Country Case Study*

ANALYSIS OF FOREST FINANCING IN THE DEMOCRATIC REPUBLIC OF CONGO

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For
UNITED NATIONS FORUM ON FORESTS
FIRST MEETING OF THE AD HOC EXPERT GROUP ON FOREST FINANCING

August, 2010

* 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 (Pygmies Documentation and Information Center)
CIFOR  : Center for International Forest Research
COMIFAC  : Commission des Ministres des Forêts d’Afrique Centrale (Central Africa Commission for Forests Ministers)
CONCED  : Convergence pour la Conservation et le Développement (Conservation and Development Convergence)
CPAR  : Country Procurement Assessment Review
CPPR  : Country Portfolio Performance Review
CU  : Coordinating Unit of MECNT
DDRRR : Programme de Désarmement, Démobilisation, Rapatriement, Réinstallation et Réinsertion (Program for Disarmament, Demobilization, Deportation, reinstatement and Reintegration)
DEP  : Direction des Études et Planification (Directorate of Studies and Planning)
DFGF  : Dian Fossey Gorilla Foundation
DGFR  : Direction de la Gestion Forestière (Directorate of Forest Management)
DPM  : Direct Payments Method
DRC  : Democratic Republic of Congo
DSG  : Directorate of General Services
DSRP  : DRC Poverty Reduction Strategy
EC  : European Commission
ECOACTION  : Entreprise Communautaire pour une Action Allocentrique (Community Company for Allocentrique Action)
ECOFAC  : Programme pour la Conservation des Forêts de l’Afrique Centrale (Central Africa Forests Conservation Program)
ERAIFT  : École Régionale d’Aménagement et de Gestion Intégrée des Forêts Tropicales (Regional school for Installation and Integrated Tropical forests Management)
ESIA  : Economic and Social Impact Assessment
ESMP  : Environmental and Social Management Plan
EU  : European Union
FAO  : Food and Agriculture Organization of the United Nations
FCNP  : Forest and Nature Conservation Project
FFI  : Fauna and Flora International
FLEG  : Forest Law Enforcement and Governance
FZS  : Frankfurt Zoological Society
GDP  : Gross domestic product
GEEC  : Groupe d’études Environnementales du Congo (Environmental Study Group)
GEF  : Global Environment Facility
GEO  : Global Environmental Objective
GIS  : Geographic information system
GRASP: Great Apes Survival Project Partnership
GTZ : German Technical Cooperation
HIMO : Haute Intensité de Main-d’oeuvre (High Labor Intensity)
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 (Congolese Institute for Nature Conservation)
IDA : International Development Association
IFMS : Integrated Financial Management System
IFR : Interim Financial Reports
IJZBC : Institut des Jardins Zoologiques et Botaniques du Congo (Institute of the Zoological and Botanical gardens of Congo)
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 : Maîtrise d’ouvrage déléguée (delegated management contract)
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 (Central Africa Forests observatory Satellite)
PDO : Project Development Objective
PER : Public Expenditure Review
PF : Process Framework
PFM : Public Financial Management
PFS : Project Financial Statements
PIDP : Programme d’Intégration et de Développement du Peuple Pygmée (Integration and Development of the Pygmy People Program)
PIU : Project Implementation Unit
PNFoCo : Programme National Forêt et Conservation (National Forest and Conservation Program)
PNG : Parc National de Garamba (National Park of Garamba)
PNV : Parc National de Virunga (National Park of Virunga)
PRGF : Poverty Reduction and Growth Facility
PRSP : Poverty Reduction Strategy Paper
QCBS : Quality and Cost Based Selection
RAPAC : Réseau des Ares Protégées d’Afrique Centrale (Central African Network of Protected Areas)
RAP : Resettlement Action Plan
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<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>REDD</td>
<td>Reducing Emissions from Deforestation in Developing Countries</td>
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<td>RPF</td>
<td>Resettlement Policy Framework</td>
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<td>SC</td>
<td>Steering Committee</td>
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<td>SEA</td>
<td>Strategic Environmental Assessment</td>
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<td>SEIA</td>
<td>Socio-Environmental Impact Assessment</td>
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<td>SEMP</td>
<td>Social and Environmental Management Plan</td>
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<td>SIDA</td>
<td>Sweden International Development Agency</td>
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<td>SIGEF</td>
<td>Système d’information de gestion forestière (<em>Integrated Forest Data Management System</em>)</td>
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<td>SOE</td>
<td>Statement of Expenditure</td>
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<td>SPIAF</td>
<td>Service permanent d’inventaire et d’aménagement forestière (<em>Permanent service of forest inventory and installation</em>)</td>
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<td>SPSE</td>
<td>Système de planification et de suivi évaluation (<em>Follow-up Evaluation and Planning System</em>)</td>
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<td>SSS</td>
<td>Single Source Selection</td>
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<td>SYGIAP</td>
<td>Système de Gestion d’Information sur les Aires protégées (<em>Management Information Systems for Protected Areas</em>)</td>
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<td>UK</td>
<td>United Kingdom</td>
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<td>UNDP</td>
<td>United Nations Development Program</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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<td>WCS</td>
<td>Wildlife Conservation Society</td>
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<td>WHS</td>
<td>World Heritage Site</td>
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<td>WRI</td>
<td>World Resources Institute</td>
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<td>WWF</td>
<td>World Wildlife Fund</td>
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<td>ZSL</td>
<td>Zoological Society of London</td>
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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 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.
II. COUNTRY CONTEXT

2.1. Country and sector issues

1. Peace and a democratically elected government offer hope that DRC’s natural resources can be managed to benefit the state, its people, and its global neighbours. The opportunity is enormous. DRC has the third largest population and second largest land area (equivalent to Western Europe) of all countries in sub-Saharan Africa. DRC’s forests are the second largest extent of tropical forest in the world (145 million hectares, about 62 percent of the national territory).

2. These forests are a strategic resource for many reasons. They are critical to the livelihood of about 40 million Congolese, providing food, medicine, domestic energy, building materials, and cash. They play a vital role in regulating the global environment. DRC ranks fifth among nations for its plant and animal diversity, and it has five natural World Heritage Sites, more than the rest of Africa combined. If they are conserved and managed well, DRC’s forests could provide many national and global benefits in perpetuity.

3. Equally daunting are the challenges. Decades of authoritarian rule and economic mismanagement, succeeded by four armed conflicts between 1996 and 2001, killed an estimated five million people and drove the economy and infrastructure into the ground. Today, peaceful areas coexist next to areas where violence and urgent humanitarian needs remain. The political environment is complex and fluid. What happens in DRC has serious ramifications. Seven of DRC’s nine neighbours have experienced major conflicts in the last two decades.

2.2. DRC’s Economy and effort for Sustainable Forest Management (SFM)

4. Following the emergence of a durable peace process in 2001, substantial progress has been made in overcoming the legacy of mismanagement and conflict, and in establishing effective institutions of government. The December 2006 elections marked an important moment in Congolese history when the government, parliament and local authorities assumed power through a democratic process, with intensive support from the international community. With a new cabinet appointed in February 2007, the post-election period has provided a new opportunity to push forward much needed reforms. An important dividend of the peace process and subsequent political consolidation has been the return to a degree of economic stability. As a result, economic growth turned positive in 2002 and has remained above 5 percent since. In 2008, economic growth reached about 8%. These efforts have been rewarded by strong private sector investment flows, particularly in the mining sector.

5. Since September 2008, DRC’s economic prospects have sharply deteriorated as a consequence of the international financial crisis which abruptly impacted the mining sector. In addition, the country faced a security and humanitarian crisis in the North Kivu province following the resurgence of the conflict in late August 2008. The recently approved IDA-funded $100 million Emergency Project to mitigate the impact of the financial crisis is seen as a stopgap until the government’s policy responses can take effect. The Emergency project
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 with the forest reform agenda, rehabilitating dysfunctional forest and conservation institutions, introducing good governance in the management of natural resources, supporting forest communities in planning, and implementing development initiatives continue to be high priorities for the DRC government program and the PRSP.

2.3. Abundant natural resource wealth and continued vulnerability

6. Persistent poverty stands in stark contrast to the country’s natural resource wealth. DRC forests are among the world’s most coveted and important. They include half of Africa’s rainforests (86 million hectares), as well as dry forests (45 million hectares), swamp forests (9 million hectares), and mountain forests (5 million hectares). The country has fertile soils, ample rainfall, and immense water resources. Its enormous mineral wealth includes copper, cobalt, coltan, diamonds, gold, zinc, other base metals, and oil.

7. While annual deforestation rates have remained relatively low, at 0.27 percent for several years, deforestation can be locally very high and is generally associated with clearing land for agriculture, population growth and migration, poverty, and conflict. During the war, entire villages sought refuge in the forest (which sustained them at the expense of increasingly scarce wildlife) or in urban areas and refugee camps (which depleted the surrounding forests for fuel, building material, and cropland). In all instances, reducing deforestation calls for action outside the forest sector including innovation to improve agricultural productivity and alternative sources of income.

8. Bush meat consumption is higher in DRC than in any neighbouring country (three times as much extraction per square kilometer). While making a fundamental contribution to the income and protein intake of the poor, bush meat trade is the most serious threat to biodiversity after land conversion. The war left large swaths of forest practically depleted of wildlife, resulting in environmental losses and malnutrition in affected areas.

9. Most logging is carried out by artisanal companies which supply the local and regional markets. Industrial timber exports from DRC are modest, less than 15% the exports of Gabon or Cameroon which have only a fraction of DRC’s forest resources. Yet, the stage was set long ago for Congo’s forests to be plundered as soon as peace and rebuilt infrastructure permitted. Even before the war began, speculative interests controlled the vast majority of DRC rainforests. By the time the war ended, an area twice the size of the United Kingdom (more than 43 million hectares) was under 285 logging contracts. Few of these contracts had been awarded transparently or competitively; none of them was designed to benefit anyone except the contract holder—not the government, and certainly not local and indigenous people, who were neither consulted nor expected to receive benefits from logging operations. In some locations, logging permits, mining concessions, national parks and farmland occupy the same forest space, which often spurs conflict and mismanagement.
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 markets; iv) ensuring that timber production is organized around sound social and environmental sustainable principles; v) introducing transparency and participation of civil society, rural people and indigenous communities into all aspects of forest conservation and management.

11. The political will demonstrated by the DRC government for this undertaking has generated wide international interest and generous pledges of donor support, around which the government has designed a comprehensive national sector development program called PNFoCo (from its French name Programme National Forêt et Conservation). However, challenges remain immense. Management models adapted to the special circumstances of the DRC are still to be tested. National institutions need to be reconstructed from the ground up. Trust and collaboration among the administration, the private sector and rural and indigenous communities needs to be established. While there is ground for optimism, expectation must remain realistic. Improvements can only be achieved incrementally and in modest steps both functionally and geographically.

2.5. Rationale for World Bank involvement and other Donor’s support

12. The rationale for World Bank involvement is provided by the 2002 World Bank Forest Policy and Strategy, by the significant Bank engagement in supporting DRC policy reforms, and by the strong government demand for further collaboration.

2.5.1. World Bank engagement in the forest sector in DRC

13. As it first engaged in DRC at the end of the conflict, the Bank’s immediate concern was to help develop a legal and institutional framework that reflected DRC’s determination to manage its national forests in a sustainable, equitable and participatory way.

14. In 2002, the government approved a new Forest Code which, for the first time, presented a holistic view of forest resources. The Code emphasized forests’ multiple social, economic, and environmental values; recognized the rights of traditional forest users (including indigenous people); envisaged doubling the size of DRC’s protected areas and trading environmental services in the emerging global market.

15. Along with the new Forest Code, the government launched a forest reform agenda that included: (i) cancellation of 25.5 million hectares of patently illegal logging contracts; (ii) a
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

19. It should be noted that since the end of the war, ODA to DRC focused mostly on demobilizing and reintegrating armed groups into civil society, rehabilitating infrastructure, health, and education, and that only nominal resources were assigned to the field of natural resources. The government’s request for investments in the forest and nature conservation sectors grew stronger and stronger after 2005 when the Government was able to mobilize a
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. Donor and nongovernmental organizations participated in preparing PNFoCo, which has an estimated overall cost of US$ 250–million between 2009 and 2016. The program has already received pledges of support from various donors. The major related projects financed by the Bank and other Agencies are listed in the annex 2.
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 prospection, 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 fulfill 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 ha of forest out of the 45 million ha of existing forest concessions in 2002. Forest titles thus went from 156 to only 70 titles, covering today about 12 million ha;
5. Upholding the moratorium on all new forest allocation until satisfactory governance is achieved in selected forest concessions;
6. Continuation of the fiscal reforms engaged since 2004;
7. Fight against illegal exploitation with the assistance of an international Independent Observer;
8. Implementation of cahiers de charge so that timber exploitation can effectively benefit local communities and indigenous people;
9. Adoption of transparent forest allocation procedures;
10. Obligation to produce and implement management plans ahead of any forest exploitation;
11. Promoting innovative management and finance models centred on payment for environmental services rendered the world community and serving local development needs;
12. Large scale protection of natural forests, which are designed to grow to 38 million ha representing 15% of the national estate;
13. Support to the development of community forests to the benefit of local communities and indigenous people.
14. Rehabilitating national parks and other protected areas destroyed by the recurrent wars undergone by the country and the whole Great Lakes region;
15. Consolidating and financing the Forest and Nature Conservation Program, which contains priority actions needed for sustainable forest management and the management of protected areas. This program is a precondition to the National forest program.
16. Imminent signing of voluntary partnership agreements with the EU within the framework of the FLEGT process, in order to strengthen forest governance (monitoring of legality and traceability of countries’ wood exports to the EU market;
17. Development of harmonized ATO-ITTO Criteria and Indicators (C&I) for sustainable management and certification of forest concessions.
18. And more

VIII. Current needs and hurdles with regards to forest funding, including implementation of the non-legally binding instrument on all types of forests and achievement of the 4 global objectives on forests.

28. Major persistent constraints slow down the political will of the DRC government for sustainable forest management. Prominent are the difficulty of mobilizing sufficient financial means to implement PNFoCo and the insufficient number of trained experts in forestry (forest engineers, qualified technical forest engineers, etc.). The country is now in post conflict, the bulk of state revenues is oriented toward the payment of salaries of public servants and rebuilding the country whose infrastructures are in an advanced stage of degradation.

29. Moreover, most of DRC’s income is allocated to the payment of the external debt, which is over $14 billion. All DRC forest funding provided by development partners and external funders are shown in Annex 2. This table present the status of the financial assistance received or expected from major partners in support of the DRC priority reform agenda and PNFoCo. This financial assistance is about $360 million of which $280 million has already been confirmed by the donors. On the other hand, the DRC contribution is only about 0.1% or $0.360 million. In order to implement the PNFoCo, the financial needs of DRC are estimated at $250 million between 2009 and 2016.
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, WCS, WRI, WWF, and others.

9.2. Level of financial flows and the effectiveness of financial resources for SFM, including public, private and philanthropic funds, as well as internal and external resources.

33. The level and effectiveness of public, private, philanthropic and national financial resources for SFM, including external funds and resources (Annex 2) are difficult to establish. In fact, for more than 20 years, the Ministry in charge of forests prepared its ordinary budgets and investment without ever releasing them. The bulk of the funds budgeted and released concern mainly the payment of public debt servicing, the fight against recurrent internal armed conflict, salaries of civil servants and financing of certain foreign travel.

9.3. Partnerships between the holders and users of forest resources/products/services including Indigenous People.

34. In its legislative and regulatory framework, especially the 2002 Forest Code and some implementing regulations, the DRC now recognizes the real owners and users of forest resources / products / services, including indigenous peoples and NGOs, as stakeholders in sustainable forest management. In practical terms, this recognition has resulted in the involvement of local communities and indigenous peoples and local NGOs, in the forestry law development process, the legal review of old logging titles and the development of the National Forest and Nature Conservation Program (PNFoCo).
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.

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.

The main problems, difficulties, challenges and constraints faced by the DRC with regard to forest financing include the following:
- Recurring political unrest;
- post conflict situation;
- Low resources provided by the government to support GDF;
- Failure by the Government to execute the ordinary and investment budgets in favor of structures responsible for the sustainable management of forests;
- Poor enforcement of laws and regulatory provisions;
- Lack of coordinated and streamlined research projects;
- Low capacity of stakeholders;
- Lack of statistics on the forest sector;
- Low income generated by the forest sector due to the low annual production of wood, which for years has been below 500,000 cubic meters per year.

9.5. Regional/National Investment Forum in forestry as well as experiences on the payment for environmental services.

At the regional level in Central Africa, the DRC is among the ten member countries of the Commission of Central African Forests (COMIFAC) (Burundi, Cameroon, Congo, Gabon, Equatorial Guinea, Central African Republic, Democratic Republic of Congo, Rwanda, Sao Tomé & Principe, and Chad). Dense forests and wetland areas of the COMIFAC countries, covering nearly 227 million hectares, represent one of three major tropical woodlands on the
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.


- The weight of the national debt of the DRC increases the pressure on the exploitation of natural resources to meet debt payments;
- The initiatives on debt relief are likely to provide funds for the sustainable management of forest ecosystems through debt-conversion for environment (debt-for-nature) and in favor of the Heavily Indebted Poor Countries (HIPC);
- The DRC reached its completion point in June, 2010 allowing better funding of SFM;
- The autonomous financing mechanism of the Convergence Plan of COMIFAC adopted by the Council of Ministers in 2005 has been slow to develop because of problems in the socioeconomic development of member countries.

X. Recommendations

42. Settings, questions and actions that the DRC considers crucial for financial strategies for sustainable forest management include:
– Improvement of access to forest finance;
– Mobilization of sufficient resources, including REDD+ process;
– Efficient and effective use of available resources;
– Amelioration of coordination of actions and financing in favour of sustainable forest management;
– External supports needs;
– Mobilization of new sustainable financing;
– Reinforcement of the capacities of country experts in emergent themes such as REDD+, PES, APA, etc;
– Transfer of technology and expertise.

43. Given DRC’s incapacity to finance SFM on its own, the country desires redundant to establish a sustainable financing mechanism in collaboration with UNFF. In that regard, the DRC supports the declaration of the Group of 77 and China at UNFF8 aiming at the establishment of a world fund dedicated to forests. Moreover, the DRC remains committed to the position of the COMIFAC countries which recognize that over $1.7 billion US is needed to implement the sub-regional convergence plan.

44. Regarding the financial mechanism for forests at a world-scale level:

1. The DRC painfully recognizes the existing weak financial mechanism identified by a special expert group;
2. Gaps in the financial mechanism must be filled;
3. Years of current ineffective access to funds points to potential solutions;
4. The DRC opts for world funds for its forests in order to fulfil insufficiency observed in the principal existing mechanism and to change the myopic view of forests into a vision that includes other domains such as those of environment, biodiversity, climate change, barren, etc.
5. DRC financial mechanisms must be reinforced in order to mobilise more resources for the forests.

45. The DRC judges that it’s important and urgent to find a fund dedicated to forests. Such a fund can be facilitated by the UNFF whose mission is to prepare the groundwork for establishing a world fund dedicated to forests. By 2015 the results of the implementation of a non-legally binding instrument on all types of forests should be evident. Thus, by the next session of the UNFF a fund dedicated to forests may very well be effective and strategies can be proposed for a simplified and stronger financial mechanism. In addition, the DRC supports all new creative initiatives in forest financing.
Annex 1: List of essentials files used to produce this report

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.
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.
16. MECNT (2005), Agenda prioritaires des reformes.
## Annex 2

### Major Projects Financed by the Bank and/or other Agencies

Democratic Republic of Congo

**FOREST AND NATURE CONSERVATION PROJECT**

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>GEOGRAPHICAL and THEMATIC FOCUS</th>
<th>PERIOD and TOTAL USD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total, All Donors</strong></td>
<td>Total includes ongoing projects and commitments communicated by the Govt and/or concerned donor. Time frame of upcoming projects often hard to anticipate</td>
<td>~ 361 million USD</td>
</tr>
<tr>
<td><strong>IDA/GEF-4</strong>&lt;br&gt;Forest and Nature Conservation Project (PFCN)</td>
<td>MECNT central level, Maiko National Park, and three pilot provinces: Bandundu, Equateur, and Orientale&lt;br&gt;- Institutional Capacity Building: infrastructure, equipment, managerial functions, training, forest management and control, project coordination&lt;br&gt;- Participatory Management of Forest Resources: zoning, consultations, environmental services, development and diversification of socioeconomic activities&lt;br&gt;- Participatory Management of Protected Areas: Institutional support to ICCN, rehabilitation of Maiko Park</td>
<td>70 million USD 2009 – 2013</td>
</tr>
<tr>
<td>Multi-Donor Trust Fund&lt;br&gt;Belgium, France, EU, Germany, Luxemburg, Netherlands, UK</td>
<td>National level&lt;br&gt;- Institutional Reform: Good governance and implementation of DRC Forest Code</td>
<td>7 million USD 2008 – 2009</td>
</tr>
<tr>
<td><strong>CARBON FINANCE</strong>&lt;br&gt;Ibi Batéké Carbon Sink Plantation</td>
<td>Batéké Plateau&lt;br&gt;- Carbon Sink: Sequester CO2 through fast growing forest plantations on grass savannahs covering 7,500 ha over five years</td>
<td>4 million USD Part I implemented 2007 – 2012</td>
</tr>
<tr>
<td><strong>REDD PREPARATION</strong></td>
<td>National level&lt;br&gt;- Institutional Capacity Building: Preparation of an R-Plan</td>
<td>0.2 million USD 2008 – 2009</td>
</tr>
<tr>
<td><strong>REDD IMPLEMENTATION</strong></td>
<td>National and Site level&lt;br&gt;- Carbon Sink: Implementation of activities specified in R-Plan</td>
<td>3.4 million USD in negotiation start after REDD preparation phase</td>
</tr>
<tr>
<td><strong>REDD SCALE UP</strong></td>
<td>National and Site level&lt;br&gt;- Carbon Sink: Replication of activities pursued in implementation phase and addition of new, promising Carbon sequestration activities</td>
<td>TBD</td>
</tr>
<tr>
<td><strong>GEF-3</strong>&lt;br&gt;Rehabilitation of National Park network in DRC</td>
<td>National level and two parks: Garamba National Park and Mkeno Sector of Virungas National Park&lt;br&gt;- Institutional Capacity Building: Support to ICCN and identification of new protected areas at the national level&lt;br&gt;- Participatory Management of Protected Areas: Rehabilitation of two national parks and their peripheries</td>
<td>7 million USD 2009 – 2013</td>
</tr>
<tr>
<td>Country</td>
<td>Program (PPEBC)</td>
<td>National level</td>
</tr>
<tr>
<td>-------------------------</td>
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<td>------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>BELGIUM</td>
<td>FAO GCP/DRC/033/BEL Project to Develop and Implement Community based Forestry in DRC</td>
<td>National level and in pilot sites: Lubumbashi, Lisala – Bumba, et Luki</td>
</tr>
<tr>
<td>BELGIUM</td>
<td>Support to ERAIFT via UNESCO</td>
<td>Regional - Eco Régionale d’Aménagement et de Gestion Intégrée des Forêts Tropicales (ERAIFT)</td>
</tr>
<tr>
<td>BELGIUM</td>
<td>Direct Support to ERAIFT - Scholarships</td>
<td>Regional - Eco Régionale d’Aménagement et de Gestion Intégrée des Forêts Tropicales (ERAIFT)</td>
</tr>
<tr>
<td>BELGIUM</td>
<td>Practical Model of Sustainable Natural Resource Management via WWF</td>
<td>Regional - Biosphere Reserves: Luki and Yangami Reserves (DRC), Dimonika Reserve (ROC)</td>
</tr>
<tr>
<td>BELGIUM</td>
<td>Support for Sustainable Development</td>
<td>Muanda and Thsela (Bas-Congo)</td>
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<tr>
<td>BELGIUM</td>
<td>FLEGT Initiative</td>
<td>National level</td>
</tr>
<tr>
<td>EUROPEAN UNION</td>
<td>Support to development of community forests</td>
<td>Batéké Plateau</td>
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<tr>
<td>EUROPEAN UNION</td>
<td>Fuelwood project</td>
<td>Goma</td>
</tr>
<tr>
<td>EUROPEAN UNION</td>
<td>ECOFAC</td>
<td>Regional level (Central Africa) and Salonga National Park</td>
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<tr>
<td>EUROPEAN UNION</td>
<td>Support to reform ICCN and UZBC</td>
<td>National level</td>
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<tr>
<td>EUROPEAN UNION</td>
<td>Support to ERAIFT</td>
<td>Ecole Régionale d’Aménagement et de Gestion Intégrée des Forêts Tropicales (ERAIFT)</td>
</tr>
<tr>
<td>EUROPEAN UNION</td>
<td>Support to management of Garamba Park</td>
<td>Garamba Park</td>
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<tr>
<td>EUROPEAN UNION</td>
<td>Virunga Park and Salonga Park</td>
<td></td>
</tr>
<tr>
<td>Support to management of Virunga and Salonga Parks</td>
<td>• Protected Area Management: infrastructure (buildings), guard training, antipoaching, revenue generating activities</td>
<td>2005 – 2008</td>
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<tr>
<td>EUROPEAN UNION Great Virunga Project</td>
<td><strong>Virunga Park</strong> • Cross-border Collaboration: Support to tri-national collaboration with Rwanda and Uganda • Protected Area Management: Follow up on rehabilitation activities initiated by the first project, apply and implement institutional reforms, recruitment and training of personnel, tourism development</td>
<td>~ 20 million USD 2009 – 2014</td>
</tr>
<tr>
<td>EUROPEAN UNION Support to development of small and medium-sized enterprises (via FAO)</td>
<td><strong>Regional (Central Africa) and National levels</strong> • Capacity building of small and medium sized enterprises associated with Non-Timber Forest Products (NTFP): Information collection, identification of NTFP and targeted groups, Technical and business management training, market information</td>
<td>3.5 million USD 2007 – 2009</td>
</tr>
<tr>
<td>EUROPEAN UNION Support to Monitoring of the Illegal Killing of Elephants (MIKE)</td>
<td><strong>National level</strong> • Forest Resources Management: Support to MIKE in DRC, Phase II</td>
<td>0.8 million USD 2006 - 2009</td>
</tr>
<tr>
<td>FRANCE Development of a training program in environment and forestry</td>
<td><strong>Regional (Central Africa – RIFFEAC) and National levels</strong> • Institutional Capacity Building: Technical assistance in the definition and implementation of a national forest and environment training and education strategy, workshops, training of forest personnel</td>
<td>0.2 million USD 2008 – 2009</td>
</tr>
<tr>
<td>FRANCE MECNT Capacity Building</td>
<td><strong>National level</strong> • Institutional Capacity Building: Technical assistance and counsel to the Minister</td>
<td>1.5 million USD 2008 – 2011</td>
</tr>
<tr>
<td>GEF – PNUD Protected Area Management and ICCN</td>
<td><strong>All protected areas managed by ICCN, with special emphasis on two parks in Katanga:</strong> Upemba NP and Kundelungu NP • Management of Protected Areas: Support to protected area management area management</td>
<td>6.3 million USD 2004 – 2008</td>
</tr>
<tr>
<td>GERMANY (GTZ/KFW) Biodiversity and Forest Program (PBF)</td>
<td><strong>National level and two parks:</strong> Kahuzi Biega National Park (PNKB) and Okapi Faunal Reserve (RFO) • Institutional Capacity Building: Support to ICCN, development of forest institutions and policy, technical assistance in forest certification • Protected Area Management: Implementation of national conservation law in protected areas</td>
<td>4.5 million USD from GTZ, with potential for an additional 4.5 million, 2008 – 2010 16.5 million USD from KFW to be implemented 2008-2010</td>
</tr>
<tr>
<td>UNESCO – UNF Virunga Project Major Donor: Belgium</td>
<td><strong>Virunga National Park</strong> • Protected Area Management: Paid primes in Virunga Park (2006), relocation and boundary marking, protection of mountain gorillas, control of illegal logging</td>
<td>0.45 million USD 2006 – 2009</td>
</tr>
<tr>
<td>UNESCO – UNF World Heritage Partnership for DRC Major Donor: Belgium</td>
<td><strong>World Heritage Sites (WHS) in DRC</strong> • Protected Area Management: Strengthen international partnerships, build management capacity in WHS, develop monitoring system and emergency action plans for WHS</td>
<td>3.1 million USD 2007 – 2009</td>
</tr>
<tr>
<td>UNITED KINGDOM Congo Basin Forest Fund (FFBC) - Preparation Funds</td>
<td><strong>National level</strong> • Institutional Capacity Building: Support to MECNT coordination with provincial level and MECNT restructuring; Training program</td>
<td>8 million USD 2008 – 2010</td>
</tr>
<tr>
<td><strong>UNITED STATES (USAID)</strong>&lt;br&gt;Central Africa Regional Program on the Environment (CARPE)</td>
<td><strong>SWEDEN (SIDA)</strong>&lt;br&gt;Virunga Park</td>
<td><strong>NONGOVERNMENTAL ORGANIZATIONS</strong>&lt;br&gt;Core funding contributions</td>
</tr>
<tr>
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</tr>
<tr>
<td><strong>Participatory Management of Forest Resources</strong>: Community forest management</td>
<td><strong>Participatory Management of Forest Resources</strong>: Macrozoning of forest landscapes, community development, protection/conservation of natural resources and biodiversity</td>
<td>Core funding contributions from NGO private sources comes from the following organizations:</td>
</tr>
</tbody>
</table>
| **Five forest landscapes**: Maringa-Lopori-Wamba; Lac Tumba; Salonga-Lukenie-Sankuru; Ituri-Epulu, -Aru; Maiko-Tayna-Kahuzi-Bienga | **WWF in Virunga**: Participatory Management of Protected Areas: Community conservation and environmental education activities in and around Virunga Park | • International Gorilla Conservation Program (IGCP, consortium of WWF, FFI, and AWF)  
• Wildlife Conservation Society (WCS)  
• African Parks Foundation  
• Zoological Society of Milwaukee (ZSM)  
• Diane Fosse Gorilla Fund International  
• Conservation International  
• Gilman International Conservation  
• Milwaukee University  
• Lukuru Wildlife RF  
• Frankfurt Zoological Society |
| 60 million USD  
2006 – 2011 | ~ 1 million USD  
2007 – 2010 | ~ 6.1 million USD  
2006 - 2011 |

In: 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. MECNT, March 03, 2009.