

Country Case Study

ANALYSIS OF FOREST FINANCING IN THE DEMOCRATIC REPUBLIC OF CONGO

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For

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The views conveyed in this case study are meant to spur discussion during the first meeting of the ad hoc expert group on forest financing (13-17 September 2010- Nairobi, Kenya) and do not necessarily reflect the views of the UN Forum on Forests Secretariat, the UN Forum on Forests, or its member States.

ABBREVIATIONS AND ACRONYMS

AWF	: African Wildlife Foundation
CARPE	: Central African Program for the Environment
CAS	: Country Assistance Strategy
CBD	: Convention on Biological Diversity
CBFP	: Congo Basin Forest Partnership
CCS	: Community Conservation Strategy
CFAA	: Country Financial Accountability Assessment
CI	: Conservation International
CIDOPY	: Centre d'Information et Documentation Pygmées (<i>Pygmies Documentation and Information Center</i>)
CIFOR	: Center for International Forest Research
COMIFAC	: Commission des Ministres des Forêts d'Afrique Centrale (<i>Central Africa Commission</i>)

GTZ	: German Technical Cooperation
HIMO	: Haute Intensité de Main-d'oeuvre (<i>High Labor Intensity</i>)
HIPC	: Heavily Indebted Poor Countries
IBRD	: International Bank for Reconstruction and Development
ICB	: International Competitive Bidding
ICCN	: Institut Congolais pour la Conservation de la Nature (<i>Congolese Institute for Nature Conservation</i>)
IDA	: International Development Association
IFMS	: Integrated Financial Management System
IFR	: Interim Financial Reports
IJZBC	: Institut des Jardins Zoologiques et Botaniques du Congo (<i>Institute of the Zoological and Botanical gardens of Congo</i>)
IMF	: International Monetary Fund
IPDF	: Indigenous People Development Framework
IPDP	: Indigenous Peoples Development Plan
IRR	: Internal rate of return
ISR	: Implementation Status Report
IUCN	: International Union for the Conservation of Nature
KfW	: German Bank for Development
M&E	: Monitoring and Evaluation
MDG	: Millennium Development Goals
MDTF	: Multi-donor Trust Fund
MECNT	: Ministry of Environment, Nature Conservation and Tourism
METT	: Monitoring and Evaluation Tracking Tool
MIKE	: Monitoring of Illegal Killing of Elephants
MOD	: Maitrise d'ouvrage déléguée (<i>delegated management contract</i>)
MONUC	: Mission des Nations Unies au Congo (<i>United Nations Mission in Congo</i>)
NCB	: National Competitive Bidding
NGO	: Nongovernmental organization
NPV	: Net present value
NSNC	: National Strategy for Nature Conservation
OSFAC	: Observatoire Satellital des Forêts d'Afrique Centrale (<i>Central Africa Forests observatory Satellite</i>)
PDO	: Project Development Objective
PER	: Public Expenditure Review
PF	: Process Framework
PFM	: Public Financial Management
PFS	: Project Financial Statements
PIDP	: Programme d'Intégration

REDD : Reducing Emissions from Deforestation in Developing Countries
RPF : Resettlement Policy Framework
SC : Steering Committee
SEA : Strategic Environmental Assessment
SEIA : Socio-Environmental Impact Assessment
SEMP : Social and Environmental Management Plan

I. BACKGROUND

The special session of the ninth session of the UN Forum on Forests (UNFF9), held on 30 October 2009, adopted the resolution on the means of implementation for sustainable forest management.

The resolution of the special session of the UNFF9 on Means of Implementation for Sustainable Forest Management basically consists of two sets of actions: establishment of an open-ended intergovernmental ad hoc expert group, and establishment of a facilitative process. In the first operative paragraph of this resolution (OP1), the UNFF decided to establish the open-ended intergovernmental ad hoc expert group (AHEG) with a view to:

... making proposals on strategies to mobilize resources from all sources to support the implementation of sustainable forest management, the achievement of the global objectives on forests and the implementation of the non-legally binding instrument on all types of forests, including, inter alia, strengthening and improving access to funds and establishing a voluntary global forest fund, taking into account, inter alia, the results of the Forum's review of the performance of the facilitative process, views of Member States, and review of sustainable forest management-related financing instruments and processes;

Accordingly, the AHEG will hold two meetings in 2010 and 2012 to fulfil its mandate, as envisaged in the abovementioned UNFF9 resolution. The first meeting of the AHEG will be held from 13-17 September 2010 in Nairobi. Due to the importance of the work of this group and the emphasis of Member States on being fully prepared for its meetings, the UNFF's board decided to rely on the focal point for the accomplishment of the specific tasks related to the status of the situation of the funding of forests throughout the Member States. The focus of this report is the Democratic Republic of Congo (DRC). It was developed with the supervision of the UNFF's Board of Directors and the UNFF's senior accountant for political matters related to sustainable management of forests.

This report analyzes the current funding situation for DRC forests and discusses challenges, opportunities, and potential solutions. The report relies upon the contributions of the main actors involved in the sustainable management of forests in DRC and in the implementation of the non-legally binding instrument for all types of forests and the global objectives for forests. The information and data used in this report comes from official sources involved in funding and management of forests, specifically the national and international financial institutions and the key governmental structures. For instance, the Central Bank of Congo, the account Court, the Finance Minister, the Budget Minister, the Plan Minister, the Minister of Environment, Conservation of Nature and Tourism, and the National Forest Fund. This report also relied upon data and information gathered by international organisations, development partners, international financial institutions and non-governmental organisations, including but not limited to, FAO, PNUD, PNUE, USAID, AFD, CARPE, AWF, WCS, WRI, WWF. Annex I contains the major references for this report.

is complementary to other sectoral and regional operations financed by the World Bank and other donors, including those in the forest and nature conservation sectors. Moving ahead

2.4. Government Strategy for SFM and the way forward

10. The new government seeks to develop and institutionalize a vision of DRC's forests as an enduring provider of multiple goods and services rather than as an arena for the rapid extraction of timber. Its strategy is based on: i) addressing the legacy of past mismanagement by cancelling logging contracts that were obtained or managed illegally; ii) using participatory forest zoning to apportion forests to conservation, sustainable production of forest-based goods and services, community management and other purposes; iii) expanding national parks and supplying forest-based environmental services to emerging global

legal review (assisted by a third party) of the remaining logging contracts; (iii) a moratorium on all new logging contracts; (iv) a new forest tax system that discourages speculation and directs 40 percent of the revenue from area taxes to forest communities and local governing bodies; (iv) the conversion of old logging contracts into new long-term sustainable management concession contracts that require the concessionaire to follow strict social and environmental obligations; (v) participatory forest zoning to build consensus on which forest areas should be protected areas, production forests, rural community forests, or converted to other uses; (vi) promotion of non-extractive uses of forests and innovative financing for the production and trade of global environmental services; (vii) the rehabilitation of national parks and protected areas, which would expand to 15 percent of national territory; (vii) the control of commercial forest activities through new technologies and independent observers; and (viii) the integration of participatory approaches, public dissemination of information, and communication at all levels to disseminate the new policy directions and garner support from civil society.

16. Although the World Bank has not yet financed any investments in the forest sector in DRC, it has assisted the reform process through policy lending, studies, public information, and consultations. The Bank included forests as a priority theme in its country dialogue, helped enhance the credibility of the government's reform agenda, and sped up the formation of a coalition of external development partners, who in turn strengthened the hand of the institutions in government and civil society that spearheaded the reform. Starting in 2003, the Bank offered many opportunities for national and international constituencies to learn about DRC's forest reform agenda, including sessions in Kinshasa (November 2004) and Brussels (February 2007).
17. The significant body of research—eight studies on forest sector issues completed between 2003 and 2005—and important policy work conducted jointly by the Bank, government and civil society culminated in a strategy paper, *Forests in Post-Conflict Democratic Republic of Congo: Analysis of a Priority Agenda*. Published by the Center for International Forest Research (CIFOR), the report was co-authored by Bank staff and other research, and national and international nongovernmental organizations. This paper presents the analytical basis for the Bank's overall support to DRC's forest sector and for the present project.
18. The new policies were important, but DRC lacked resources to implement them. The Bank realized from the start capacity building was a vital complement to its policy advice, but it felt it could not finance forest operations until the Inspection Panel Investigation No. 2008/188/AFR started in 2005 was completed.

2.5.2. The Government's strong request for the Bank's and other Donor's support in the forest sector

f o r e s t s e c t o r a r e a s

significant number of donors for the design of the PNFoCo, a national program which would serve as a common framework for all nationally and donor-assisted interventions in the sector. The PNFoCo, is intended to: (i) create the institutional capacity required to implement new forest policies; (ii) ensure that the forests' social, economic, and environmental functions are preserved in the long term; (iii) ensure that forests contribute meaningfully to the livelihoods of rural and forest people and improve their socioeconomic welfare; and (iv) expand the network of protected areas to gradually cover 15 percent of national land area.

III. The National Forest and Conservation Program (PNFoCo)

20. The National Forest and Conservation Program (PNFoCo) is the overall forest sector program for DRC, covering the entire country and dealing with all facets of forests as well as wildlife conservation and management. PNFoCo is designed to contribute to the objectives set forth in DRC's Poverty Reduction Strategy Paper. It has six components:

- (1) **Institutional strengthening** of the Ministry of Environment, Nature Conservation, and Tourism (MECNT) and the Congolese Institute for Nature Conservation (ICCN) to rehabilitate infrastructure, equip central and field offices, and train and equip staff so that they may fulfill their institutional policy, program, law enforcement, and sector oversight functions.
- (2) **Horizontal support** for new participatory land management approaches, facilitated through forest zoning, and for a legal review of forest concession contracts.
- (3) **Nature conservation** to rehabilitate protected areas, improve the effectiveness with which they are managed, and gradually expand the protected area network to cover 15 % of DRC's land area.
- (4) **Control and management of production forests** to ensure that management meets rigorous social and environmental standards and is done in a fiscally responsible manner.
- (5) **Rural and community forestry** to test and implement community forestry schemes, ensure that local and indigenous community rights are preserved and enhanced, and ensure that communities benefit from economic activities taking place in their traditional territories.
- (6) **An environment component** to strengthen the environmental oversight of MECNT, complete and implement the new Environment Law and other environmental legislation, monitor the impact of PNFoCo, and study alternative forest management models linked to carbon sequestration (such as the Clean Development Mechanism or avoided deforestation).

21.

IV. Poverty Reduction and Growth Strategy Paper Strategy (DSRP)

22. DRC's Poverty Reduction and Growth Strategy Paper Strategy (DSRP) of 2006 stresses the importance of fostering environmental sustainability by maintaining forest cover and ensuring sound management of protected areas. The document emphasizes that poverty, amplified by conflict, is a strong driver of environmental degradation, and that forests are an important provider of food, energy, and other sources of income for the large majority of Congolese. To alleviate poverty and achieve livelihood security over the long term, natural resources must be managed sustainably and their depletion avoided.

V. FOREST AND NATURE CONSERVATION PROJECT (FNCP)

23. The PFCN is the cornerstone of the World Bank's forest and nature conservation assistance to DRC. It represents the International Development Association (IDA) and Global Environment Facility (GEF) contributions to PNFoCo, and grounds other Bank-financed interventions such as the Multi Donor Trust Fund for Forest Governance (financed by the Belgium, the European Union, France, Germany, Luxembourg and the Netherlands) a GEF project for the protection of National Parks, and projects for carbon storage and deforestation offsets to be traded in the emerging global market. The project's mode of implementation, institutional arrangements, and coordination mechanisms have been shaped to match those of the broader, national, multidonor PNFoCo program, while focusing on the most urgent sectoral needs and specific geographical locations, and setting the stage for interventions financed by other partners. The project also complements and works in synergy with other Donors' projects and programs that support the PNFoCo, particularly those financed or soon to be financed by the EU, the USA, the UK, Germany, Belgium, France, Norway, Sweden, Germany, the African Development Bank, GEF/UNDP and UNEP as well as with efforts financed through voluntary contribution to national and international NGOs (see annex 2).

VI. DRC policy with regard to SFM, implementation of non-legally binding instrument on all types of forests and fulfilment of the four global objectives on forests.

24. All these achievements are based on a coherent national forest policy that is being drafted, and whose main orientations are:
 1. Cohesive improvement of social, economic and ecological forest conditions as well as integrated management of flora, fauna and environmental services;
 2. Participatory management involving consultations with all SFM actors (public and private sectors, NGOs, local communities) when making important sectoral decisions;
 3. Partnership with the national community and the private sector with the aim of conserving biodiversity heritage, producing environmental services, with equitable sharing of costs and benefits;
 4. Establishing a redistributive taxation system through devolution of part of commercial logging revenues to local communities;
 5. Setting up incentives for more advanced wood processing and great added value;

6. Increasing protected areas to over 15 % of the national estate, with the aim of strengthening biodiversity conservation and coping with ecological crises;
 7. Generalize use of management plans in production forests with the aim of integrating the three – social, economic and ecological - pillars of sustainable management;
 8. Open DRC to new ways of valuing environmental services, such as biological prospecting, conservation concessions and carbon sequestration, in order to respond to the severity of the current ecological crises, notably the weakening of the ozone layer, climate warming, loss of biodiversity, drought, soil degradation, etc;
 9. Establish an incentive framework favorable to private investments, added industrial value, improvement of the taxation system, transparency in contract allocations, and impartial law enforcement;
 10. Urgently move from the arbitrary and quasi-free forest space allocation system en vogue in the past to a more organized and equitable forest allocation system that will be based on the priority use assigned to each space.
25. DRC is highly concerned with environmental and climate change issues. This is justified by the importance of DRC forests, which represent 60% of Congo Basin forests and 10% of tropical forests in the world. According to a recent study on the Reduction of Emissions due to Deforestation and Degradation of forests, trees from DRC forests represent an estimated carbon stock of 17 to 37 billion tons, which makes DRC the second largest carbon sink in the world.
26. The DRC position is that its forests should fulfil their social, economic and ecologic function in a way that is balanced. That is why the country has ratified several international conventions such as the Kyoto Protocol and the Carthaginian Protocol.

VII. The DRC efforts in sustainable forest management, implementation of the non-legally binding instrument on all types of forests and the achievement of global objectives on forests.

27. In accordance with its enormous forest potential, the DRC has been very active since 2002 in implementing its Priority Reforms Agenda over a ten year period (2005 – 2015) in view of effective sustainable forest management. Remarkable achievements have been made in that regard; they include:
1. Enactment of the forestry code in 2002;
 2. Nearly complete forestry bylaws;
 3. Legal review in late 2008 of all former forest titles, with participation of an international Independent Observer and local and indigenous communities;
 4. Return to the public domain of over 35 million

30. The situation labelled above shows development partners interest in sustainable forest management in DRC, a country in the post conflict situation but whose forests play a capital role in local development and global environmental services.

IX. Experiences, lessons learned, challenges, constraints, opportunities and success in financing forests in DRC.

9.1. Institutions and governmental organization for the sustainable management of forests and their financing means.

31. The principal institutions and governmental organisations for the management of forests are namely: the Ministry of Environment, Conservation of Nature and Tourism, National funds forestry, the Environment and Nature Conservation General Secretariat, the Department of Studies and Planning, , the Forest Inventory and Management Department, Reforestation and Horticulture Department, Sustainable Development Department, Legal Department, and Inspector General.
32. Development partners, institutions, international organisations, international finance institutions and nongovernmental organisations play an important role in forest management, notably in terms of finance and technical support. They include: FAO, UNDP, UNEP, USAID, CARPE, AFD, AWF, WC

35. Moreover, the rights of the true owners and users of resources / products / services, including indigenous peoples, in forest management are clearly guaranteed in the legal texts related to sustainable forest management. In addition, the DRC has a formal institutional mechanism and a functional permanent framework for consultation, cooperation and dialogue with local communities and indigenous peoples and for the development and implementation of policies, legislations and national strategies for forest management. Indeed, the Prime Minister's Decree n ° 08/03 of 26 January 2008 established the composition, organization and functioning of the National Advisory Board on Forests. Moreover, the Minister in charge of forests signed Ministerial Decree No. 034/CAB/MIN/ECN-EF/2006 of October 5, 2006 establishing the composition, organization and functioning of provincial forest advisory councils whose mandate is to give prior advice on:
- any planning and coordination project of forest policy;
 - any project relating to policies, laws and regulations relating to forest management and forestry;
 - any procedure of classification and decommissioning of forests;
 - any matter they deem necessary relating to forest policy and management .
36. However, the application of these texts by the state, private operators and all other stakeholders in the sustainable management of forest and the conservation of biodiversity is still not very effective.

9.4. Problems, difficulties, challenges and constraints.

37. The main problems, difficulties, challenges and

planet. These countries have a long experience of multifaceted cooperation and are undoubtedly evolving toward a comprehensive economic and monetary integration.

39. The 1999 treaty creating COMIFAC defined COMIFAC as an orientation, alignment, monitoring and coordination body of actions and sub-regional initiatives on conservation and sustainable management of forest ecosystems. It keeps track of the 1999 Yaoundé Declaration on Forests of and also supervises the implementation of international conventions and forestry development initiatives in central Africa.
40. COMIFAC developed and adopted in February 2005 a Convergence Plan, which is the framework for better management and conservation of forests in Central Africa. The implementation of that plan is supported by a range of partners, most of which are grouped within the Congo Basin Forest Partnership (CBFP). Each partner provides multifaceted support to the implementation of that plan.
41. For better management and alignment of financial support from development partners and international financial institutions, the DRC has established a Forest Thematic Group. This structure, which was informal at the start and led by FAO in close collaboration with the European Commission and World Bank, reflects the commitment of donors to support the government of the DRC in the establishment of a coherent program of good governance in the forestry sector. This formal 2008 structure remains the best mechanism for exchanging information. The structure can encourage various initiatives to support the forestry sector such as legislation, participatory zoning in rural areas, conservation of nature, forest management, economic and social development of rural populations, institutional strengthening, capacity building, preparation for REDD + and the payment of environmental services. The details of these initiatives and their funding are regularly included in a matrix of interventions shared among different partners before each meeting. The overall objective is to make the DRC forest sector an engine for a balanced development through sustainable management of forests.

9.6. Lessons learned in forest financing e pe

Annex 1: List of essentials files used to produce this report

1. CTB (2007). Quel avenir pour les forêts de la République Démocratique du Congo.
2. COMIFAC (2005). Opérationnalisation du plan de convergence de la COMIFAC. Plan d'opérations 2006 -2008.
3. Convention de financement relative à la gestion durable de la forêt en RDC signée entre le Ministères des finances et l'Agence Française de Développement à Kinshasa, juillet 2010.
4. *Forests in Post-Conflict Democratic Republic of Congo: Analysis of a Priority Agenda*, Center for International Forest Research and World Bank, 2007.
5. Plan de préparation de la REDD 2010 – 2012. R-PP Draft. Ministère de l'environnement, conservation de la nature et tourisme. Kinshasa. DCongo.
6. PNFoCo (2008). Ministère de l'environnement, conservation de la nature et tourisme. Kinshasa. D.R. Congo.
7. Contrat d'activité RED-A 023/09 Rev.1 (F) : Appui technique pour le développement d'un inventaire forestier national dans la République Démocratique du Congo pour évaluer le stock de carbone et changement dans le stock de carbone dans les terrains forestiers, mars 2010.
8. Echange de notes signées entre le Gouvernement de la République Démocratique du Congo et le Gouvernement du Japon pour la protection des forêts de la RDC, juillet 2010.
9. Ministère du budget. Projet de budget 2006, RD Congo.
10. Ministère du budget. Projet de budget 2007, RD Congo.
11. Ministère du budget. Projet de budget 2008, RD Congo.
12. Ministère du budget. Projet de budget 2009, RD Congo.
13. MECNT, March 03, 2009. Project Appraisal Document on a Proposed International Development Association Grant In The Amount of SDR 42.3 Million (US\$64.0 Million Equivalent) and a Grant from the Global Environment Facility Trust Fund in the Amount of US\$6.0 Million to the Government of the Democratic Republic of Congo for a Forest and Nature Conservation Project.
14. Wilkie and Carpenter, Bush meat hunting in the Congo Basin, 1999.
15. MECNT, Rapports du Groupe Thématique Forêts et conservation de la nature (2006 à 2010).
16. MECNT (2005), Agenda prioritaire des reformes.

Annex 2

**Major Projects Financed by the Bank and/or other Agencies
Democratic Republic of Congo**

FOREST AND NATURE CONSERVATION PROJECT

PROJECT	GEOGRAPHICAL and THEMATIC FOCUS	PERIOD and TOTAL USD <i>(1 Euro = 1.5 USD)</i>
IDA/GEF-4 <i>Forest and Nature Conservation Project (PFCN)</i>	<p align="center">Total, All Donors</p> <p align="center"><i>Total includes ongoing projects and commitments communicated by the Govt and/or concerned donor. Time frame of upcoming projects often hard to anticipate</i></p> <p>MECNT central level, Maiko National Park, and three pilot provinces : Bandundu, Equateur, and Orientale <i>Institutional Capacity Building</i></p>	<p align="center">~ 361 million USD</p>

	<i>Rural Community Development</i>	
<i>Program (PPEBC)</i>	<i>Conservation and Management of Biodiversity</i>	
AFRICAN DEVELOPMENT BANK	National level <i>DRC share of Regional Program: specifics to be determined</i>	~ 20 million USD 2009 – 2015
BELGIUM <i>FAO GCP/DRC/033/BEL Project to Develop and Implement Community based Forestry in DRC</i>	National level and in pilot sites: Lubumbashi, Lisala – Bumba, et Luki <i>Institutional Reform:</i> Support to the creation of a division of community forestry, definition of national approach to community forestry <i>Participatory management of Forest Resources:</i> Management of pilot community forests	2.55 million USD 2009 – 2012
BELGIUM <i>Support to ERAIFT via UNESCO</i>	Regional - Ecole Régionale d'Aménagement et de Gestion Intégrée des Forêts Tropicales (ERAIFT) <i>Institutional Support :</i> Technical training and education	0.15 million USD 2009
BELGIUM <i>Direct Support to ERAIFT - Scholarships</i>	Regional - Ecole Régionale d'Aménagement et de Gestion Intégrée des Forêts Tropicales (ERAIFT) <i>Institutional Support :</i> Scholarships	0.66 million USD 2009 - 2010
BELGIUM <i>Practical Model of Sustainable Natural Resource Management via WWF</i> BELGIUM <i>Support for Sustainable Development</i>	Regional - Biosphere Reserves: Luki and Yangami Reserves (DRC), Dimonika Reserve (ROC) <i>Management of Forest Resources:</i> Develop a model of sustainable development to serve as an operational guide for different sites	1.125 million USD 2009 – 2012

