

PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: **PIDC273**

Project Name	National Parks Network Rehabilitation Project - Additional Financing
Region	AFRICA
Country	Congo, Democratic Republic of
Sector(s)	Public administration- Agriculture, fishing and forestry (100%)
Theme	Biodiversity (100%)
Lending Instrument	Specific Investment Loan
Project ID	P127437
Borrower(s)	Democratic Republic of Congo
Implementing Agency	Ministry of Environment, Nature Conservation and Tourism
Environmental Category	A-Full Assessment
Date PID Prepared	09-Aug-2013
Estimated Date of Appraisal Completion	30-Sep-2013
Estimated Date of Board Approval	12-Dec-2013
Concept Review Decision	Track II - The review did authorize the preparation to continue
Other Decision	

I. Project Context

Country Context

The Democratic Republic of the Congo (DRC) is the second largest country of the continent with an area of 2.34 million km², bordering on nine countries. The country is rich in natural resources and minerals, has the second largest contiguous tropical rain forest block in the world, fertile land, and huge hydroelectric potential. Yet, it is currently the world's poorest country, with a 2012 GDP per capita (US\$272) just over one third of the level it was at its high point in 1979.

The DRC is now slowly emerging from decades of major conflicts and mismanagement, with their attendant devastating impacts on its economy, institutions and social fabric. Most sectors are showing modest improvements, such as in the health sector and in education (gross enrollment rates of primary education increased from 64 percent in 2007 to 93 percent in 2011). However the eastern Congo, where the PREPAN project area is located, remains fragile.

Sectoral and Institutional Context

The DRC's rich biodiversity endowment makes it one of the world's 17 "megadiverse" countries. The country contains numerous priority conservation areas of global significance, including part of Conservation International's Eastern Afromontane Biodiversity Hotspot. In addition, it is covered in its entirety by ecoregions that the Worldwide Fund for Nature (WWF) has designated to be among the 200 most important globally for conservation. Some of Africa's most spectacular animals and birds are endemic to the DRC. The DRC's forests also constitute a vast carbon storage reservoir, a globally important public good.

Intended to protect the DRC's rich biodiversity, the national network of protected areas (PAs), covering 11 percent of the country, constitutes 7 national parks and 57 nature and hunting reserves, for a total of some 22 million ha. The global importance of many of these areas has been recognized internationally; five have the designation of UNESCO World Heritage Sites: the Virunga, Garamba, Salonga, and Kahuzi-Biega National Parks, and the Okapi Reserve. The country's national parks hold world-class natural treasures that, contingent upon political stability and infrastructure development, could form the basis of a significant ecotourism industry. By comparison, the much smaller neighboring Rwanda, with its more limited tourism resources, generated some US\$202 million in foreign exchange earnings in 2008 from its largely nature-based tourism sector. The Congolese Institute for Nature Conservation (Institut Congolais pour la Conservation de la Nature – ICCN) is the government agency charged with administering the PAs. ICCN manages the PA network with support from many partners, including bilateral and multilateral donors, as well as national and international conservation organizations. Nevertheless, biodiversity in the existing parks is subject to a variety of threats, principal among which are (i) hunting for the commercial trade in bushmeat and other wildlife products, (ii) cutting of wood for fire-wood and charcoal, often on a commercial scale, (iii) agricultural expansion, and (iv) weak capacity for management of the protected area system.

The financial situation of ICCN is precarious and highly dependent on donors. In 2012, ICCN was allocated US\$1 million in the national budget, of which it received only US\$18,000. Simultaneously, tourism revenues collapsed due to the renewed fighting in the Eastern Congo. In sum, ICCN's conservation funding, from government, revenues, and donors, is highly unstable and grossly inadequate. As a result of institutional weaknesses, lack of adequate funding, and conflict-related threats to the parks, many parks in the country are facing ongoing crises of biodiversity loss. UNESCO currently lists all five World Heritage Sites as being in peril.

Ongoing GEF-financed activities in DRC provide significant support to strengthen ICCN's financial management systems, and finance three delegated management contracts between ICCN and park management organizations. While the support ICCN receives from donors and other international partners has been vital in rehabilitating and maintaining the national protected area system, such sources of funding pose a number of constraints, in particular: (i) project-based financing does not provide a sustainable source of revenue to cover the recurrent costs of basic park management functions; (ii) most of these resources are managed outside the budget of ICCN, reducing the effectiveness of the annual budget planning exercise; and, (iii) the relatively short-term horizon of project-based financing constrains strategic planning for the national protected area system. Reviews of the German-supported Biodiversity and Forest Program, as well as the US-supported CARPE program and the ongoing EU support for institutional reform of ICCN highlight the need to establish a sustainable financing mechanism. ICCN and the Ministry of Environment, Nature Conservation and Tourism are therefore seeking to replace ad hoc area-specific funding support with a more sustainable funding strategy, in particular through the creation of a conservation trust fund (CTF), the Okapi Fund for Nature Conservation ("Okapi Fund").

Relationship to CAS

The World Bank's Country Assistance Strategy (CAS) for the DRC for FY13–16 focuses on four aims, the second of which is the development of the enabling environment for sustained and inclusive growth. The second of four strategic objectives – to boost competitiveness to accelerate private sector-led growth and job creation – supports the fourth pillar of the DRC's PRSP, which is to protect the environment and sustain the fight against climate change, and which specifically includes the management and conservation of biodiversity. The May 2012 Government Program - the implementation roadmap of the PRSP – also contains as one focal area the improved governance of the country's natural resources.

The Bank recognizes the importance of helping the DRC improve the management of its natural resources – in particular in the context of climate change mitigation, a cross-cutting issue recognized in the CAS – through support to government agencies and local communities involved in natural resource and environmental management. The proposed additional financing is consistent with these elements, in particular with respect to natural resource management and improved governance and institutional strengthening. It falls within the framework of the sector-wide forest and nature conservation program, and it complements a package of Bank assistance to the sector comprising an ongoing IDA forest sector grant, and preparation of a Forest Investment Program grant to support implementation of the national REDD+ strategy.

II. Proposed Global Environmental Objective(s)

Proposed Global Environmental Objective(s)

To enhance the capacity of ICCN for management of targeted protected areas.

Key Results

The proposed Project will achieve three key results:

- i. ICCN improves its financial management in line with international accounting standards;
- ii. Five key bio-indicator species (rhinos, giraffes, gorillas, elephants, hippos) remain stable compared with baseline at start of project in targeted protected areas; and,
- iii. By end of AF period, the Okapi Fund is receiving additional capital contributions from donors that were not part of the original set of contributors.

III. Project Description

The proposed Additional Financing is a direct extension of the ongoing GEF-supported National Parks Network Rehabilitation Project (PREPAN). PREPAN supported the preparatory work for the establishment of the Okapi Fund as part of its Component 1, which aimed to develop a sustainable financing strategy. The establishment of a CTF will be an important step in achieving the goals of the National Strategy for Nature Conservation, which aims at (i) institutional rehabilitation at the national level, and (ii) site-level management. The Okapi Fund will help reduce ICCN's financing gap for the targeted PAs by establishing the basis for a secure, predictable source of funding and enabling ICCN to more effectively manage and expand the DRC's PA system. Establishment of the Okapi Fund is included in the National Portfolio Formulation Document for the use of the GEF5 resources allocated to DRC, and the political and operational momentum and progress achieved for the creation of the Okapi Fund as part of PREPAN have been impressive. The AF would be an important step in bolstering PREPAN's project development objective and supports an ongoing reform process within ICCN which the current phase of PREPAN has begun.

Project Components

This proposal adds additional financing to Components 1 and 2 to continue and expand funding to existing efforts to enhance the capacity of the ICCN for management of protected areas, while adding Component 4 to the original design to create the Okapi Fund, thereby enabling the DRC to consolidate the results of the existing PREPAN project by creating the conditions for the country to receive and manage long-term conservation funding. Component 3 will remain unaffected by the AF.

Component 1: Support to Institutional Rehabilitation (GEF additional financing of \$ 0.24 million, IDA additional financing of \$0.75 million). This component will benefit from additional funds to enable ICCN to be an effective implementing partner to the Okapi Fund and to conduct its daily operations. While ICCN has made progress in recent years, it remains dependent on external support for both its daily operations as well as its institutional development. Institutional improvements in ICCN since the start-up of PREPAN have included the

development of procurement capacity, much improved financial management and disbursement capacities (in June 2013 the Financial Administration Department was restructured and a new Director named), and the creation of adequate decentralized financial management capacities in each of the major protected areas. While ICCN has made progress under PREPAN and with parallel support from Germany, capacity gaps remain with respect to effective monitoring of park management, financial management, human resource management, and planning and budgeting. The additional financing sought will help to consolidate the gains made under PREPAN to date, allowing ICCN to function more independently in the medium term and turning it into a more effective partner for the planned Okapi Fund. The combination of these two steps is expected to improve the long-term viability of the DRC's national parks system.

The Additional Financing will further the capacity building work already carried out under PREPAN, enabling ICCN to better coordinate with external partners, and helping promote an integrated approach to biodiversity conservation. The central functions of ICCN to be supported under this component include: (i) the coordination, monitoring, reporting, human resource management, planning and budgeting that ongoing daily operations and the Okapi Fund will require from ICCN; and (ii) the improvement of ICCN's financial management systems, including the publication of a yearly internal audit.

Component 2: Support to National Parks (GEF additional financing of \$4.0 million, IDA additional financing of \$0.40 million, KfW co-financing of \$26 million). The AF will add funding to existing activities in Garamba National Park (Sub-Component 2b), and extend funding to Kahuzi-Biega National Park (Sub-Component 2c), and add seed funding to the network of botanical gardens. Under this component, the two national parks will receive direct support that will be channeled through ICCN. Each will receive a total of about \$2 million over the five years of the project's lifetime, or about \$400,000/year. PREPAN already provides similar support to Garamba and Virunga National Parks, so the project will be able for the most part to continue with existing procedures and operational manuals. In the case of Garamba, the project will in fact be simply continuing with the successful existing program of support administered through African Parks Network (APN).

When the Okapi Fund is operational, expected shortly after effectiveness of the project, it will be desirable to channel remaining funds of Component 2 into its sinking fund window. This would not result in any change in the use of the funds but would imply heightened governance and different administrative arrangements and responsibilities. Such a channeling would have the effect of increasing the overall capital and prestige of the Fund, which would be positive for its reputation and for seeking additional financial support.

Sub-Component 2a: Support to Virunga National Park (IDA additional funds of \$0.4 million) will be phased out, however not without providing sufficient funds to complete community development activities already begun with the pygmy populations of the park. Funds for Virunga are currently implemented through the Frankfurt Zoological Society (FZS). Support from GEF funds for the Mikeno Sector will be discontinued in part because of the availability of other funds to support the park and because of the difficulty working specifically in the Mikeno sector due to security issues.

Sub-Component 2b: Support to Garamba National Park (GEF additional financing of \$2 million). The international NGO African Parks Network (APN) currently manages Garamba Park under an agreement with ICCN and they successfully manage the PREPAN funds for this sub-component. The additional financing is expected to consolidate the park management gains made, as evidenced by a METT Score that doubled from 39 to 78 during PREPAN's current phase.

Sub-Component 2c: Support to Kahuzi-Biega National Park (GEF additional financing of \$2 million). Funding for Kahuzi-Biega National Park will focus on park protection. Kahuzi-Biega's METT score has risen to 68 under the ongoing KfW project.

Component 3: Technical Studies and Consultations will remain unchanged. Funds under this component will be available through to the new closing date of PREPAN to support critical technical initiatives needed for ICCN to continue efforts to manage and extend the DRC's protected area network.

Component 4: Okapi Fund Establishment and Capitalization (GEF additional financing of \$7.4 million, IDA additional financing of \$1.5 million, KfW co-financing of \$19.2 million). A significant portion of the AF will go toward the establishment of a conservation trust fund, the Okapi Fund, in order to help ensure long-term sustainable financing of the country's park network.

Sub-Component 4.1: Okapi Fund Establishment and Capitalization (GEF additional financing of \$7.4 million, KfW co-financing of \$18.2 million). The Okapi Fund will be initially capitalized with \$25.6 million, of which \$7.4 million from the World Bank project which will constitute endowed capital, supplemented by an equal amount from KfW. Another \$10.8 million of KfW funds will be hybrid funds.. This sub-component's disbursement will be subject to the condition that the Okapi Fund can legally receive funds..

PREPAN has already co-financed significant preparatory work for the establishment of the Okapi Fund. As a result, key steps have already been completed, including the passage of necessary national decrees to enable the fund's establishment, background studies on the process and financial business model, the creation of a national steering committee to guide the establishment of the Fund, preparation of the draft articles for the Fund by a specialized UK firm, and selection of the Fund's Members and original set of Board directors.

To ensure an adequate legal structure, the fund is being registered as a charity under UK law, fully recognized as a foreign charity with legal capacity to operate in the DRC. The fund will be governed by an independent Board with a majority civil society and private sector membership, appropriate checks and balances, conflict of interest provisions, and succession procedures. This design has been agreed through a country-driven participatory process in close coordination with donors and partners. The roles of the Board will include approving and overseeing the Okapi Fund's investment strategy, annual work plan and budget (including the Okapi Fund's own management expenses and the funding that will be approved for the parks), annual activity reports, annual operational plans, and audits as well as attracting additional contributions to the Fund from new sources. An internationally recognized investment manager will manage the invested assets on the basis of guidelines provided by Board, which will include criteria for socially and environmentally responsible investing. An Executive Director, with support from a lean management unit, will be responsible for the implementation of the Board's decisions, and daily management. Funding allocation will be made on the basis of an operations manual.

The funds will be invested according to principles of prudent decision-making so as to generate income that will be used to cover management expenses and for providing continuing operational support to selected protected areas. Because the two parks – Garamba and Kahuzi-Biega – will be supported by Component 2 during the lifetime of the Bank project, operating expenses for those parks would only need to be covered after the close of the project, and the Fund can reinvest and grow its capital. In the future, subject to growth of the fund, additional protected areas could also be supported and eventually it is hoped it would provide support to the entire protected area network of the country.

Sub-Component 4.2: CTF Capacity Building (IDA additional financing of \$1.5 million, KfW co-financing of \$1 million). This new sub-component will build the capacity of the Fund’s directors, members, and staff to effectively set up and administer the fund. Great efforts have been expended over the last several years by the Government of the DRC and its partners to establish the fund. The process of creating a well-designed fund with good ownership from all key stakeholders has been complex and time-consuming. Activities that have already been completed include the passage of necessary national decrees to enable the fund establishment, background studies on the process and financial business model, the creation of a national steering committee (Comité de pilotage) to guide the establishment of the Fund, preparation of the draft Articles of Association for the Fund by a specialized UK firm, and selection of the Fund’s Members and Board Directors.

Actions that remain to be completed in order to finalize the establishment of the Okapi Fund will be supported in Year 1 of the AF by this sub-component (complemented by planned support from KfW) and include the following: finalization of the Articles of the Fund and its legal creation and recognition as a charity in the UK; preparation of by-laws; preparation of the Fund’s operations manual; hiring of an investment manager; preparation of an investment policy and guidelines; and selection and hiring of the Fund’s technical management team. These activities are ongoing, financed by the Government through PREPAN and by KfW, and many or all may be completed before project start-up in early 2014.

Once the Okapi Fund is established, this sub-component will continue to provide capacity building and support to the new Fund. This will include training, provision of specialized consultants, goods and operating costs for the Fund’s management team and for the Board, and a contribution to the costs of the Executive Director. Interest earned from the endowment fund will eventually cover the Fund’s management expenses but in the start-up years, experience from projects in other countries has shown that extra support is critical.

IV. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	X		
Natural Habitats OP/BP 4.04	X		
Forests OP/BP 4.36	X		
Pest Management OP 4.09	X		
Physical Cultural Resources OP/BP 4.11	X		
Indigenous Peoples OP/BP 4.10	X		
Involuntary Resettlement OP/BP 4.12	X		
Safety of Dams OP/BP 4.37		X	
Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60		X	

V. Tentative financing

Financing Source	Amount
BORROWER/RECIPIENT	3.00
Global Environment Facility (GEF)	11.64
International Development Association (IDA)	3.00
GERMANY KREDITANSTALT FUR WIEDERAUFBAU (KfW)	45.50
Total	63.14

VI. Contact point

World Bank

Contact: Douglas Graham

Title: Senior Environmental Specialist

Tel: 34117
Email: dgraham@worldbank.org

Borrower/Client/Recipient

Name: Democratic Republic of Congo
Contact:
Title:
Tel:
Email:

Name: Democratic Republic of Congo
Contact:
Title:
Tel:
Email:

Implementing Agencies

Name: Ministry of Environment, Nature Conservation and Tourism
Contact: Vincent Kasulu
Title: Directeur du Développement Durable
Tel: 243814510594
Email: kaseyamak@yahoo.fr

VII. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: <http://www.worldbank.org/infoshop>