Indicators	Indicative Targets and Schedules	Assumptions/Risks
	evaluation system operational.				
3. Resources and Activities	Outputs	Beneficiaries	Output Indicators	Anticipated short term progress	
Component A. Forestry management and sustainable practices			A. acreage exploited Jobs created	<i>At end of 3rd year¹:</i> A.a. 2,500 ha exploited A.b. 580 jobs in full time equivalent	
A.1. Pure forestry - nursery preparation - land preparation - plantations - maintenance	- employment provided - equipment and materials operational - nurseries established - arable lands - regular production - carbon credits / CO ₂	10,000 families in target villages of the Boku region south of Kwamouth territory (Bandundu Province) including 52% women	A.1.a. acreage exploited A.1. No. of jobs created A.1. No. of trees planted A.1. Amount of carbon credits A.1. Quantity (tons) of biomass	A.1. 1.300 ha developed into pure forest in 2014 A.1. .160 jobs in full time equivalent in 2012 A.1. 1,300,000 trees planted A.1. 100,000 tons of CO ₂ stored in 2014 A.1. 1,000 tons of biomass /year in 2014	Assumption deficiencies in supervision of communities and administration Risk Indicator nurseries and plantations mismanaged Mitigation strategy Recruitment of international technical assistance (ONFi, WRI). Assumption lack adherence by communities Risk indicator nurseries and plantations mismanaged, production compromised Mitigation strategy: sensitization, participatory approach
A.2. Agro - forestry - nursery preparation - land preparation - plantations - maintenance	- employment provided - equipment and materials operational - nurseries set up - arable lands - regular production		A.2. acreage exploited A.2. No. of jobs created A.2. Quantity (t) of cassava produced A.2 No and area of nurseries A.2	A.2. 1,200 ha developed into agro-forestry in 2014 A.2. 420 jobs in full time equivalent in 2012 A.2. 4,000 tons tubers /year in 2014	

¹ General footnote: the indicators in the table are those relating to intermediate results that should be achieved at the end of three years leading to the overall results expected at the end of five years of implementation (10,000 ha exploited).

Hierarchy of Objectives	Expected Results	Reach (Target Population)	Performance Indicators	Indicative Targets and Schedules	Assumptions/Risks
	- maintenance in place				
Component B. Livelihoods and Economic Development					
<p>B.1 Agro-food industry -</p> <ul style="list-style-type: none"> - construction of cassava processing plants -infrastructural equipment - water and energy supply <p>B.2. Basic economic infrastructure</p> <ul style="list-style-type: none"> - rehabilitation of feeder roads - rehabilitation of markets <p>B.3. Basic social amenities</p> <ul style="list-style-type: none"> - rehabilitation of living centres comprising : housing, schools, health amenities , drinking water supply 	<ul style="list-style-type: none"> - equipment and materials in place - infrastructure constructed - sites supplied with water and energy <p>B.2. communities' access to basic economic infrastructure</p> <p>B.3. access by communities to social amenities through "living centres"</p>	10,000 families of target villages in Boku region south of Kwamouth (Bandundu Province) including 52% women	<p>B.1. Tons of cassava tubers produced</p> <p>B.1. Number of jobs created</p> <p>B.1. Factory area and production</p> <p>B.2. Length of feeder roads rehabilitated</p> <p>B.2. No. and area of trading infrastructure rehabilitated</p> <p>B.3. No of living centres</p> <p>B.3. No of housing units</p> <p>B.3.No of 50 m² classrooms</p> <p>B.3. No of primary health care centres</p> <p>B.3.Length of pipe borne water lines</p>	<p>B.1. 1,440 tons of cassava tubers / year in 2014</p> <p>B.1. 150 jobs in full time equivalent in 2012</p> <p>B.1. 500 m² allocated to processing in 2012</p> <p>B.2. 50 km of feeder roads rehabilitated in project area by 2014</p> <p>B.2. 500 m² of trading infrastructure rehabilitated in Boku, Botulu and Fadiaka in 2013</p> <p>B.3. 3 living centres in Boku, Botulu and Fadiaka in 2014</p> <p>B.3. 3 housing units for 50 persons in 2014</p> <p>B.3. 3 schools (x 6 classes) rehabilitated in 2012</p> <p>B.3. 3 primary health care centres rehabilitated in 2013</p> <p>B.3. 30 km of pipe borne water in 2014</p>	<p>Assumption: delay in procurement, suppliers' shortfalls</p> <p>Risk indicator Plant fails to operate on time, expected production unavailable</p> <p>Mitigation strategy Procurement plan; stringent selection of suppliers based on Bank rules</p>
Component C. Ecological and socioeconomic monitoring of baseline data					
C.1. Methodology and support to REDD certification and verification of baseline data (ONFi)	C.1. A methodology, certification, mapping, verification of data put in place in DRC	national administration and international institutions	C.1. Persons / entities with project proposals produced C.1. baseline data	C1 No of projects certified in 2014 C.1. Number of with REDD project proposals in 2013; C.1. No of institutions or organizations with REDD project proposals in 2014; C.1 Reference database in 2014	Assumption: delays in design of methodology Risk indicator Absence of project Mitigation strategy adherence to procurement plan, close monitoring-evaluation
C.2. Legislative adaptation and REDD/MEV (WRI) institutional capacity building	C.2. REDD / MRV institutional capacity in DRC put in place	Local administration, beneficiaries	C.2. bills and regulations, number of training sessions and themes	C.2. Number of bills in 2014; C.2. Number of regulatory instruments in 2014; C2 Number of training sessions and relevance of training themes	Assumption: various delays Risk indicator: absence of legislative and regulatory instruments Mitigation strategy: sensitization of decision makers, close monitoring-evaluation
Component D. Project					

Hierarchy of Objectives	Expected Results	Reach (Target Population)	Performance Indicators	Indicative Targets and Schedules	Assumptions/Risks
Management					
<p>D.1. Establishment of a project coordination unit within NOVACEL</p> <p>D.2. Procurement of equipment and materials</p> <p>D.3. Putting in place of a computerized accounting system</p> <p>D.4. Establishment of a monitoring evaluation system</p> <p>D.5. Audit</p>	<p>D.1 Project coordination unit operational within NOVACEL</p> <p>D.2 Procurement plan available</p> <p>D.3 Accounting system meets Bank standards in place and operational</p> <p>D.4. A monitoring evaluation system in place and operational</p> <p>D.5 Annual financial and account auditing</p>		<p>D.1. Progress reports of coordination and management unit</p> <p>D.2. The procurement plan exists and verification and contract award procedures are in place</p> <p>D.3. Accounting system in place</p> <p>D.4. monitoring system in place</p> <p>D.5 Audit reports</p>	<p>D.1. Full team in place in 2011</p> <p>D.2. Contracts awarded are executed on schedule</p> <p>D.3. A computerized system of accounting and financial management in place and operational in 2011</p> <p>D.4. monitoring-evaluation reports produced on half yearly basis</p> <p>D.5 annual report available at the latest 6 months after the end of fiscal year</p>	<p>Assumption: delay in putting place of CU and related units</p> <p>Risk indicator: general delay in implementation of project, increase in costs</p> <p>Mitigation strategy: project launching seminar by CBFF /Bank; close assistance by CBFF/Bank in meeting conditions</p>

PROJECT IMPLEMENTATION SCHEDULE

ACTIVITY		2011				2012				2013				2014			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
1	Grant approval																
2	Negotiations																
3	Project launch workshop																
4	First Disbursement																
	Forestry Management and Sustainable Practices																
5	Setting up nurseries																
6	Setting up agricultural afforestation (2500 ha)																
7	Setting up agricultural plantations																
	Ecological and Socioeconomic Monitoring and Baseline Data																
8	Legislative adaptation and capacity building																
	Livelihood and Economic Development																
9	Construction of cassava processing plants																
10	Equipping of infrastructure																
11	Water and energy supply																
	Project Management																
12	Establishment of coordination unit																
13	Procurement of goods, works and services																
14	Setting up of computerized accounting																
15	Putting in place monitoring evaluation																
16	Auditing																
17	Mid-term review																
18	Final evaluation																

REPORT AND RECOMMENDATIONS OF BANK GROUP MANAGEMENT TO THE BOARD OF DIRECTORS, CONCERNING THE SOUTH KWAMOUTH REDD AGROFORESTRY PILOT PROJECT

Management hereby submits this report and recommendation on a proposal to award a CBFF grant of 2.49 million Euros to the Government of the DRC to finance the South Kwamouth REDD Agro-forestry Pilot Project

I. STRATEGIC THRUST AND RATIONALE

Project linkages with country strategy and objectives

1.1.1 This project is in line with the Growth and Poverty Reduction Paper (GPRSP) of the DRC because it will contribute to implementation of the following actions which feature among the pillars of the GPRSP: reduce poverty, facilitate populations' access to basic services (education and health) and promote community dynamics. Furthermore, the DRC has embarked on a REDD+ preparatory process aimed at formulating a national strategy and operational plan by end 2012. But the data and experiences currently available to the country to build its strategy are still partial and insufficient. It is therefore indispensable to undertake field tests of the various REDD+ strategy options, in order to ascertain the multiple conditions of their implementation (legal, organizational, financial, human, etc.).

1.1.2 As a pilot project, the current South Kwamouth Forest Project will allow for real-scale testing of the assumptions of the Government's provisional REDD+ strategy comprising 4 components and 14 programmes as contained in the «*Analyse Exploratoire du Potentiel REDD+ de la RDC*» (Exploratory Analysis of the REDD+ Potential), conducted by the Ministry of Environment, Nature Conservation and Tourism (MECNT), with the support of McKinsey Consulting Firm in November 2009. Indeed, the lessons learnt from the projects will be used to formulate a national REDD strategy that is realistic, credible and operational since it will be based on practical experience.

Rationale for Bank's Involvement

1.2.1 The project is contained in the Bank RBCSP for the DRC, aimed at infrastructure improvement in the general area of agriculture, notably through the construction of rural markets, storage warehouses and feeder roads. The project is also in line with the Bank's general policy on environmental protection since it will ultimately help curb deforestation by nearly 30%, plant an estimated 6 million trees and store nearly one million tonnes of CO₂, thereby significantly reducing greenhouse gas emissions. The project meets the overall objectives of the CBFF, namely: slowing deforestation and reducing poverty of the Congo Basin communities by closely and actively involving them in the project.

1.2.2 The project will help improve food security and the standard of living of about 10,000 families representing nearly 50,000 persons through 2500 ha of forest farming, production of 4,000 tonnes of tubers, mainly cassava, rehabilitation and/or construction of 50 km of earth roads.

Donor Coordination

1.3.1 In the new post-electoral context of the country, the donors adopted a country assistance strategy (CAS) following consultations with the Government, the private sector and the civil society in 2007. This new strategy, based on the results obtained from the GPRSP, was used as a reference and coordination framework for external aid during the 2007-2009 period.

1.3.2 The Aid Effectiveness Forum held in Kinshasa in June 2009 culminated in the Kinshasa Agenda which reviews the status of aid, identifies constraints and makes relevant recommendations to improve aid coordination and effectiveness. It contains the guiding principles and concrete measures that would enable the TFP and Government to strive effectively and in a coordinated manner for the country's development. External aid is coordinated by the Ministry of Planning through the "Thematic Groups". The Bank, which chairs the thematic group on economic statistics, is one of the major donors in the DRC, following the World Bank. Its position has been improving since it resumed cooperation with the country with a total assistance of UA 249.75 million for the public sector at end June 2008. The opening of a regional office in Kinshasa (CDFO) in 2007 has helped increase and facilitate the Bank's involvement in the coordination with the technical and financial partners (TFPs), in accordance with the Kinshasa Agenda which calls for a more rational division of labour between the TFPs and the use of harmonized mechanisms for implementation of operations.

1.3.3 In the forestry sector, the World Bank, European Union, Germany and the United Kingdom are the major donors, although many other forms of support amounting to over USD 347 million (October 2010) are being provided (Japan, France, Belgium, etc.). The major projects include the "Project to Support the Conservation of Ecosystems and Development of Environmental Services" for an amount of USD 94.8 million financed by several bilateral donors (USA, Norway, Germany, Spain) and multilaterals (WB, EU and UN Agencies). The Bank has been financing only a single multinational operation in the forestry sector, namely, the Project to Support the Conservation of Congo Basin Ecosystems (PACEBCo), whose interventions largely concern the DRC. The project is undergoing implementation.

II. PROJECT DESCRIPTION

2.1 Project Objective

2.1.1 The sector goal of the project is to contribute to reducing climatic warming and alleviating poverty. The specific objectives are: (i) sustainable management of natural resources; (ii) improving the well-being of the communities; and (iii) improving national and international regulations in the sustainable management of forests.

2.2 Project Component

The project activities have been grouped into the four components briefly described in the following table:

Table 2.1
Summary of Project Components

N°	Component Name	Total Cost Estimate (€)	Description
A	Forest Management and Sustainable Practices	1,711,300	
A1	Forestry		Establishment of nurseries Tree planting and exploitation of 1300 ha of pure forest 1,000,000 tons of CO ₂ stored 1,000 tons of biomass produced/year
A2	Agro-forestry		Exploitation of 1200 ha of agro-forestry. Establishment of plantations for the production of 4000 tons of cassava
B	Livelihoods and Economic Development	939,580	
B1	Agro-food industry		Construction and equipping of cassava processing plant for the production of 1440 tons of cassava tubers
B2	Basic economic infrastructure		Rehabilitation of 50 km of feeder roads Rehabilitation/construction of 500 m ² of markets
B3	Basic social facilities		Rehabilitation of 3 schools and 3 health centres; provision of 30 km of piped drinking water supply
C	Ecological and Socioeconomic Monitoring of Baseline Data	578,896	
C1	Methodology and support for REDD certification		Formulation of a methodology Certification Data mapping and verification
C2	Legislative adaptation and capacity building		Training, equipment for institutional capacity building in REDD / MRV
D	Project Management	687,300	
D1	Project coordination unit		Establishment of a project coordination unit at NOVACEL Procurement of equipment and materials
D2	Procurement of equipment and materials		Putting in place of a rigorous procurement plan
D3	Computerized accounting service		Putting in place of a computerized accounting system
D4	Monitoring-evaluation		Establishment of internal and external monitoring-evaluation system

2.3 Technical Solution Retained and Alternatives Explored

*Table 2.2
Comparison of Technical Alternatives Explored and Solutions Retained*

Solution Retained	Alternative Explored	Reasons for Rejection
Community management	Administrative management	Notion of public goods misunderstood. Impersonal and diluted management of public goods
Artisanal processing of cassava Family agricultural plantations	Industrial processing of cassava; industrial agricultural plantations	Insufficient family production capacity; industrial plantation fosters individualism and does not encourage community management
Collaboration with specialized institutions (ONFi, WRI)	Implementation by the administration	Administration's lack of experience and skills
Private type management by a private enterprise	Management by an administrative entity	Inadequate capacity for management of post-conflict country's administration; lack of flexibility; governance problems

2.4 Project Type

2.4.1 This operation is considered as a pilot project. This is a pilot project, in view of its relatively limited size, but especially because it will help test on an actual scale, in an area under threat of degradation, assumptions in the form of activities that could be used to formulate a REDD approach at the national. In formulating its REDD strategy, the DRC hopes to rely on a number of pilot initiatives including this project..

2.5 Project Cost

2.5.1 The total cost of the project is estimated at **€4,437 million**, excluding taxes and customs duties, made up of €1.767 million in foreign currency and € 2.670 million in local currency. All the costs are in Euro, since this is the currency in which CBFF grants must be stated. Customs duties and taxes are to be borne by the Government, pursuant to memorandum of understanding signed between the executing Agency and the Government. The foreign currency (FC) portion constitutes 40% of the total cost tax exclusive and the local currency (LC) portion, 60%. The size of the LC portion is accounted for by the fact that the project mainly comprises works to be carried out locally (creation of nurseries, tree planting, CO2 concentration measures, etc.) Provision was made for a 2% physical contingency rate and 7% price escalation rate, based on the August 2010 inflation rate. The project cost summaries are presented up in Tables 2.3 and 2.4 below:

Table.2.3
Cost Estimate by Component (in Euros)

COMPONENT	L.C.	FC	Total	%FC
Forestry management and sustainable practice	992,900	718,400	1,711,300	42
Ecological and socioeconomic monitoring and baseline data	115,779	463,117	578,896	80
Livelihoods and economic development	641,285	298,295	939,580	32
Project management	570,000	117,300	687,300	17
Base Cost	2,319,964	1,597,112	3,917,076	41
Physical Contingencies	4,660	1,120	5,780	19
Price Escalation	346,219	168,653	514,873	33
Total	2,670,844	1,766,885	4,437,729	40

Table 2.4
Project Cost by Expenditure Category (in Euros)

CATEGORY	L.C	F.C	Total	% F.C
Works	976,085	295,495	1,271,580	23
Goods	142,300	757,700	900,000	84
Services	345,979	543,917	889,896	61
Staff	430,200	0	430,200	0
Operational Costs	396,600	0	396,600	0
Misc. management Expenses	28,800	0	28,800	0
Base Cost	2,319,964	1,597,112	3,917,076	41
Physical Contingencies	4,660	1,120	5,780	19
Price Escalation	346,219	168,653	514,873	33
Total	2,670,844	1,766,885	4,437,729	40

2.5.2 Expenditure categories "Services", "Staff" and "Operating Costs" represent 39% of the total grant amount (ie € 1,716,696 of the total of € 4,437,729). These expenses will be financed by CBFF up to 70% (€ 1,195,696) and by NOVACEL up to 30% (€ 521,000). In these three categories of expenditure, the CBFF will support expenses related to services specific to REDD and which will be implemented under memoranda of understanding with specialized partners (ONFI and WRI), consultancy fees for the control of baseline data, payment of project management staff, as well as some operating costs (ie € 168,600 to € 396,600) such as fuel costs, maintenance and vehicles and motorcycles insurance....

2.5.3 The project will be financed by the Congo Basin Forest Fund (CBFF) and NOVACEL, a private firm, from its own resources. The CBFF contribution is €2,490,310 representing 56% of the total project cost, while that of NOVACEL amounting to €1,947,419, represents 44 % of the total project cost.

Table 2.5: Financing Sources (in Euros)

Financing Source	L.C.	F.C.	Total	% Total
CBFF	1,217,735	1,272,575	2,490,310	56
NOVACEL	1,453,109	494,310	1,947,419	44
Estimated Total	2,670,844	1,766,885	4,437,729	100

The expenditure schedule is as follows:

Table 2.6: Schedule of Expenditure

COMPONENT	Year 1	Year 2	Year 3	Total	% base cost
Forestry management and sustainable practice	936,800	338,100	436,400	1,711,300	44
Ecological and socioeconomic monitoring and baseline data	289,448	144,724	144,724	578,896	15
Livelihoods and economic development	249,660	447,410	242,510	939,580	24
Project management	318,100	184,600	184,600	687,300	18
Base Cost	1,794,008	1,114,834	1,008,234	3,917,076	100
Physical Contingencies	2,120	1,440	2,220	5,780	
Price Escalation	125,729	161,748	227,396	514,873	
Total	1,921,857	1,278,022	1,237,850	4,437,729	

2.6 Project Area and Beneficiaries

2.6.1 The project will be implemented in the Province of Kinshasa & Bandundu. Despite the fact that a multitude of agricultural or forestry initiatives are being implemented in the Bateke Plateau geographic area, none of them has the originality of an integrated approach closely linked with the customs and traditions of the Teke people.

2.6.2 The beneficiaries who are also the main partners are the communities of the villages of Mbankana, Boku, Botulu, Fadiaka, Kimanguu, Engunu, Mpumuyo and Nguanu as well as the valleys of the Mai Mpili, Lewana and Lidji rivers. The project primarily targets a minimum of 10,000 rural families in remote areas, representing

50,000 persons, 52% of whom are women, living in the south of the Kwamouth territory. Ultimately, the project will directly or indirectly impact over 100,000 families in Bateke Plateau. The provincial authorities and civil society in general (NGO, local communities, associations, etc.) will benefit from REDD awareness activities to ensure their active participation in the process.

2.7 Participatory Process for Project Identification, Design and Implementation

2.7.1 A participatory approach was used during the identification and design phases of the present project. This has resulted since end 2009 in a number of missions by the NOVACEL team in South-Kwamouth. The missions established contacts and organized discussion meetings with traditional and administrative authorities as well the local communities, to sensitize them about all aspects of the project and, more particularly, on the objectives, activities and expected participation of the communities in its implementation. The CBFF organized two meetings with the representatives of the beneficiaries and stakeholders in April and September 2010, to clarify the project challenges and possible constraints to its implementation.

2.7.2 During the project implementation phase, some partners such as *Office National des Forêts-international (ONFi)* and World Resource Institute (WRI), which contributed to the formulation of the project, will assist in the implementation of specific activities pertaining to their areas of competence. The local communities will be directly involved at the operation level through multiple jobs that the project will provide to various workers with varying skill levels as well as the promotion and technical supervision of small modern agro-forestry farms located in the project area. Thus, the communities will not only be commercial partners but also clients and suppliers of the project.

2.7.3 The MECNT will play a key role in the sensitization of the communities to enable them take ownership of the project through active participation in its implementation. All the other actors and institutions concerned by the promotion or management of public activities directly related to the project will be actively involved (environment, agriculture, land affairs, health, education, etc.). Decisions concerning the strategic options and conception of activities will be discussed with the traditional leaders who are stakeholders in the institutional packaging of the project.

2.8 Bank Group Experience, Lessons Reflected in Project Design

2.8.1 The 2009 review report indicates moderately satisfactory portfolio performance of the DRC. Indeed, the country showed generally satisfactory adherence to conditions precedent and commitments; on the other hand, its performance was unsatisfactory with regard to procurement of goods and services, financial management and implementation of activities. With a disbursement rate for active public sector projects of 47.81% at end July 2010, The portfolio is facing problems such as inadequate preparation and design of the first projects approved at the end of the conflict period, lack of familiarity with Bank rules, poor monitoring of project implementation and the challenges relating to release of Government counterpart funds in project financing.

2.8.2 From the experience of various Bank interventions and that of other donors, the following lessons emerge: (i) the need to have a competent Project Implementation Unit for sound implementation (ii) the need to define the conditions of first

disbursement taking into account the fragile status of the DRC and (iii) the need to undertake capacity building for project preparation and implementation.

2.8.3 These lessons were taken into account for the current project, notably its implementation, which will be entrusted to NOVACEL, a private firm, which has solid expertise in forestry and will also contribute its own resources to the project financing.

2.9 Key Performance Indicators

2.9.1 The main performance indicators are provided in the project log-frame and will be measured by comparing the present “without project” situation and the “with project” situation. The main performance indicators are: (i) quantity of CO₂ stored, (ii) poverty reduction rate, (iii) reforested areas, (iv) agricultural production resulting from the project, (v) quantity of biomass produced, (vi) number of socioeconomic infrastructure constructed or rehabilitated, (vii) number of jobs created.

2.9.2 For the monitoring and evaluation of these indicators, an internal and external monitoring -evaluation mechanism will be put in place on which will be based the CBFF and Bank missions for supervision and mid-term review of the project to ensure that its implementation does not entail major changes. The end of the project will be marked by a completion mission that will evaluate the lessons learned. Furthermore, a system of submission of periodic reports (quarterly and annual audit reports) to the CBFF and the Bank will enable regular monitoring of the project

III. PROJECT FEASIBILITY

3.1 Economic and Financial Performance

3.1.1. Technical Feasibility: the technical implementation of the project should not encounter any difficulties, since NOVACEL, the executing agency, has a proven track record in the specialized area of the Reduction of Emissions from Deforestation and Degradation of Tropical Forest (REDD). The techniques recommended for reforestation entail the use of local labour since they are highly labour intensive not involving any particularly sophisticated skills. Improved agricultural production will be obtained through the popularization of very simple technical packages such as the application of a cropping calendar better adapted to local realities and the use of improved varieties that are sufficiently hardy so as to not require chemical inputs. This will thus be primarily biological agriculture entailing the exclusive use of organic manure and green fertilizer.

3.1.2 Economic and financial return: The project outputs and outcomes will only materialize in the long term (10 to 20 years). These long periods and the very nature of major outputs (CO₂ capture, reduction of greenhouse effect) do not make it possible to reliably quantify the project benefits, still less, to assign any financial value to them now.

3.1.3 Currently, there are carbon markets that remunerate efforts in the reduction of greenhouse emissions and CO₂ absorption, but the prices of the outputs are not known in advance since they are based on negotiation. However, it is obvious that the project will help consolidate the natural role of the forest with regard to sequestering CO₂,

and ultimately constitute a significant revenue source for the local communities through the sale of the carbon credits it will help generate.

Since it is not possible to calculate a rate of return, it would suffice to mention the main benefits of the project:

- Reforestation and enrichment of the remaining forest ranges around villages;
- Expected storage of about 1,000,000 tons of CO₂;
- Reduction of greenhouse gases;
- Conservation of biodiversity;
- Children's schooling and functional education of adults;
- Improvement of food security;
- Employment creation;
- Institution of REDD legislation.

3.2 Environmental and Social Impact

Environment

3.2.1 The project has been assigned Category 3 of the Bank's environmental classification. This categorization is justified by the fact that the project does not have a negative environmental impact, but will rather contribute to significantly improving the local environment. The reforestation, agro-forestry and creation of economic alternatives to food gathering and uncontrolled logging will result in decreased pressure on natural resources. These resources will be gradually restored thereby contributing to conservation of biodiversity. Reforestation only concerns degraded areas of natural forests and will therefore not entail any new clearing of land. As for agricultural and agro-forestry activities, they will be undertaken by individual small farmers on their farms or close to them. For agriculture in particular, the aim would essentially be to improve traditional farming methods based on the use of organic manure (farm manure, compost or green fertilizers). In this regard, the project will encourage the adoption by farmers of a cropping calendar that is better suited to the climate and the availability of labour as well as popularize improved but sufficiently hardy varieties that are therefore less demanding in terms of mineral fertilization.

Climate Change

3.2.2 The project will help increase carbon stocks in the targeted area and contribute to mitigating climatic warming. Additionally, fire control which is in fact necessary for reforestation and natural regeneration of degraded forests will allow for increased resilience of ecosystems to climate change. The improvement of production methods with the introduction of simple but more effective technologies and the development of economic alternatives to current practices will enhance the beneficiaries' adaption capacity.

3.2.3 Apart from the climatic regulatory role of mature forests, the planted forest will ultimately provide the opportunity (starting from year 20) to market carbon credits. At the COP15 in Copenhagen, REDD+ was recognized and accepted by the CCNUCC Secretariat, as one of the mechanisms for mitigating the effects of climate change.

3.2.4 The project additionality in terms of climate change will be seen in the fact that it will serve as a “safety net” against climate change. The additional revenue that the project will help generate could be used by the communities to cater for contingencies related to the serious consequences of possible climate change, such as flooding, drought, food shortage, etc.

Gender

3.2.5 The project will create new and rewarding jobs for both men and women (who constitute nearly 52% of the working population). The project will popularize integrated and suitable methods of agricultural and agro-forestry production that will particularly benefit women since they are predominantly involved in food farming. Furthermore, the rehabilitation and construction of social and commercial facilities will be particularly beneficial to women since they are mostly active in the marketing of local products at trade fairs and markets.

3.2.6 The programme will contribute to building the economic power of women and the youth through income-generating activities (sale of seedlings, food, petty trade etc.) and improving farming incomes. Women will also benefit from an improvement in their individual and collective capacities within their organizations, through the acquisition of new production, processing and marketing skills based on the functional literacy to be provided by the project. That will give them better social exposure and enhance their socioeconomic status.

Social

3.2.7 The social impacts of the project are manifold and concern: (i) better access to health care and education through the rehabilitation of schools and health infrastructure; (ii) improved nutritional status of the communities resulting from more abundant and diversified agricultural production; (iii) creation of employment due to the fact that most works relating to establishment of nurseries, reforestation, rehabilitation of school and health infrastructure, etc. will be carried out by the local communities themselves; and (iv) improved incomes, and consequently, reduced poverty since the commercial facilities built by the project (markets, trade fairs, cassava processing plant) will add value to family agricultural production. The project will help build the knowledge of the staff of NOVACEL and its partners.

3.3 Involuntary Population Displacement

3.3.1 The project will not result in any involuntary displacement of populations. The reforestation exercise will only concern degraded areas of natural forests and therefore not entail any clearing of land. Similarly, agro-forestry and farming activities focus on peasant farms; these are small individual holdings (micro-plantations) to be managed according to traditional farming methods that mainly involve family labour and organic manure (organic farming). The project will not entail the distribution of environmentally harmful agro-chemical inputs or undertake community plantations on newly cleared land. Consequently, there will not be any displacement of populations to provide new lands.

IV. IMPLEMENTATION

4.1 Implementation Arrangements

4.1.1 Institutional Arrangements: The project will be implemented over a three-year period starting from 2011. The Grant Protocol Agreement will be signed by the Government of DRC with the Bank. However, grant resources will be on-lended to the Project Executing Agency (NOVACEL), as per a subsidiary financing agreement to be signed between the Government and NOVACEL. NOVACEL is a limited liability company established in June 1985 with an initial authorized capital of one million (1.000.000) zaires, which was subsequently increased to ten million Congolese Francs. NOVACEL was identified by the Government as the project executing agency. The choice of NOVACEL is chiefly justified by its proven experience in the sinking of carbon wells and forestry, its transparent and rigorous management, and the existing weaknesses of the Congolese administration. A coordination unit will be set up at NOVACEL to manage the project. In addition to General Manager, NOVACEL's staff will comprise: an administrative and financial manager, an infrastructure expert, a legal expert, an accountant and a secretary.

4.1.2 The skills and qualifications of NOVACEL can be measured through its intervention since 1980 in the area known as "Ibi Village" where it has been carrying out afro-forestry, education and awareness activities among the inhabitants. After the initial agro-forestry trials starting in 2001, the project entered its operational phase in 2008. It is the fruit of a partnership between NOVACEL, UMICORE and Suez-Tractebel with technical expertise by ONF International. The actions developed by NOVACEL on the field enabled it to put in place a 4000 ha carbon well under the clean development mechanism (CDP). The success of this complex operation enabled NOVACEL to sign two carbon credit sale contracts, one with the French company Orbéo and the other with World Bank's BioCF.

4.1.3 Other institutions will be involved in the implementation of the project, notably *Office National Forestier-international (ONFi)* and World Resource Institute (WRI), each of which has signed a cooperation protocol with NOVACEL. ONFi is a French public industrial and marketing establishment specialized in forest management. It will be responsible for REDD methodology, certification, and control of reference data. ONFi employs 10,000 persons and is currently managing about 4 million hectares of forest in France and 8 million hectares of tropical forests in French Overseas Territories. The choice of ONFi is justified for the following reasons: considerable international experience in forestry (50 projects managed worldwide) and agro-forestry; proven expertise in the formulation of CDM methodologies for A/R forestry projects; sound knowledge of the DRC through its participation in several projects including the preparation of the national REDD strategy. WRI is an American NGO based in Washington DC and presented as a Think-Tank whose main mission is to promote environmental issues (climate policy, ecosystem, environmental governance and sustainable transport). WRI was created in 1983, has an operating budget of nearly USD 25 million and is considered to be one of the major world players in policy, legal and governance aspects of environmental issues. It is familiar with the DRC and has already collaborated with NOVACEL. WRI will be responsible for legal adaptation and capacity in REDD and MRV (Monitoring, Reporting, and Verification).

4.1.4 The existing REDD National Committee will act as the project Steering Committee (SC). The SC will be responsible for strategic orientation, assessing and

approving the programme of activities, and annual budgets, annual progress reports and audit reports. At the governmental level, monitoring of project activities will be ensured by the REDD National Coordination Unit (*Coordination Nationale REDD-CN REDD*) which will also be responsible to ensure effective implementation of the recommendations of various supervision missions, and synergy with other projects and programmes, in accordance with the “Kinshasa Agenda”. Annex 4 describes roles and responsibilities of the REDD National Coordination Unit.

4.1.5 Procurement arrangements: All goods, works and services financed from the CBFF fund will be procured in accordance with Bank Rules and Procedures for the Procurement of Goods and Works, (May 2008 Edition) or Bank Rules and Procedures for the Use of Consultants (May 2008 Edition), as modified by CBFF procedures, using the relevant Bank standards Bidding Documents. NOVACEL has prepared a 12-month procurement plan and submitted it to the Bank for approval prior to grant negotiations. The proposed procurement plan was approved and recorded. Table 4.1 below summarizes provisions on procurement and details are provided in Annex 3.

Table 4.1 Procurement Arrangements

Expenditure Category	Thousands of Euros			
	Shopping	Shortlist	Other*	Total
1. Works				
1.1 Office construction	-	-	[22.50]	[22.50]
	-	-	[62.50] 54.00	0.00
	-	-	[159.00] 40.00	[62.50]
1.2 Nursery works	-	-		54.00
				[159.00]
1.3 Afforestation works				40.00
				244.00]
Sub-Total				94.00
2. Goods				
2.1 Vehicles	[105.00] 0.00	-	-	[105.00] 0.00
2.2 Truck	[50.00] 0.00	-	-	[50.00] 0.00
2.3 Motorcycles	[18.00] 0.00	-	-	[18.00] 0.00
2.4 Computer equipment	[10.00] 0.00	-	-	[10.00] 0.00
	[71.00] 0.00	-	-	[71.00] 0.00
2.5 Equipment for establishment of nurseries	[423.00] 40.00	-	-	[423.00] 40.00
	[31.00] 0.00	-	-	[31.00] 0.00
	[43.00] 0.00	-	-	[43.00] 0.00
				[751.00]
2.6 Equipment for Forestry and AgroF.		-	-	40.00
2.7 Equipment for Agro-forestry		-	-	
2.8 Other equipment		-	-	
Sub-Total				
3. Services				
3.1 Short Term Consultants	-	[18.00] 293.00	-	[18.00]
	-	-	[578.90] 0.00	293.00
3.2 Protocol Agreement with Various Partners				[578.90]
				0.00
				[596.90]
Sub-Total				293.00
4. Staff	-	-	[430.20] 0.00	[430.20] 0.00
5. Operational Costs	-	-	[168.60] 228.00	[168.60]
				228.00
6. Management Expenses	-	-	[28.80] 0.00	[28.80] 0.00
BASE COST	[751.00] 40.00	[18.00]293.00	[1.206.50] 322.00	[2,219.50]
				655.00
Non allocated				[270.81]
				249.84
TOTAL				[2,490.31]
				904804

N.B: the figures in brackets [] are amounts financed by the Congo Basin Forest Fund.

“Other” refers to works by direct labour or with community participation, and based on direct negotiation under the protocol agreements.

4.1.6 Disbursement arrangements: The financial management of the CBFF grant resources will be in line with the Bank's rules of procedure. The following two disbursement methods will be used: (i) the direct payment method for works, goods and services contracts of a substantial amount above EUR 20,000; (ii) the special account or revolving fund (RF) method for works, goods and services contracts of small amounts below EUR 20,000 for operating costs, project staff allowances and sundry management expenses.

4.1.7 The Government and NOVACEL will sign a subsidiary financing agreement (*accord de retrocession*) conferring the technical and financial responsibility to NOVACEL, as follows: (i) the Government will open a Special Account (Transit Account) in the name of the project to receive the proceeds of the Grant in a commercial bank (Depository Bank) acceptable to the Bank. NOVACEL will open an "Operations Account" in the Depository Bank to receive the proceeds of the Grant. Furthermore, NOVACEL will open a separate account to hold its own contributions to the financing of the project; (ii) NOVACEL will prepare disbursement requests in accordance with the provisions of the on-lending agreement and submit them to the Government unit responsible for fiduciary management, the *Unité de Coordination du Projet Forêt et Conservation de la Nature (UCPFCN)*; (iii) UCPFCN will assess and submit the disbursement requests to the Bank, in accordance with the conditions of the on-lending agreement; and (iv) the Bank will disburse funds through the Special (Transit) Account.

4.1.8 Disbursements will be in line with provisions set forth in the Bank's Disbursement Manual and in the form of advance payments tied to a work programme and annual budgets approved beforehand by the CBFF Secretariat. Each request for disbursement or advance payment will be submitted to the CBFF Secretariat for approval and should cover a period of activity not exceeding six months. The special account will be refinanced based on the requests of NOVACEL, submitted through the Government unit responsible for fiduciary management (UCPFCN) along with supporting documents for all previous expenses and at least 50% of the last advance received. The first disbursement will be made as soon as the Grant is effective upon fulfilment of Grant specific conditions. Details will be provided in the disbursement letter attached to the Grant Agreement.

4.1.9 Financial and audit reports: to effectively undertake the accounting and monitoring of the project budget, a computerized administrative, accounting and financial management system will be put in place. NOVACEL will use its accounting software and an accountant and a bookkeeper will be recruited for the project. There will be annual internal auditing of the financial statements of the project and of the special account under the responsibility of NOVACEL, as well as an independent annual audit under the responsibility of the CBFF. In this regard and in line with the Terms of Reference based on the Bank's model, the CBFF Secretariat will recruit an independent external auditor (by country or group of countries in which the CBFF finances projects). This auditor will undertake ex-post verification of the project financial and accounting statements. The findings will be sent to CBFF, the Government and NOVACEL, at the latest six months after the end of the audit period. NOVACEL has subcontracted some key activities to private firms, namely: CAUDITEC for the external auditing of the accounts and management, PAYNETWORK for the external management of human resources and PARTNER & PARTNER for the management of fiduciary aspects.

4.2 Project Monitoring-Evaluation

4.2.1 The monitoring-evaluation of the project is a vital function that must enable the project executing agency and the donor to constantly maintain the project on course. It is for this reason that the Bank and the CBFF will organize a project launch workshop as soon as the grant is approved by the Bank in order to familiarize the project executing agency staff with the project challenges and the Bank's procurement and disbursement procedures. Initially this mission will be carried out by the REDD National Coordinator, attached to the Sustainable Development Directorate of the MECNT. The senior staff of the relevant MECNT units who will subsequently be responsible for project monitoring-evaluation will receive adequate training. A monitoring-evaluation system will be put in place at MECNT based on half-yearly missions. NOVACEL will prepare quarterly and annual progress reports that will clearly indicate the project's implementation status. This report to the MECNT and the CBFF Secretariat one month following the end of the quarter/year.

4.2.2 NOVACEL is a private firm with profitability requirements, which call for planning of activities, and monitoring of their execution and quality of these is a condition of survival and forms part of the day-to-day management of the firm. Though it does not have an actual "monitoring-evaluation" unit, NOVACEL has grouped some monitoring-evaluation activities under a unit called the "Quality Control and Statistical Monitoring Unit". NOVACEL has formulated, documented and established a system of quality management aimed at meeting the requirements of ISO 9001: 2008 and ISO 14001 standards.

4.2.3 NOVACEL updates and constantly improves this management system. The firm's quality management system identifies the processes needed, determines the manner in which they are to be executed and their interaction, determines the criteria and methods for ensuring their effective management and functioning, ensures that adequate resources and the necessary information are available for their management, revision and analysis and, finally executes actions needed to achieve the expected results through their constant improvement. NOVACEL also undertakes research and development activities and this does not only entail monitoring but also a careful assessment of most of the agro-forestry activities, based on detailed protocols with high-level scientific supervision, notably with the support from academia.

4.2.4 In the second year of the project, the CBFF will undertake a mid-term review to ascertain whether the project is being implemented according to the original operational plan and propose corrective measures as needed. At the end of the project, NOVACEL will prepare a project completion report that it will submit to MECNT (CN-REDD) and the CBFF Secretariat. The latter will undertake a final evaluation mission to validate the achievements and effective performance of the project, indicate the lessons learned and best practice to be proposed for future projects.

4.3 Governance

4.3.1 For several years, the DRC has featured among the lowest ranked countries of the World Bank's "Doing Business" report. This has been hampering investments and the financing of private projects in the country and, consequently stifling growth, which does not reflect the level of development that the country's immense potential should enable it achieve. To contribute to creating a business-friendly environment, the Government promulgated the law authorizing the ratification of the Treaty of the

Organization for the Harmonization of Business Law in Africa (OHADA). Progress has been made in the area of transparency in public financial management, since a review of public expenditure was undertaken and a public financial reform strategic plan was scheduled to be adopted by the end of 2010.

4.3.2 Furthermore, the DRC benefited from debt relief amounting to USD 12.3 billion comprising USD 11.1 billion under the HIPC Initiative and USD 1.2 billion under the Multilateral Debt Relief Initiative. This decision crowned the country's efforts to improve macroeconomic policies and enhance investment capacity in the priority area of basic infrastructure. The ongoing decentralization process has helped put in place provincial governments. The latter are contributing to improving local governance since they play a key role in regional planning. Also, the effective application of the new public procurement code will help enhance transparency and equity in procurement processes.

4.3.3 For this project, it is the rules of the Bank that will apply in the area of procurement and the active involvement of Bank experts both at Kinshasa country office and headquarters in document scrutiny and contract award will help avert possible slippages significantly.

4.4 Sustainability

4.4.1 The sustainability of the project primarily relates to its ownership by the beneficiaries. Indeed, the latter are directly and actively involved in the reforestation of the degraded portions of the natural forest, which is a common heritage that they will manage in a communal manner for the benefit of all. Furthermore, the families concerned will benefit from intense technical supervision and capacity building that will enable them continue managing their farm holdings effectively. They will also inherit storage and processing facilities to be constructed by the project and which they will continue to operate within a community management framework. As regards the project executing agency, NOVACEL, it is private enterprise created in 1985 involved in long term rural development in general. NOVACEL has plantations that it manages by itself but under the project it will act as executing agency for the Government. The diversification of the enterprise's revenue streams over the three major production areas, agriculture, forestry and the carbon market (CO₂ and biomass stock) enables it to spread the risk while controlling its production costs, in line with the stringent modern management required by the Clean Development Mechanism (CDM).

4.4.2 The superimposing of productive cycles that are short (agriculture), average (carbon market and biomass) and long (forestry) will ensure a balanced spread of cash flow over time. This will enable the company improve its self-financing capacity and thereby more easily find new public and private investors to contribute to its enhanced growth.

4.4.3 Unlike most externally-financed projects that are seeing an end to the problem of depletion of funding, this project will be implemented by a private company, NOVACEL, which will contribute to the financing from its internally-generated resources. The project is therefore designed to be pursued and developed along with the company managing it, through the latter's self-financing capacity, which it will develop, but also through significant financing currently available to

such institutions specializing in environmental protection and agriculture revival. Hence there is no exit strategy, but rather a development strategy in the region as well as other regions.

4.5 Risk Management

4.5.1 The major risks of the project and relevant mitigation measures are indicated in the project log-frame. The environmental risk of the project is nil since, on the contrary, it will help restore the degraded forest of South Kwamouth and contribute to mitigating risks related to climate change. Furthermore, the project is placed in Category 3 under the Bank's classification. The risk of political instability is on the decrease with the ongoing peace process and the progressive establishment of a framework geared toward the political dialogue encouraged by the TFPs.

4.5.2 Other potential risks could be:

- (i) Non-ownership of the project by the local communities: this risk is minimal, or non-existent because, through the participatory approach used, all the stakeholders, including traditional leaders and potential clients have been sensitized and shown their commitment to support the project;
- (ii) Interference by the public administration: given the fragility of the country's administration due to its post-conflict situation, uncontrolled public administration elements may wish to interfere in the day-to-day management of the project and delay its implementation. The risk is mitigated by the open and continuous contacts that NOVACEL has always maintained with the administration and the commitment made by all to put in place a solid public-private partnership.
- (iii) Lack of reliable suppliers: the stringent selection procedures and criteria that will be applied by the project will help avoid unreliable suppliers.

4.6 Knowledge Building

4.6.1 This project generally covers the vast and uncharted domain of global warming, thus constituting a significant source of knowledge for the Bank, which has very little experience in this area. The inclusion of REDD projects in the Bank's portfolio will enable its technical staff to enhance their knowledge in new areas such as community forestry and REDD in moist dense forest. This experience will complement the Bank funded *Programme d'Appui à la Conservation des Ecosystèmes du Bassin du Congo (PACEBCo)* and the Forest Investment Program (FIP). The Bank is supporting Congo DRC, Burkina Faso and Ghana in the preparation of their FIP strategy. The objective of the FIP is to promote the sustainable management of forests and to increase investments in order to help the countries in reducing emissions of greenhouse gases due to deforestation and forest degradation.

4.6.2 All the information collected by this project and similar ones will be recorded and disseminated through annual project reports and project completion reports. This information will further be used to enrich the skills of stakeholders in the REDD

approach and in good practices regarding forest management and assistance to vulnerable groups.

V. LEGAL FRAMEWORK

5.1 Legal Instrument

The legal framework is a grant protocol agreement between the Government of the DRC and the Bank. This document will contain the terms and conditions of the grant.

5.2 Conditions Related to the CBFF Intervention

5.2.1 The CBFF intervention is subject to fulfillment of the following conditions:

A. Conditions Precedent to Grant Effectiveness

5.2.2 The effectiveness of the Grant Protocol Agreement is subject to its signing by the Government and the Bank.

B. Conditions Precedent to First Disbursement

5.2.3 The first disbursement of grant resources will be subject to fulfilment by the Donee of the following specific conditions:

(i) Provide evidence of opening by the Government of a Special Account (Transit Account) in the name of the project meant to receive resources from the Congo Basin Forest Fund (CBFF) in a commercial bank (the Depository Bank) deemed acceptable to the Bank;

(ii) Provide evidence of opening by NOVACEL of an “Operations Account” to receive the proceeds of the Grant in the Depository Bank;

(iii) Submission of a signed subsidiary financing agreement (Accord de retrocession) conferring the technical and financial responsibility to NOVACEL regarding the project has been executed between the Government and NOVACEL for the purpose of on-lending the proceeds of the Grant with the same terms and conditions;

(iv) Evidence submitted to the Bank that an irrevocable order was issued by the Government to the Depository Bank for the permanent automatic transfer of funds from the Special Account to the Operations Account;

(v) Submission of signed agreements, with terms and conditions acceptable to the Bank, entered between NOVACEL and other partners: ONFi, WRI.

C. Commitment

5.2.4 NOVACEL should provide a letter confirming its commitment to pay its contribution to the financing of the project (Euro 1.947 million) over the project duration.

5.3 Compliance with Bank policies

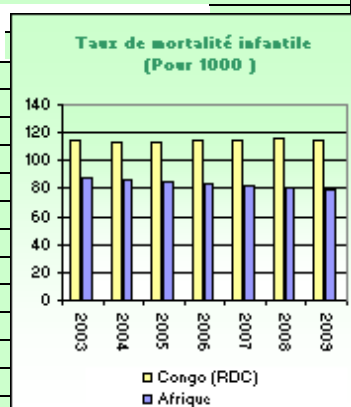
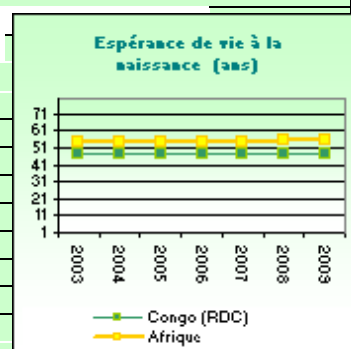
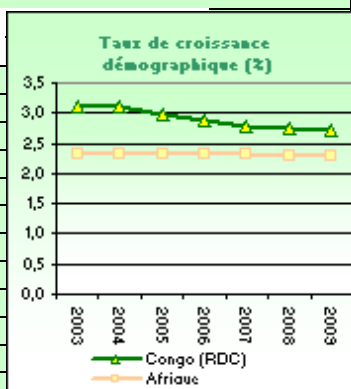
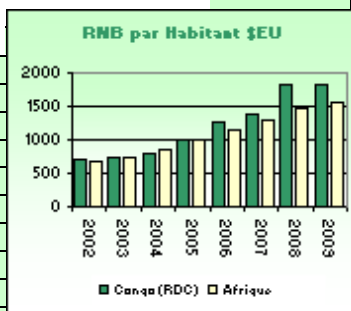
5.3.1 The project is in accordance with the objectives of CBFF and the relevant Bank policies, notably: (i) the Bank's Country Strategy Paper for DRC and (ii) Bank's medium term strategy 2008-2012, and (iii) the Bank's environmental policy.

VI. RECOMMENDATION

In view of the foregoing, it is recommended that a CBFF grant not exceeding 2.490 million Euros be awarded to the Government of DRC to be used in implementing the project as designed and described in this report. The grant will be subject to the conditions stipulated in the Grant Protocol Agreement.

SOCIOECONOMIC INDICATORS OF DRC

	Year	Congo (DRC)	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)		2,345	30,323	80,976	54,658
Total Population (millions)	2009	66.	1,008	5,629	1,069
Urban Population (% of Total)	2009	34.6	39.6	44.8	77.7
Population Density (per Km ²)	2009	28.2	3.3	66.6	23.1
GNI per Capita (US\$)	2009	1,830	1,550	2,780	39,688
Labour Force Participation - Total (%)	2009	37.6	41.2	45.6	54.6
Labour Force Participation - Female (%)	2009	38.5	41.2	39.8	43.3
Gender-Related Development Index Value	2005	0.398	0.525	0.694	0.911
Human Development Index (Rank among 169 countries)	2010	168	n.a	n.a	n.a.
Popul. Living Below \$ 1 a Day (%)	2006	59.2	50.8	25	...
Demographic Indicators					
Population Growth Rate - Total (%)	2009	2.7	2.3	1.3	0.7
Population Growth Rate - Total (%)	2009	4.6	3.4	2.4	1
Population < 15 years (% of total population)	2009	46.7	56	29.2	17.7
Population >= 65 years (%)	2009	2.6	4.5	6	15.3
Dependency Ratio (%)	2009	97.3	78	52.8	49
Sex Ratio (per 100 Women)	2009	98.2	100.7	93.5	94.8
Female Population 15-49 years (% of total population)	2009	22.5	48.5	53.3	47.2
Life Expectancy at Birth - Total (years)	2009	47.8	55.7	66.9	79.8
Life Expectancy at Birth - Female (years)	2009	49.4	56.8	68.9	82.7
Crude Birth Rate (per 1,000)	2009	44.3	35.4	21.5	12.0
Crude Death Rate (per 1,000)	2009	16.8	12.2	8.2	8.3
Infant Mortality Rate (per 1,000)	2009	114.9	80	49.9	5.8
Child Mortality Rate (per 1,000)	2009	195.3	83.9	51.4	6.3
Total Fertility Rate (per woman)	2009	5.9	4.5	2.7	1.8
Maternal Mortality Rate (per 100,000)	2008	670	683	440	10
Women Using Contraception (%)	2005	...	0	61	75
Health and Nutrition Indicators					
Physicians (per 100,000 people)	2004	10.2	42.9	78	287
Nurses (per 100,000 people)	2004	50.6	120.4	98	782
Births attended by Trained Health Personnel (%)	2007	74	50.5	63.4	99.3
Access to Safe Water (% of Population)	2008	46.0	64	84	99.6
Access to Health Services (% of Population)	2005	...	61.7	80	100
Access to Sanitation (% of Population)	2008	23	38.5	54.6	99.8
Percent. Of Adults (aged 15-49) Living with HIV/AIDS	2005	3.2	4.5	1.3	0.3
Incidence of Tuberculosis (per 100,000)	2005	3.2	313.7	161.9	14.1
Child Immunization Against Tuberculosis (%)	2008	74	83	89	99
Child Immunization Against Measles (%)	2008	67	74	81.7	92.6
Underweight Children (%)	2003	71	25.6	27	0.1
Daily Calorie Supply per Capita	2007	1,605	2,324	2,675	3,285
Public Expenditure on Health (as % of GDP)	2006	1.3	5.5	4	6.9
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2008	90.4	100.2	106.8	101.5
Primary School - Female	2008	82.2	91.7	104.6	101.2
Secondary School - Total	2008	34.8	35.1	62.3	100.3
Secondary School - Female	2008	24.7	30.5	60.7	100
Primary School Female Teaching Staff (% of Total)	2008	26.5	47.5
Adult Illiteracy Rate - Total (%)	2008	33.4	35.2	19	...
Adult Illiteracy Rate - Male (%)	2008	22.5	26	13.4	...
Adult Illiteracy Rate - Female (%)	2008	43.9	44.1	24.4	...
Percentage of GDP Spent on Education	2005	...	4.5	0	5.4
Environment Indicators					
Land Use (Arable Land as % of Total Land Area)	2008	3	6	9.9	11.6
Annual Rate of Deforestation (%)	2005	...	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	2005	...	10.9
Per Capita CO2 Emissions (metric tons)	2008	0	1.1	1.9	12.3

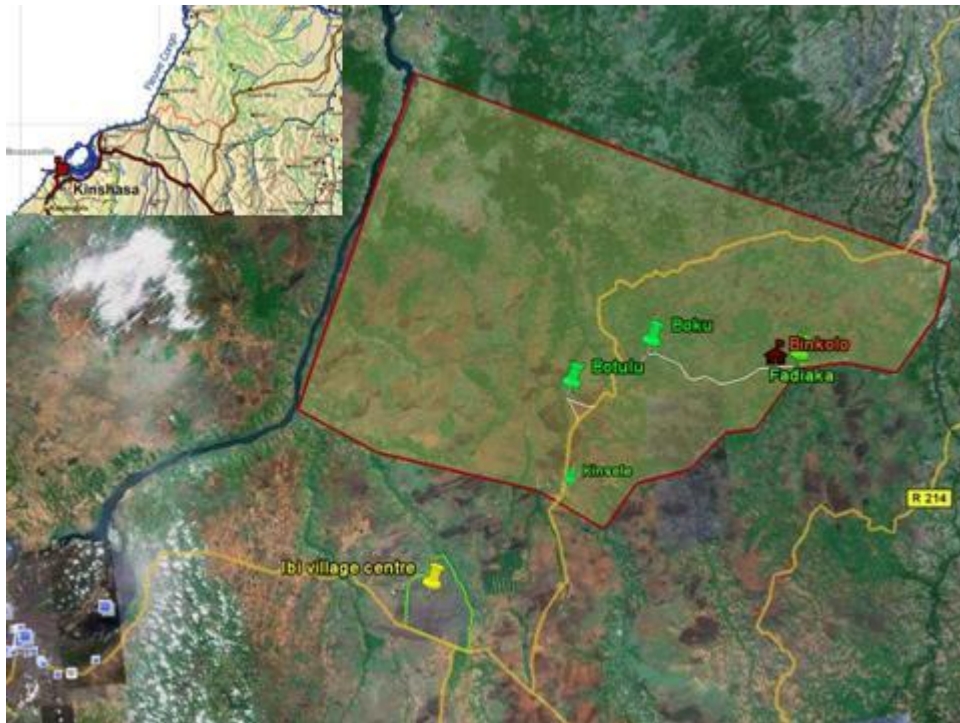


Sources: Baseline data of ADB Statistics Department; World Bank; WDI; UNSD; WHO; UNICEF; WRI; UNDP; Country Reports
 Note: N.A. Not Applicable; Data Not Available.

BANK PORTFOLIO IN DRC

BANK PORTFOLIO IN DRC			<i>Source of funding</i>	<i>Closing date</i>	<i>Approval Date</i>	<i>Amount Loan/Grant</i>	<i>Disbursement Rate</i>	<i>Age</i>
		National Projects						
1	OWAS1	Drinking Water Supply and Sanitation Project (PEASU)	ADF public	31-Jul-12	6-Jun-07	70.00	25.76%	3.69
2	OWAS1	Emergency Multi-sectoral Socioeconomic Infrastructure Rehab Project “PMURIS ”	ADF public	31-Jul-10	20-Dec-02	27.00	92.19%	8.17
3	ONEC1	Project for the Rehabilitation and Strengthening of the INGA Hydro-Power Stations and Kinshasa Distribution Grid (PMEDE)	ADF public	31-Dec-14	18-Dec-07	35.70	0.00%	3.16
4	ONEC1	Project of urban and outer-urban electrification	ADF /FSF	31-Dec-15	15-Dec-10	69.69	0.00%	0.15
5	OITC1	Nselé-Lufimi and Kwango-Kenge Road Rehabilitation Project	ADF public	31-Dec-15	15-Sep-10	31.64	0.00%	0.40
6	OITC1	Priority project of flight safety	ADF public	31-Dec-15	27-Sep-10	88.60	0.00%	0.37
7	OPSM4	ADVANS BANQUE (CONGO)	ABD	30-Jun-11	4-Feb-08	0.61	53.19%	3.02
8	OPSM2	TENKE COPPER COBALT	ADB	31-Dec-11	3-Oct-07	65.97	0.00%	3.37
9	OSAN3	Agricultural Sector Rehabilitation Support Project in the Provinces of Lower Congo and Bandundu (PARSAR	ADF public	31-Mar-11	19-May-04	25.00	54.00%	6.75
10	OSAN3	Agricultural Sector Study (ESA)	ADF public	30-Jun-11	28-Jun-06	1.85	56.87%	4.63
11	OSAN3	Agricultural and Rural Sector Rehabilitation Project (PRESAR)	ADF public	31-Jan-13	12-Dec-05	35.00	63.89%	5.18
12	OSAN3	Project of arrangement of TANGANYIKA LAKE	ADF public	31-Jan-12	17-Nov-04	6.79	11.63%	6.25
13	OSHD1	Post-Conflict Socio-Economic Reintegration Support Project (PARSEC)	ADF public	30-Jun-11	24-Jul-07	15.00	9.65%	3.56
14	OSHD3	Province Health Care Development Master Plan Support Project (PAPDDS)	ADF public	31-Mar-12	17-Mar-04	25.00	28.00%	6.92
		Multinational Projects						
1	OITC1	ROAD KETTA-DIOUM	ADF public	31-Dec-18	25-Sep-09	61.90	0.00%	1.38
2	OITC1	Study bridge Road -railways KINSHASA/BRAZZAVILLE	ADF public	30-Jun-11	3-Dec-08	3.59	0.00%	2.19
		Total				563.34	24.70%	3.70

Project Area Map



Summary of Project Costs

ANNEX 2

Detailed Costs by Component in Local and Foreign Currencies

(in €)

COMPONENT		Costs in €		
		Local Currency	Foreign Currency	Total
A	Forest Management and Sustainable Practices	992.900	718.400	1.711.300
	<i>Pure Forestry Sub-component</i>			
A1	Setting up nurseries (for entire component)	232.100	46.200	278.300
A2	Setting up afforestation (2500 ha)	394.600	670.400	1.065.000
	<i>Agroforestry Sub-component</i>			
A3	Setting up afforestation and farms	366.200	1.800	368.000
B	Ecological and socioeconomic monitoring and baseline data	115.779	463.117	578.896
B1	REDD / MEV Legislative adaptation and capacity building	115.779	463.117	578.896
C	Livelihoods and Economic Development	641.285	298.295	939.580
C1	Agroindustry	228.875	107.625	336.500
C2	Rehabilitation of basic community facilities	412.410	190.670	603.080
D	Project Management	570.000	117.300	687.300
D1	Office construction	9.000	13.500	22.500
D2	Goods	7.200	103.800	111.000
D3	Services	36.000	0	36.000
D4	Staff	430.200	0	430.200
D5	Operational costs	58.800	0	58.800
D6	Management expenses	28.800	0	28.800
	Base Cost	2.319.964	1.597.112	3.917.076
	Physical Contingencies	4.660	1.120	5.780
	Price Escalation (7%)	346.219	168.653	514.873
	TOTAL COST	2.670.844	1.766.885	4.437.729

Expenditure Schedule by Component and Activity (base cost)

(in Euros)

N°	COMPONENT	Year 1	Year 2	Year 3	Total
A	Forest Management and Sustainable Practices	936,800	338,100	436,400	1,711,300
	<i>Pure Forestry Sub-component</i>				
A1	Setting up nurseries (for entire component)	166,800	51,100	60,400	278,300
A2	Setting up afforestation (2500 ha)	712,000	161,000	192,000	1,065,000
	<i>Agroforestry Sub-component</i>				
A3	Setting up afforestation and farms	58,000	126,000	184,000	368,000
B	Ecological and socioeconomic monitoring and baseline data	289,448	144,724	144,724	578,896
B1	REDD / MEV Legislative adaptation and capacity building	289,448	144,724	144,724	578,896
C	Livelihoods and Economic Development	249,660	447,410	242,510	939,580
C1	Agroindustry	0	235,700	100,800	336,500
C2	Rehabilitation of basic community facilities	249,660	211,710	141,710	603,080
D	Project Management	318,100	184,600	184,600	687,300
D1	Office construction	22,500	0	0	22,500
D2	Goods	111,000	0	0	111,000
D3	Services	12,000	12,000	12,000	36,000
D4	Staff	143,400	143,400	143,400	430,200
D5	Operational costs	19,600	19,600	19,600	58,800
D6	Management expenses	9,600	9,600	9,600	28,800
	Base Cost	1,794,008	1,114,834	1,008,234	3,917,076
	Physical Contingencies	2,120	1,440	2,220	5,780
	Price Escalation (7%)	125,729	161,748	227,396	514,873
	TOTAL COST	1,921,857	1,278,022	1,237,850	4,437,729

Expenditure Schedule by Component and by Activity (Total Costs)

(in Euros)

N°	COMPONENT	Year 1	Year 2	Year 3	Total
A	Forest Management and Sustainable Practices	1,004,644	388,739	537,328	1,930,712
	<i>Pure Forestry Sub-component</i>				
A1	Setting up nurseries (for entire component)	178,476	58,504	73,993	310,973
A2	Setting up afforestation (2500 ha)	763,466	184,604	235,723	1,183,793
	<i>Agro-forestry Sub-component</i>				
A3	Setting up afforestation and farms	62,702	145,631	227,613	435,946
B	Ecological and socioeconomic monitoring and baseline data	309,709	165,695	177,293	652,697
B1	REDD / MEV Legislative adaptation and capacity building	309,709	165,695	177,293	652,697
C	Livelihoods and Economic Development	267,136	512,240	297,085	1,076,461
C1	Agro-industry	0	269,853	123,484	393,337
C2	Rehabilitation of basic community facilities	267,136	242,387	173,601	683,124
D	Project Management	340,367	211,349	226,143	777,858
D1	Office construction	24,075	0	0	24,075
D2	Goods	118,770	0	0	118,770
D3	Services	12,840	13,739	14,701	41,279
D4	Staff	153,438	164,179	175,671	493,288
D5	Operational costs	20,972	22,440	24,011	67,423
D6	Management expenses	10,272	10,991	11,760	33,023
TOTAL		1,921,857	1,278,022	1,237,850	4,437,729

Expenditure Schedule by Category (Base Costs)

(in Euros)

CATEGORY	YEAR			TOTAL	L.C.	F.C.
	1	2	3			
1 WORKS	393,660	460,410	417,510	1,271,580	976,085	295,495
Office Construction	22,500	0	0	22,500	9,000	13,500
Basic Community Facilities	191,660	163,710	101,710	457,080	306,410	150,670
Agro-Industry Works	0	135,700	64,800	200,500	150,375	50,125
Nursery works	61,500	25,000	30,000	116,500	91,300	25,200
Afforestation works	88,000	40,000	71,000	199,000	143,000	56,000
Agro-forestry Works	30,000	96,000	150,000	276,000	276,000	0
2 GOODS	727,700	115,500	56,800	900,000	142,300	757,700
Vehicles	105,000	0	0	105,000	0	105,000
Truck	50,000	0	0	50,000	0	50,000
Motorcycle	18,000	0	0	18,000	0	18,000
Computer Equipment	10,000	0	0	10,000	0	10,000
Equipment for Basic Community Infrastructure	26,000	16,000	8,000	50,000	10,000	40,000
Agri-food Equipment	0	59,000	0	59,000	24,700	34,300
Equipment for Nursery	51,700	7,500	11,800	71,000	50,000	21,000
Equipment for Forestry and Agro-forestry	413,000	25,000	25,000	463,000	21,200	441,800
Equipment for Agro-Forestry	11,000	8,000	12,000	31,000	29,200	1,800
Other equipment: photocopying machines, printers, projector, cartographical equipment, management software	43,000	0	0	43,000	7,200	35,800
2 SERVICES	403,448	245,724	240,724	889,896	345,979	543,917
Short Term Consultants	114,000	101,000	96,000	311,000	230,200	80,800
Protocol Agreement with various partners	289,448	144,724	144,724	578,896	115,779	463,117
3 STAFF	143,400	143,400	143,400	430,200	430,200	0
4 OPERATING COSTS	116,200	140,200	140,200	396,600	396,600	0
5 MANAGEMENT EXPENSES	9,600	9,600	9,600	28,800	28,800	0
BASE COST	1,794,008	1,114,834	1,008,234	3,917,076	2,319,964	1,597,112
Physical Contingencies	2,120	1,440	2,220	5,780	4,660	1,120
Price Escalation	125,729	161,748	227,396	514,873	346,219	168,653
TOTAL	1,921,857	1,278,022	1,237,850	4,437,729	2,670,844	1,766,885

Costs by Expenditure Category and by Financing Source (in Euros)

CATEGORY	CBFF	NOVACEL	TOTAL
WORKS	244,000	1,027,580	1,271,580
Office Construction	22,500	0	22,500
Basic Community Facilities	0	457,080	457,080
Agro-Industry Works	0	200,500	200,500
Nursery works	62,500	54,000	116,500
Afforestation works	159,000	40,000	199,000
Agro-forestry Works	0	276,000	276,000
GOODS	751,000	149,000	900,000
Vehicles	105,000	0	105,000
Truck	50,000	0	50,000
Motorcycle	18,000	0	18,000
Computer Equipment	10,000	0	10,000
Equipment for Basic Community Facilities	0	50,000	50,000
Agro-food Equipment	0	59,000	59,000
Equipment for Nursery	71,000	0	71,000
Equipment for Forestry and Agro-forestry	423,000	40,000	463,000
Equipment for Agro-Forestry	31,000	0	31,000
Other equipment: photocopying machines, printers, projector, cartographical equipment, management software, telecoms	43,000	0	43,000
SERVICES	596,896	293,000	889,896
Short-term Consultants	18,000	293,000	311,000
Protocol Agreement with various partners	578,896	0	578,896
STAFF	430,200	0	430,200
OPERATIONAL COSTS	168,600	228,000	396,600
MANAGEMENT EXPENSES	28,800	0	28,800
BASE COST	2,219,496	1,697,580	3,917,076
Physical Contingencies	1,380	4,400	5,780
Price Escalation	269,434	245,439	514,873
TOTAL	2,490,310	1,947,419	4,437,729

PROCUREMENT ARRANGEMENTS

3.1 All goods, works and services financed from the CBFF fund will be procured in accordance with Bank Rules and Procedures for the Procurement of Goods and Works, (Edition May 2008) or Bank Rules and Procedures for the Use of Consultants (Edition May 2008) as modified by CBFF procedures, using the relevant Bank standard Bidding Documents.

3.2 **Works:** Construction works for an office valued at about € 22,500 will be carried out by NOVACEL (en regie). Construction workers will be recruited by the project as daily labourers or contract workers under the supervision of the NOVACEL staff. Agricultural and forestry works will be executed by community groupings through contracts to be signed with NOVACEL.

3.3 **Goods:** Goods, comprising various kinds of equipment will be procured by national shopping. The equipment will consist of: automotive equipment, computer equipment, equipment for basic community amenities, agro-forestry equipment (including a complete cassava processing plant estimated at €48,000, and small machinery such as pumps and tote boxes estimated at €11,000), equipment for the nurseries and for agro-forestry and forestry as well as other equipment (photocopying machines, printers, a projector, mapping software and financial management software). The agro-forestry supplies constitute a separate lot that includes cassava cuttings (€28,000) and small equipment for planting (€3,000). The forestry and agro-forestry equipment and supplies estimated at €463,000 (comprising €423,000 financed by the CBFF and €40,000 by NOVACEL for the procurement of agricultural trailers) mainly consist of various kinds of equipment and materials that will be used in implementing two project sub-components namely "Pure Forestry" and "Agro-forestry": tractors, garage and workshop equipment and tools, standby generators, draught animal machinery, spare parts, etc.). The shopping method earmarked for these various procurement activities is justified by the limited number of professional suppliers in the country, the saving of time and financing that national competitive bidding would involve as well as the relatively low amounts for most of the equipment and supplies.

3.4 **Services:** Short-term consultancy services valued at €18,000 will be procured based on a shortlist, for monitoring and quality control. Services to be procured as part of agreements/MOU with various partners will be by direct negotiation in view of the high level of specialization involved and the insufficient number or lack of competent experts for these areas in the country. The relevant entities are Office National Forestier-international (ONFi) and World Resource Institute (WRI) whose draft agreements will be subject to prior approval by the CBFF Secretariat. ONFi will provide support to the methodology, REDD certification and verification of the baseline data. The amount of the protocol agreement with ONFi (base cost) is estimated at €377,066. WRI will provide assistance in the legislative adaptation and institutional capacity building in REDD and MRV (Measuring, Reporting and Verification). The amount of the protocol agreement is estimated at € 20,830 (base cost).

3.5 For contracts which value in Euro is estimated at less than UA 200,000 for consulting firms and UA 50,000 for individual consultants, the Donee may limit the publication of the expression of interest announcement to national and regional newspapers. However, any eligible consultant may express their desire to be short-listed. For contracts which value in Euro is

estimated at more than 200,000 for consulting firms and UA50,000 for individual consultants, an announcement of expression of interest should be published UNDB online and on the Bank's website.

3.6 **Miscellaneous.** Travel costs and allowances for project staff, contracts related to operational expenditures such as office supplies, maintenance of equipment, communication, fuel, etc...and other running costs will be purchased in accordance with the Project Operational Manual prepared by the Donee and approved by Bank Secretariat

3.7 **Prior Review.** The following documents will subject to prior review and approval by the Bank/CBFF before promulgation: (i) Specific Procurement Notices; (ii) Tender documents or Requests from consultants, (iii) Tender evaluation reports; (iv) Reports on evaluation of consultants technical proposals; (v) Reports on evaluation of consultants financial proposals, including recommendations for Contract Award; and (iv) Draft contracts and sub-grants with partners, if the drafts included in the tender invitation documents have been amended.

3.8 **Post Review Procedure.** In view of the many small contracts, procurement of goods and consultant services that will be processed under short listing and National Shopping (NS), contracts for goods, for a value up to € 20,000 will be subject to post review and will not require Bank's prior approval. The executing agency will establish and maintain an effective system of accounting and filing of all procurement documents, including requests for price lists, evaluation documents and contract awards relating to these acquisitions, for periodic review by Bank missions or by any auditor selected to audit the financial statements of the projects. The post procurement review, which aims to verify the compliance of procurement activities with the defined procedures, will be undertaken during the first supervision mission following the end of the procurement process. The review will determine whether there is a need to modify the procurement methods. Information on procurement processing will be collected by the executing agency quarterly and shall be included in details in the project quarterly report to be submitted to the Bank.

National Legislation and Regulations

3.9 The review of national laws and regulations on procurement of the Democratic Republic of Congo which date back to 1969 and applied so far, has revealed major shortcomings : (i) no public announcement of opportunities and publication of the results of awards of public procurement, (ii) no proven free access to public bidding, (iii) lack of effective remedies for tenderers, (iv) evaluation criteria not mentioned in the procurement documents, (v) lack of provisions relating to fraud and corruption and so on.

3.10 A new Procurement Code has been approved and promulgated since April 27, 2010 by the Head of State. An action plan has also been prepared for the effective implementation of the Act which includes: (i) the preparation and promulgation of implementing regulations and standard documents; (ii) the establishment of institutional arrangements, including: *Agence de Régulation des Marchés Publics (ARMP)*; *Direction Générale des marchés Publics (DGMP)*; *Comité de Gestion des Marchés Publics (CGMP)*; (iii) the staffing for these bodies. This process was expected to be completed over a five (5) month period ending by the end of September 2010. The Bank, through CDFO follows the process with the aim to harmonize the new regulations with those of the development partners so to optimize the time of contracting. Given

that the new Procurement Code is not yet effective, Bank's rules and procedures shall apply for all procurements under the project.

EXECUTING AGENCY

3.11 NOVACEL will be responsible for the procurement of goods/works/consulting services/ for the project. The human resources, capacity, expertise and experience of executing unit have been assessed and deemed acceptable to carry out such procurement activities for the project. Nevertheless, to improve the existing capacity, reinforcement will be provided (trainings, meetings, recycling..) on Bank procurement procedures, prior to project launching.

PROCUREMENT PLAN

3.12 NOVACEL has prepared a procurement plan and submitted it to the Bank before negotiations. The plan was reviewed to ensure that it complies with the Grant Protocol of Agreement and with its own relevant rules and the proposed plan was approved. It covers an initial period of twelve months and will be updated every six months or as needed, but always for the following twelve months during the project implementation period. Any proposal to revise the procurement plan will be submitted to the Bank for prior approval.

NOTE ON THE REDD COORDINATION UNIT

4.1 The Democratic Republic of Congo (DRC) is engaged in a readiness process for a future international mechanism for Reducing Emissions from Deforestation and Degradation (REDD +) under discussion in the UN Framework Convention on Climate Change (UNFCCC). This process is led by the Ministry of the Environment, Nature Conservation and Tourism (MECNT), in partnership with the United Nations REDD program (UN-REDD) and the World Bank (Forest Carbon Partnership Facility) who finance process for up to 8.9 million Euros. Governance structures of the REDD process in the DRC have been created by Decree of the Prime Minister on the 26th of November 2009 and include:

- ✓ A National Committee composed of 14 members of the Government, private sector and civil society. This National Committee is responsible for defining the policies and guidelines and decide on actions in the context of REDD, for approving the work plan of the Interministerial Committee and the National Coordination, for monitoring and evaluating the implementation of REDD, and to establish a fund for the management and redistribution of grants and resources from REDD.
- ✓ An Interministerial Committee responsible for planning the implementation of the decisions of the National Committee and assigning responsibility for their implementation to the competent structures of the state.
- ✓ A National Coordination (CN-REDD) in charge of ensuring the daily management of the REDD process and oversee the activities of the annual work plan so that they lead to expected results, formulate, to the intention of the Minister in Environment, proposals for members of the Technical Experts Committee and Scientific Council and ensure the mobilization of national and international experts, to ensure the Technical Secretariat of the National Committee and the Interministerial Committee, to coordinate the REDD process in the Democratic Republic of Congo with other government initiatives and with donors in the forestry sector including the link with the PNFoCo, the regional REDD process within COMIFAC; encourage and ensure a participatory approach REDD process through involvement and consultation of various stakeholders, including forest communities and indigenous peoples.

4.2 The National Coordination REDD has been in operation since May 2009 (4 members originally) and has expanded from 4 to 16 members in August 2010 to monitor the implementation of the national readiness plan for REDD + (R-PP). The REDD National Coordination manages the daily REDD + readiness program of DRC. To do this, the National Coordination REDD is organized around four operational components:

- ✓ Component 1: Coordination and overall piloting of REDD activities
- ✓ Component 2: Development of the national REDD strategy

- ✓ Component 3: The experimental program (pilot project) and
- ✓ Component 4: Early action programs

- ✓ Component three (3) in charge of the experimental program, oversees the implementation of the geographically integrated pilot projects, coordinates the implementation and does monitoring and evaluation. It is composed of a Chief of the component, of an International Technical Advisor (forest and climate change expert), as well as an Assistant.

4.3 The component three (3) team also receives support from the 12 other members of the National Coordination as well as short-term consultants and staff of the Environmental Services Division of the Sustainable Development Department of the Ministry of the Environment, Nature Conservation and Tourism.

DRC

SOUTH KWAMOUTH REDD AGROFORESTRY PILOT PROJECT

OUTCOME OF GRANT NEGOTIATIONS

The Grant negotiations for the above-cited project were held in the CDFO, Kinshasa on 23 and 24 February, 2011, between the Delegation from the Government of the Democratic Republic of Congo (DRC) and representatives of the African Development Bank Group. Subsequent discussions were concluded on April 12th, 2011. All conditions related to the Grant Agreement have been agreed by the Government of DRC. Following the review of the documents relating to the Grant, namely, the Appraisal Report, the Grant Agreement and the Disbursement Letter, the DRC Delegation expressed its satisfaction and agreed on the project components, financing plan and the terms of the CBFF grant as outlined in the appraisal report.